August 2010
IMF Country Report No. 10/268

**Jamaica: 2010 First Review of the Stand-By Arrangement—Staff Report; Press Release on the Executive Board Discussion.**

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

- The staff report for the first review of the stand-by arrangement, prepared by a staff team of the IMF, following discussions that ended on May 18, 2010, with the officials of Jamaica on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 8, 2010. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A Press Release summarizing the views of the Executive Board as expressed during its June 23, 2010 discussion of the staff report that completed the request and/or review.

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

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**International Monetary Fund**
**Washington, D.C.**

INTERNATIONAL MONETARY FUND

JAMAICA

**Staff Report for the First Review of the Stand-By Arrangement**

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

Approved by Gilbert Terrier and Dominique Desruelle

June 8, 2010


**EXECUTIVE SUMMARY**

- **Context.** On February 4, 2010, the Executive Board approved a 27-month SBA in an amount equivalent to 300 percent of quota (SDR 820.5 million). The pillars of the program were: (i) fiscal consolidation and institutional reform, including fiscal responsibility legislation and Central Treasury Management; (ii) public debt restructuring, which was completed as a prior action under the program; and (iii) financial sector reform, including to improve consolidated supervision and the regulation of non-banks.

- **Economic developments.** Since the approval of the SBA and the completion of the debt exchange, which was far more successful than assumed in the program, financial market conditions have improved substantially: market interest rates have fallen to levels not seen since the 1980s and the foreign exchange market has stabilized. Financial institutions have been able to absorb the lower-than-expected valuation and income losses from the debt exchange, and there have been no requests for access to the Financial System Support Fund. Overall economic activity remains weak, although the tourism and agriculture sectors have performed well.

- **Review of program.** All quantitative performance targets and structural benchmarks for end-March were met and prospects for meeting the end-June targets and benchmarks appear favorable.

- **Appraisal.** Based on the overall satisfactory performance and the demonstrated strong ownership of the program, Staff supports the completion of the First Review of the SBA.

- **Discussions**. The mission, which visited Kingston during May 4–18, comprised Messrs. Alleyne (head), Faircloth, Guerson (all WHD), Grigorian (MCM), Konuki (SPR), and Simone (FAD). An MCM mission comprising Ms. Mitchell-Casselle and Ms. Elliott overlapped with the mission during its first week. Mr. Leon, the new resident representative, and Mr. Purves (OED) joined the mission in the second week. The mission met with the Minister of Finance, the Governor of the Bank of Jamaica (BOJ), senior Ministry of Finance and BOJ officials, and representatives from the private sector and the financial sector.

- **Outreach.** At the end of the mission, Mr. Alleyne and Finance Minister Shaw held a joint press conference. The overall tone of the local press coverage of the mission and the program was positive

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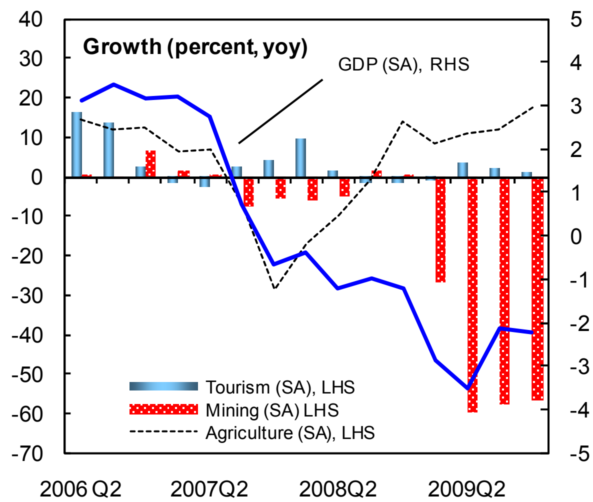
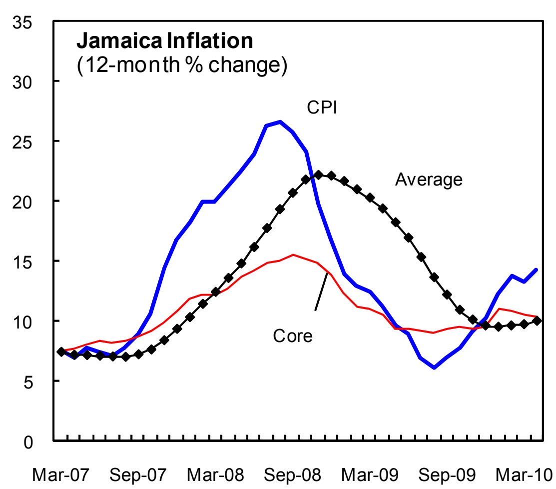
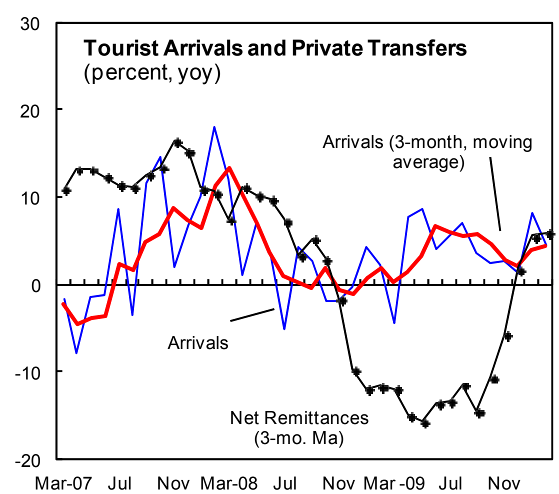
# I. Recent Developments and Outlook

1. **Although still weak, economic activity is somewhat better than originally anticipated.** Growth for FY2009/10 has been revised upward to -2½ percent (from -3½ percent in the program), as a result of better-than-projected performance in tourism and agriculture. Real GDP is now projected to increase by ½ percent in FY2010/11. The announced reopening of the Windalco alumina plant in June—six months ahead of schedule—is a positive development, while current drought conditions could temper gains in the agriculture sector. More generally, a loss in momentum in the global recovery and an increase in emerging market spreads owing to problems in Europe could stymie the expected rebound in domestic activity. Twelve-month CPI inflation at end-FY2009/10 was 13¼ percent (12¼ percent under the program), mainly reflecting unanticipated hikes in rural bus fares and the impact of recent tax and fiscal measures. Given weak domestic demand, price pressures are expected to remain subdued. Inflation is projected to decline to 7½ percent by end-FY2010/11. The external current account deficit in FY2010/11 would be wider than originally projected, primarily on account of higher international fuel prices. Reflecting weak economic activity, nonperforming loans (NPLs) rose to 5.3 percent of total loans in March compared with 3.1 percent a year earlier. However, provisioning levels remain relatively high, at 70 percent on average.



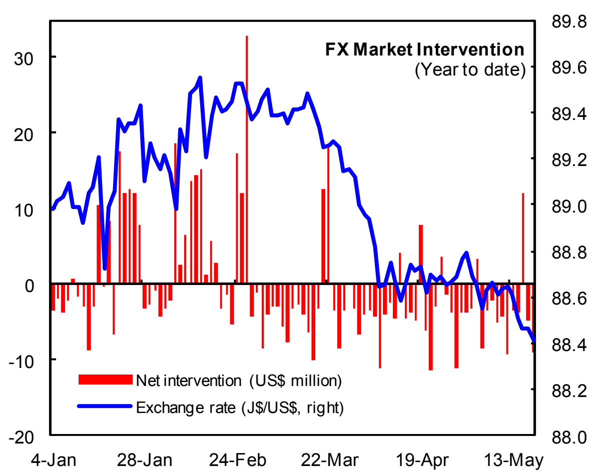



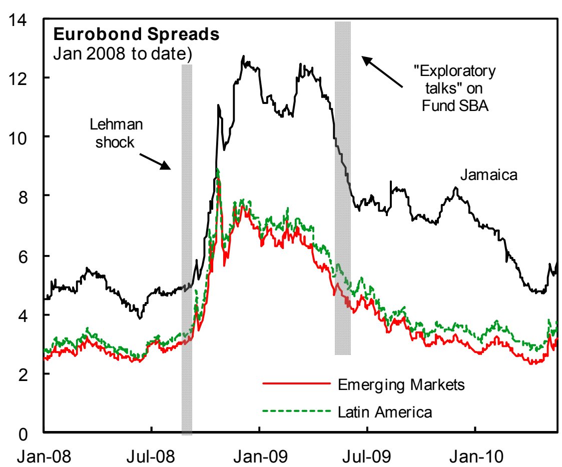

2. **Investor sentiment has improved significantly since the approval of the SBA and the Jamaica Debt Exchange (JDX), which was more successful than assumed in the program (Appendix 1).** Jamaican Eurobonds have rallied, with spreads falling by around 300 basis points, the new domestic securities are trading above par, and there has been a

modest appreciation of the Jamaican dollar. NIR rose to US$ 1¾ billion at end-March, exceeding performance target by a comfortable margin. In this environment, the Bank of Jamaica (BOJ) has lowered the 30-day policy rate to 9.5 percent, down from 12.5 percent in December and the government recently issued 6-month Treasury bills at 9.9 percent, the lowest level since the 1980s. Despite the potential risks associated with the JDX, the negative impact on financial institutions has been limited (Box 1). Bank deposits have remained stable and the securities dealers sector continue to enjoy a healthy rollover of repo contracts. Given the absence of entities facing capital or liquidity shortages, no financial institution has requested access the Financial System Support Fund (FSSF) (Appendix 2).

3. **Looking ahead, there is a risk that program performance could be adversely affected by the deteriorated security situation and recent external shocks.** In recent weeks, violence in Jamaica's capital arising from the government's decision to commence extradition of an alleged prominent criminal leader prompted the government to declare a one-month "state of emergency". While the situation has stabilized with no financial sector fallout, there is a risk that economic prospects may be affected through tourism channels and negative investor sentiment. In addition, the program-related legislative agenda could be disrupted as anti-crime legislation is accorded higher priority. In a recent statement Minister Shaw indicated that the authorities remain committed to the program targets.

4. **Spillovers from the Euro zone debt crisis risk also constitute a major risk.** Any loss of momentum in the global recovery and/or generalized increase in sovereign risk premia could threaten program objectives, by weakening economic activity and contributing to revenue shortfalls; increasing interest expenditures; and putting pressure on the current account. In such a scenario, debt dynamics would deteriorate relative to program projections.

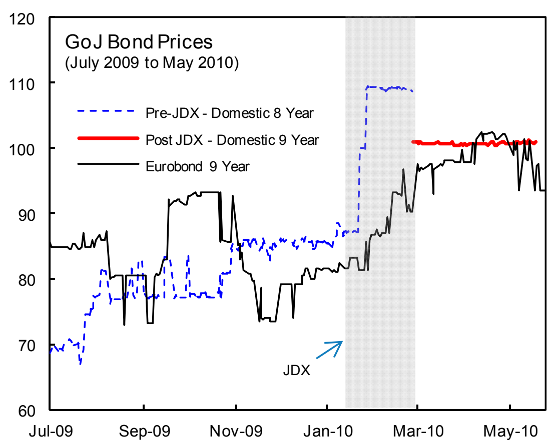


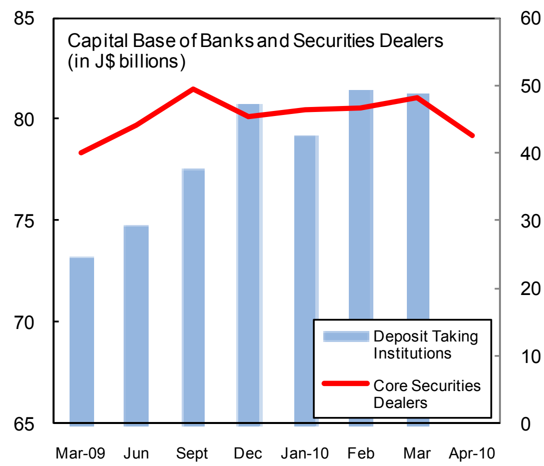



**Box 1: Impact of Jamaica's Debt Exchange on the Financial Sector**

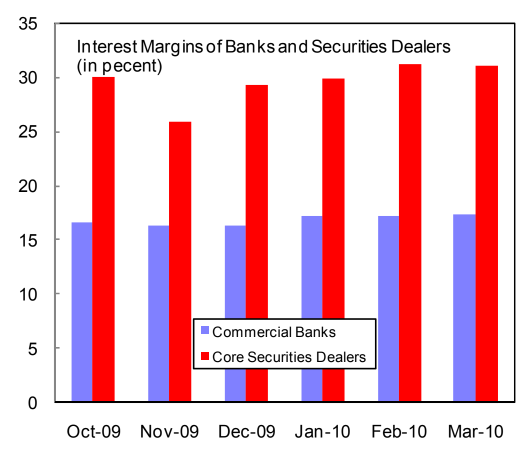
*The fallout of Jamaica's Debt Exchange (JDX) on financial institutions has been limited, reflecting positive market developments and institutional efforts to minimize negative balance sheet impacts.*

**Positive developments immediately prior to and since the launch of the debt exchange have played an important role in helping limit the upfront losses of financial intermediaries.** Key sources of risk to capital positions associated with declines in the market value of Government of Jamaica (GOJ) instruments; external margin calls; and a decline in deposits, have not materialized. In addition, positive market reception of the program strategy, including medium-term fiscal consolidation with IMF support, contributed to a decline in interest rates prior to the launch of the debt exchange. As a result, new bonds issued were valued at about par despite their lower interest coupons relative to the old bonds, resulting in no meaningful capital losses on balance sheets. Positive expectations about the program also resulted in a rally on Eurobonds prior to the JDX, further boosting capital positions as these bonds were largely held by domestic financial institutions. These developments were appropriately accommodated by central bank policy rates, which were reduced to about the level of the new bonds prior to the debt exchange. Post-JDX, the continued rise in the value of new bonds has helped further mitigate losses from the swap of old for new domestic bonds.




**Financial institutions have been proactive in their efforts to minimize interest income losses related to the JDX.** In the period leading up to the exchange, securities dealers actively repositioned their books toward shorter-term liabilities, thus allowing for the rapid pass through of reduced interest-income flows. As a result, net interest income margins have been largely maintained relative to the period prior to the exchange. Commercial banks have also endeavored to recoup lost GOJ interest income by lowering savings and deposits rates relative to lending rates and by the introduction of new banking fees. In addition, financial institutions have undertaken a range of cost cutting and efficiency measures, including downsizing and compensation reform to lower operating costs.



## II. Performance Under the Program

5. **Overall performance under the program has been strong, with all end-March quantitative targets met.** Stepped up tax administration efforts, combined with added containment in spending on goods and services and capital, facilitated meeting the primary balance and debt targets for the central government.[1] In addition, significant under-execution of capital spending in the public bodies resulted in a better- than-programmed outturn in their overall balance (Table 1).

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

| (in J$ billions) | Mar-10 | SBA PC for 1st Review end Mar-10 | Proj. Diff. | Status of SBA PC |
|---|---|---|---|---|
| **Fiscal targets** | | | | |
| 1. Primary balance of the central administration ( floor) 2/ | 67.5 | 66.9 | 0.6 | √ |
| 2. Overall balance of public entities (floor) 2/ | -17.5 | -29.6 | 12.1 | √ |
| 3. Central government direct debt (ceiling) 3/ | 1256.6 | 1260.4 | -3.8 | √ |
| 4. Cumulative net increase in central government guaranteed debt (ceiling) 2/ | 32.6 | 32.8 | -0.2 | √ |
| 5. Central government accumulation of domestic arrears (ceiling) 4/ | -0.4 | 0.0 | -0.4 | √ |
| 6. Central government accumulation of tax arrears (ceiling) 5/ | -0.3 | 0.0 | -0.3 | √ |
| 7. Consolidated government accumulation of external arrears (ceiling) 6/ | 0.0 | 0.0 | 0.0 | √ |
| **Monetary targets** | | | | |
| 8. Cumulative change in net international reserves (floor) 6/ | 22.5 | -672.7 | 695.2 | √ |
| 9. Net domestic assets (ceiling) | -79.2 | -49.1 | -30.1 | √ |

1/ Targets as defined in the Technical Memorandum of Understanding.
2/ Cumulative flows through April 1 to March 31.
3/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.
Includes adjustments for valuation changes and other program consistent adjustments (see MEFP Appendix 2).
4/ Includes debt payments, supplies and other committed spending as per contractual obligations.
5/ Includes tax refund arrears as stipulated by law.
6/ In millions of US dollars. Measured in program exchange rates. PC incorporated automatic adjusters specified in TMU.

6. **The authorities are advancing well with the structural reform agenda and all end-March structural benchmarks were met (Appendix 3).** In the fiscal area, a new Fiscal Responsibility Framework (FRF) was approved by Parliament in March (structural benchmark) containing several provisions that will significantly improve the public expenditure management system (MEFP, ¶4). On May 1, Caribbean Airlines assumed full financial responsibility for Air Jamaica's operations. The agreement with Caribbean Airlines allows for a transition period of 6–12 months to enable a seamless continuation of operations and service, and provides the government of Jamaica with a 16 percent share of the Trinidad and Tobago airline company (Appendix 4). In the financial sector area, a freeze was introduced in February on the issuance of new licenses for securities dealers whose business model is based on repos (structural benchmark). In March, the concept paper for an omnibus

[1] Despite the upward revision to growth, tax revenue underperformed relative to program projections in part because activity in agriculture—the sector showing stronger growth—is largely informal.

banking law to strengthen the oversight of the financial sector was revised with the support of technical assistance (TA) from the Fund (structural benchmark).

## III. Policy Discussions

7. **The authorities remain fully committed to the policies and objectives outlined in the January 2010 MEFP.** Policy discussions focused on the fiscal program for FY 2010/11, in particular revenue collections, expenditure restraint, and progress in the structural reform area.

### A. Fiscal Program for FY2010/11

8. **The authorities' FY2010/11 budget is consistent with the program commitments outlined in the January 2010 MEFP.** The primary surplus target is set at 5.3 percent of GDP (including divestment costs of Air Jamaica of about 1.5 percent of GDP), marginally lower than the original program target (5.5 percent of GDP including Air Jamaica divestment costs) due to the lower withholding income tax receipts as a result of the better-than-expected debt exchange (Box 2). The deficit target of the public entities remains at 1 percent of GDP. The central government direct debt ceiling is slightly higher as a percent of GDP owing mainly to the inclusion of the divestment costs of Air Jamaica and the takeover of debts of the Sugar Company of Jamaica (resulting in a commensurate decline in the stock of guaranteed debt) (MEFP Appendix 2). These are only partially offset by a lower interest bill following the debt exchange (see Box 2).[2] While accomodating the program's quantitative targets, the budget also focuses on protecting the most vulnerable by increasing social assistance programme spending by about 40 percent.[3]

9. **Given the challenging economic environment, it will be important to remain vigilant on containing spending and developing contingency plans in the event of revenue shortfalls:**

- *Revenue policy:* The revenue projections in the budget are realistic, with potential upside risks from recently-adopted measures to increase compliance.[4] Collections for the

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[2] The discovery of old "skeleton" debts is an ongoing process for the staff and the authorities. The 2008/09 and 2009/10 estimates of central government debt have been revised upward on account of a revised stock of domestic guarantees, debts issued in 2008/09 that were recorded by the authorities in 2009/10, valuation adjustments, and pre-financing operations in 2009/10 that were not included in the original program projections. The performance criteria for central government direct debt and central government guaranteed debt have been revised accordingly (MEFP Tables 3 and 4).

[3] The poverty rate in Jamaica has fallen from 20 percent in 1997 to 10 percent in 2007 (last available data).

[4] The measures adopted included: (i) Expanded special enforcement operations, resulting in the confiscation of delinquent taxpayer's assets; (ii) an extensive public relations campaign aimed at bolstering tax compliance; and (iii) the introduction of restrictions to travel outside Jamaica for taxpayers who are not up to date with their tax obligations. The authorities have also identified significant cases of fraudulent waiver issuances and taken legal action to recover lost revenues.

**Box 2. Impact of the Debt Exchange on Government Finances**

*The results of the debt exchange results were more favorable than projected in the program (Appendix 1). The amount of eligible bonds was significantly broader than envisaged, and the participation rate was higher, resulting in significantly larger savings.*

- ***Eligible bonds*****:** Eligible bonds included most domestic bonds, including variable rate bonds with a maturity of two years or more. The amount of eligible bonds thus amounted to US$7.8 billion compared with US$5 billion in the program.

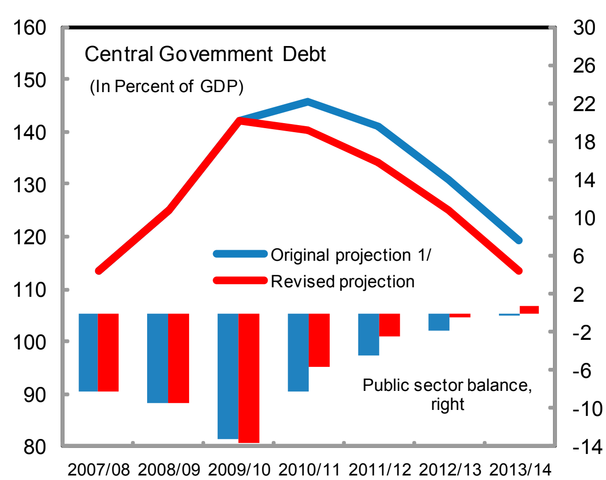
- ***Amounts exchanged***: The participation rate reached 99.2 percent compared with a participation rate of 80 percent envisaged in the program. As a result of both the broader universe of eligible bonds and a higher participation rate, the amount of bonds exchanged reached US$7.8 billion, compared with US$4 billion in the program.

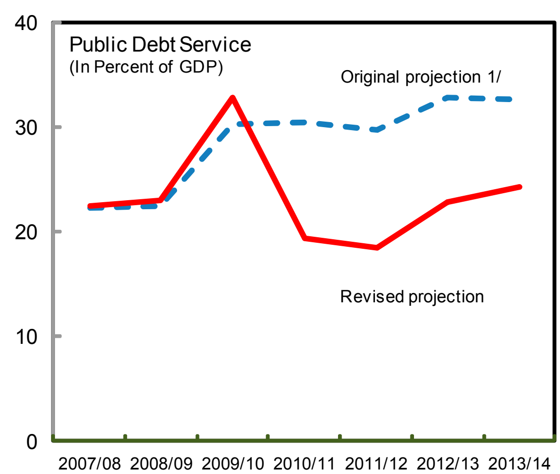
- ***Accrued interest on old bonds***. At the time of settlement (end-February), interest payments on the old bonds were significantly higher than estimated under the program, primarily reflecting the higher amount of bonds exchanged. These payments amounted to J$24.9 billion (2½ percent of GDP) compared with J$10 billion in the program.

- ***FY2010/11 interest bill***. The success of the exchange has resulted in a significantly lower interest bill projection for FY2010/11, at 11½ percent of GDP compared with 13½ percent in the program. In turn, this will lead to somewhat lower withholding income tax receipts for the government in FY2010/11 (¾ percent of GDP below original program projections).

- ***New amortization schedule***. Central government amortization payments will be lower than initially envisaged under the program. In FY2010/11, amortization payments are projected at 7.8 percent of GDP compared with 12.2 percent in the program (and down from 15.5 percent in FY2009/10).

- ***Improved debt dynamics.*** Based on the better-than-expected JDX results and the improved outlook for market interest rates, the improvement in fiscal balances and the debt ratio is projected to be faster than originally envisaged under the program.




1/ Based on the original program assumptions, but incldiung Air Jamaica divestment costs for comparability.

first two months of the fiscal year have been broadly in line with program projections. The authorities considered that new tax policy measures would have limited benefits in the event of revenue shortfalls, given their uncertain yields in a low-growth economic environment. Despite the authorities' plans to introduce new legislation aimed at implementing a formal policy on dividend and profit transfers by public bodies, the capacity to generate additional revenues to the government in FY2010/11 appears small under the current program design.

- *Expenditure policy:* Primary expenditure containment presently remains the main instrument toward achieving the fiscal targets if revenue does not perform as anticipated. In this regard, it will be critical for the government not to waiver on its commitment to keep the wage bill within the budgetary envelope. Although not without drawbacks, postponing the execution of capital expenditure will be used as a last resort to accommodate unanticipated revenue shortfalls.

- *Reprioritization of capital spending by public entities:* The authorities agreed that it was important to reconcile the ambitious road rehabilitation project (MEFP ¶8) within the envelope of medium-term targets of public bodies' balance and indicated that they have begun working on this.

10. **Financing of the FY 2010/11 overall fiscal deficit appears to be secured.** Gross financing needs are significantly lower than in the original program, given the better-than-expected debt exchange outturn. Moreover, expected disbursements from official creditors are estimated to be sufficient to cover 40 percent of the gross financing needs. The remaining financing needs (8½ percent of GDP) should be easily covered by domestic financial intermediaries, provided that the current conditions of low interest rates and high liquidity continue.[5] Tapping international financial markets will not be necessary this fiscal year, but the authorities remain open to possible strategic moves if conditions are deemed advantageous.

### B. Fiscal Reform Agenda

11. **The authorities plan to introduce amendments and supporting regulations to the Fiscal Responsibility Framework (FRF) in order to strengthen its effectiveness (MEFP ¶9).** Because of a World Bank deadline to pass the FRF by end-February (as part of its conditionality), the authorities were not able to incorporate the recommendations subsequently provided by an FAD TA mission. Accordingly, they plan to introduce in Parliament a supplementary law, aimed at: (a) strengthening sanctions for non-compliance; (b) explicitly prohibiting deferred financing mechanisms; and (c) reinforcing the internal consistency between the medium-term fiscal strategy and the annual budgets. The new provisions would require annual parliamentary approval of the overall value of tax expenditures.

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[5] Domestic financing needs are projected to be equivalent to only 43 percent of their level in FY2009/10.

12. **Staff fully supports the authorities' initiative to restrict the use of tax incentives, waivers, and exemptions (MEFP ¶11).** The large number of statutory and discretionary exemptions is complicating tax administration and undermining compliance. While the magnitude of waivers is not accurately known, some studies suggest an impact on revenue collections of over 10 percent of GDP.[6] The system of incentives also distorts resource allocation and has resulted in significant inequalities of treatment in the tax system. The Minister of Finance has requested assistance from the Fund to carry out a comprehensive audit of tax incentives.

13. **The authorities are preparing detailed action plans to implement key reforms in revenue administration and central treasury management (MEFP ¶10).** Staff noted that the preparation of these action plans, which are program commitments for June 2010, was well advanced. The authorities acknowledged that their work had been greatly facilitated by the help of Fund TA missions that visited Jamaica in March and April (Appendix 5).

14. **Public sector reform initiatives are moving forward on schedule.** The commission set up by the Prime Minister on public sector reform has submitted its preliminary recommendations to the Cabinet. It plans to launch soon several pilot projects to help assess the costs, savings, and efficiency gains expected from the reform proposals (MEFP ¶12). It will be important to ensure that the objective of reducing the wage bill is highlighted in this process. Staff commended the authorities for their hard work in bringing about the divestment of Air Jamaica and their plans to divest Clarendon Alumina Production (MEFP ¶13) and Petrojam (MEFP ¶14).

15. **Despite the progress achieved by the JDX, the stock of debt and its structure still pose serious risks for fiscal sustainability.** Thus, as discussed above, full adherence to the program's fiscal targets is essential. In addition, Jamaica's debt stock remains vulnerable to interest rate and exchange rate shocks, highlighting an important role for effective debt management in insulating debt dynamics from unforeseen shocks. The authorities have initiated a comprehensive program to upgrade all aspects of debt management operations, with the joint TA from the Fund, World Bank, and IDB (Appendix 1 and MEFP ¶15). A recent TA mission assisted the authorities in incorporating cost-risk trade-offs into their debt management strategy, and also proposed legal and operational changes to the debt management framework.

## C. Financial Sector Reforms

16. **In the financial sector, the authorities are moving ahead with reforms to strengthen the supervisory and regulatory frameworks** (MEFP ¶17, MEFP ¶18, and Appendix 3). They welcomed the TA provided by CARTAC and the Fund in several areas,

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[6] "Tax Incentives and Foreign Direct Investment: Policy Implications for the Caribbean", *The Caribbean – Enhancing Economic Integration*, L. Cubeddu et al, ed. by Andreas Bauer, Paul Cashin, and Sanjaya Panth (International Monetary Fund, Washington, 2008).

including: (a) to reform the framework for collective investment schemes; (b) revise the prudential framework for securities dealers; and (c) draft a concept paper to outline reforms to combat unregulated financial organizations (structural benchmark). Staff and the authorities agreed that the original timetable for parliamentary approval of key legislation may have been too ambitious, given the volume of legislation and limited capacity at the government's drafting agency. In addition, the authorities rightly consider that adequate time needs to be provided for consultation with stakeholders on these far-reaching reforms. To ensure that delays are kept to a minimum, the authorities have requested assistance from the Canadian authorities in the drafting of the legislation to be submitted to Parliament.

17. **The phasing in of the 100 percent risk weighting of foreign currency denominated government securities will start in June 2010** (MEFP ¶17).[7] Stress testing of securities dealers and insurance firms has indicated that the introduction of the planned phasing in of the risk weighting should be absorbed without causing any entity to become undercapitalized. However, the authorities were concerned that non-performing loans (NPLs) at deposit-taking institutions had increased rapidly over the past year (over 70 percent as at March). In that context, they considered that, while banks are capable of absorbing the June increase in risk weights (to 12½ percent), a small number of deposit-taking institutions might experience difficulties in maintaining their capital adequacy ratios (CAR) if quarterly increments were fully implemented as planned.[8] Staff and the authorities therefore agreed that some flexibility in the phasing in of the risk weighting for individual institutions would be appropriate. At the same time, any institution unable to meet any given quarterly increment will have to present to the regulator a viable plan for future compliance and be subject to remedial supervisory measures.

**Jamaica: Financial Sector Indicators 1/**

| | 2008 | 2009 2/ | Mar-10 2/ |
|---|---|---|---|
| In percent | | | |
| **Balance sheet growth (yoy)** | | | |
| Capital base | 13.3 | 14.6 | 11.6 |
| NPL | 57.6 | 65.1 | 73.2 |
| **Liquidity** | | | |
| Loans/deposits | 75.4 | 73.9 | 71.0 |
| **Asset Quality** | | | |
| Prov. for loan losses/NPLs | 88.2 | 75.0 | 70.1 |
| NPLs to total loans | 2.9 | 4.5 | 5.3 |
| **Capital Adequacy** | | | |
| Capital base/total assets | 9.6 | 10.4 | 10.3 |
| Capital Adequacy Ratio (CAR) | 15.2 | 18.9 | 18.7 |
| **Profitability 3/** | | | |
| Pre-tax profit margin | 21.7 | 17.8 | 17.9 |
| Return on average assets | 0.8 | 0.6 | 0.6 |

Source: Bank of Jamaica.

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

2/ Includes credit unions.

3/ Figures are for the calendar quarters.

18. **The FSSF has played a key role in supporting depositor and investor confidence and fostering financial system stability.** Although no institution so far has requested access to funding from the FSSF, the authorities noted that the debt exchange was only completed three months ago and that it was still too early to assess its full impact on the financial system. The authorities and staff agreed that, in the months ahead, it would be important to

[7] Until the 100 percent risk weighting becomes effective in March 2012, legal reporting of CARs will be done on the basis of the 12½ percent risk weights that will be introduced in June 2010.

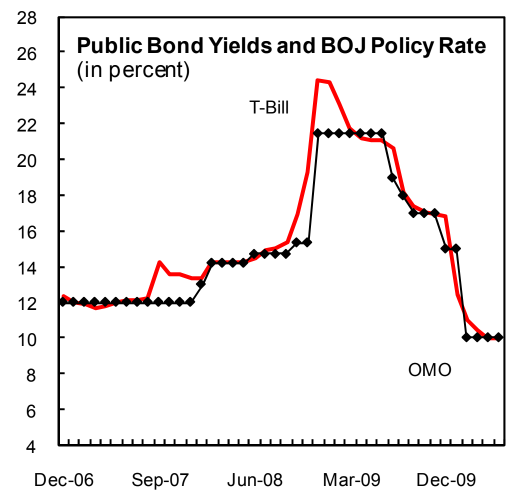
[8] Absent the risk weighting, the authorities indicated that, based on the program's macroeconomic assumptions and their analysis of sectoral trends, NPLs were not expected to rise to a level that could jeopardize any institution's ability to comply with prudential rules.

assess the situation to ensure that the funds currently in the FSSF continue to be used in the most beneficial manner in support of the program. In this context, the authorities asked Fund staff to consider other possible options, which could include bolstering the international reserves position and/or establishing a general purpose financial sector support fund to address problems arising from a broader set of shocks than those directly associated with the debt exchange.

19. **An IMF safeguards assessment mission was conducted at the BOJ in March.** The safeguards assessment of the BOJ in respect of the Stand-By Arrangement is substantially complete, and is expected to be finalized by the time of the review. The assessment found adequate external audit and financial reporting frameworks at the BOJ, but that the legal structure needed strengthening to increase operational independence and autonomy. It also identified some areas for improvement in the internal audit area, and also recommended measures to further strengthen the effectiveness of the bank's governance and oversight mechanisms. The authorities agreed with the assessment's findings, and have commenced implementation of some of the priority recommendations.

## D. Monetary Policy

20. **Staff agreed that the authorities' monetary policy stance is appropriate** (MEFP ¶16)**.** Given the potential risks of negative spillovers from the situation in Europe, staff endorsed the authorities' cautious approach to further reductions in interest rates. Staff also supported the authorities' intention to aim for a higher NIR target, including by taking advantage of favorable market conditions to begin to accumulate reserves, which currently stand at around 3 months of imports.




# IV. Staff Appraisal

21. **Overall macroeconomic performance under the program has been encouraging.** Financial market conditions have improved substantially, and the level of international reserves is much higher than originally projected. However, growth and employment are expected to remain weak this year and risks to the program remain high, including from external and domestic shocks.

22. **The much better-than-expected results of the debt exchange have contributed to the positive financial developments.** The unprecedented near-100 percent participation rate has provided more space to maneuver and set the stage for better short- and medium-term debt dynamics than originally projected. Financial institutions have easily absorbed the upfront valuation losses from the exchange, given a recovery in the value of the bonds in the

period immediately preceding the exchange and a rally in the prices of new domestic bonds, which continue to trade above par. In addition, intermediaries have been prompt to lower the interest rates paid on their liabilities. As a result, there has been no request for funds from the Financial System Support Fund (FSSF) so far. Nevertheless, the FSSF continues to play a key role in reassuring investors and maintaining stability in the financial system.

23. **The authorities have demonstrated a strong commitment to the program.** In a challenging economic environment, they have met all the fiscal targets. They have stepped up tax administration efforts and restrained expenditure despite strong pressures from powerful interest groups. Looking ahead, the authorities will need to remain vigilant and be prepared for additional expenditure restraint in the event of any revenue shortfalls. Given the weak economy, the ability to raise additional revenue by introducing new tax measures is limited.

24. **The structural agenda is progressing well and all structural benchmarks were met.** The Fiscal Responsibility Framework introduced in March, will be strengthened in the months ahead. Plans to reform tax administration and introduce a Central Treasury Management system are advancing on schedule, and an audit of tax incentives is to be launched shortly. In the area of public sector reform, the divestment program is moving forward, with the completion of the Air Jamaica divestment and an agreement in principle for the sale of a state-owned mining company. Preliminary recommendations on options to streamline and consolidate public sector operations have been submitted for Cabinet approval. As the process moves forward, it will be important to carefully integrate the objective of reducing the wage bill with those of enhancing efficiency and service delivery into the evaluation of the various options.

25. **In the financial sector, work is underway on many fronts to further strengthen the supervisory and regulatory framework.** The authorities are working closely with Fund and CARTAC TA experts to enhance capital and margin rules for securities dealers. New risk weighting rules for foreign-currency denominated government securities will soon become effective. The reform agenda involves a number of legislative initiatives, and the government should be commended for proactively seeking assistance from Canada in the drafting of new legislation aimed at strengthening regulation and supervision in the financial system.

26. **Based on the overall satisfactory performance and the demonstrated strong ownership of the program, Staff supports the completion of the First Review of the SBA.**

Table 1. Jamaica: Selected Economic Indicators 1/

| | | 2009/10 | | 2010/11 | | Proj. | | |
|---|---|---|---|---|---|---|---|---|
| | 2008/09 | Orig. Proj. | Est. | Orig. Proj. | Rev. Proj. | 2011/12 | 2012/13 | 2013/14 |
| | (Annual percent change) | | | | | | | |
| **GDP, prices, and employment** | | | | | | | | |
| Real GDP | -1.6 | -3.5 | -2.5 | 0.6 | 0.5 | 1.5 | 2.0 | 2.0 |
| Nominal GDP | 12.3 | 3.3 | 5.4 | 11.5 | 13.2 | 9.4 | 9.8 | 9.4 |
| Consumer price index (end of period) | 12.4 | 12.2 | 13.3 | 7.3 | 7.5 | 7.0 | 6.3 | 6.0 |
| Consumer price index (average) | 20.2 | 9.0 | 9.7 | 11.2 | 12.8 | 6.2 | 6.6 | 6.2 |
| Exchange rate (end of period, in J$/US$) | 88.0 | … | 89.0 | … | … | … | … | … |
| Exchange rate (average, J$/US$) | 76.3 | … | 88.9 | … | … | … | … | … |
| End-of-period REER (percent change, appreciation +) | -10.1 | … | 9.8 | … | … | … | … | … |
| Treasury Bill rate, end-of-period, in percent | 21.5 | 14.0 | 10.5 | … | … | … | … | … |
| Treasury Bill rate, period average, in percent | 17.0 | 17.5 | 16.8 | … | … | … | … | … |
| Unemployment rate (in percent) | 10.8 | … | … | … | … | … | … | … |
| | (in percent GDP) | | | | | | | |
| **Government operations** | | | | | | | | |
| Budgetary revenue | 26.6 | 28.3 | 27.5 | 27.7 | 26.4 | 26.6 | 26.8 | 27.1 |
| Budgetary expenditure | 34.0 | 38.2 | 38.5 | 34.2 | 32.6 | 28.3 | 27.0 | 26.0 |
| Primary expenditure | 21.8 | 22.0 | 21.3 | 20.7 | 21.1 | 19.1 | 18.5 | 17.9 |
| Interest payments 2/ | 12.1 | 16.2 | 17.3 | 13.5 | 11.5 | 9.2 | 8.5 | 8.1 |
| Budget balance | -7.3 | -10.0 | -11.1 | -6.5 | -6.2 | -1.7 | -0.2 | 1.0 |
| *Of which:* primary fiscal balance | 4.8 | 6.2 | 6.2 | 7.0 | 5.3 | 7.5 | 8.3 | 9.2 |
| Off-budget expenditure 3/ | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public entities balance 4/ 5/ | -2.5 | -2.8 | -1.6 | -1.0 | -1.0 | -0.6 | 0.1 | 0.2 |
| Overall fiscal balance | -9.1 | -12.7 | -12.7 | -7.5 | -7.1 | -2.3 | -0.1 | 1.2 |
| Public debt 2/ 6/ | 124.9 | 140.0 | 142.3 | 140.0 | 140.4 | 134.2 | 125.2 | 113.5 |
| **External sector** | | | | | | | | |
| Current account balance | -18.0 | -9.4 | -8.8 | -8.8 | -8.9 | -7.4 | -6.3 | -5.2 |
| *Of which:* exports of goods, f.o.b. | 17.0 | 11.8 | 11.1 | 12.0 | 12.1 | 12.2 | 12.6 | 12.7 |
| *Of which:* imports of goods, f.o.b. | 50.0 | 38.9 | 38.3 | 39.0 | 38.4 | 38.2 | 37.6 | 36.8 |
| Net international reserves (in millions of US$) | 1,629 | 1,378 | 1,752 | 1,078 | 1,424 | 1,571 | 1,614 | 1,784 |
| Gross international reserves (In millions of US$) | 1,664 | 2,051 | 2,414 | 2,151 | 2,487 | 2,871 | 2,913 | 2,702 |
| **Money and credit** | (Changes in percent of beginning of period broad money) | | | | | | | |
| Net foreign assets | -13.3 | -6.1 | 14.6 | -7.7 | -8.6 | 7.6 | 4.0 | 8.1 |
| Net domestic assets | 24.8 | 5.2 | -11.6 | 19.2 | 21.8 | 6.0 | 9.1 | 1.4 |
| *Of which:* credit to the central government | 8.7 | 5.1 | 4.2 | 2.2 | -0.4 | 2.7 | 1.7 | 0.8 |
| Broad money | 11.6 | -1.0 | 3.0 | 11.5 | 13.2 | 13.7 | 13.1 | 9.5 |
| Velocity (ratio of GDP to broad money) | 3.3 | 3.4 | 3.3 | 3.4 | 3.3 | 3.3 | 3.2 | 3.2 |
| **Memorandum items:** | | | | | | | | |
| Nominal GDP (in billions of J$) | 1,037 | 1,071 | 1,094 | 1,194 | 1,237 | 1,354 | 1,487 | 1,627 |

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

1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.
2/ Includes savings from the debt exchange operation.
3/ Includes debt issued to BOJ to cover its cash losses and, until 2007/08, debt related to off-budget projects financed initially by the private sector.
4/ Assumes that any expansion of the PetroJam refinery, costing about 10 percent of GDP in cumulative terms, does not involve government financing, neither direct nor guaranteed.
5/ Includes 20 selected public entities under rationalization or divestment plans and other public entities.
6/ Central government direct and guaranteed only, including PetroCaribe debt and projected IMF disbursements.

Table 2 Jamaica: Selected Economic Indicators 1/

| | 2008/09 | 2009/10 | 2009/10 | | | | 2009/10 | 2010/11 | 2010/11 | | | | 2010/11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Est. | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Rev. Proj. |
| | | | | | | | (Annual percent change) | | | | | | |
| **GDP, prices, and employment** | | | | | | | | | | | | | |
| Real GDP | -1.6 | -3.5 | -3.5 | -2.1 | -2.2 | -1.8 | -2.5 | 0.6 | 0.1 | -0.9 | 1.2 | 1.6 | 0.5 |
| Nominal GDP | 12.3 | 3.3 | 5.1 | 9.4 | 6.3 | 0.9 | 5.4 | 11.5 | 11.7 | 12.7 | 14.5 | 13.6 | 13.2 |
| Consumer price index (end of period) | 12.4 | 12.2 | 9.0 | 7.2 | 10.2 | 13.3 | 13.3 | 7.3 | 15.1 | 14.0 | 11.7 | 7.5 | 7.5 |
| Consumer price index (average) | 20.2 | 9.0 | 9.9 | 6.7 | 9.0 | 13.1 | 9.7 | 11.2 | 15.7 | 14.7 | 12.7 | 8.5 | 12.8 |
| Exchange rate (end of period, in J$/US$) | 88.0 | … | 88.6 | 88.7 | 89.1 | 89.0 | 89.0 | … | … | … | … | … | … |
| Exchange rate (average, J$/US$) | 76.3 | … | 88.6 | 88.6 | 89.0 | 89.2 | 88.9 | … | … | … | … | … | … |
| End-of-period REER (% change, appreciation +) | -10.1 | … | -12.9 | -13.8 | -2.7 | 9.8 | 9.8 | … | … | … | … | … | … |
| Treasury Bill rate, end-of-period, in percent | 21.5 | 14.0 | 21.5 | 17.0 | 15.0 | 10.5 | 10.5 | … | … | … | … | … | … |
| Treasury Bill rate, period average, in percent | 17.0 | 17.5 | 21.5 | 10.4 | 10.3 | 10.2 | 16.8 | … | … | … | … | … | … |
| Unemployment rate (in percent) | 10.8 | … | 11.4 | 11.3 | 11.6 | … | … | … | … | … | … | … | … |
| | | | | | | | (in percent GDP) | | | | | | |
| **Government operations** | | | | | | | | | | | | | |
| Budgetary revenue | 26.6 | 28.3 | 6.0 | 6.8 | 6.6 | 8.5 | 27.5 | 27.7 | 6.5 | 6.8 | 6.3 | 7.9 | 26.4 |
| Budgetary expenditure | 34.0 | 38.2 | 9.3 | 9.6 | 9.4 | 10.8 | 38.5 | 34.2 | 8.0 | 9.7 | 7.6 | 8.8 | 32.6 |
| Primary expenditure | 21.8 | 22.0 | 5.3 | 5.6 | 5.1 | 5.6 | 21.3 | 20.7 | 5.9 | 5.8 | 5.3 | 5.1 | 21.1 |
| Interest payments 2/ | 12.1 | 16.2 | 4.0 | 4.0 | 4.4 | 5.1 | 17.3 | 13.5 | 2.1 | 3.9 | 2.3 | 3.7 | 11.5 |
| Budget balance | -7.3 | -10.0 | -3.4 | -2.8 | -2.8 | -2.3 | -11.1 | -6.5 | -1.5 | -2.9 | -1.3 | -0.9 | -6.2 |
| *Of which:* primary fiscal balance | 4.8 | 6.2 | 0.7 | 1.2 | 1.5 | 2.8 | 6.2 | 7.0 | 0.6 | 1.1 | 1.0 | 2.8 | 5.3 |
| Off-budget expenditure 3/ | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public entities balance 4/ 5/ | -2.5 | -2.8 | -0.2 | -0.2 | -0.1 | -1.2 | -1.6 | -1.0 | -0.3 | -0.3 | -0.2 | -0.2 | -1.0 |
| Overall fiscal balance | -9.1 | -12.7 | -3.5 | -3.0 | -3.0 | -3.4 | -12.7 | -7.5 | -1.8 | -3.1 | -1.5 | -1.1 | -7.1 |
| Public debt 2/ 6/ | 124.9 | 140.0 | | | | | 142.3 | 140.0 | | | | | 140.4 |
| **External sector** | | | | | | | | | | | | | |
| Current account balance | -18.0 | -9.4 | -0.8 | -2.2 | -3.1 | -2.7 | -8.8 | -8.8 | -2.5 | -2.5 | -2.6 | -1.3 | -8.9 |
| *Of which:* exports of goods, f.o.b. | 17.0 | 11.8 | 2.9 | 3.0 | 2.5 | 2.7 | 11.1 | 12.0 | 2.9 | 3.0 | 2.9 | 3.3 | 12.1 |
| *Of which:* imports of goods, f.o.b. | 50.0 | 38.9 | 8.4 | 9.6 | 9.8 | 10.6 | 38.3 | 39.0 | 9.7 | 9.5 | 9.7 | 9.5 | 38.4 |
| Net international reserves (in millions of US$) | 1,629 | 1,378 | 1,620 | 1,940 | 1,729 | 1,752 | 1,752 | 1,078 | 1,396 | 1,310 | 1,251 | 1,424 | 1,424 |
| Gross international reserves (In millions of US$) | 1,664 | 2,051 | 1,654 | 1,962 | 1,752 | 2,414 | 2,414 | 2,151 | 2,159 | 2,123 | 2,113 | 2,487 | 2,487 |
| **Money and credit** | | | | | | | (Changes in percent of beginning of period broad money) | | | | | | |
| Net foreign assets | -13.3 | -6.1 | 0.7 | 9.8 | -1.7 | 14.6 | 14.6 | -7.7 | 3.1 | -7.6 | -7.1 | -8.6 | -8.6 |
| Net domestic assets | 24.8 | 5.2 | 19.9 | 7.3 | -1.5 | -11.6 | -11.6 | 19.2 | 1.5 | 16.3 | 17.9 | 21.8 | 21.8 |
| *Of which:* credit to the central government | 8.7 | 5.1 | 21.7 | 20.4 | 15.3 | 4.2 | 4.2 | 2.2 | -6.4 | -4.9 | -10.8 | -0.4 | -0.4 |
| Broad money | 11.6 | -1.0 | 9.8 | 8.2 | 6.1 | 3.0 | 3.0 | 11.5 | 4.6 | 8.7 | 10.8 | 13.2 | 13.2 |
| Velocity (ratio of GDP to broad money) | 3.3 | 3.4 | 3.3 | 3.3 | 3.2 | 3.3 | 3.3 | 3.4 | 3.3 | 3.4 | 3.2 | 3.3 | 3.3 |
| **Memorandum items:** | | | | | | | | | | | | | |
| Nominal GDP (in billions of J$) | 1,037 | 1,071 | 1,050 | 1,074 | 1,091 | 1,094 | 1,094 | 1,194 | 1,124 | 1,159 | 1,201 | 1,237 | 1,237 |

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

1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.
2/ Includes savings from the debt exchange operation.
3/ Includes debt issued to BOJ to cover its cash losses and, until 2007/08, debt related to off-budget projects financed initially by the private sector.
4/ Assumes that any expansion of the PetroJam refinery, costing about 10 percent of GDP in cumulative terms, does not involve government financing, neither direct nor guaranteed.
5/ Includes 20 selected public entities under rationalization or divestment plans and other public entities.
6/ Central government direct and guaranteed only, including PetroCaribe debt and projected IMF disbursements.

Table 3. Jamaica: Summary of Central Government Operations

| | 2008/09 | 2009/10 | 2009/10 | | | | 2009/10 | 2010/11 | 2010/11 | | | | 2010/11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Est. | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Rev. Proj. |
| | (in billions of Jamaican dollars) | | | | | | | | | | | | |
| Budgetary revenue and grants | 276.2 | 302.8 | 62.5 | 72.9 | 72.2 | 92.6 | 300.2 | 330.5 | 72.8 | 79.1 | 76.1 | 98.3 | 326.7 |
| Tax | 250.7 | 266.6 | 58.2 | 63.1 | 66.1 | 80.1 | 267.4 | 303.0 | 62.5 | 68.0 | 67.6 | 89.9 | 288.3 |
| Non-tax | 18.0 | 24.2 | 3.9 | 4.9 | 5.6 | 12.0 | 26.5 | 20.6 | 9.4 | 3.9 | 3.7 | 5.8 | 22.7 |
| Grants | 7.6 | 11.9 | 0.4 | 4.9 | 0.5 | 0.5 | 6.3 | 7.0 | 0.9 | 7.2 | 4.8 | 2.7 | 15.6 |
| Budgetary expenditure | 352.2 | 409.5 | 97.8 | 103.0 | 103.1 | 117.6 | 421.5 | 408.2 | 90.1 | 112.4 | 91.4 | 108.9 | 402.9 |
| Primary expenditure | 226.2 | 235.9 | 55.4 | 60.2 | 55.5 | 61.6 | 232.7 | 247.3 | 66.3 | 66.8 | 63.9 | 63.7 | 260.8 |
| Wage and salaries | 111.5 | 126.4 | 31.6 | 33.0 | 30.3 | 31.4 | 126.3 | 130.5 | 32.4 | 32.7 | 31.3 | 31.3 | 127.7 |
| Other expenditure | 73.3 | 74.3 | 15.0 | 18.7 | 18.8 | 19.5 | 72.0 | 76.9 | 17.9 | 17.3 | 19.2 | 19.7 | 74.1 |
| Capital expenditure | 41.4 | 35.2 | 8.8 | 8.5 | 6.4 | 10.7 | 34.4 | 39.9 | 16.0 | 16.7 | 13.4 | 12.8 | 59.0 |
| Interest | 126.0 | 173.6 | 42.4 | 42.8 | 47.6 | 56.0 | 188.7 | 160.9 | 23.8 | 45.6 | 27.5 | 45.2 | 142.1 |
| Domestic | 90.2 | 132.5 | 31.2 | 31.2 | 34.6 | 47.9 | 144.9 | 121.6 | 13.0 | 33.3 | 14.2 | 35.7 | 96.2 |
| Current | 89.5 | 132.5 | 31.2 | 31.2 | 34.6 | 47.9 | 144.9 | 121.6 | 13.0 | 33.3 | 14.2 | 35.7 | 96.2 |
| BoJ special issue bonds 1/ | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External | 35.8 | 41.1 | 11.2 | 11.5 | 13.0 | 8.1 | 43.8 | 39.3 | 10.8 | 12.3 | 13.3 | 9.5 | 45.9 |
| Budget balance | -76.0 | -106.7 | -35.3 | -30.1 | -30.9 | -25.0 | -121.3 | -77.6 | -17.4 | -33.4 | -15.3 | -10.6 | -76.2 |
| o.w. primary budget balance 2/ | 50.0 | 66.9 | 7.1 | 12.6 | 16.7 | 31.0 | 67.5 | 83.3 | 6.5 | 12.3 | 12.1 | 34.6 | 65.9 |
| Off-budget expenditure | -7.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BoJ cash losses 3/ | -7.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public entities balance 4/ | -26.3 | -29.6 | -1.6 | -1.6 | -1.6 | -12.7 | -17.5 | -11.9 | -3.0 | -3.0 | -3.0 | -3.0 | -11.9 |
| Public sector balance | -94.9 | -136.3 | -36.9 | -31.7 | -32.5 | -37.7 | -138.8 | -89.6 | -20.3 | -36.3 | -18.3 | -13.6 | -88.2 |
| Net increase in Central Govt. debt | 68.7 | 104.3 | 35.3 | 30.1 | 30.9 | 25.0 | 121.3 | 77.2 | 17.4 | 33.4 | 15.3 | 10.6 | 76.2 |
| Principal Repayments | 112.1 | 105.5 | 27.7 | 41.1 | 33.2 | 67.4 | 169.5 | 145.6 | 39.1 | 29.5 | 6.8 | 20.8 | 96.2 |
| External | 37.8 | 23.7 | 5.2 | 7.9 | 5.9 | 6.5 | 25.5 | 20.0 | 5.2 | 7.1 | 6.0 | 7.3 | 25.6 |
| o.w. official | 18.6 | 18.5 | 0.0 | 0.0 | 0.0 | 0.0 | 18.5 | 16.9 | | | | | 19.5 |
| Domestic | 74.3 | 81.8 | 22.5 | 33.3 | 27.3 | 60.9 | 144.0 | 125.6 | 33.9 | 22.5 | 0.8 | 13.5 | 70.7 |
| Gross Financing Needs | 180.7 | 209.8 | 63.1 | 71.2 | 64.0 | 92.4 | 290.8 | 222.7 | 56.4 | 62.9 | 22.2 | 31.4 | 172.5 |
| Gross Financing Sources | 180.7 | 209.8 | 63.1 | 71.2 | 64.0 | 92.5 | 290.8 | 222.7 | 56.4 | 62.9 | 22.2 | 31.4 | 172.5 |
| External | 58.9 | 70.3 | 4.0 | 2.9 | 6.4 | 36.9 | 50.8 | 45.4 | 6.2 | 21.4 | 20.8 | 20.1 | 68.5 |
| o.w. official | 30.8 | 60.8 | | | | | 50.4 | 35.2 | | | | | 68.5 |
| Domestic | 115.8 | 166.8 | 46.9 | 77.3 | 60.7 | 63.8 | 248.8 | 149.8 | 48.4 | 29.5 | 22.5 | 19.6 | 119.7 |
| Divestment + deposit drawdown | 6.0 | -27.3 | 12.1 | -9.0 | -3.0 | -8.2 | -8.8 | 27.4 | 1.9 | 11.9 | -21.1 | -8.3 | -15.6 |
| Memo item: | | | | | | | | | | | | | |
| Central Govt. direct debt excluding IMF | 1119 | 1260 | 1142 | 1181 | 1215 | 1266 | 1266 | 1332 | 1297 | 1320 | 1357 | 1387 | 1387 |
| Nominal GDP | 1037 | 1071 | 1050 | 1074 | 1091 | 1094 | 1094 | 1194 | 1124 | 1159 | 1201 | 1237 | 1237 |

Sources: Jamaican authorities and Fund staff estimates and projections.

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

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

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

4/ Includes selected and other public entities.

Table 4. Jamaica: Summary of Central Government Operations

| | 2008/09 | 2009/2010 | 2009/10 | | | | 2009/10 | 2010/11 | 2010/11 | | | | 2010/11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig Proj. | Q1 | Q2 | Q3 | Q4 | Est. | Orig Proj. | Q1 | Q2 | Q3 | Q4 | Rev. Proj. |
| | (in percent of GDP) | | | | | | | | | | | | |
| Budgetary revenue and grants | 26.6 | 28.3 | 6.0 | 6.8 | 6.6 | 8.5 | 27.5 | 27.7 | 6.5 | 6.8 | 6.3 | 7.9 | 26.4 |
| Tax | 24.2 | 24.9 | 5.5 | 5.9 | 6.1 | 7.3 | 24.5 | 25.4 | 5.6 | 5.9 | 5.6 | 7.3 | 23.3 |
| Non-tax | 1.7 | 2.3 | 0.4 | 0.5 | 0.5 | 1.1 | 2.4 | 1.7 | 0.8 | 0.3 | 0.3 | 0.5 | 1.8 |
| Grants | 0.7 | 1.1 | 0.0 | 0.5 | 0.0 | 0.0 | 0.6 | 0.6 | 0.1 | 0.6 | 0.4 | 0.2 | 1.3 |
| Budgetary expenditure | 34.0 | 38.2 | 9.3 | 9.6 | 9.4 | 10.8 | 38.5 | 34.2 | 8.0 | 9.7 | 7.6 | 8.8 | 32.6 |
| Primary expenditure | 21.8 | 22.0 | 5.3 | 5.6 | 5.1 | 5.6 | 21.3 | 20.7 | 5.9 | 5.8 | 5.3 | 5.1 | 21.1 |
| Wage and salaries | 10.8 | 11.8 | 3.0 | 3.1 | 2.8 | 2.9 | 11.5 | 10.9 | 2.9 | 2.8 | 2.6 | 2.5 | 10.3 |
| Other expenditure | 7.1 | 6.9 | 1.4 | 1.7 | 1.7 | 1.8 | 6.6 | 6.4 | 1.6 | 1.5 | 1.6 | 1.6 | 6.0 |
| Capital expenditure | 4.0 | 3.3 | 0.8 | 0.8 | 0.6 | 1.0 | 3.1 | 3.3 | 1.4 | 1.4 | 1.1 | 1.0 | 4.8 |
| Interest | 12.1 | 16.2 | 4.0 | 4.0 | 4.4 | 5.1 | 17.3 | 13.5 | 2.1 | 3.9 | 2.3 | 3.7 | 11.5 |
| Domestic | 8.7 | 12.4 | 3.0 | 2.9 | 3.2 | 4.4 | 13.2 | 10.2 | 1.2 | 2.9 | 1.2 | 2.9 | 7.8 |
| Current | 8.6 | 12.4 | 3.0 | 2.9 | 3.2 | 4.4 | 13.2 | 10.2 | 1.2 | 2.9 | 1.2 | 2.9 | 7.8 |
| BoJ special issue bonds 1/ | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External | 3.4 | 3.8 | 1.1 | 1.1 | 1.2 | 0.7 | 4.0 | 3.3 | 1.0 | 1.1 | 1.1 | 0.8 | 3.7 |
| Budget balance | -7.3 | -10.0 | -3.4 | -2.8 | -2.8 | -2.3 | -11.1 | -6.5 | -1.5 | -2.9 | -1.3 | -0.9 | -6.2 |
| o.w. primary budget balance 2/ | 4.8 | 6.2 | 0.7 | 1.2 | 1.5 | 2.8 | 6.2 | 7.0 | 0.6 | 1.1 | 1.0 | 2.8 | 5.3 |
| Off-budget expenditure | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BoJ cash losses 3/ | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public entities balance 4/ | -2.5 | -2.8 | -0.2 | -0.2 | -0.1 | -1.2 | -1.6 | -1.0 | -0.3 | -0.3 | -0.2 | -0.2 | -1.0 |
| Public sector balance | -9.1 | -12.7 | -3.5 | -3.0 | -3.0 | -3.4 | -12.7 | -7.5 | -1.8 | -3.1 | -1.5 | -1.1 | -7.1 |
| | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net increase in Central Govt. debt | 6.6 | 9.7 | 3.4 | 2.8 | 2.8 | 2.3 | 11.1 | 6.5 | 1.5 | 2.9 | 1.3 | 0.9 | 6.2 |
| Principal Repayments | 10.8 | 9.9 | 2.6 | 3.8 | 3.0 | 6.2 | 15.5 | 12.2 | 3.5 | 2.5 | 0.6 | 1.7 | 7.8 |
| External | 3.6 | 2.2 | 0.5 | 0.7 | 0.5 | 0.6 | 2.3 | 1.7 | 0.5 | 0.6 | 0.5 | 0.6 | 2.1 |
| o.w. official | 1.8 | 1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.7 | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 |
| Domestic | 7.2 | 7.6 | 2.1 | 3.1 | 2.5 | 5.6 | 13.2 | 10.5 | 3.0 | 1.9 | 0.1 | 1.1 | 5.7 |
| Gross Financing Needs | 17.4 | 19.6 | 6.0 | 6.6 | 5.9 | 8.4 | 26.6 | 18.7 | 5.0 | 5.4 | 1.8 | 2.5 | 13.9 |
| Gross Financing Sources | 17.4 | 19.6 | 6.0 | 6.6 | 5.9 | 8.5 | 26.6 | 18.7 | 5.0 | 5.4 | 1.8 | 2.5 | 13.9 |
| External | 5.7 | 6.6 | 0.4 | 0.3 | 0.6 | 3.4 | 4.6 | 3.8 | 0.5 | 1.8 | 1.7 | 1.6 | 5.5 |
| o.w. official | 3.0 | 5.7 | | | | | 4.6 | 2.9 | | | | | 5.5 |
| Domestic | 11.2 | 15.6 | 4.5 | 7.2 | 5.6 | 5.8 | 22.8 | 12.5 | 4.3 | 2.5 | 1.9 | 1.6 | 9.7 |
| Divestment + deposit drawdown | 0.6 | -2.5 | 1.2 | -0.8 | -0.3 | -0.8 | -0.8 | 2.3 | 0.2 | 1.0 | -1.8 | -0.7 | -1.3 |
| Memo item: | | | | | | | | | | | | | |
| Central Govt. direct debt excluding IMF | 107.8 | 117.7 | 108.7 | 109.9 | 111.3 | 115.8 | 115.8 | 111.6 | 115.4 | 113.8 | 113.0 | 112.1 | 112.1 |
| Nominal GDP | 1037 | 1071 | 1050 | 1074 | 1091 | 1094 | 1094 | 1194 | 1124 | 1159 | 1201 | 1237 | 1237 |

Sources: Jamaican authorities and Fund staff estimates and projections.

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

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

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

4/ Includes selected and other public entities.

Table 5. Jamaica: Operations of the Public Entities

| | In billions of Jamaican dollars | | | | In percent of GDP | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
| Operating balance selected public entities 1/ | 17.5 | 5.9 | 23.2 | 52.3 | 1.9 | 0.6 | 2.1 | 4.2 |
| *Of which:* | | | | | | | | |
| Air Jamaica | -12.9 | -11.9 | -15.5 | 0.0 | -1.4 | -1.1 | -1.4 | 0.0 |
| Clarendon Aluminum | -1.0 | -5.9 | -6.3 | 5.3 | -0.1 | -0.6 | -0.6 | 0.4 |
| Sugar Company of Jamaica | -5.3 | -7.2 | -3.4 | 0.0 | -0.6 | -0.7 | -0.3 | 0.0 |
| Petrojam | 13.7 | 2.2 | 24.0 | 13.7 | 1.5 | 0.2 | 2.2 | 1.1 |
| NROCC | -0.5 | -0.2 | -3.5 | -2.4 | -0.1 | 0.0 | -0.3 | -0.2 |
| Urban Development Corporation | 1.1 | 0.7 | 0.0 | 5.7 | 0.1 | 0.1 | 0.0 | 0.5 |
| National Water Commission | 0.5 | 0.2 | 0.4 | 1.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| Port Authority of Jamaica | 2.5 | 0.6 | 1.9 | 3.9 | 0.3 | 0.1 | 0.2 | 0.3 |
| National Housing Trust 2/ | 15.5 | 24.7 | 18.4 | 21.3 | 1.7 | 2.4 | 1.7 | 1.7 |
| National Insurance Fund | 3.9 | 2.3 | 0.2 | 4.1 | 0.4 | 0.2 | 0.0 | 0.3 |
| Net current transfers from the central government | -0.4 | 9.3 | 3.8 | -3.4 | 0.0 | 0.9 | 0.3 | -0.3 |
| *Of which:* | | | | | | | | |
| Air Jamaica | 5.0 | 4.6 | 2.0 | 0.0 | 0.5 | 0.4 | 0.2 | 0.0 |
| Clarendon Aluminum | 0.0 | 0.0 | 9.7 | 0.0 | 0.0 | 0.0 | 0.9 | 0.0 |
| Sugar Company of Jamaica | 0.0 | 7.4 | 2.7 | 0.0 | 0.0 | 0.7 | 0.2 | 0.0 |
| Petrojam | -6.6 | -5.2 | -13.7 | -14.1 | -0.7 | -0.5 | -1.3 | -1.1 |
| NROCC | 0.0 | 0.0 | 0.1 | 2.6 | 0.0 | 0.0 | 0.0 | 0.2 |
| Urban Development Corporation | 0.5 | 1.4 | 2.1 | 4.5 | 0.1 | 0.1 | 0.2 | 0.4 |
| National Water Commission | 1.1 | 0.8 | 0.4 | 1.5 | 0.1 | 0.1 | 0.0 | 0.1 |
| Port Authority of Jamaica | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| National Housing Trust | -0.4 | -0.6 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 |
| National Insurance Fund | -0.6 | -0.7 | 0.1 | -0.8 | -0.1 | -0.1 | 0.0 | -0.1 |
| Gross capital expenditure selected public entities 2/ | 44.2 | 38.8 | 36.6 | 68.6 | 4.8 | 3.7 | 3.3 | 5.5 |
| *Of which:* | | | | | | | | |
| Air Jamaica | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Clarendon Aluminum | 9.1 | 2.9 | 3.3 | 2.7 | 1.0 | 0.3 | 0.3 | 0.2 |
| Sugar Company of Jamaica | 0.4 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Petrojam | 0.8 | 2.0 | 1.5 | 2.6 | 0.1 | 0.2 | 0.1 | 0.2 |
| NROCC | 3.8 | 2.5 | 3.6 | 9.1 | 0.4 | 0.2 | 0.3 | 0.7 |
| Urban Development Corporation | 0.8 | 1.9 | 2.9 | 6.6 | 0.1 | 0.2 | 0.3 | 0.5 |
| National Water Commission | 3.4 | 2.5 | 2.9 | 2.2 | 0.4 | 0.2 | 0.3 | 0.2 |
| Port Authority of Jamaica | 3.9 | 1.4 | 7.0 | 6.5 | 0.4 | 0.1 | 0.6 | 0.5 |
| National Housing Trust | 17.7 | 22.0 | 11.5 | 28.0 | 1.9 | 2.1 | 1.1 | 2.3 |
| National Insurance Fund | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other net spending selected public entities 3/ | 0.4 | -5.4 | 5.6 | -7.8 | 0.0 | -0.5 | 0.5 | -0.6 |
| Overall balance selected public entities 4/ | -27.4 | -18.1 | -15.1 | -11.9 | -3.0 | -1.7 | -1.4 | -1.0 |
| *Of which:* | | | | | | | | |
| Air Jamaica | -8.1 | -7.5 | -13.6 | 0.0 | -0.9 | -0.7 | -1.2 | 0.0 |
| Clarendon Aluminum | -6.5 | -9.1 | 0.3 | 2.6 | -0.7 | -0.9 | 0.0 | 0.2 |
| Sugar Company of Jamaica | -5.8 | 0.3 | -1.3 | 0.0 | -0.6 | 0.0 | -0.1 | 0.0 |
| Petrojam | 3.2 | 0.6 | 4.4 | -5.0 | 0.3 | 0.1 | 0.4 | -0.4 |
| NROCC | -4.3 | -2.6 | -7.0 | -9.1 | -0.5 | -0.3 | -0.6 | -0.7 |
| Urban Development Corporation | 0.6 | 0.5 | -0.8 | 3.5 | 0.1 | 0.0 | -0.1 | 0.3 |
| National Water Commission | -2.0 | -1.5 | -1.9 | 0.4 | -0.2 | -0.1 | -0.2 | 0.0 |
| Port Authority of Jamaica | -1.6 | -0.8 | -5.1 | -2.7 | -0.2 | -0.1 | -0.5 | -0.2 |
| National Housing Trust | -2.7 | 1.6 | 6.5 | -4.2 | -0.3 | 0.2 | 0.6 | -0.3 |
| National Insurance Fund | 3.3 | 1.6 | 0.3 | 3.2 | 0.4 | 0.2 | 0.0 | 0.3 |
| Overall Balance other public entities 5/ | -4.1 | -8.1 | -2.4 | 0.0 | -0.4 | -0.8 | -0.2 | 0.0 |
| Overall Balance Public Entities 4/ | -31.5 | -26.3 | -17.5 | -11.9 | -3.4 | -2.5 | -1.6 | -1.0 |
| Overall Balance Public Entities Program 4/ | | | -29.6 | -11.9 | | | -2.7 | -1.0 |

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

2/ Gross of the change in inventories

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

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

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

Table 6. Jamaica: Summary Balance of Payments

| | 2008/09 | 2009/10 | 2009/10 | | | | 2009/10 | 2010/11 | 2010/11 | | | | 2010/11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Est. | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Rev. Proj. |
| | (In millions of U.S. dollars) | | | | | | | | | | | | |
| Current account | -2,447 | -1,129 | -95 | -270 | -382 | -337 | -1,084 | -1,142 | -341 | -343 | -361 | -187 | -1,232 |
| Trade balance | -4,480 | -3,259 | -671 | -804 | -899 | -978 | -3,352 | -3,525 | -945 | -900 | -936 | -868 | -3,649 |
| Exports (f.o.b.) | 2,314 | 1,427 | 358 | 371 | 308 | 329 | 1,366 | 1,565 | 399 | 416 | 402 | 452 | 1,671 |
| Imports (f.o.b.) | 6,794 | 4,686 | 1,029 | 1,175 | 1,207 | 1,307 | 4,718 | 5,090 | 1,344 | 1,316 | 1,338 | 1,321 | 5,320 |
| Fuel (cif) | 2,807 | 1,687 | 300 | 428 | 345 | 461 | 1,535 | 1,994 | 478 | 505 | 473 | 500 | 1,955 |
| Exceptional imports (incl. FDI-related | 612 | 429 | 112 | 112 | 112 | 112 | 450 | 338 | 120 | 107 | 93 | 34 | 354 |
| Other | 3,374 | 2,571 | 617 | 635 | 749 | 733 | 2,734 | 2,758 | 746 | 704 | 773 | 787 | 3,011 |
| Services (net) | 471 | 681 | 217 | 144 | 131 | 233 | 724 | 811 | 157 | 159 | 157 | 258 | 732 |
| Transportation | -594 | -386 | -79 | -99 | -112 | -131 | -421 | -359 | -104 | -125 | -121 | -117 | -467 |
| Travel | 1,687 | 1,712 | 443 | 390 | 387 | 533 | 1,753 | 1,802 | 443 | 433 | 433 | 548 | 1,858 |
| *of which*: Tourism receipts | 1,938 | 1,956 | 489 | 457 | 447 | 607 | 2,000 | 2,052 | 497 | 508 | 505 | 599 | 2,110 |
| Other services | -622 | -645 | -148 | -147 | -144 | -169 | -607 | -633 | -182 | -149 | -154 | -173 | -659 |
| Income (net) | -545 | -517 | -141 | -155 | -140 | -117 | -553 | -480 | -114 | -157 | -160 | -117 | -548 |
| Current transfers (net) | 2,107 | 1,966 | 501 | 545 | 526 | 525 | 2,097 | 2,053 | 561 | 554 | 577 | 540 | 2,232 |
| Government (net) | 106 | 105 | 26 | 67 | 24 | 42 | 159 | 88 | 52 | 50 | 50 | 48 | 199 |
| Private (net) | 2,001 | 1,861 | 475 | 478 | 502 | 483 | 1,938 | 1,965 | 510 | 504 | 527 | 492 | 2,033 |
| Capital and financial account | 2,004 | 867 | 85 | 578 | 172 | 359 | 1,195 | 842 | -15 | 257 | 302 | 360 | 904 |
| Capital account (net) | 28 | -15 | -9 | -5 | -8 | 7 | -15 | -11 | -6 | -3 | -6 | 5 | -11 |
| Financial account (net) 1/ | 1,977 | 882 | 94 | 583 | 180 | 352 | 1,210 | 853 | -8 | 260 | 308 | 355 | 915 |
| Direct investment (net) | 629 | 391 | 106 | 106 | 98 | 109 | 420 | 308 | 81 | 72 | 65 | 73 | 292 |
| of which: One-off sales of shares | 300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Central government (net) | 43 | 418 | -22 | -45 | 5 | 342 | 280 | 166 | -12 | 151 | 152 | 190 | 480 |
| Other official (net) 2/ | 284 | 740 | -11 | 336 | 166 | 258 | 749 | 182 | 7 | 11 | 29 | 30 | 76 |
| of which: PetroCaribe | 325 | 245 | 49 | 56 | 83 | 65 | 254 | 168 | 55 | 49 | 49 | 43 | 195 |
| Government prefinancing deposits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Portfolio investment (net) | 710 | -323 | 22 | 185 | -89 | -338 | -220 | 197 | -84 | 27 | 62 | 63 | 66 |
| Other private flows (net) | 312 | -344 | 0 | 0 | 0 | -19 | -19 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall balance | -442 | -263 | -9 | 308 | -210 | 23 | 111 | -300 | -356 | -86 | -59 | 173 | -328 |
| Financing | 442 | 263 | 9 | -308 | 210 | -23 | -111 | 300 | 356 | 86 | 59 | -173 | 328 |
| Change in GIR (- increase) | 442 | -387 | 9 | -308 | 210 | -663 | -751 | -100 | 256 | 36 | 9 | -373 | -73 |
| Prospective IMF credits | 0 | 650 | 0 | 0 | 0 | 640 | 640 | 400 | 100 | 50 | 50 | 200 | 400 |
| **Memorandum items:** | | | | | | | | | | | | | |
| Gross international reserves | 1,664 | 2,051 | 1,654 | 1,962 | 1,752 | 2,414 | 2,414 | 2,151 | 2,159 | 2,123 | 2,113 | 2,487 | 2,487 |
| (in weeks of perspective imports of GNFS | 12.8 | 14.8 | | | | | 16.7 | 14.6 | | | | | 16.4 |
| Net international reserves | 1,629 | 1,378 | 1,620 | 1,940 | 1,729 | 1,752 | 1,752 | 1,078 | 1,396 | 1,310 | 1,251 | 1,424 | 1,424 |
| Current account (in percent of GDP) | -18.0 | -9.4 | -0.8 | -2.2 | -3.1 | -2.7 | -8.8 | -8.8 | -2.5 | -2.5 | -2.6 | -1.3 | -8.9 |
| Exports of goods (in percent change) | -4.3 | -38.2 | | | | | -41.0 | 9.6 | | | | | 22.3 |
| Imports of goods (in percent change) | 1.9 | -31.0 | | | | | -30.6 | 8.6 | | | | | 12.7 |
| Oil prices (composite, fiscal year basis) | 88.2 | 65.3 | | | | | 66.3 | 77.3 | | | | | 81.4 |
| Tourism receipts (in percent change) | -2.1 | 1.0 | | | | | 3.2 | 4.9 | | | | | 5.5 |
| GDP (in millions of U.S. dollars) | 13,586 | 12,055 | | | | | 12,307 | 13,051 | | | | | 13,848 |

Sources: Jamaican authorities; and Fund staff estimates.

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

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

Table 7. Jamaica: Summary Accounts of the Bank of Jamaica 1/

| | 2008/09 | 2009/10 | 2009/10 | | | | 2010/11 | 2010/11 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Orig. Proj. | Q1 | Q2 | Q3 | Q4 |
| **End-of-period stocks 1/** | | | (in J$ billions) | | | | | | | | |
| **Net international reserves** | **144.9** | **122.9** | **144.1** | **172.0** | **154.5** | **156.5** | **101.2** | **124.0** | **117.0** | **112.3** | **128.6** |
| **Net domestic assets** | **-73.7** | **-48.9** | **-71.4** | **-99.9** | **-73.4** | **-79.2** | **-23.4** | **-47.1** | **-39.0** | **-18.4** | **-45.3** |
| Net claims on public sector | 125.3 | 137.3 | 136.4 | 135.4 | 154.9 | 145.6 | 137.3 | 148.0 | 148.5 | 145.0 | 145.6 |
| Net claims on central government | 74.6 | 80.1 | 85.1 | 79.1 | 103.2 | 82.3 | 80.1 | 68.6 | 76.0 | 78.6 | 72.8 |
| Net claims on rest of public sector /2 | 46.3 | 57.2 | 50.2 | 57.7 | 53.0 | 62.8 | 57.2 | 79.4 | 72.4 | 66.3 | 72.8 |
| Operating losses of the BOJ | 4.4 | 0.0 | 1.1 | -1.3 | -1.3 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net credit to commercial banks | -16.3 | -23.3 | -23.7 | -23.9 | -23.0 | -10.3 | -19.3 | 12.1 | 8.0 | 15.7 | -12.8 |
| *Of which*: foreign prudential reserve | -17.6 | -18.1 | -17.7 | -17.8 | -16.9 | -14.6 | -16.7 | -14.2 | -14.2 | -15.0 | -15.0 |
| Net credit to other financial institutions | -1.4 | -1.4 | -1.4 | -1.5 | -1.6 | -1.4 | -1.6 | -1.4 | -1.8 | -1.5 | -1.6 |
| Open market operations | -119.3 | -68.2 | -120.8 | -118.5 | -112.0 | -121.3 | -38.9 | -114.3 | -101.4 | -84.4 | -82.1 |
| *Of which: commercial banks* | -47.1 | -18.9 | -39.1 | -36.0 | -31.9 | -48.9 | -21.7 | -71.6 | -67.3 | -66.2 | -44.0 |
| Other items net (incl. valuation adj.) | -62.0 | -93.3 | -62.0 | -91.4 | -91.8 | -91.8 | -101.0 | -91.4 | -92.3 | -93.1 | -94.4 |
| Medium- and long-term foreign liabilitie | -2.6 | -2.6 | -2.6 | -2.6 | -2.3 | -2.3 | -2.6 | -2.3 | -2.3 | -2.3 | -2.3 |
| Valuation adjustment | -54.1 | -56.2 | -54.1 | -54.1 | -54.6 | -54.6 | -63.9 | -54.2 | -55.1 | -55.9 | -57.2 |
| Allocation of SDRs | -5.3 | -34.4 | -5.3 | -34.7 | -34.8 | -34.8 | -34.4 | -34.8 | -34.8 | -34.8 | -34.8 |
| **Base money** | **71.2** | **74.0** | **72.7** | **72.1** | **81.1** | **77.3** | **77.8** | **76.9** | **78.0** | **93.9** | **83.4** |
| Currency in circulation | 36.8 | 39.8 | 38.1 | 37.4 | 44.6 | 40.6 | 43.4 | 41.5 | 42.4 | 49.3 | 45.9 |
| Liabilities to commercial banks | 34.4 | 34.2 | 34.6 | 34.7 | 36.5 | 36.7 | 34.4 | 35.4 | 35.6 | 44.6 | 37.5 |
| **Fiscal year flows 1/** | | | (Change YoY in J$ billions) | | | | | | | | |
| **Net international reserves** | **-4.9** | **-22.0** | **-16.2** | **8.9** | **10.6** | **11.6** | **-21.7** | **-20.1** | **-55.0** | **-42.2** | **-27.9** |
| **Net domestic assets** | **17.3** | **24.9** | **31.3** | **5.7** | **-1.0** | **-5.5** | **25.4** | **24.3** | **60.9** | **55.0** | **33.9** |
| Net claims on public sector | 30.3 | 12.0 | 39.8 | 44.9 | 33.9 | 20.3 | 0.0 | 11.6 | 1.0 | 0.8 | 0.0 |
| Net credit to commercial banks | -3.3 | -7.0 | -10.1 | -9.6 | -12.0 | 6.0 | 4.0 | 35.7 | 31.9 | 38.7 | -2.6 |
| Net credit to other financial institutions | -0.4 | 0.0 | -0.3 | 0.2 | -0.3 | 0.0 | -0.1 | 0.0 | -0.3 | 0.0 | -0.1 |
| Open market operations | 18.8 | 51.1 | 30.1 | 27.7 | 19.9 | -2.0 | 29.3 | 6.5 | 17.1 | 27.6 | 39.3 |
| Other items net (incl. valuation adj.) | -28.1 | -31.3 | -28.1 | -57.6 | -42.5 | -29.8 | -7.7 | -29.4 | -0.8 | -1.4 | -2.6 |
| **Base money** | **12.4** | **2.8** | **15.1** | **14.6** | **9.6** | **6.1** | **3.8** | **4.2** | **5.9** | **12.8** | **6.0** |
| Currency in circulation | 3.6 | 3.0 | 2.6 | 3.8 | 2.6 | 3.7 | 3.6 | 3.4 | 5.0 | 4.7 | 5.3 |
| Liabilities to commercial banks | 8.7 | -0.2 | 12.4 | 10.7 | 7.0 | 2.4 | 0.2 | 0.8 | 0.9 | 8.1 | 0.7 |
| | | | (Change YoY in percent of Base Money) | | | | | | | | |
| **Net international reserves** | **-8.4** | **-30.9** | **-28.1** | **15.4** | **14.8** | **16.3** | **-29.3** | **-27.7** | **-76.3** | **-52.0** | **-36.1** |
| **Net domestic assets** | **29.4** | **34.9** | **54.2** | **9.9** | **-1.3** | **-7.7** | **34.4** | **33.4** | **84.4** | **67.8** | **43.9** |
| Net claims on public sector | 51.4 | 16.9 | 69.1 | 78.1 | 47.5 | 28.5 | 0.0 | 15.9 | 18.1 | -12.3 | 0.0 |
| Net credit to commercial banks | -5.6 | -9.8 | -17.6 | -16.7 | -16.8 | 8.5 | 5.3 | 49.1 | 44.3 | 47.7 | -3.3 |
| Net credit to other financial institutions | -0.7 | -0.1 | -0.6 | 0.4 | -0.5 | 0.0 | -0.2 | -0.1 | -0.4 | 0.0 | -0.2 |
| Open market operations | 32.0 | 71.8 | 52.2 | 48.1 | 27.9 | -2.8 | 39.6 | 8.9 | 23.7 | 34.0 | 50.8 |
| Other items net (incl. valuation adj.) | -47.8 | -43.9 | -48.8 | -100.0 | -59.4 | -41.8 | -10.4 | -40.4 | -1.2 | -1.7 | -3.4 |
| **Base money** | **21.0** | **4.0** | **26.1** | **25.3** | **13.5** | **8.6** | **5.1** | **5.7** | **8.1** | **15.8** | **7.8** |
| Currency in circulation | 6.2 | 4.2 | 4.6 | 6.7 | 3.7 | 5.2 | 4.8 | 4.6 | 6.9 | 5.8 | 6.9 |
| Liabilities to commercial banks | 14.8 | -0.2 | 21.5 | 18.6 | 9.8 | 3.3 | 0.3 | 1.1 | 1.2 | 10.0 | 0.9 |
| **Memorandum items:** | | | | | | | | | | | |
| Net international reserves (US$ millions) | 1,629 | 1,378 | 1,627 | 1,941 | 1,735 | 1,752 | 1,078 | 1,396 | 1,310 | 1,251 | 1,424 |
| NDA SBA Target (in J$ billions) 3/ | | -49.1 | | | | -79.2 | -18.5 | -47.9 | -39.1 | -17.9 | -43.9 |

Sources: Bank of Jamaica; and Fund staff estimates.

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

2/ Includes net unclassified.

3/ Calculated at program exchange rate.

Table 8. Jamaica: Summary Monetary Survey 1/

| | 2008/09 | 2009/10 | 2009/10 | | | | 2010/11 | 2010/11 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Orig. Proj. | Q1 | Q2 | Q3 | Q4 |
| **End-of-period stocks 1/** | | | | | (in J$ billions) | | | | | | |
| **Net foreign assets** | **94.3** | **74.9** | **96.4** | **125.1** | **119.7** | **140.5** | **50.7** | **106.4** | **101.2** | **96.3** | **112.4** |
| **Net domestic assets** | **223.4** | **239.8** | **223.1** | **191.7** | **212.4** | **186.7** | **300.3** | **227.9** | **243.2** | **271.8** | **257.9** |
| Net claims on public sector | 224.5 | 242.0 | 242.1 | 248.0 | 269.3 | 240.6 | 249.1 | 246.5 | 247.7 | 245.0 | 248.6 |
| *Of which: central government 2/* | 159.9 | 176.0 | 183.4 | 186.6 | 210.5 | 173.2 | 183.0 | 162.9 | 171.1 | 174.6 | 171.8 |
| Open market operations (Net) | -72.3 | -49.3 | -81.6 | -82.5 | -80.1 | -72.4 | -17.2 | -42.7 | -34.1 | -18.2 | -38.0 |
| Credit to private sector | 220.6 | 230.4 | 220.3 | 218.8 | 218.5 | 215.7 | 266.7 | 221.5 | 228.6 | 237.7 | 242.6 |
| *Of which: foreign currency* | 95.5 | 100.0 | 84.9 | 94.6 | 105.8 | 84.9 | 116.8 | 94.6 | 105.8 | 117.8 | 94.6 |
| Other 3/ | -149.4 | -183.3 | -157.6 | -192.5 | -195.3 | -197.2 | -198.3 | -197.3 | -198.9 | -192.6 | -195.3 |
| **Liabilities to private sector (M3)** | **317.7** | **314.6** | **319.5** | **316.8** | **332.2** | **327.2** | **350.9** | **334.3** | **344.4** | **368.1** | **370.3** |
| Money supply (M2) | 202.8 | 202.3 | 206.4 | 206.8 | 216.8 | 210.4 | 232.4 | 216.5 | 224.6 | 244.6 | 245.5 |
| Foreign currency deposits | 114.8 | 112.4 | 113.0 | 110.0 | 115.3 | 116.8 | 118.5 | 117.9 | 119.8 | 123.5 | 124.8 |
| **Fiscal year flows 1/** | | | | | (Change YoY in J$ billions) | | | | | | |
| **Net foreign assets** | **-37.8** | **-19.4** | **2.1** | **28.8** | **-5.4** | **46.3** | **-24.2** | **10.0** | **-24.0** | **-23.5** | **-28.1** |
| **Net domestic assets** | **70.7** | **16.4** | **57.9** | **21.3** | **-4.6** | **-36.7** | **60.5** | **4.8** | **51.5** | **59.4** | **71.2** |
| Net claims on public sector 2/ | 37.4 | 17.5 | 47.2 | 62.1 | 48.0 | 16.0 | 7.1 | 4.4 | -0.3 | -24.4 | 8.1 |
| *Of which:* central government | 24.7 | 16.1 | 63.3 | 59.8 | 47.8 | 13.3 | 7.1 | -20.5 | -15.4 | -35.8 | -1.4 |
| Open market operations | 22.2 | 23.0 | 24.5 | 10.6 | 2.2 | -0.1 | 32.1 | 39.0 | 48.4 | 61.9 | 34.4 |
| Credit to private sector | 49.0 | 9.8 | 29.8 | 18.1 | 6.2 | -4.9 | 36.4 | 1.2 | 9.8 | 19.2 | 26.9 |
| *Of which:* foreign currency | 35.1 | 4.5 | 48.5 | 47.6 | 45.4 | -10.6 | 16.8 | 9.7 | 11.2 | 12.0 | 9.7 |
| Other 3/ | -38.0 | -33.9 | -43.7 | -69.6 | -61.1 | -47.7 | -15.0 | -39.7 | -6.3 | 2.7 | 1.9 |
| *Of which: valuation adjustment* | -26.6 | -1.2 | -26.6 | -26.6 | -12.5 | -0.5 | -4.8 | -0.1 | -1.0 | -1.4 | -1.9 |
| **Liabilities to private sector (M3)** | **32.9** | **-3.0** | **28.5** | **23.9** | **19.0** | **9.6** | **36.3** | **14.9** | **27.6** | **36.0** | **43.1** |
| Money supply (M2) | 13.6 | -0.6 | 8.6 | 7.3 | 5.8 | 7.6 | 30.1 | 10.0 | 17.7 | 27.8 | 35.0 |
| Foreign currency deposits | 19.3 | -2.5 | 19.8 | 16.6 | 13.1 | 1.9 | 6.2 | 4.8 | 9.8 | 8.1 | 8.0 |
| | | | | | (Change YoY in percent of M3) | | | | | | |
| **Net foreign assets** | **-13.3** | **-6.1** | **0.7** | **9.8** | **-1.7** | **14.6** | **-7.7** | **3.1** | **-7.6** | **-7.1** | **-8.6** |
| **Net domestic assets** | **24.8** | **5.2** | **19.9** | **7.3** | **-1.5** | **-11.6** | **19.2** | **1.5** | **16.3** | **17.9** | **21.8** |
| Net claims on public sector 2/ | 13.1 | 5.5 | 16.2 | 21.2 | 15.3 | 5.0 | 2.2 | 1.4 | -0.1 | -7.3 | 2.5 |
| *Of which:* central government | 8.7 | 5.1 | 21.7 | 20.4 | 15.3 | 4.2 | 2.2 | -6.4 | -4.9 | -10.8 | -0.4 |
| Open market operations | 7.8 | 7.2 | 8.4 | 3.6 | 0.7 | 0.0 | 10.2 | 12.2 | 15.3 | 18.6 | 10.5 |
| Credit to private sector | 17.2 | 3.1 | 10.2 | 6.2 | 2.0 | -1.5 | 11.6 | 0.4 | 3.1 | 5.8 | 8.2 |
| *Of which: foreign currency* | 12.3 | 1.4 | 16.7 | 16.3 | 14.5 | -3.3 | 5.3 | 3.0 | 3.5 | 3.6 | 3.0 |
| Other 3/ | -13.3 | -10.7 | -15.0 | -23.7 | -19.5 | -15.0 | -4.8 | -12.4 | -2.0 | 0.8 | 0.6 |
| **Liabilities to private sector (M3)** | **11.6** | **-1.0** | **9.8** | **8.2** | **6.1** | **3.0** | **11.5** | **4.6** | **8.7** | **10.8** | **13.2** |
| Money supply (M2) | 4.8 | -0.2 | 3.0 | 2.5 | 1.9 | 2.4 | 9.6 | 3.1 | 5.6 | 8.4 | 10.7 |
| Foreign currency deposits | 6.8 | -0.8 | 6.8 | 5.7 | 4.2 | 0.6 | 2.0 | 1.5 | 3.1 | 2.4 | 2.5 |
| | | | | | (Change YoY, in percent) | | | | | | |
| **Liabilities to private sector (M3)** | **11.6** | **-1.0** | **9.8** | **8.2** | **6.1** | **3.0** | **11.5** | **4.6** | **8.7** | **10.8** | **13.2** |
| Money supply (M2) | 7.2 | -0.3 | 4.4 | 3.7 | 2.8 | 3.8 | 14.9 | 4.9 | 8.6 | 12.8 | 16.7 |
| Foreign currency deposits | 20.2 | -2.2 | 21.3 | 17.8 | 12.8 | 1.7 | 5.5 | 4.3 | 8.9 | 7.0 | 6.9 |
| **Memorandum items:** | | | | | | | | | | | |
| Monetary base (J$ Millions) | 71.2 | 74.0 | 72.7 | 72.1 | 81.1 | 77.3 | 77.8 | 76.9 | 78.0 | 93.9 | 83.4 |
| M3/monetary base | 4.5 | 4.3 | 4.4 | 4.4 | 4.1 | 4.2 | 4.5 | 4.3 | 4.4 | 3.9 | 4.4 |
| M3 velocity | 3.3 | 3.4 | 3.3 | 3.3 | 3.2 | 3.3 | 3.4 | 3.3 | 3.4 | 3.2 | 3.3 |

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

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

2/ Includes Bank of Jamaica operating balance.

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

Table 9. Jamaica: Schedule of Reviews and Purchases

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

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

| | IMF staff projections | | | | | |
|---|---|---|---|---|---|---|
| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
| Fund repurchases and charges | | | | | | |
| In millions of US dollars | 3.4 | 11.4 | 14.9 | 15.9 | 395.6 | 571.5 |
| In percent of exports of goods and nonfactor services | 0.1 | 0.2 | 0.3 | 0.3 | 7.2 | 9.8 |
| In percent of external debt services | 0.5 | 2.2 | 1.5 | 1.7 | 28.4 | 36.3 |
| In percent of quota | 0.8 | 2.6 | 3.5 | 3.7 | 92.2 | 133.2 |
| In percent of gross international reserves | 0.1 | 0.5 | 0.5 | 0.5 | 14.6 | 21.3 |
| Fund credit outstanding | | | | | | |
| In millions of US dollars | 640.0 | 1,040.0 | 1,277.3 | 1,277.3 | 896.0 | 333.5 |
| In percent of exports of goods and nonfactor services | 15.4 | 22.6 | 26.2 | 24.6 | 16.3 | 5.7 |
| In percent of external debt services | 93.6 | 204.8 | 129.3 | 135.7 | 64.2 | 21.2 |
| In percent of quota | 149.2 | 242.4 | 297.7 | 297.7 | 208.8 | 77.7 |
| In percent of gross international reserves | 26.5 | 41.8 | 44.5 | 43.8 | 33.2 | 12.4 |
| Memorandum items | | | | | | |
| Exports of goods and nonfactor services (in millions of US dollars) | 4,154.2 | 4,596.5 | 4,866.4 | 5,199.6 | 5,513.8 | 5,847.1 |
| External debt services (in millions of US dollars) | 684.0 | 507.8 | 987.8 | 941.3 | 1,394.9 | 1,576.3 |
| Quota (in millions of US dollars) | 429.1 | 429.1 | 429.1 | 429.1 | 429.1 | 429.1 |
| Gross international reserves (in millions of US dollars) | 2,414.4 | 2,486.9 | 2,871.2 | 2,913.4 | 2,702.5 | 2,687.5 |

Table 11. Jamaica: Public Sector Debt Sustainability Framework, 2001/02-2012/13

(In percent of GDP, unless otherwise indicated)

| | Actual | | | | Projections | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | **Debt-stabilizing primary balance 9/** |
| 1 **Baseline: Public sector debt 1/** | **116.6** | **113.5** | **124.9** | **142.3** | **140.4** | **134.2** | **125.2** | **113.5** | **105.2** | **2.3** |
| Government debt 1/ | 106.3 | 101.1 | 107.8 | 121.0 | 119.6 | 113.5 | 105.7 | 95.1 | 88.0 | |
| *Of which* : foreign-currency denominated | 54.5 | 51.2 | 62.4 | 68.7 | 69.9 | 69.7 | 66.7 | 61.5 | 56.6 | |
| Government guaranteed debt 1/ | 10.3 | 12.4 | 17.1 | 21.3 | 20.7 | 20.7 | 19.5 | 18.3 | 17.2 | |
| | | | | | | | | | | |
| 2 Change in public sector debt | -5.4 | -5.3 | 6.8 | 13.2 | -1.3 | -6.2 | -7.7 | -10.6 | -7.1 | |
| 3 Identified debt-creating flows (4+7+12) | 6.6 | -5.5 | 10.4 | 8.3 | 6.3 | -8.6 | -9.9 | -10.1 | -12.1 | |
| 4 Primary deficit | -7.0 | -7.8 | -4.8 | -6.2 | -5.3 | -7.5 | -8.3 | -9.2 | -12.4 | |
| 5 Revenue and grants | 25.9 | 27.3 | 26.6 | 27.5 | 26.4 | 26.6 | 26.8 | 27.1 | 27.1 | |
| 6 Primary (noninterest) expenditure | 18.9 | 19.5 | 21.8 | 21.3 | 21.1 | 19.1 | 18.5 | 17.9 | 14.7 | |
| 7 Automatic debt dynamics 2/ | 13.7 | 1.9 | 14.6 | 14.5 | -2.6 | -1.2 | -1.6 | -1.0 | 0.3 | |
| 8 Contribution from interest rate/growth differential 3/ | -2.1 | -0.9 | 1.1 | 13.6 | -2.6 | -1.2 | -1.6 | -1.0 | 0.3 | |
| 9 Of which contribution from real interest rate | 1.2 | -0.3 | -0.5 | 10.7 | -2.0 | 0.5 | 0.5 | 1.0 | 2.1 | |
| 10 Of which contribution from real GDP growth | -3.2 | -0.6 | 1.6 | 2.9 | -0.5 | -1.7 | -2.1 | -1.9 | -1.8 | |
| 11 Contribution from exchange rate depreciation 4/ | 15.8 | 2.8 | 13.5 | 0.9 | ... | ... | ... | ... | ... | |
| 12 Other identified debt-creating flows | 0.0 | 0.5 | 0.6 | 0.0 | 14.2 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 13 Privatization receipts (negative) | 0.0 | 0.5 | 0.6 | 0.0 | 14.2 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 14 Recognition of implicit or contingent liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 15 Other (specify, e.g. bank recapitalization) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 16 Residual, including asset changes (2-3) 5/ | -12.1 | 0.2 | -3.6 | 4.9 | -7.7 | 2.4 | 2.2 | -0.5 | 5.0 | |
| | | | | | | | | | | |
| Public sector debt-to-revenue ratio 1/ | 449.8 | 415.4 | 469.1 | 518.2 | 531.8 | 504.4 | 466.8 | 419.4 | 388.9 | |
| | | | | | | | | | | |
| **Gross financing need 6/** | 26.4 | 15.7 | 17.4 | 26.0 | 13.0 | 10.7 | 14.4 | 15.0 | 10.0 | |
| in billions of U.S. dollars | 3.2 | 2.1 | 2.4 | 3.2 | 1.8 | 1.6 | 2.2 | 2.4 | 1.7 | |
| | | | | | | | | | | |
| **Scenario with key variables at their historical averages 7/** | | | | | **140.4** | **134.9** | **127.5** | **117.6** | **113.3** | **0.1** |
| **Scenario with no policy change (constant primary balance) in 2008-2012** | | | | | **140.4** | **134.8** | **128.6** | **120.4** | **118.9** | **2.2** |
| | | | | | | | | | | |
| **Key Macroeconomic and Fiscal Assumptions Underlying Baseline** | | | | | | | | | | |
| | | | | | | | | | | |
| Real GDP growth (in percent) | 3.2 | 0.6 | -1.6 | -2.5 | 0.5 | 1.5 | 2.0 | 2.0 | 2.1 | |
| Average nominal interest rate on public debt (in percent) 8/ | 12.1 | 12.3 | 13.5 | 16.9 | ... | ... | ... | ... | ... | |
| Average real interest rate (nominal rate minus change in GDP deflator, in percent) | 1.5 | -0.2 | -0.7 | 8.8 | ... | ... | ... | ... | ... | |
| Nominal appreciation (increase in US dollar value of local currency, in percent) | -29.6 | -4.6 | -19.5 | -1.1 | ... | ... | ... | ... | ... | |
| Inflation rate (GDP deflator, in percent) | 10.6 | 12.5 | 14.2 | 8.1 | 12.6 | 7.8 | 7.6 | 7.3 | 6.0 | |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 19.9 | 4.0 | 10.0 | -4.8 | -0.5 | -7.7 | -1.2 | -1.6 | -16.2 | |
| Primary deficit | -7.0 | -7.8 | -4.8 | -6.2 | -5.3 | -7.5 | -8.3 | -9.2 | -12.4 | |

1/ Central government and government guaranteed debt on gross basis. From FY 2002/03, includes debt issued to the BoJ to cover its cash losses and related capitalized interest. FY 2006/07 debt includes US$350 million in prefinancing. The primary balance includes budgetary primary balance and off-budget expenditure. Dynamics do not drive Guaranteed Debt.

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

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

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

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

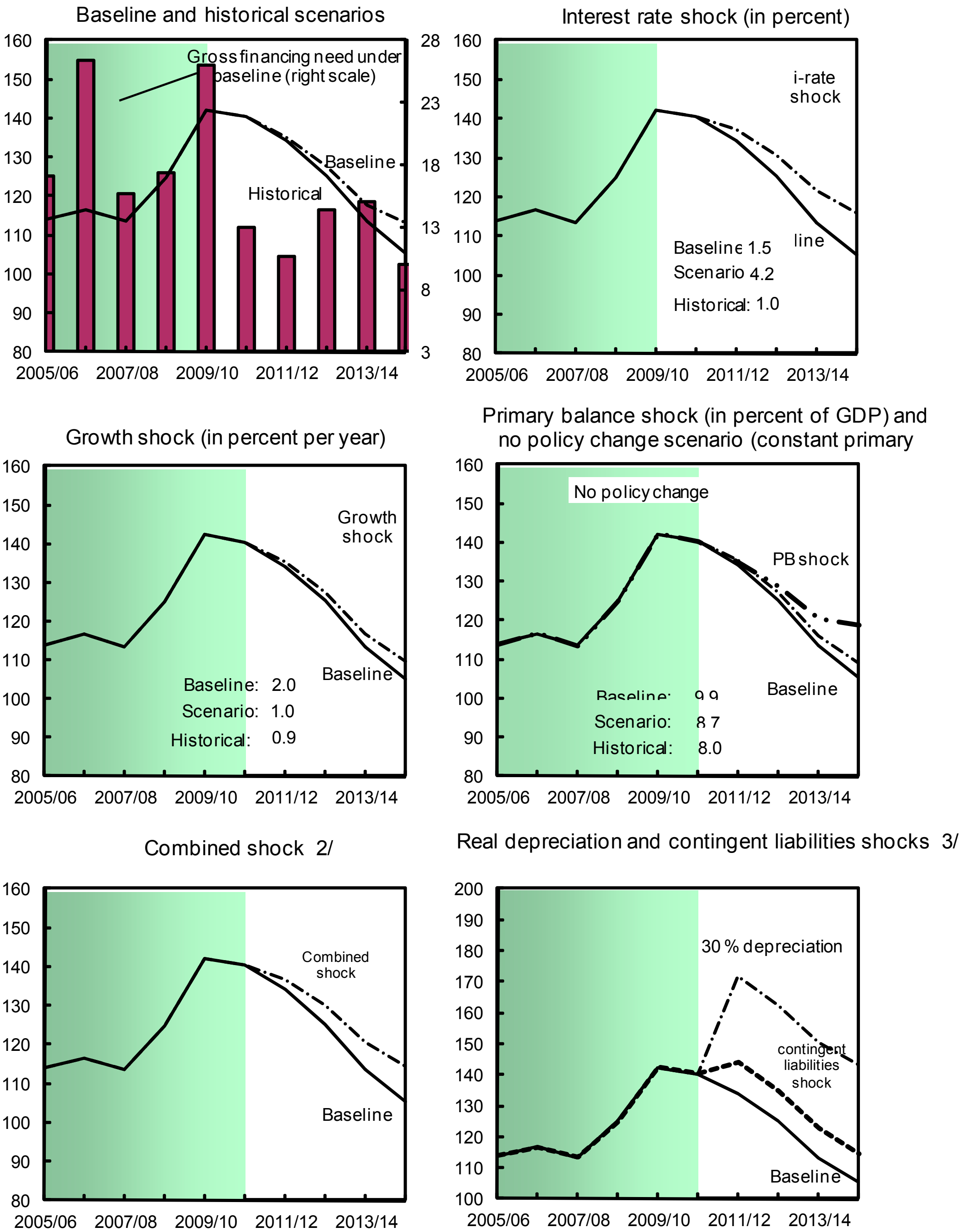
6/ Defined as public sector deficit, plus amortization of medium and long-term public sector debt, plus short-term debt at end of previous period.

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

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

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

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




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

Table 12. Jamaica: External Debt Sustainability Framework, 2005/06-2015/16
(In percent of GDP, unless otherwise indicated)

| | Actual | | | | | 10-Year Historical Average | 10-Year Standard Deviation | Projections | | | | | | For debt stabilization | Debt-stabilizing non-interest current account 6/ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | | | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | | |
| 1 **Baseline: External debt** | 49.3 | 51.1 | 50.1 | 51.4 | 70.9 | | | **72.3** | **70.8** | **67.3** | **61.4** | **56.6** | **52.2** | | **-8.5** |
| 2 Change in external debt | 0.7 | 1.8 | -1.0 | 1.2 | 19.6 | | | 1.3 | -1.4 | -3.6 | -5.8 | -4.8 | -4.4 | 0.0 | |
| 3 Identified external debt-creating flows (4+8+9) | 1.0 | -0.8 | 3.9 | 12.1 | 10.7 | | | 6.5 | 1.6 | 2.1 | -5.0 | -6.0 | -6.8 | 0.0 | |
| 4 Current account deficit, excluding interest payments | 7.0 | 6.1 | 14.4 | 14.2 | 4.7 | | | 5.0 | 4.9 | 4.0 | 2.9 | 1.5 | 0.4 | 8.5 | |
| 5 Deficit in balance of goods and services | 18.3 | 19.5 | 28.7 | 29.5 | 21.4 | | | 21.1 | 20.7 | 19.4 | 18.1 | 16.3 | 14.5 | | |
| 6 Exports | 37.4 | 39.9 | 39.3 | 37.2 | 33.8 | | | 33.2 | 33.2 | 33.7 | 34.0 | 34.8 | 35.7 | | |
| 7 Imports | 55.7 | 59.4 | 68.0 | 66.7 | 55.1 | | | 54.3 | 54.0 | 53.2 | 52.1 | 51.2 | 50.2 | | |
| 8 Net non-debt creating capital inflows (negative) | -5.4 | -6.5 | -10.9 | -4.6 | -3.4 | | | -2.1 | -4.7 | -2.9 | -8.9 | -8.6 | -8.4 | -8.4 | |
| 9 Automatic debt dynamics 1/ | -0.6 | -0.4 | 0.3 | 2.5 | 9.4 | | | 3.5 | 1.4 | 1.0 | 1.0 | 1.1 | 1.2 | -0.1 | |
| 10 Contribution from nominal interest rate | 3.5 | 3.6 | 4.0 | 3.8 | 4.1 | | | 3.8 | 2.5 | 2.4 | 2.3 | 2.3 | 2.3 | 2.1 | |
| 11 Contribution from real GDP growth | -0.5 | -1.5 | -0.3 | 0.8 | 1.4 | | | -0.3 | -1.1 | -1.4 | -1.3 | -1.2 | -1.1 | -1.0 | |
| 12 Contribution from price and exchange rate changes 2/ | -3.5 | -2.6 | -3.3 | -2.1 | 3.9 | | | ... | ... | ... | ... | ... | ... | -1.2 | |
| 13 Residual, incl. change in gross foreign assets (2-3) 3/ | -0.4 | 2.6 | -4.8 | -10.9 | 8.8 | | | -5.1 | -3.1 | -5.7 | -0.9 | 1.2 | 2.3 | 0.0 | |
| External debt-to-exports ratio (in percent) | 132.0 | 128.2 | 127.6 | 138.1 | 210.1 | | | 217.7 | 213.2 | 199.4 | 180.8 | 162.5 | 146.1 | | |
| **Gross external financing need (in billions of US dollars) 4/** | 1.8 | 2.1 | 3.0 | 3.0 | 1.4 | | | 1.6 | 1.8 | 1.7 | 1.6 | 1.6 | 1.5 | | |
| in percent of GDP | 15.7 | 17.5 | 22.5 | 22.0 | 11.5 | | | 11.2 | 12.1 | 11.2 | 10.0 | 9.7 | 8.4 | | |
| **Scenario with key variables at their historical averages 5/** | | | | | | | | **72.3** | **75.0** | **74.4** | **78.6** | **84.2** | **90.9** | | **-3.7** |
| **Key Macroeconomic Assumptions Underlying Baseline** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 1.2 | 3.2 | 0.6 | -1.6 | -2.5 | 0.9 | 1.8 | 0.5 | 1.5 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | |
| GDP deflator in US dollars (change in percent) | 7.8 | 5.5 | 7.0 | 4.3 | -7.1 | 4.1 | 7.0 | 12.0 | 4.2 | 3.1 | 3.3 | 2.3 | 2.3 | 2.3 | |
| Nominal external interest rate (in percent) | 7.7 | 8.0 | 8.4 | 7.7 | 7.2 | 7.5 | 0.5 | 6.1 | 3.6 | 3.5 | 3.6 | 3.9 | 4.2 | 4.2 | |
| Growth of exports (US dollar terms, in percent) | 9.5 | 16.2 | 6.0 | -2.9 | -17.8 | 2.4 | 9.9 | 10.6 | 5.9 | 6.8 | 6.0 | 7.0 | 7.0 | | |
| Growth of imports (US dollar terms, in percent) | 16.4 | 16.0 | 23.2 | 0.7 | -25.2 | 6.1 | 13.4 | 10.8 | 5.2 | 3.7 | 3.2 | 2.5 | 2.5 | | |
| Current account balance, excluding interest payments | -7.0 | -6.1 | -14.4 | -14.2 | -4.7 | -7.0 | 4.3 | -5.0 | -4.9 | -4.0 | -2.9 | -1.5 | -0.4 | | |
| Net non-debt creating capital inflows | 5.4 | 6.5 | 10.9 | 4.6 | 3.4 | 5.9 | 2.1 | 2.1 | 4.7 | 2.9 | 8.9 | 8.6 | 8.4 | | |

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

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

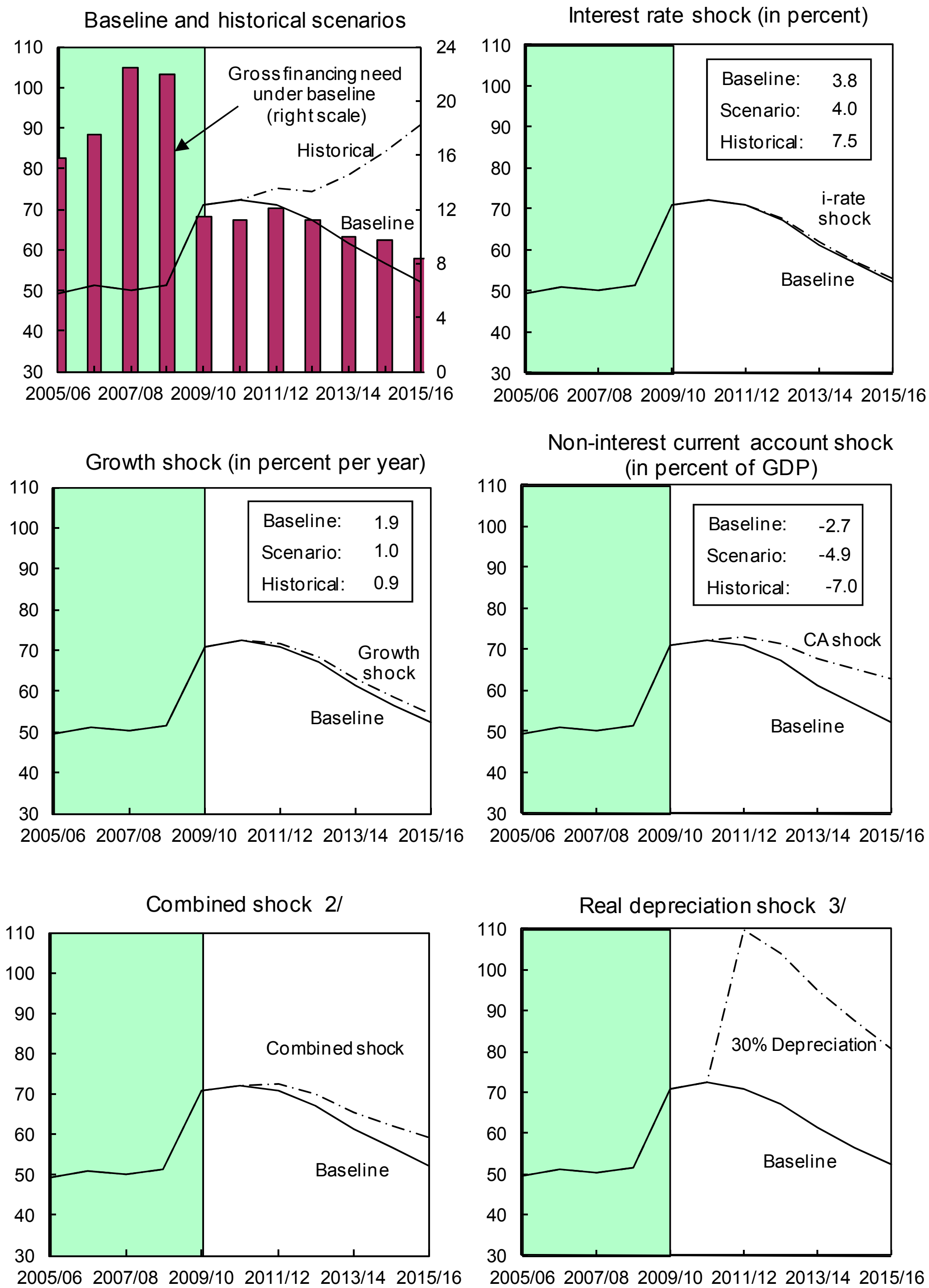
3/ For projection, line includes the impact of price and exchange rate changes.

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

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

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

Figure 2. Jamaica : External Debt Sustainability: Bound Tests 1/
(External debt in percent of GDP)



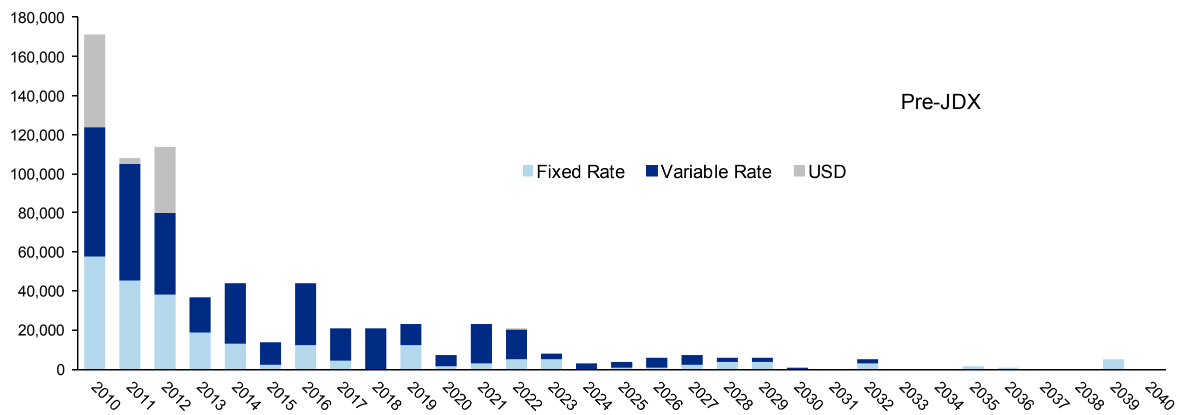

Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
3/ One-time real depreciation of 30 percent occurs in 2010.

## Appendix 1: Jamaica's Debt Exchange—Outcome and Lessons Learned

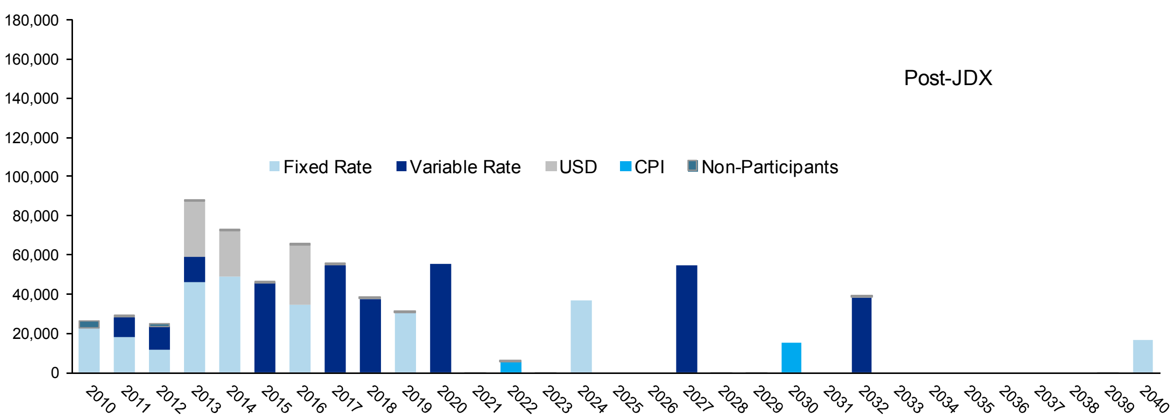
1. **On January 14, 2010, the government of Jamaica launched a comprehensive domestic debt exchange program (JDX) to address the escalating debt overhang.** The exchange, which was closed on February 26, was successful, with a participation rate of 99.2 percent. The stock of eligible debt amounted to 65 percent of GDP.[9] Direct interest savings from the exchange are equivalent to approximately 3.5 percent of GDP. In addition, the average maturity of domestic debt has been significantly extended from 4.7 years before the exchange to 8.3 years. This has resulted in a reduction of projected principal payments in 2010–2012 equivalent to about US$3.4 billion.

Figure 1. Redemption Profile of the Domestic Debt before and after the JDX

In J$ millions




In J$ millions



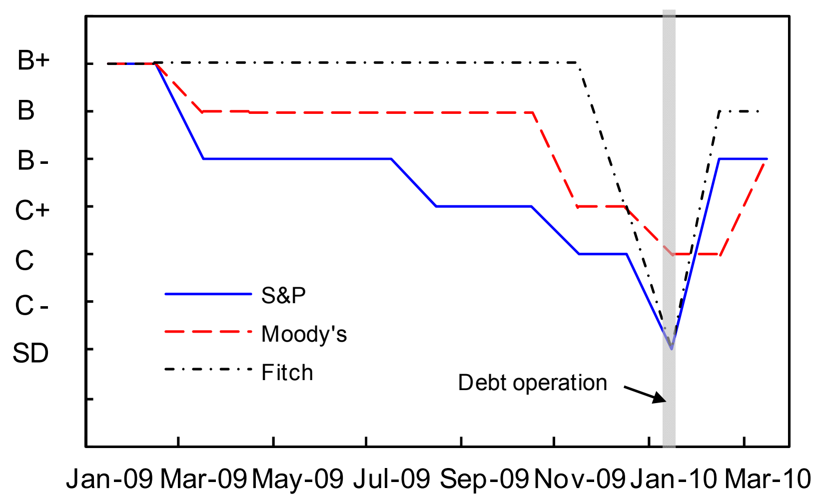

[9] The authorities also exercised their call option on the bonds that had not been tendered during the exchange. These bonds, in the amount of J$ 5.6 billion (about 0.8 per cent of the eligible stock), were called and redeemed for cash in May.

2. **This success was made possible by the combination of unprecedented international support from Jamaica's partners, the government's commitment to prudent fiscal policies, and a wide public and investor buy-in**. The Government's public relations campaign emphasized the need to break with the previous cycle of high debt and low growth and the need to get on a more sustainable footing by reducing debt payment costs and creating room for growth-enhancing activities. The general public's understanding of the risks involved in case of a failed exchange was fairly nuanced, which was contributed to the outcome and lack of any subsequent financial sector distress. From the program design perspective, discussions with market participants revealed the importance of the safety measures (most notably, the FSSF) designed to prevent financial sector distress.

3. **The key factors behind the success of the JDX and corresponding lessons learned could be summarized as follows:**

- ***Design***. The operation was carefully designed, and included analysis of critical issues, mainly: (i) stress testing of the debt exchange to ensure that the integrity of the financial system was protected; (ii) bond holders balance sheet needs in the design of the new benchmark bonds to maximize the demand for the new instruments; (iii) legal implications of the exchange, including constitutional issues, to minimize potential sources of contention; (iv) expected reaction from credit rating agencies to the operation given the broader macroeconomic strategy under the SBA.

Figure 2: Jamaica's Rating Dynamics




- ***No principal haircut.*** This helped avoid a prohibitive deterioration in institutions' balance sheets which would have undermined their participation. This was also critical in securing broad-based participation from retail bondholders, many of whom had incurred losses from the recent collapse of several fraudulent unregulated financial organizations.

- ***Communication Strategy***. The debt exchange was presented as a critical component of a broad macroeconomic program and not a stand-alone operation. During the launching of the operation, it was made clear to bondholders that non-participants would not be allowed to gain any competitive advantage, including from the possible use of interest tax surcharges and by exercising the call feature of old bond.

- ***Multilateral involvement***. The debt holders' perception that IMF and other multilateral involvement was critical to: (a) addressing concerns of external sustainability, which undermined credibility in domestic financial and foreign exchange markets; (b) achieving high participation, given that the debt exchange was a precondition for Fund support; and (c) ensuring that the government would be firmly committed to the fiscal consolidation and structural reform program.

- ***Burden sharing***. The program rested on the need to ensure that the burden of adjustment was shared across the society, with every sector contributing with their share of concessions and costs for a better outcome for the country as a whole. The perception that depositors and financial intermediaries participated in the adjustment process was critical to making the fiscal consolidation plan acceptable to those directly affected, including tax payers and public sector employees.

- ***Debt holdings.*** The fact that bonds exchanged were held domestically and by a few large financial institutions facilitated coordination for participation. These financial institutions were also deeply exposed to government risk, and therefore had a vested interest in helping to improve the government's financial prospects. Finally, these large institutions helped convince smaller institutions and retail investors about the importance of participating in the exchange in terms of preserving the stability of the financial system and safeguarding their own capital.

- ***Social Consensus***. There were domestic debt holders' proposals for a debt exchange prior to program approval, showing their understanding of the situation and their willingness to become part of the solution. In addition, the fiscal framework ensured that key social spending programs would be protected and expended. More critically, there was a generalized understanding by most Jamaicans on the imperative need to change course, away from a history of continued public debt expansion and low growth.

4. **Despite the progress achieved by the JDX, the stock of debt and its structure still pose serious risks for fiscal sustainability.** The existing debt stock is exposed to a sizable interest rate risk (as reflected by the share of variable rate debt and debt maturing within a year, accounting for nearly 40 and 7 percent of total debt, respectively) and currency risk (as reflected by the share of FX-denominated debt amounting to 47 percent of total debt). Given Jamaica's not-so-distant history of sizable shocks to prices, aggregate output, and exchange rates (see IMF Country Report No. 08/198), the risk of these shocks reappearing in the future

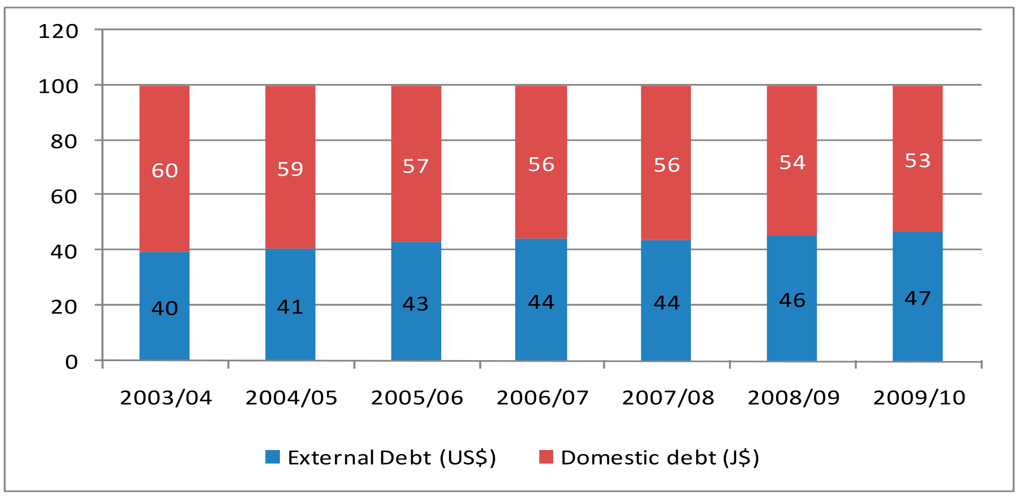
is not trivial. If these risks were to materialize, they could lead to significant increases in debt servicing and a substantial increase in the debt-to-GDP ratio.[10]

Table 1. Interest Rate and Refinancing Risks (as of March 2010)

| | Domestic | External | Total |
|---|---|---|---|
| **Interest rate risk** | | | |
| Variable rate debt (percent) | 56.4 | 20.2 | 39.3 |
| **Refinancing risk** | | | |
| Debt maturing in <1 year (percent) | 10.1 | 2.9 | 6.7 |

Source: Ministry of Finance and the Public Service

Figure 3. Shares of Domestic and External Central Government Debt (currency basis)




5. **Going forward, these risks put a very high premium on continued fiscal prudence as well as having an adequate debt management strategy in place.** A recent inter-agency (IMF-WB-IDB) mission to Kingston assessed debt-related developments and provided TA to help strengthen the authorities' debt management strategy. The mission concluded that, going forward, the strategy should explicitly factor in the cost-risk trade-offs of debt management and should take sufficient account of the medium-term fiscal framework, monetary policy objectives, market conditions, and financial stability goals. It also proposed specific measures in the following areas:

- Operational aspects of debt management, requiring measures to strengthen communication, strategy formulation, and coordination;

[10] A more detailed quantitative analysis of the potential impact of these shocks on debt level and debt servicing is expected to be carried out within the framework of the Medium-Term Debt Strategy TA mission planned for September 2010.

- Legal and regulatory framework, envisaging preparation of adequate and streamlined legal foundations for effective debt management;

- Restructuring of the debt management unit and capacity building, encompassing an overhaul of the institutional framework along functional lines, strengthening technical capacity, and the adoption of a medium-term debt management framework for strategy formulation and implementation;

- Scope of debt management and DSA, including limiting the scope of government's contingent liabilities, improving related reporting, and understanding the risks to debt sustainability.

## Appendix 2: The Financial System Stability Fund

- **The Financial System Stability Fund (FSSF) was established with the initial SBA disbursement of US$640 million.** As outlined in the Staff Report for the 2009 Article IV Consultation and SBA Request, the FSSF is a Government of Jamaica fund aimed at providing short term liquidity and, in special cases capital support, for institutions facing difficulty following the Jamaica Debt Exchange (JDX)**.**

- **No applications for FSSF support have been received to date.** Indications from industry and supervisors suggest that the FSSF had a crucial impact in shoring up confidence in the market leading up and subsequent to the JDX.

- **The FSSF is overseen by the Financial Regulatory Committee (FRC) made up of representatives from the Central Bank, the Financial Services Commission, and the Ministry of Finance.** The responsibility of the FRC includes authorizing liquidity support after assessment, through its Technical Working Group (TWG), of the viability and eligibility (subject to agreed upon criteria) of institutions requesting support.[11] Applications for capital support must be approved by the Minister of Finance after consultation with the IMF. The FRC is also responsible for surveillance and monitoring of the FSSF. However, on at least a monthly basis, it is required to report to the Minister (and subsequently the IMF) on the operations of the FSSF and its oversight function.

- **The BOJ holds and administers a specially designated account of the FSSF, acting on the instructions and approvals of the FRC and/or the Minister.** The GOJ has constituted a separate corporate entity, the Financial System Stability Fund Limited, which will act as the purchaser of any equity under the FSSF. The necessary accounting and operational procedures for the FSSF account at the BOJ have been formalized between the Minister, the FRC, and the BOJ. As a separate matter, a memorandum of understanding has been signed by the governor of the BOJ and the Minister, defining respective responsibilities for servicing and repayment obligations in relation to the SBA, covering both the initial disbursement to the FSSF and future disbursements to the BOJ.

[11] The TWG is chaired by the Deputy Governor of the FISD of the BOJ. Assessment of viability will partly draw upon banking information already currently collected and analyzed by the FISD.

# Appendix 3: Structural Reform Agenda

| Target Date 1/ | Structural Benchmark / MEFP Commitments | Type | Status | Comment |
|---|---|---|---|---|
| **Institutional Fiscal Reform** | | | | |
| Mar-10 | Pass a fiscal responsibility framework (FRF) and accompanying legislative ammendments. | Benchmark MEFP Jan-2010 | Met | Ammendments required. |
| Mar-10 | Freeze on wage and salary increases through FY 2011/12. | Commitment MEFP Jan-2010 | In progress | FY2010/11 Budget includes freeze. |
| Jun-10 | Conduct a government employment / compenstion census and create a public sector monitoring database. | Commitment MEFP Jan-2010 | In progress | Work program on track. |
| Jun-10 | Prepare time-bound tax administration reform action plan. | Commitment MEFP Jan-2010 | In progress | Received Fund TA; work program on track. |
| Jun-10 | Complete a time bound action plan to establish a central treasury management system (CTMS) by end 2010. | Benchmark MEFP Jan-2010 | In progress | To be operational FY2011/12 (received IMF TA); work program on track. |
| Nov-10 | Ammend FRF legislation and introduce regulations. | Benchmark MEFP Jun-2010 | … | Enhance compliance, cap tax expenditure, and ensure consistency with fiscal strategy. |
| Sep-10 | Prime Minister's Committee Report on Public Sector Reform due. | Commitment MEFP Jan-2010 | … | Pilot program to inform report. |
| Sep-10 | Announce strategy to scale back and reform the tax incentive system. | Commitment MEFP Jan-2010 | … | … |
| Dec-10 | Complete time-bound public employment and compensation reform action plan (to be implemented in FY2011/12 Budget). | Benchmark MEFP Jan-2010 | … | Reform strategy to be tabled in Parliament (Dec 2010). |
| Dec-10 | CTMS system to be operational and in position to support the implementation of FY 2011/12 budget. | Commitment MEFP Jan-2010 | … | … |
| Dec-10 | Tax incentive reform. | Benchmark MEFP Jun-2010 | In progress | Freeze current scope of tax incentives; carry out an audit of tax incentives and waivers. |
| FY2013/14 | Reduce wage bill to 9.5 percent of GDP. | Commitment MEFP Jan-2010 | … | … |
| **Public Entities** | | | | |
| Mar-10 | Lease remaining Sugar Company Factories or put on zero-deficit budget. | Commitment MEFP Jan-2010 | Met | Factories have been readvertised; bids close May-10. |
| Apr-10 | Increase JUTC bus fares by 40 percent or more. | Commitment MEFP Jan-2010 | Met | Increased by 40 percent on average. |
| Jun-10 | Divest or liquidate Air Jamaica. | Commitment MEFP Jan-2010 | Met | Agreements signed; full take over within 6 to 12 months. |
| **Financial Sector** | | | | |
| Feb-10 | Freeze on issuance of new licences for securities dealers with traditional busines model. | Benchmark MEFP Jan-2010 | Met | … |
| Mar-10 | Improve frameworks for AML/CFT. | Benchmark MEFP Jan-2010 | Met | Financial Investigations Division Bill and other legislation passed. |
| Mar-10 | Review/revise concept paper for an omnibus banking law to strengthen financial sector oversight. | Benchmark MEFP Jan-2010 | Met | Completed; to be presented to Minister of Finance in June 2010. |
| Jun-10 | Examine Bankruptcy Law reform. | Commitment MEFP Jun-2010 | … | FSC to explore feasibility of enhanced repo-client protection. |
| Jun-10 | Prepare concept paper outlining measures to combat unregulated financial organizations (UFOs). | Benchmark MEFP Jan-2010 | In progress | Received Fund TA; work program on track. |
| Jun-10 | Phased introduction of 100 percent risk weighting on foreign currency denominated GOJ bonds. | Commitment MEFP Jun-2010 | In progress | First installment (a 12½ percent risk weight) end June 2010. |
| Jun-10 | Finalize list of amendments to the BOJ Act. | Commitment MEFP Jun-2010 | In progress | Part of efforts to establish legal framework to support BOJ's mandate for financial system stability. |
| Aug-10 | Develop enhanced capital and margin requirments for the securities dealer sector. | Commitment MEFP Jan-2010 | In progress | Receiving Fund/CARTAC TA; work program on track. |
| Sep-10 | Dealers requirement to register customer interest against underlying instruments in a central depository. | Commitment MEFP Jan-2010 | … | FSC to ensure compliance and provide a status reports to IMF. |
| Dec-10 | Adopt supervisoriy rules to take remedial measures against weak entities on a specified timetable. | Commitment MEFP Jan-2010 | … | Concept paper to be distributed March 2011; contemplated enactment 2012. |
| Dec-10 | Introduce enhanced capital rules for DTIs to address all market risks (including equity and interest). | Commitment MEFP Jan-2010 | … | Concept paper to be distributed March 2011. |
| Dec-10 | Amend Unit Trust Act to encourage the development of collective investment schemes. | Commitment MEFP Jan-2010 | … | Concept Paper for public consultation March 2011. |
| Dec-10 | Amending Companies Act of Jamaica to remove structural impediments to the development of the vibrant mutual fund market. | Commitment MEFP Jan-2010 | … | Concept Paper for public consultation March 2011. |
| Jun-11 | Pass Omnibus banking law, amend Bank of Jamaica Act and Financial Services Commission Act, implement stronger capital adequacy standards. | Commitment MEFP Jan-2010 | … | Concept paper distributed; contemplated enactment 2012. |
| Mar-11 | Close gaps in the power of the FSC to conduct consolidated supervision in line with Omnibus Banking bill. | Commitment MEFP Jan-2010 | … | … |
| Mar-11 | Amendments to Securities Act to enhance regulatory regime for securities dealers. | Commitment MEFP Jun-2010 | … | Concept paper to be completed Aug-11; Cabinet submission planned for Dec-11. |
| Mar-11 | Securities dealers to pledge collateral against client interests in the CSD. | Commitment MEFP Jun-2010 | | Exploring increased functionality of CSD in this respect. |
| Mar-12 | Fully implement regulations to strengthen the regulatory and supervisory framework of the securities dealers sector. | Commitment MEFP Jan-2010 | … | Includes full implementation of 100 percent risk weighting. |
| **Debt Management** | | | | |
| Jun-10 | Complete cost-risk analysis alternative debt management strategy. | Commitment MEFP Jan-2010 | Met | Received IMF/WB/IDB TA. Follow-up TA necessary to build strategic and analytical capacity (Sept-10). |
| Sep-10 | Hire a resident Technical Financial Advisor and a Project Manager for a 1-2 year period. | Benchmark MEFP Jun-2010 | … | … |
| Dec-10 | Complete a restructuring of debt management functions. | Commitment MEFP Jun-2010 | … | Upgrade status of debt management agency and enhance its capacity to carry out back, middle and front office functions. |

1/ All target dates refer to end month.

## Appendix 4: Divestment of Air Jamaica

Air Jamaica (AJ) was effectively divested on April 30, 2010 and, legally, it is no longer an operating company. The assets are currently managed by Caribbean Airlines (CA), which is owned by the government of Trinidad and Tobago. The government of Jamaica is to own 16 percent of the shares of Caribbean Airlines.[12]

***Transition period.*** A 6-12 month transition agreement is currently in place to ensure a smooth continuation of operations and service. In particular, the transition agreement allows CA to operate the AJ routes between Jamaica and the United States, while awaiting the finalization of a new open skies agreement between Trinidad and Tobago and the United States. A memorandum of understanding between the two countries has been signed and, in the meantime, a 60-day waiver has been granted. The transition agreement also allows CA to make a decision on the type of fleet it will use (AJ flies Airbus jets, while CA flies Boeing).

***Air Jamaica workers.*** About 1800 AJ workers have been declared redundant, and US$24 million in redundancy payments were made on April 30. CA has contracted on a temporary basis about half of the AJ workers, including pilots and crew staff, which was necessary given different technical characteristics of aircrafts used by the two companies.

***Divestment costs.*** Total divestment costs in fiscal year 2009/10 are still uncertain, but preliminary estimates have identified costs of US$204 million. In addition to redundancy payments, other divestment costs have already been paid, in a total amount of US$82 million as of end-April 2010. These include US$19 million of advanced ticket sales, US$16 million in cash losses in April, and US$23 million of other payments and accruals, including tax debts to the U.S. Internal Revenue Service (IRS). The Government of Jamaica plans exert a close monitoring of remaining costs and payables, to ensure all opportunities for cost savings are taken advantage of. However, total final divestment costs could differ from this estimate, with both upside and downside risks:

- Costs would be reduced the longer the transition period lasts, as the costs of terminating the existing lease contracts on various AJ aircrafts would decline as the end-contract date approaches.

- Remaining tax debts to IRS may increase or reduce the total cost estimate depending on how soon they are settled. The tax debts accrue about US$0.5 million of interest and penalties a month.

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[12] Given Air Jamaica's past history of privatization followed by government retaking ownership, the possibility that the government may someday again seek to own and operate an airline cannot be ruled out. However, the present authorities have absolutely no interest in such an event, nor, in the staff's view, does the government's stake in Caribbean Airlines make such an event any more or less likely.

The treatment of the divestment costs of Air Jamaica in the program has been changed. As these costs are now more precisely identified, staff has included estimated costs of US$204 million as expenditure of the central government (previously expenditure did not include any of these costs). In addition, the primary balance target adjustor in the TMU was also modified to allow divestment costs to be capped at US$214 million (originally US$200 million in the staff report). Symmetrically, in the event that divestment costs are lower than estimated (i.e., below US$204 million), the primary balance target would be adjusted higher. This upward revision to the adjustor is consistent with the authorities' allocation for Air Jamaica divestment costs included in the 2010/11 budget.

## Appendix 5: Technical Assistance Priorities under the SBA

*A pipeline of Technical Assistance (TA) missions has been planned over the coming year to support the ambitious structural reform agenda under the SBA.*

### Institutional Fiscal Reform

*Fiscal Responsibility and Central Treasury Management (March 2010).* A FAD mission visited Jamaica to: (i) review and identify amendments to strengthen the recently approved fiscal responsibility framework; and, (ii) help prepare an action plan for the implementation of a central treasury management system and treasury single account; (iii) analyze the public financial management system to identify other potential channels of fiscal slippage.

*Tax and Customs Administration (April 2010).* A FAD mission updated and clarified the tax administration and customs modernization strategy and provided a comprehensive compliance plan to assist the authorities to meet commitments under the program. Urgent tax administration reform initiatives include establishing a unified domestic tax administration structure in line with previous FAD recommendations and strengthening the large taxpayer office. With regard to customs administration, priority areas include organizational restructuring, conducting risk-based post-clearance audits, and implementing a framework to improve the exchange of information with tax administration.

### Enhancing Debt Management

*Medium term debt strategy framework (May 2010).* An MCM team assessed the operational framework for sovereign debt issuance, evaluated institutional capacity, and began work in developing a framework to examine cost-risk trade-offs of alternative debt management strategies.

*Development of the government securities market (2010Q3).* The mission's main objective is to identify measures to: (i) improve the functioning of the primary market for GOJ securities; (ii) develop efficient and liquid secondary markets; and (iii) enhance transparency on the overall debt strategy.

*Follow-up on Medium term debt strategy framework (2011Q1).* The mission will prepare a formal debt strategy for FY2012, and; (ii) complete work in the development of a cost-risk debt management framework, which will include providing extensive training to ensure that the debt management unit is capable of using the proposed framework to effectively evaluate alternative financing strategies.

**Reducing Systemic Financial Sector Risks**

*Strengthening capital and margin requirements for securities dealers (March 2010).* A MCM expert recently visited Jamaica to develop an action plan for work in this area, which will be pursued under a long-term contract with CARTAC.

*Combating unregulated financial schemes (July 2010):* MCM mission, in collaboration with LEG is planned to identify legal and regulatory reforms to close and prevent the re-emergence of fraudulent Ponzi-type investment schemes.

*Improving regulatory framework for collective investment schemes (TBD).* CARTAC has committed to provide assistance in this area.

*Financial Stability* (new request; structural benchmark): During the March 2010 MCM mission, the BOJ made a request for Fund TA: LEG technical advice on the legal framework and MCM assistance on best practices for central bank's role in financial stability and to operationalize financial stability work.

*Crisis preparedness (Ongoing).* MCM has allocated UFR resources to assess financial sector crisis preparedness and help the authorities develop contingency plans.

## ATTACHMENT 1. LETTER OF INTENT

Kingston, Jamaica
June 8, 2010

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

Dear Mr. Strauss-Kahn:

Performance under the economic programme described in our Letter of Intent (LOI) of January 15, 2010 has been better than expected. The domestic debt exchange launched in early January was successful, with a high participation rate which yielded larger-than-anticipated savings on the government's interest bill. In the period following the debt exchange, credit rating agencies upgraded Jamaica's sovereign debt rating, Eurobond prices on sovereign bonds have rallied, and treasury bill interest rates have fallen to around 10 percent—levels not seen since the 1980s. Furthermore, the income and valuation losses related to the debt exchange appear to have been smoothly absorbed by financial institutions. There have not been any reports of entities facing capital or liquidity shortages which would have required access to the Financial System Support Fund (FSSF).

In light of these developments, we are pleased to report that performance under the Stand-By Arrangement (SBA) is on track. The relative market calm in the period following the approval of the SBA contributed to the achievement of quantitative performance criteria on net international reserves and net domestic assets of the Bank of Jamaica with margins. As regards fiscal performance, all quantitative targets have also been met. Finally, the structural reform agenda is advancing and key structural benchmarks have been achieved, including: (i) Parliamentary approval of a Fiscal Responsibility Framework (FRF) in March; and (ii) the preparation of a draft concept paper for an omnibus banking law and reforms to enhance financial sector oversight. In addition, Air Jamaica has been divested. On this basis we request the completion of the first review under the SBA.

Notwithstanding these early results, vigilance is clearly needed to ensure that the objectives under the programme are achieved. Indeed, the global economic environment is uncertain and prospects for economic growth, although improved, are still weak. The Government acknowledges the turmoil on the occasion of recent anti-crime actions in West Kingston and the revenue and expenditure challenges it may present. Nonetheless, the Government remains committed to the programme's parameters and will make adjustments within the current programme to ensure that the existing program targets are met.

The Government of Jamaica remains deeply committed to macroeconomic stability and the implementation of the reform pillars outlined in the Memorandum of Economic and Financial Policies (MEFP) attached to our LOI of January 15, 2010, that endeavour to fundamentally transform the Jamaican economy. The attached MEFP describes performance under the SBA so far this year and proposes some updates to quantitative targets and structural benchmarks.

The Government believes that the policies described in the 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 maintain the productive and fruitful dialogue we have enjoyed with the Fund. In this spirit of cooperation, the Government will consult with the Fund on the adoption of these measures and in advance of 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 payments agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement, and imposing or intensifying import restrictions for balance of payments reasons.

As part of our communication policy, we intend to publish this letter on the websites of the Ministry of Finance and the Public Service and the Bank of Jamaica to keep domestic and international agents informed about our policy actions and intentions.  In that context, we authorize the Fund to publish this letter and the attached MEFP.

Very truly yours,

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

Very truly yours,

Brian Wynter
Governor, Bank of Jamaica
Jamaica

## ATTACHMENT 2. MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

### I. BACKGROUND AND RECENT DEVELOPMENTS

1. On February 4, 2010 the Fund's Executive Board approved a 27-month Stand-By Arrangement (SBA) in support of Jamaica's programme aimed at restoring macroeconomic stability and creating the conditions for improved growth. This programme included critical steps and policy reforms to tackle longstanding fiscal and debt imbalances and other underlying vulnerabilities.

2. **Overall economic performance during the first few months of the programme has been good, notwithstanding the challenging economic environment.** Financial market conditions have improved markedly and, although economic activity remains weak, there are encouraging signs in certain key sectors of the economy.

- **Economic growth.** While declines in activity in the mining and retail trade sectors continue to weigh heavily on growth, better than expected performance in tourism and agriculture has contributed to an upward revision to GDP growth in FY2009/10, to -2½ percent (as compared to -3½ percent in the programme). Looking ahead, real GDP is projected to grow by about ½ percent in FY2010/11. The expected reopening of the Windalco Alumina plant in June—six months ahead of schedule— is a positive development. On the other hand, drought conditions could temper gains in the agricultural sector.

- **Inflation.** Twelve-month CPI inflation rose to 13¼ percent end-FY2009/10, mainly reflecting the implementation of the government's tax package. While headline inflation is expected to rise somewhat in the coming months, following a 40 percent average increase in Jamaica's Urban Transit Company's (JUTC's) bus fares, underlying inflation pressures remain subdued owing to weak domestic demand and a stable exchange rate outlook. Inflation is projected to decline to below 8 percent by the end of FY2010/11.

- **Balance of Payments.** The balance of payments outturn has been better than expected, in part because of higher capital flows than assumed under the SBA. The external current account deficit was also narrower than anticipated owing to the strong performance of tourism in the winter season that just ended. As a result, net international reserves stood at US$1.7 billion at end-April.

- **Jamaica Debt Exchange (JDX).** The results of the debt exchange, which was completed on February 24, were significantly better than anticipated under the programme. The amount of eligible bonds was broader (US$7.8 billion compared with US$5 billion); the participation rate was higher (99.2 percent compared with 80 percent); and, as a result, interest savings in FY2010/11 will be greater (3.5 percent of GDP compared with 3.0 percent). Moreover, the JDX has reduced rollover risks through an extension of maturities and resulted in a significantly streamlined portfolio now consisting of 25 benchmark instruments (as opposed to about 350 heterogeneous instruments previously).

- **Public Finances.** In FY2009/10, the primary surplus of the central government reached 6.2 percent of GDP, in line with the programme target. Stepped up tax administration efforts offset some of the cyclical weakness in tax revenues, and cuts in capital and recurrent spending helped meet the target. However, upfront interest payments were higher than anticipated due to the success of the debt exchange and, as a result, the deficit of the central government stood at 11.1 percent of GDP—1.1 percent of GDP above programme projections. These higher interest payments in FY2009/10 will lead to a commensurately lower interest bill in FY2010/11. The overall deficit of the public entities for FY2009/10 was 1.6 percent of GDP, or 1.2 percent of GDP below the programme target, mainly reflecting a lower execution rate for capital spending, and better-than-anticipated revenue in some entities.

- **Financial System.** Market interest rates have declined significantly in recent months and the currency has appreciated slightly, reflecting a strong improvement in investor sentiment since the approval of the SBA. Eurobond spreads have fallen by over 250 basis points and domestic interest rates are now below the rates of the new bonds issued in the debt exchange. Potential JDX-related financial system pressures, such as external margin calls and widespread capital flight, have not materialized. In particular, there have been no episodes of entities facing capital or liquidity shortages. Financial institutions have had no need to seek support from the Financial System Support Fund (FSSF).

## II. Performance under the Programme

3. **Overall performance under the programme has been strong.** All quantitative performance targets and structural benchmarks for end-March were met (Table 1).[13] Although the approved legislation pertaining to the Fiscal Responsibility Framework (FRF) represents an important milestone, the Government intends to further strengthen the FRF through amendments consistent with recommendations from the March 2010 IMF technical assistance mission that were received after the FRF legislation had been approved by both Houses of Parliament.

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

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

| (in J$ billions) | Mar-10 | SBA PC for 1st Review end Mar-10 | Proj. Diff. | Status of SBA PC |
|---|---|---|---|---|
| **Fiscal targets** | | | | |
| 1. Primary balance of the central administration ( floor) 2/ | 67.5 | 66.9 | 0.6 | √ |
| 2. Overall balance of public entities (floor) 2/ | -17.5 | -29.6 | 12.1 | √ |
| 3. Central government direct debt (ceiling) 3/ | 1256.6 | 1260.4 | -3.8 | √ |
| 4. Cumulative net increase in central government guaranteed debt (ceiling) 2/ | 32.6 | 32.8 | -0.2 | √ |
| 5. Central government accumulation of domestic arrears (ceiling) 4/ | -0.4 | 0.0 | -0.4 | √ |
| 6. Central government accumulation of tax arrears (ceiling) 5/ | -0.3 | 0.0 | -0.3 | √ |
| 7. Consolidated government accumulation of external arrears (ceiling) 6/ | 0.0 | 0.0 | 0.0 | √ |
| **Monetary targets** | | | | |
| 8. Cumulative change in net international reserves (floor) 6/ | 22.5 | -672.7 | 695.2 | √ |
| 9. Net domestic assets (ceiling) | -79.2 | -49.1 | -30.1 | √ |

1/ Targets as defined in the Technical Memorandum of Understanding.
2/ Cumulative flows through April 1 to March 31.
3/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.
Includes adjustments for valuation changes and other program consistent adjustments (see Appendix 2).
4/ Includes debt payments, supplies and other committed spending as per contractual obligations.
5/ Includes tax refund arrears as stipulated by law.
6/ In millions of US dollars. Measured in program exchange rates. PC incorporated automatic adjusters specified in TMU.

## Institutional fiscal reforms

4. **Overall, implementation of the fiscal reform agenda is on track (Table 2).** The new FRF contains several provisions that will significantly improve the public expenditure management system. In particular, it will increase the focus on the medium-term fiscal framework; more tightly centralize the authority to borrow with the Minister of Finance; and increase accountability in public bodies. Fund technical assistance missions have been instrumental in helping the government meet the June 2010 deadlines to prepare action plans for: (a) establishing a Central Treasury Management System (CTMS); and (b) modernizing the organization of the tax administration and improving tax compliance. The government has also benefitted from technical assistance (provided by an inter-agency team from the Fund, the World Bank, the IDB, and the Commonwealth Secretariat) to help meet the June 2010 deadline to incorporate cost-risk analysis to strengthen its public debt management strategy.

**Table 2. Institutional Fiscal Reform: Structural Benchmarks 1/**

| Target | Structural Reforms | Date | Status | Comments |
|---|---|---|---|---|
| Structural Benchmark | Pass a fiscal responsibility framework (FRF) and accompanying legislative amendments | Mar-2010 | Met | Approved in Parliament (March); amendments and supporting regulations are needed to enhance the effectiveness of the FRF as recommended by a March IMF TA mission. |
| Structural Benchmark | Complete a time bound action plan to establish a central treasury management system (CTMS) by end 2010 | Jun-2010 | In progress | The head of the CTMS reform team was appointed in March 2010. A draft action plan is expected to be ready for review by end May. |
| Structural Benchmark 2/ | Introduce amendments and supporting regulations to strengthen the FRF | Nov-2010 | In progress | Reform in this area should: (a) strengthen sanctions for non-compliance; (b) explicitly prohibit deferred financing mechanisms; and (c) reinforce the internal consistency between the medium-term fiscal strategy and the annual budgets. New provisions should also require annual parliamentary approval of the overall value of tax expenditures. |
| Structural Benchmark 2/ | Reform the system of tax incentives | Dec-2010 | In progress | Initial steps of the reform entail (a) not to expand the scope of tax incentives until the new tax waiver policy is in place; and (b) immediately carry out an audit of waivers. Publication of granted waivers is already in place. The authorities have requested Fund TA for this reform. |
| Structural Benchmark | Design a Public Employment and Compensation reform | Dec-2010 | In progress | A preliminary report was submitted to Cabinet outlining options for the merger, divestment, and closure of government agencies and public bodies. A census of all government positions and compensation is almost completed and compiled in a database. |

1/ Dates refer to end-month.
2/ New structural benchmark.

5. **In the crucial area of public sector reform, there have been some key accomplishments:**

- ***Air Jamaica.*** The government has finalized the divestment of Air Jamaica to Caribbean Airlines. Effective May 1, 2010, Caribbean Airlines took over the operation of Air Jamaica routes and full financial responsibility for the airline, except for its stock of debt, which was already guaranteed and being serviced by the government. As anticipated under the programme, the debt and legacy costs (estimated at US$ 204 million), which include air traffic liabilities, taxes owed to the U.S. government, and redundancy payments to workers will remain the responsibility of the Jamaican government. The group in charge of liquidating the airline is actively engaged with creditors in an effort to minimize the costs. A transition period of 6-12 months is in place to ensure a smooth transition, and allow the new operators to continue servicing Air Jamaica routes while awaiting the approval of open skies agreements between Trinidad and Tobago and the relevant authorities in the United States and Canada. As a result of the agreement, the Government of Jamaica will have a 16 percent share in Caribbean Airlines.

- ***Public sector rationalization.*** The Prime Minister's Commission on Public Sector Reform has submitted its preliminary diagnostic report to Cabinet, outlining options for the merger, divestment, and closure of government agencies and public bodies, based on an analysis of their current functions and the new functions to be carried out in a new government structure. In addition, a census of all government positions and compensation is almost completed and compiled in a database (June 2010 programme commitments).

- ***Sugar Company of Jamaica (SCJ).*** Efforts to divest the SCJ assets are continuing. The three remaining factories have been re-advertised and the initial response to the information memorandum has been favourable. The closing date for bids is May 31, 2010. In the interim, the factories have been put on a strict zero-deficit target.

- ***Jamaica Urban Transit Company (JUTC).*** The government has taken strong actions to reduce losses in the company by raising bus fares by an average of 40 percent on April 1, 2010 and through ongoing efforts to curb illegal bus and taxi operations.

**Financial Sector Reforms**

6. **The financial sector reform agenda is advancing in line with commitments under the programme (Table 3).** The Financial Services Commission (FSC) has imposed a moratorium on new licenses for securities dealers whose main business model is the sale of repo contracts in February, in line with the programme benchmark. It has also lifted the freeze on unit trusts. With the assistance of CARTAC, the FSC has undertaken to strengthen its stress testing capacity and, with IMF technical assistance, is working to enhance capital and margin rules for securities dealers to mitigate inherent risks. In March, the Bank of Jamaica (BOJ) revised, in consultation with Fund staff, a draft concept paper for an Omnibus Banking Bill, thus meeting the structural benchmark. An IMF safeguards assessment mission was conducted at the BOJ in March, pointing to generally sound external audit and financial reporting frameworks. The BOJ plans to implement most of the recommendations of the report, in particular those related to strengthening its internal audit. In March 2010, Parliament approved the Financial Investigations Division Bill, and passed amendments to the Terrorism Prevention Act and Terrorism Prevention regulations, which enhance the anti-money laundering/combating the financing of terrorism (AML/CFT) framework.

**Table 3. Financial Sector Reform: Structural Benchmarks** 1/

| Target | Structural Reforms | Date | Status | Comments |
|---|---|---|---|---|
| Structural Benchmark | Freeze on the issuance of new licenses to Securities Dealers under traditional business model | Feb-2010 | Met | The FSC imposed a moratorium on new licenses for securities dealers whose main business model is the sale of repo contracts. |
| Structural Benchmark | Improve frameworks for AML / CFT | Mar-2010 | Met | Financial Investigations Division Bill and other legislation passed. |
| Structural Benchmark | Review/Revise Omnibus Banking Law concept paper | Mar-2010 | Met | The concept paper has been reviewed by Fund staff and will be revised by the BOJ in Jun 2010. The concept paper will be translated into legislation for passage by Dec 2011. |
| Structural Benchmark | Prepare concept paper outlining measures to combat unregulated financial organizations (UFOs) | Jun-2010 | In progress | The paper will be based on recommendations from a planned June IMF TA mission planned to identify legal/regulatory reforms to prevent the re-emergence of fraudulent UFOs. |

1/ Dates refer to end-month.

## III. Policies for FY2010/11

7. **The government remains firmly committed to the reform strategy and supporting policies outlined in the January 2010 MEFP.** In light of the economic and policy outcome of FY2009/10—including the success of the debt exchange and subsequent financial market stability—the government plans to recalibrate the quantitative targets in order to ensure that the programme's momentum is maintained (Table 4). In moving forward with the structural reform agenda, over the next three months the government will strengthen the fiscal responsibility framework and introduce time-bound action plans to implement reforms in central treasury management and tax administration. In the financial sector, the authorities will continue the preparation of comprehensive legislation to strengthen the supervisory and regulatory framework and begin the implementation of enhanced capital adequacy rules for financial institutions.

Table 4: Jamaica: Quantitative Performance Criteria 1/

| (in J$ billions) | 2010 end Jun. | 2010 end Sept. | 2010 end Dec. | 2011 end Mar. |
|---|---|---|---|---|
| | Performance criteria | | Indicative Targets | |
| **Fiscal targets** | | | | |
| 1. Primary balance of the central administration (floor) 2/ | 6.5 | 18.8 | 30.9 | 65.5 |
| 2. Overall balance of public entities (floor) 2/ | -3.0 | -6.0 | -8.9 | -11.9 |
| 3. Cumulative net increase in central government direct debt (ceiling) 2/, 3/ | 30.9 | 53.4 | 90.9 | 111.2 |
| 4. Cumulative net increase in central government guaranteed debt (ceiling) 2/ | 3.2 | 3.2 | 3.2 | 3.2 |
| 5. Central government accumulation of domestic arrears (ceiling) 4/ | 0.0 | 0.0 | 0.0 | 0.0 |
| 6. Central government accumulation of tax arrears (ceiling) 5/ | 0.0 | 0.0 | 0.0 | 0.0 |
| 7. Consolidated government accumulation of external arrears (ceiling) 6/ | 0.0 | 0.0 | 0.0 | 0.0 |
| **Monetary targets** | | | | |
| 8. Cumulative change in net international reserves (floor) 2/, 6/ | -356 | -442 | -501 | -328 |
| 9. Cummulative change in net domestic assets (ceiling) 2/ | 31.3 | 40.1 | 61.4 | 35.3 |

1/ Targets as defined in the Technical Memorandum of Understanding.
2/ Cumulative flows through April 1 to March 31.
3/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.
4/ Includes debt payments, supplies and other committed spending as per contractual obligations.
5/ Includes tax refund arrears as stipulated by law.
6/ In millions of US dollars.

## Fiscal policy

8. **The 2010/11 central government budget approved in April targets a deficit of 6.2 percent of GDP.** This target includes legacy costs of Air Jamaica of 1½ percent of GDP. Excluding these costs, the target is 1¾ percent of GDP lower than in original programme projections (which excluded Air Jamaica costs). This lower deficit, which contributes to better medium-term debt dynamics than assumed under the original programme projections, primarily reflects lower interest payments arising from: (i) the stronger results of the debt exchange; and (ii) recent improvement in financial market conditions which have allowed market interest rates to fall below previously projected levels. The budget incorporates programme commitments regarding the level of the primary balance, public sector wages, and the freeze on tuition subsidies, while increasing social assistance programme spending by about 40 percent, primarily benefitting the Programme for Advancement Through Health and Education (PATH) and the School Feeding Programme (SFP). The budgets of the public entities, which under the new FRF are approved by Parliament, are in line with the original programme target and their deficit targeted at 1 percent of GDP. This year, the government plans to begin a series of road rehabilitation projects (4 percent of GDP over 5 years) to be financed by a Chinese government loan, and continue with a water infrastructure project (1.6 percent of GDP over three years). The planned expenditures on these projects for this year have been included in the FY2010/11 budgets for central government and the entities. In subsequent years, these project expenditures will be fit into the budgets so as to maintain the overall fiscal targets under the program.

**Fiscal Reforms**

9. **The government will introduce amendments and implement regulations to the FRF by November 2010 in order to strengthen its effectiveness (structural benchmark).** The amendments will: (i) better define sanctions for non compliance and introduce time-bound provisions clarifying how deviations from targets would be addressed; (ii) explicitly prohibit deferred financing mechanisms; (iii) substantially reduce recourse to excess expenditure provisions, virements, and the use of supplementary budgets; (iv) further tighten conditions for appointing boards of public entities and creating new institutions; (v) ensure that the Auditor General can obtain the required technical assistance to carry out its responsibility for the independent oversight of macroeconomic assumptions and fiscal projections; (vi) strengthen the internal consistency between the medium-term fiscal strategy and related fiscal policy documents (e.g., Fiscal Policy Paper and annual budget); and (vii) require explicit parliamentary approval of an overall cap on tax expenditures as part of the process of budget approval.

10. **The government is on schedule to complete preparation of detailed action plans to implement the Central Treasury Management System (CTMS) (structural benchmark) and a tax administration reform by June 2010.** The CTMS will become operational by the start of FY2011/12, and will establish a Treasury Single Account (TSA) to which all funds owned by central government, held in various financial institutions would be transferred. Thereafter, the CTMS will incorporate the general government entities by September 2011. In the area of tax administration, a comprehensive reform of the organizational and governance structure of the Tax Administration Department will be implemented, including through enhancing the legal and administrative powers of the director general; expanding the large taxpayers' office; and replacing a series of administrative resource intensive taxes with a simple flat tax for small businesses.

11. **The government intends to reform the system of tax incentives, which are eroding revenue collection and distorting economic decision making.** The government remains committed to outlining an action plan by September 2010, as envisaged in the January 2010 MEFP**.** A multiplicity of statutory and discretionary exemptions are complicating tax administration and undermining compliance. While the magnitude of discretionary waivers is not accurately known, some studies suggest an impact on revenue collection of not less than J$20–25 billion (about 2 percent of GDP). The tax incentive reform will enhance the transparency and cost management of all statutory and discretionary tax waivers, exemptions and concessions with the specific aim of reducing the value of these tax expenditures over time. In the short run, the government is committed to (a) not expand the scope of tax incentives until the new tax waiver policy is in place; and (b) immediately carry out an audit of waivers (to be completed December 2010) to ascertain whether they were granted following proper procedures and, in the case of conditional waivers, whether they were used for the purpose for which they were granted (structural benchmark).

**Public Sector Reforms**

12. **The preparation of the government's public sector reform strategy is on schedule.** The Prime Minister's Commission will undertake a pilot programme in a group of agencies to implement the Commission's recommendations and calculate the implied costs and savings, including from centralizing functional departments (e.g., human resources and accounting). This pilot programme will inform the preparation of the Commission's final report due by September 2010. The government will table this report in Parliament to elicit public discussion before completing the public employment action plan before end-December 2010 (structural benchmark).

13. **In March, the government signed a memorandum of understanding with a Chinese firm to sell Clarendon Alumina Production (CAP).** CAP has a 45 percent stake in Jamalco, a joint venture with Alcoa. Alcoa has up to 90 days to match the offer. Under the MOU, the government would be paid for the value of the shares but would take over CAP's debt, all of which is already guaranteed and being serviced by the government. The government will use most of the proceeds to retire debt. The government also plans to sell its 7 percent minority stake in Windalco.

14. **The government intends to sell its majority stake in Petrojam to facilitate the upgrade of the refinery.** The government stands ready to hand over its majority stake in Petrojam by selling shares to PDVSA of Venezuela to allow it to increase its stake in Petrojam from 49 percent to 51 percent. Petrojam will seek to move forward with the expansion and modernization of the refinery involving investments of US$1.3 billion over a three-year period. However, in contemplating the funding for the project, the government remains fully committed to refrain from any direct or indirect borrowing by any public sector institution, including the extension of guarantees. Over time, the government is prepared to reduce its remaining interest through the direct sale of shares to PDVSA or other potential investment partners. As PDVSA makes new equity investments in the refinery project, the Jamaican government's equity participation will continue to be reduced accordingly.

**Debt Management**

15. **The government is determined to significantly upgrade its debt management (DM) operations and technical capacity (Table 5).** To that end the government will (a) by September 2010, hire a project manager to oversee the restructuring, and a technical financial adviser to assist the Debt Management Unit in strengthening its capacity for medium-term debt strategy formulation and implementation (structural benchmark); and (b) substantially complete the institutional restructuring of the DM functions by December 2010, including through upgrading the status of the debt management agency and establishing within it the capacity to carry out back, middle, and front office functions. The government will also continue work to prepare a new Public Debt Law that will replace more than a dozen laws

that govern debt management. The government will continue to seek technical assistance from the multilateral institutions to help in the design and implementation of the reforms.

**Table 5. Debt Management: Structural Benchmarks 1/**

| Target | Structural Reforms | Date | Status | Comments |
|---|---|---|---|---|
| Structural Benchmark 2/ | Hire a resident Technical Financial Advisor and a Project Manager for a 1-2 year period. | Sep-2010 | … | The advisor and manager will be responsible for overseeing issues of debt management-related strategy formulation and institutional overhaul respectively. |

1/ Dates refer to end-month.
2/ New structural benchmark.

## Monetary Policy

16. **Monetary policy will continue to aim at maintaining financial market stability and reducing inflation while seeking a gradual decline in interest rates.** The current monetary policy stance is consistent with the programme's projection for inflation and is not a threat to ignite demand pressures. Further reductions in the policy interest rate will be guided by evidence of declines in inflation expectations and Jamaica risk premiums. Given the over-performance of NIR at end-March, the BOJ will aim at a higher NIR stock for the rest of the year than originally assumed under the SBA. The authorities remain committed to exchange rate flexibility. However, it will still be necessary at times to intervene in the foreign exchange market to support its orderly functioning. In addition, as conditions allow, the BOJ intends to rebuild its net foreign exchange position.

## Financial Sector Reforms

17. **The government is moving ahead with its structural agenda to further strengthen regulatory and supervisory frameworks.** Nevertheless, a degree of flexibility in the timing of implementation may be needed. Specifically:

- **Risk Weighting:** The authorities are moving ahead with a phased implementation of the 100 percent risk weighting on all Government of Jamaica (GOJ) foreign currency denominated instruments, consistent with Basel standards. Full implementation will be completed by March 2012. Based on time-bound plans agreed with the supervisory agencies, institutions would be expected to demonstrate steady progress toward this target, or be subject to enhanced surveillance with restrictions. The first instalment of this regulatory change (a 12½ percent risk weight) will be introduced by end-June 2010. The authorities will prepare a quarterly report for the Fund staff on the progress of implementation across institutions, including a description of any measures taken to secure compliance.

- **Legislative reforms:** The government remains strongly committed to strengthening the regulatory and supervisory framework of the financial system as outlined in the January 2010 MEFP.[14] The concept paper for the omnibus banking bill, which will allow for more effective supervision of financial conglomerates, will be finalized (with input from Fund staff) and submitted to the Minister of Finance by June 2010. Prompt corrective action (PCA) rules, which mandate remedial actions by weak institutions within specific timeframes, will be rolled into the omnibus banking bill and hence will be part of the concept paper. A regime for enhanced capital and margin requirements for securities dealers will be developed with new draft FSC guidelines in August 2010 and changes to legislation by March 2012. The list of amendments to the Bank of Jamaica Act, which will provide the BOJ with the appropriate mandate for financial system stability, will be finalized by June 2010. However, the original deadlines for parliamentary approval of these and some other financial sector bills may need to be extended by about six months because of the government's heavy legislative schedule, the limited capacity at the Chief Parliamentary Counsel (CPC), the agency in charge of drafting all legislation, and the need to allow for an adequate period of consultation with stakeholders.

18. **The BOJ and FSC are finalizing plans to register customer interest against underlying instruments in the new central securities depository (CSD).** Retail customers who purchase 'repo' contracts with securities dealers are vulnerable in the event of a bankruptcy of a dealer due to the lack of clarity of the legal status of their investment. To remedy the situation, and to continue to allow for the substitution of assets used as collateral for retail repos, the following course of action will be adopted. The FSC will begin to study the feasibility of reforming bankruptcy law to give full protection to clients under repo contracts. In the meantime, by September 2010, securities dealers will be required to place all assets subject to retail repos in a separate CSD account and will be required to keep clear records of clients' interests, which must be reconciled daily and audited semi annually. The FSC will carry out special inspections to ensure compliance and provide a status report to Fund staff on a quarterly basis regarding the results of these inspections, and any remedial measures introduced to address any non compliance with the guidelines. At the same time, work will begin to adapt the functionality of the CSD to be able to accommodate the substitution of securities. Furthermore, by March 2011, the securities dealers will be required to register client interests in a repo contract against underlying assets in the CSD.

[14] A detailed time-bound action plan for all the main financial sector reforms is described in Appendix 3.

## ATTACHMENT 3. TECHNICAL MEMORANDUM OF UNDERSTANDING

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

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

## IV. QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

### A. Cumulative Floor of the Central Government Primary Balance

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

The primary balance of the central government is defined as total revenues minus primary expenditure and covers non-interest government activities as specified in the budget. The central government includes public bodies that are financed through the Consolidated Fund. Data will be provided to the Fund with a lag of no more than three weeks after the test date.

Revenues are recorded when the funds are transferred to a government revenue account. Revenues will also include grants. Capital revenues will not include any revenues from asset sales as proceeding from divestment operations. Central government primary expenditure is recorded on a cash basis, and includes compensation payments, other recurrent expenditures, and capital spending (Table 1). Primary expenditure also includes transfers to other public bodies which are not self-financed. Costs associated with divestment operations or liquidation of public entities, such as cancellation of existing contracts or severance payments to workers will be allocated to current and capital expenditures, accordingly.

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

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

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

| | Floor (In billions of J$) |
|---|---|
| Central Government Primary Balance at end-March 2010 | 67.5 |
| End-June 2010 (performance criterion) | 6.5 |
| End-September 2010 (performance criterion) | 18.8 |
| End-December 2010 (indicative target) | 30.9 |
| End-March 2011 (indicative target) | 65.5 |

## B. Cumulative Floor on Overall Balance of Public Bodies

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

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

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

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

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

**2. Targets on the Overall Fiscal Balance of the Public Bodies**
Cumulative Balance over the fiscal year (April 1 to March 31)

| | Floor (In billions of J$) |
|---|---|
| Overall Balance of Public Bodies at end-March 2010 | -17.5 |
| End-June 2010 (performance criterion) | -3.0 |
| End-September 2010 (performance criterion) | -6.0 |
| End-December 2010 (indicative target) | -8.9 |
| End-March 2011 (indicative target) | -11.9 |

## C. Ceiling on the Stock of Central Government Direct Debt

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

The target will be set in Jamaican dollars with foreign currency debt converted using the programme exchange rate. The change in the stock of debt will be measured "below the line" as all debt issuance minus repayments on all central government debt. Data will be provided to the Fund with a lag of no more than four weeks after the test date. The target will be adjusted upwards if explicit government guarantees (defined as the stock of existing guarantees as at end March 2010 plus new guarantees allowed to be issued under the programme) are called. The target will be adjusted downwards if net divestment revenues (i.e. net of divestment expenses) take place. The target may be adjusted upward (by a maximum of US$10 million at program exchange rates, subject to consultation with Fund staff) to the extent that cumulative Air Jamaica divestment costs exceed US$204 million, or downward to the extent that these divestment costs fall below US$204 million.[15] For the purposes of computing the debt target, debt inflows are to be recorded at the moment the funds are credited to any central government account. The debt target will be adjusted for cross-currency parity changes; and pre-financing, as reflected by the increase in central government deposits.

[15] The cumulative increase in direct debt in FY2010/11 is about J$39 billion greater than estimated in the January 2010 Letter of Intent owing to the inclusion of Air Jamaica divestment costs and other non-cash debt issuance (Appendix 2).

**3. Targets on Central Government Direct Debt Stock**
Cummulative Net Increase in Debt Measured at Program Exchange Rate 1/

| | Ceiling (In billions of J$) |
|---|---|
| Stock of Central Government Direct Debt at end-March 2010 | 1269 |
| End-June 2010 (performance criterion) | 31 |
| End-September 2010 (performance criterion) | 53 |
| End-December 2010 (indicative target) | 91 |
| End-March 2011 (indicative target) | 111 |

1/ Increase relative to end-March 2010 stock.

## D. Ceiling on Net Increase in Central Government Guaranteed Debt

**Definition:** Net increase in central government guaranteed debt is calculated as issuance minus repayments of central government guaranteed debt, in billions of Jamaican dollars, including domestic and external bonds, loans and all other types of debt. Foreign currency debt will be converted to Jamaican dollars at the programme exchange rate. The cumulative targets are computed as the difference between the stock of government guaranteed debt as of end-March of each year and the stock of government guaranteed debt as of the target date, as specified in table 4. The cumulative net increase in central government guaranteed debt will be monitored on a continuous basis. Data will be provided to the Fund with a lag of no more than four weeks after the test date. In the case where the central government debt guarantees are called, the stock of central government guaranteed debt will be adjusted downwards to preserve the performance criteria defined in table 4.

**4. Cumulative Net Increase in Central Government Guaranteed Debt Stock**
Cumulative balance over the fiscal year (April 1 to March 31)

| | Ceiling (In billions of J$) |
|---|---|
| Stock of Government Guaranteed Debt at end-March 2010 | 139.4 |
| End-June 2010 (performance criterion) | 3.2 |
| End-September 2010 (performance criterion) | 3.2 |
| End-December 2010 (indicative target) | 3.2 |
| End-March 2011 (indicative target) | 3.2 |

The end-March stock of central government guaranteed debt is higher than in the January 2010 TMU on account of the stock of domestic guaranteed debt (3 percent of GDP), which was not included in the previous version of Table 4. The stock of domestic guaranteed debt of the central government has not changed since before end-FY2008/09 and therefore the update to the stock of total government guaranteed debt had no impact in the calculation or evaluation of the end-March 2010 targets.

## E. Ceiling on Central Government Accumulation of Domestic Arrears

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

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

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

## F. Ceiling on Central Government Accumulation of tax refund arrears

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

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

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

## G. Floor on Accumulation of BOJ Net International Reserves

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

Gross foreign assets are defined consistently with the Sixth Edition of the *Balance of Payments Manual and International Investment Position Manual (BPM6)* as readily available claims on nonresidents denominated in foreign convertible currencies. They include the BOJ's holdings of monetary gold, SDR holdings, foreign currency cash, foreign currency securities, liquid balances abroad, and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currency vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals other than gold, assets in nonconvertible currencies, and illiquid assets.

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

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

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

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

**7. Net International Reserves of the Bank of Jamaica**

| | (In millions of US$) |
|---|---|
| Floor on the Net International Reserves of the Bank of Jamaica | |
| Outstanding stock | |
| End-March 2010 | 1,752 |
| Floor on cumulative change in net international reserves from end-March 2010: | |
| End-June 2010 (performance criterion) | -356 |
| End-September 2010 (performance criterion) | -442 |
| End-December 2010 (indicative target) | -501 |
| End-March 2011 (indicative target) | -328 |

**8. External Program Disbursements (baseline projection)**

| Cumulative flows from end-March 2010 | (In millions of US$) |
|---|---|
| End-June 2010 | 0 |
| End-September 2010 | 200 |
| End-December 2010 | 400 |
| End-March 2011 | 600 |

**9. Reserve liabilities items for NIR target purposes**

| | (In millions of US$) 1/ |
|---|---|
| 1. BOJ's foreign liabilities to residents | |
| | |
| Outstanding stock | |
| End-March 2010 | 77.5 |
| | |
| Cumulative change from end-March 2010 | |
| End-June 2010 | -77.5 |
| End-September 2010 | -77.5 |
| End-December 2010 | -77.5 |
| End-March 2011 | -77.5 |
| | |
| 2. Banks foreign currency deposits in BOJ against reserve requirements | |
| | |
| Outstanding stock | |
| End-March 2010 | 169.6 |
| | |
| Cumulative change from end-March 2010 | |
| End-June 2010 | -5.9 |
| End-September 2010 | -1.2 |
| End-December 2010 | -1.6 |
| End-March 2011 | -2.2 |

1/ Converted at the programme exchange rates.

**10. Net External Payment related to Air Jamaica Divestment in 2010/11**

(Baseline projections, Cumulative since March 31, 2010, in millions of US dollars)

| End-June 2010 | End-September 2010 | End-December 2010 | End-March 2011 |
|---|---|---|---|
| 51.1 | 91.8 | 114.0 | 129.6 |

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

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

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

| | (In billions of J$) |
|---|---|
| Outstanding stock | |
| End-March 2010 | -79.2 |
| Ceiling on cumulative change in net domestic assets: 1/ | |
| End-June 2010 (performance criterion) | 31.3 |
| End-September 2010 (performance criterion) | 40.1 |
| End-December 2010 (indicative target) | 61.4 |
| End-March 2011 (indicative target) | 35.3 |

1/ Change relative to end-March 2010 stock.

## V. Continuous Performance Criterion on Non-accumulation of External Debt Payments Arrears

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

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

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

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

to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

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

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

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

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

## VI. Information Requirements

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

### A. Daily

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

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

- Deposits and liquidity assistance to institutions, by institution.

- Bank of Jamaica purchases and sales of foreign currency.

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

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

### B. Weekly

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

- Deposits in the banking system and total currency in circulation.

### C. Monthly

- Central government operations, with a lag of no more than three weeks after the closing of each month.

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

- Stock of public external and domestic debt, by creditor and by currency, as at end month. Data is to be provided within four weeks of month end.

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

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

- Stock of central government expenditure arrears.

- Stock of central government tax refund arrears.

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

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

- Holdings of domestic bonds (J$-denominated and US$-denominated) by holder category. The reporting lag should not exceed four weeks after the closing of each month.

- Legal measures that affect the revenue of the central government (tax rates, import tariffs, exemptions, etc.).

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

- A summary of monetary accounts providing detailed information on the accounts of the Bank of Jamaica, commercial banks, and the overall banking system. Include a detailed decomposition on Bank of Jamaica and commercial bank net claims on the Central Government, selected public bodies, and other public bodies.[16] 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 other (non-bank) deposit taking institutions and insurance companies within six weeks of month end.

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

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

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

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

- A full set of monthly FSIs regularly calculated by the BOJ, including capital adequacy, profitability and liquidity ratios, within six weeks of month end.

- Imports and exports of goods, in US$ million within five months after month end. Tourism indicators within three months after month end. Remittances' flows within four weeks after month end.

- Consumer price inflation, including by sub-components of the CPI index within four weeks after month end.

- Use of the PetroCaribe fund, including loan portfolio by debtor and allocation of the liquidity funds in reserve within four weeks after month end.

## D. Quarterly

- Summary balance of payments within three months after quarter end. Revised outturn for the preceding quarters and quarterly projections for the forthcoming year, with a lag of no more than one month following receipt of the outturn for the quarter.

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

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

- BOJ's Quarterly Financial Stability Report.

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

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

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

- Risk weighted capital adequacy ratios of DTI's and non-bank financial institutions consistent with the phased implementation of the100 percent risk weighting on all Government of Jamaica (GOJ) foreign currency denominated instruments within four weeks of quarter end. Quarterly reports on the progress of implementation the new GOJ foreign currency risk weighting provision across institutions, including a description of any measures taken to secure compliance within eight weeks of quarter end.

- FSC status report detailing compliance (and any remedial measures introduced to address any non compliance) with the agreed guidelines to clearly register retail repo client interests against underlying instruments in CSD. Reports are due within four weeks of end quarter.

**E. Annual**

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

Table 1. Jamaica: Selected Economic Indicators 1/

| | | 2009/10 | | 2010/11 | | Proj. | | |
|---|---|---|---|---|---|---|---|---|
| | 2008/09 | Orig. Proj. | Est. | Orig. Proj. | Rev. Proj. | 2011/12 | 2012/13 | 2013/14 |
| | (Annual percent change) | | | | | | | |
| **GDP, prices, and employment** | | | | | | | | |
| Real GDP | -1.6 | -3.5 | -2.5 | 0.6 | 0.5 | 1.5 | 2.0 | 2.0 |
| Nominal GDP | 12.3 | 3.3 | 5.4 | 11.5 | 13.2 | 9.4 | 9.8 | 9.4 |
| Consumer price index (end of period) | 12.4 | 12.2 | 13.3 | 7.3 | 7.5 | 7.0 | 6.3 | 6.0 |
| Consumer price index (average) | 20.2 | 9.0 | 9.7 | 11.2 | 12.8 | 6.2 | 6.6 | 6.2 |
| Exchange rate (end of period, in J$/US$) | 88.0 | … | 89.0 | … | … | … | … | … |
| Exchange rate (average, J$/US$) | 76.3 | … | 88.9 | … | … | … | … | … |
| End-of-period REER (percent change, appreciation +) | -10.1 | … | 9.8 | … | … | … | … | … |
| Treasury Bill rate, end-of-period, in percent | 21.5 | 14.0 | 10.5 | … | … | … | … | … |
| Treasury Bill rate, period average, in percent | 17.0 | 17.5 | 16.8 | … | … | … | … | … |
| Unemployment rate (in percent) | 10.8 | … | … | … | … | … | … | … |
| | (in percent GDP) | | | | | | | |
| **Government operations** | | | | | | | | |
| Budgetary revenue | 26.6 | 28.3 | 27.5 | 27.7 | 26.4 | 26.6 | 26.8 | 27.1 |
| Budgetary expenditure | 34.0 | 38.2 | 38.5 | 34.2 | 32.6 | 28.3 | 27.0 | 26.0 |
| Primary expenditure | 21.8 | 22.0 | 21.3 | 20.7 | 21.1 | 19.1 | 18.5 | 17.9 |
| Interest payments 2/ | 12.1 | 16.2 | 17.3 | 13.5 | 11.5 | 9.2 | 8.5 | 8.1 |
| Budget balance | -7.3 | -10.0 | -11.1 | -6.5 | -6.2 | -1.7 | -0.2 | 1.0 |
| *Of which:* primary fiscal balance | 4.8 | 6.2 | 6.2 | 7.0 | 5.3 | 7.5 | 8.3 | 9.2 |
| Off-budget expenditure 3/ | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public entities balance 4/ 5/ | -2.5 | -2.8 | -1.6 | -1.0 | -1.0 | -0.6 | 0.1 | 0.2 |
| Overall fiscal balance | -9.1 | -12.7 | -12.7 | -7.5 | -7.1 | -2.3 | -0.1 | 1.2 |
| Public debt 2/ 6/ | 124.9 | 140.0 | 142.3 | 140.0 | 140.4 | 134.2 | 125.2 | 113.5 |
| **External sector** | | | | | | | | |
| Current account balance | -18.0 | -9.4 | -8.8 | -8.8 | -8.9 | -7.4 | -6.3 | -5.2 |
| *Of which:* exports of goods, f.o.b. | 17.0 | 11.8 | 11.1 | 12.0 | 12.1 | 12.2 | 12.6 | 12.7 |
| *Of which:* imports of goods, f.o.b. | 50.0 | 38.9 | 38.3 | 39.0 | 38.4 | 38.2 | 37.6 | 36.8 |
| Net international reserves (in millions of US$) | 1,629 | 1,378 | 1,752 | 1,078 | 1,424 | 1,571 | 1,614 | 1,784 |
| Gross international reserves (In millions of US$) | 1,664 | 2,051 | 2,414 | 2,151 | 2,487 | 2,871 | 2,913 | 2,702 |
| **Money and credit** | (Changes in percent of beginning of period broad money) | | | | | | | |
| Net foreign assets | -13.3 | -6.1 | 14.6 | -7.7 | -8.6 | 7.6 | 4.0 | 8.1 |
| Net domestic assets | 24.8 | 5.2 | -11.6 | 19.2 | 21.8 | 6.0 | 9.1 | 1.4 |
| *Of which:* credit to the central government | 8.7 | 5.1 | 4.2 | 2.2 | -0.4 | 2.7 | 1.7 | 0.8 |
| Broad money | 11.6 | -1.0 | 3.0 | 11.5 | 13.2 | 13.7 | 13.1 | 9.5 |
| Velocity (ratio of GDP to broad money) | 3.3 | 3.4 | 3.3 | 3.4 | 3.3 | 3.3 | 3.2 | 3.2 |
| **Memorandum items:** | | | | | | | | |
| Nominal GDP (in billions of J$) | 1,037 | 1,071 | 1,094 | 1,194 | 1,237 | 1,354 | 1,487 | 1,627 |

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

1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.
2/ Includes savings from the debt exchange operation.
3/ Includes debt issued to BOJ to cover its cash losses and, until 2007/08, debt related to off-budget projects financed initially by the private sector.
4/ Assumes that any expansion of the PetroJam refinery, costing about 10 percent of GDP in cumulative terms, does not involve government financing, neither direct nor guaranteed.
5/ Includes 20 selected public entities under rationalization or divestment plans and other public entities.
6/ Central government direct and guaranteed only, including PetroCaribe debt and projected IMF disbursements.

Table 2 Jamaica: Selected Economic Indicators 1/

| | 2008/09 | 2009/10 | 2009/10 | | | | 2009/10 | 2010/11 | 2010/11 | | | | 2010/11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Est. | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Rev. Proj. |
| | | | | | | | (Annual percent change) | | | | | | |
| **GDP, prices, and employment** | | | | | | | | | | | | | |
| Real GDP | -1.6 | -3.5 | -3.5 | -2.1 | -2.2 | -1.8 | -2.5 | 0.6 | 0.1 | -0.9 | 1.2 | 1.6 | 0.5 |
| Nominal GDP | 12.3 | 3.3 | 5.1 | 9.4 | 6.3 | 0.9 | 5.4 | 11.5 | 11.7 | 12.7 | 14.5 | 13.6 | 13.2 |
| Consumer price index (end of period) | 12.4 | 12.2 | 9.0 | 7.2 | 10.2 | 13.3 | 13.3 | 7.3 | 15.1 | 14.0 | 11.7 | 7.5 | 7.5 |
| Consumer price index (average) | 20.2 | 9.0 | 9.9 | 6.7 | 9.0 | 13.1 | 9.7 | 11.2 | 15.7 | 14.7 | 12.7 | 8.5 | 12.8 |
| Exchange rate (end of period, in J$/US$) | 88.0 | … | 88.6 | 88.7 | 89.1 | 89.0 | 89.0 | … | … | … | … | … | … |
| Exchange rate (average, J$/US$) | 76.3 | … | 88.6 | 88.6 | 89.0 | 89.2 | 88.9 | … | … | … | … | … | … |
| End-of-period REER (% change, appreciation +) | -10.1 | … | -12.9 | -13.8 | -2.7 | 9.8 | 9.8 | … | … | … | … | … | … |
| Treasury Bill rate, end-of-period, in percent | 21.5 | 14.0 | 21.5 | 17.0 | 15.0 | 10.5 | 10.5 | … | … | … | … | … | … |
| Treasury Bill rate, period average, in percent | 17.0 | 17.5 | 21.5 | 10.4 | 10.3 | 10.2 | 16.8 | … | … | … | … | … | … |
| Unemployment rate (in percent) | 10.8 | … | 11.4 | 11.3 | 11.6 | … | … | … | … | … | … | … | … |
| | | | | | | | (in percent GDP) | | | | | | |
| **Government operations** | | | | | | | | | | | | | |
| Budgetary revenue | 26.6 | 28.3 | 6.0 | 6.8 | 6.6 | 8.5 | 27.5 | 27.7 | 6.5 | 6.8 | 6.3 | 7.9 | 26.4 |
| Budgetary expenditure | 34.0 | 38.2 | 9.3 | 9.6 | 9.4 | 10.8 | 38.5 | 34.2 | 8.0 | 9.7 | 7.6 | 8.8 | 32.6 |
| Primary expenditure | 21.8 | 22.0 | 5.3 | 5.6 | 5.1 | 5.6 | 21.3 | 20.7 | 5.9 | 5.8 | 5.3 | 5.1 | 21.1 |
| Interest payments 2/ | 12.1 | 16.2 | 4.0 | 4.0 | 4.4 | 5.1 | 17.3 | 13.5 | 2.1 | 3.9 | 2.3 | 3.7 | 11.5 |
| Budget balance | -7.3 | -10.0 | -3.4 | -2.8 | -2.8 | -2.3 | -11.1 | -6.5 | -1.5 | -2.9 | -1.3 | -0.9 | -6.2 |
| *Of which:* primary fiscal balance | 4.8 | 6.2 | 0.7 | 1.2 | 1.5 | 2.8 | 6.2 | 7.0 | 0.6 | 1.1 | 1.0 | 2.8 | 5.3 |
| Off-budget expenditure 3/ | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public entities balance 4/ 5/ | -2.5 | -2.8 | -0.2 | -0.2 | -0.1 | -1.2 | -1.6 | -1.0 | -0.3 | -0.3 | -0.2 | -0.2 | -1.0 |
| Overall fiscal balance | -9.1 | -12.7 | -3.5 | -3.0 | -3.0 | -3.4 | -12.7 | -7.5 | -1.8 | -3.1 | -1.5 | -1.1 | -7.1 |
| Public debt 2/ 6/ | 124.9 | 140.0 | | | | | 142.3 | 140.0 | | | | | 140.4 |
| **External sector** | | | | | | | | | | | | | |
| Current account balance | -18.0 | -9.4 | -0.8 | -2.2 | -3.1 | -2.7 | -8.8 | -8.8 | -2.5 | -2.5 | -2.6 | -1.3 | -8.9 |
| *Of which:* exports of goods, f.o.b. | 17.0 | 11.8 | 2.9 | 3.0 | 2.5 | 2.7 | 11.1 | 12.0 | 2.9 | 3.0 | 2.9 | 3.3 | 12.1 |
| *Of which:* imports of goods, f.o.b. | 50.0 | 38.9 | 8.4 | 9.6 | 9.8 | 10.6 | 38.3 | 39.0 | 9.7 | 9.5 | 9.7 | 9.5 | 38.4 |
| Net international reserves (in millions of US$) | 1,629 | 1,378 | 1,620 | 1,940 | 1,729 | 1,752 | 1,752 | 1,078 | 1,396 | 1,310 | 1,251 | 1,424 | 1,424 |
| Gross international reserves (In millions of US$) | 1,664 | 2,051 | 1,654 | 1,962 | 1,752 | 2,414 | 2,414 | 2,151 | 2,159 | 2,123 | 2,113 | 2,487 | 2,487 |
| **Money and credit** | | | | | | | (Changes in percent of beginning of period broad money) | | | | | | |
| Net foreign assets | -13.3 | -6.1 | 0.7 | 9.8 | -1.7 | 14.6 | 14.6 | -7.7 | 3.1 | -7.6 | -7.1 | -8.6 | -8.6 |
| Net domestic assets | 24.8 | 5.2 | 19.9 | 7.3 | -1.5 | -11.6 | -11.6 | 19.2 | 1.5 | 16.3 | 17.9 | 21.8 | 21.8 |
| *Of which:* credit to the central government | 8.7 | 5.1 | 21.7 | 20.4 | 15.3 | 4.2 | 4.2 | 2.2 | -6.4 | -4.9 | -10.8 | -0.4 | -0.4 |
| Broad money | 11.6 | -1.0 | 9.8 | 8.2 | 6.1 | 3.0 | 3.0 | 11.5 | 4.6 | 8.7 | 10.8 | 13.2 | 13.2 |
| Velocity (ratio of GDP to broad money) | 3.3 | 3.4 | 3.3 | 3.3 | 3.2 | 3.3 | 3.3 | 3.4 | 3.3 | 3.4 | 3.2 | 3.3 | 3.3 |
| **Memorandum items:** | | | | | | | | | | | | | |
| Nominal GDP (in billions of J$) | 1,037 | 1,071 | 1,050 | 1,074 | 1,091 | 1,094 | 1,094 | 1,194 | 1,124 | 1,159 | 1,201 | 1,237 | 1,237 |

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

1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.
2/ Includes savings from the debt exchange operation.
3/ Includes debt issued to BOJ to cover its cash losses and, until 2007/08, debt related to off-budget projects financed initially by the private sector.
4/ Assumes that any expansion of the PetroJam refinery, costing about 10 percent of GDP in cumulative terms, does not involve government financing, neither direct nor guaranteed.
5/ Includes 20 selected public entities under rationalization or divestment plans and other public entities.
6/ Central government direct and guaranteed only, including PetroCaribe debt and projected IMF disbursements.

Table 3. Jamaica: Summary of Central Government Operations

| | 2008/09 | 2009/10 | 2009/10 | | | | 2009/10 | 2010/11 | 2010/11 | | | | 2010/11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Est. | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Rev. Proj. |
| | (in billions of Jamaican dollars) | | | | | | | | | | | | |
| Budgetary revenue and grants | 276.2 | 302.8 | 62.5 | 72.9 | 72.2 | 92.6 | 300.2 | 330.5 | 72.8 | 79.1 | 76.1 | 98.3 | 326.7 |
| Tax | 250.7 | 266.6 | 58.2 | 63.1 | 66.1 | 80.1 | 267.4 | 303.0 | 62.5 | 68.0 | 67.6 | 89.9 | 288.3 |
| Non-tax | 18.0 | 24.2 | 3.9 | 4.9 | 5.6 | 12.0 | 26.5 | 20.6 | 9.4 | 3.9 | 3.7 | 5.8 | 22.7 |
| Grants | 7.6 | 11.9 | 0.4 | 4.9 | 0.5 | 0.5 | 6.3 | 7.0 | 0.9 | 7.2 | 4.8 | 2.7 | 15.6 |
| Budgetary expenditure | 352.2 | 409.5 | 97.8 | 103.0 | 103.1 | 117.6 | 421.5 | 408.2 | 90.1 | 112.4 | 91.4 | 108.9 | 402.9 |
| Primary expenditure | 226.2 | 235.9 | 55.4 | 60.2 | 55.5 | 61.6 | 232.7 | 247.3 | 66.3 | 66.8 | 63.9 | 63.7 | 260.8 |
| Wage and salaries | 111.5 | 126.4 | 31.6 | 33.0 | 30.3 | 31.4 | 126.3 | 130.5 | 32.4 | 32.7 | 31.3 | 31.3 | 127.7 |
| Other expenditure | 73.3 | 74.3 | 15.0 | 18.7 | 18.8 | 19.5 | 72.0 | 76.9 | 17.9 | 17.3 | 19.2 | 19.7 | 74.1 |
| Capital expenditure | 41.4 | 35.2 | 8.8 | 8.5 | 6.4 | 10.7 | 34.4 | 39.9 | 16.0 | 16.7 | 13.4 | 12.8 | 59.0 |
| Interest | 126.0 | 173.6 | 42.4 | 42.8 | 47.6 | 56.0 | 188.7 | 160.9 | 23.8 | 45.6 | 27.5 | 45.2 | 142.1 |
| Domestic | 90.2 | 132.5 | 31.2 | 31.2 | 34.6 | 47.9 | 144.9 | 121.6 | 13.0 | 33.3 | 14.2 | 35.7 | 96.2 |
| Current | 89.5 | 132.5 | 31.2 | 31.2 | 34.6 | 47.9 | 144.9 | 121.6 | 13.0 | 33.3 | 14.2 | 35.7 | 96.2 |
| BoJ special issue bonds 1/ | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External | 35.8 | 41.1 | 11.2 | 11.5 | 13.0 | 8.1 | 43.8 | 39.3 | 10.8 | 12.3 | 13.3 | 9.5 | 45.9 |
| Budget balance | -76.0 | -106.7 | -35.3 | -30.1 | -30.9 | -25.0 | -121.3 | -77.6 | -17.4 | -33.4 | -15.3 | -10.6 | -76.2 |
| o.w. primary budget balance 2/ | 50.0 | 66.9 | 7.1 | 12.6 | 16.7 | 31.0 | 67.5 | 83.3 | 6.5 | 12.3 | 12.1 | 34.6 | 65.9 |
| Off-budget expenditure | -7.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BoJ cash losses 3/ | -7.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public entities balance 4/ | -26.3 | -29.6 | -1.6 | -1.6 | -1.6 | -12.7 | -17.5 | -11.9 | -3.0 | -3.0 | -3.0 | -3.0 | -11.9 |
| Public sector balance | -94.9 | -136.3 | -36.9 | -31.7 | -32.5 | -37.7 | -138.8 | -89.6 | -20.3 | -36.3 | -18.3 | -13.6 | -88.2 |
| Net increase in Central Govt. debt | 68.7 | 104.3 | 35.3 | 30.1 | 30.9 | 25.0 | 121.3 | 77.2 | 17.4 | 33.4 | 15.3 | 10.6 | 76.2 |
| Principal Repayments | 112.1 | 105.5 | 27.7 | 41.1 | 33.2 | 67.4 | 169.5 | 145.6 | 39.1 | 29.5 | 6.8 | 20.8 | 96.2 |
| External | 37.8 | 23.7 | 5.2 | 7.9 | 5.9 | 6.5 | 25.5 | 20.0 | 5.2 | 7.1 | 6.0 | 7.3 | 25.6 |
| o.w. official | 18.6 | 18.5 | 0.0 | 0.0 | 0.0 | 0.0 | 18.5 | 16.9 | | | | | 19.5 |
| Domestic | 74.3 | 81.8 | 22.5 | 33.3 | 27.3 | 60.9 | 144.0 | 125.6 | 33.9 | 22.5 | 0.8 | 13.5 | 70.7 |
| Gross Financing Needs | 180.7 | 209.8 | 63.1 | 71.2 | 64.0 | 92.4 | 290.8 | 222.7 | 56.4 | 62.9 | 22.2 | 31.4 | 172.5 |
| Gross Financing Sources | 180.7 | 209.8 | 63.1 | 71.2 | 64.0 | 92.5 | 290.8 | 222.7 | 56.4 | 62.9 | 22.2 | 31.4 | 172.5 |
| External | 58.9 | 70.3 | 4.0 | 2.9 | 6.4 | 36.9 | 50.8 | 45.4 | 6.2 | 21.4 | 20.8 | 20.1 | 68.5 |
| o.w. official | 30.8 | 60.8 | | | | | 50.4 | 35.2 | | | | | 68.5 |
| Domestic | 115.8 | 166.8 | 46.9 | 77.3 | 60.7 | 63.8 | 248.8 | 149.8 | 48.4 | 29.5 | 22.5 | 19.6 | 119.7 |
| Divestment + deposit drawdown | 6.0 | -27.3 | 12.1 | -9.0 | -3.0 | -8.2 | -8.8 | 27.4 | 1.9 | 11.9 | -21.1 | -8.3 | -15.6 |
| Memo item: | | | | | | | | | | | | | |
| Central Govt. direct debt excluding IMF | 1119 | 1260 | 1142 | 1181 | 1215 | 1266 | 1266 | 1332 | 1297 | 1320 | 1357 | 1387 | 1387 |
| Nominal GDP | 1037 | 1071 | 1050 | 1074 | 1091 | 1094 | 1094 | 1194 | 1124 | 1159 | 1201 | 1237 | 1237 |

Sources: Jamaican authorities and Fund staff estimates and projections.

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

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

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

4/ Includes selected and other public entities.

Table 4. Jamaica: Summary of Central Government Operations

| | 2008/09 | 2009/2010 | 2009/10 | | | | 2009/10 | 2010/11 | 2010/11 | | | | 2010/11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig Proj. | Q1 | Q2 | Q3 | Q4 | Est. | Orig Proj. | Q1 | Q2 | Q3 | Q4 | Rev. Proj. |
| | (in percent of GDP) | | | | | | | | | | | | |
| Budgetary revenue and grants | 26.6 | 28.3 | 6.0 | 6.8 | 6.6 | 8.5 | 27.5 | 27.7 | 6.5 | 6.8 | 6.3 | 7.9 | 26.4 |
| Tax | 24.2 | 24.9 | 5.5 | 5.9 | 6.1 | 7.3 | 24.5 | 25.4 | 5.6 | 5.9 | 5.6 | 7.3 | 23.3 |
| Non-tax | 1.7 | 2.3 | 0.4 | 0.5 | 0.5 | 1.1 | 2.4 | 1.7 | 0.8 | 0.3 | 0.3 | 0.5 | 1.8 |
| Grants | 0.7 | 1.1 | 0.0 | 0.5 | 0.0 | 0.0 | 0.6 | 0.6 | 0.1 | 0.6 | 0.4 | 0.2 | 1.3 |
| Budgetary expenditure | 34.0 | 38.2 | 9.3 | 9.6 | 9.4 | 10.8 | 38.5 | 34.2 | 8.0 | 9.7 | 7.6 | 8.8 | 32.6 |
| Primary expenditure | 21.8 | 22.0 | 5.3 | 5.6 | 5.1 | 5.6 | 21.3 | 20.7 | 5.9 | 5.8 | 5.3 | 5.1 | 21.1 |
| Wage and salaries | 10.8 | 11.8 | 3.0 | 3.1 | 2.8 | 2.9 | 11.5 | 10.9 | 2.9 | 2.8 | 2.6 | 2.5 | 10.3 |
| Other expenditure | 7.1 | 6.9 | 1.4 | 1.7 | 1.7 | 1.8 | 6.6 | 6.4 | 1.6 | 1.5 | 1.6 | 1.6 | 6.0 |
| Capital expenditure | 4.0 | 3.3 | 0.8 | 0.8 | 0.6 | 1.0 | 3.1 | 3.3 | 1.4 | 1.4 | 1.1 | 1.0 | 4.8 |
| Interest | 12.1 | 16.2 | 4.0 | 4.0 | 4.4 | 5.1 | 17.3 | 13.5 | 2.1 | 3.9 | 2.3 | 3.7 | 11.5 |
| Domestic | 8.7 | 12.4 | 3.0 | 2.9 | 3.2 | 4.4 | 13.2 | 10.2 | 1.2 | 2.9 | 1.2 | 2.9 | 7.8 |
| Current | 8.6 | 12.4 | 3.0 | 2.9 | 3.2 | 4.4 | 13.2 | 10.2 | 1.2 | 2.9 | 1.2 | 2.9 | 7.8 |
| BoJ special issue bonds 1/ | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External | 3.4 | 3.8 | 1.1 | 1.1 | 1.2 | 0.7 | 4.0 | 3.3 | 1.0 | 1.1 | 1.1 | 0.8 | 3.7 |
| Budget balance | -7.3 | -10.0 | -3.4 | -2.8 | -2.8 | -2.3 | -11.1 | -6.5 | -1.5 | -2.9 | -1.3 | -0.9 | -6.2 |
| o.w. primary budget balance 2/ | 4.8 | 6.2 | 0.7 | 1.2 | 1.5 | 2.8 | 6.2 | 7.0 | 0.6 | 1.1 | 1.0 | 2.8 | 5.3 |
| Off-budget expenditure | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BoJ cash losses 3/ | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public entities balance 4/ | -2.5 | -2.8 | -0.2 | -0.2 | -0.1 | -1.2 | -1.6 | -1.0 | -0.3 | -0.3 | -0.2 | -0.2 | -1.0 |
| Public sector balance | -9.1 | -12.7 | -3.5 | -3.0 | -3.0 | -3.4 | -12.7 | -7.5 | -1.8 | -3.1 | -1.5 | -1.1 | -7.1 |
| | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net increase in Central Govt. debt | 6.6 | 9.7 | 3.4 | 2.8 | 2.8 | 2.3 | 11.1 | 6.5 | 1.5 | 2.9 | 1.3 | 0.9 | 6.2 |
| Principal Repayments | 10.8 | 9.9 | 2.6 | 3.8 | 3.0 | 6.2 | 15.5 | 12.2 | 3.5 | 2.5 | 0.6 | 1.7 | 7.8 |
| External | 3.6 | 2.2 | 0.5 | 0.7 | 0.5 | 0.6 | 2.3 | 1.7 | 0.5 | 0.6 | 0.5 | 0.6 | 2.1 |
| o.w. official | 1.8 | 1.7 | 0.0 | 0.0 | 0.0 | 0.0 | 1.7 | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 |
| Domestic | 7.2 | 7.6 | 2.1 | 3.1 | 2.5 | 5.6 | 13.2 | 10.5 | 3.0 | 1.9 | 0.1 | 1.1 | 5.7 |
| Gross Financing Needs | 17.4 | 19.6 | 6.0 | 6.6 | 5.9 | 8.4 | 26.6 | 18.7 | 5.0 | 5.4 | 1.8 | 2.5 | 13.9 |
| Gross Financing Sources | 17.4 | 19.6 | 6.0 | 6.6 | 5.9 | 8.5 | 26.6 | 18.7 | 5.0 | 5.4 | 1.8 | 2.5 | 13.9 |
| External | 5.7 | 6.6 | 0.4 | 0.3 | 0.6 | 3.4 | 4.6 | 3.8 | 0.5 | 1.8 | 1.7 | 1.6 | 5.5 |
| o.w. official | 3.0 | 5.7 | | | | | 4.6 | 2.9 | | | | | 5.5 |
| Domestic | 11.2 | 15.6 | 4.5 | 7.2 | 5.6 | 5.8 | 22.8 | 12.5 | 4.3 | 2.5 | 1.9 | 1.6 | 9.7 |
| Divestment + deposit drawdown | 0.6 | -2.5 | 1.2 | -0.8 | -0.3 | -0.8 | -0.8 | 2.3 | 0.2 | 1.0 | -1.8 | -0.7 | -1.3 |
| Memo item: | | | | | | | | | | | | | |
| Central Govt. direct debt excluding IMF | 107.8 | 117.7 | 108.7 | 109.9 | 111.3 | 115.8 | 115.8 | 111.6 | 115.4 | 113.8 | 113.0 | 112.1 | 112.1 |
| Nominal GDP | 1037 | 1071 | 1050 | 1074 | 1091 | 1094 | 1094 | 1194 | 1124 | 1159 | 1201 | 1237 | 1237 |

Sources: Jamaican authorities and Fund staff estimates and projections.

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

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

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

4/ Includes selected and other public entities.

Table 5. Jamaica: Operations of the Public Entities

| | In billions of Jamaican dollars | | | | In percent of GDP | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
| Operating balance selected public entities 1/ | 17.5 | 5.9 | 23.2 | 52.3 | 1.9 | 0.6 | 2.1 | 4.2 |
| *Of which:* | | | | | | | | |
| Air Jamaica | -12.9 | -11.9 | -15.5 | 0.0 | -1.4 | -1.1 | -1.4 | 0.0 |
| Clarendon Aluminum | -1.0 | -5.9 | -6.3 | 5.3 | -0.1 | -0.6 | -0.6 | 0.4 |
| Sugar Company of Jamaica | -5.3 | -7.2 | -3.4 | 0.0 | -0.6 | -0.7 | -0.3 | 0.0 |
| Petrojam | 13.7 | 2.2 | 24.0 | 13.7 | 1.5 | 0.2 | 2.2 | 1.1 |
| NROCC | -0.5 | -0.2 | -3.5 | -2.4 | -0.1 | 0.0 | -0.3 | -0.2 |
| Urban Development Corporation | 1.1 | 0.7 | 0.0 | 5.7 | 0.1 | 0.1 | 0.0 | 0.5 |
| National Water Commission | 0.5 | 0.2 | 0.4 | 1.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| Port Authority of Jamaica | 2.5 | 0.6 | 1.9 | 3.9 | 0.3 | 0.1 | 0.2 | 0.3 |
| National Housing Trust 2/ | 15.5 | 24.7 | 18.4 | 21.3 | 1.7 | 2.4 | 1.7 | 1.7 |
| National Insurance Fund | 3.9 | 2.3 | 0.2 | 4.1 | 0.4 | 0.2 | 0.0 | 0.3 |
| Net current transfers from the central government | -0.4 | 9.3 | 3.8 | -3.4 | 0.0 | 0.9 | 0.3 | -0.3 |
| *Of which:* | | | | | | | | |
| Air Jamaica | 5.0 | 4.6 | 2.0 | 0.0 | 0.5 | 0.4 | 0.2 | 0.0 |
| Clarendon Aluminum | 0.0 | 0.0 | 9.7 | 0.0 | 0.0 | 0.0 | 0.9 | 0.0 |
| Sugar Company of Jamaica | 0.0 | 7.4 | 2.7 | 0.0 | 0.0 | 0.7 | 0.2 | 0.0 |
| Petrojam | -6.6 | -5.2 | -13.7 | -14.1 | -0.7 | -0.5 | -1.3 | -1.1 |
| NROCC | 0.0 | 0.0 | 0.1 | 2.6 | 0.0 | 0.0 | 0.0 | 0.2 |
| Urban Development Corporation | 0.5 | 1.4 | 2.1 | 4.5 | 0.1 | 0.1 | 0.2 | 0.4 |
| National Water Commission | 1.1 | 0.8 | 0.4 | 1.5 | 0.1 | 0.1 | 0.0 | 0.1 |
| Port Authority of Jamaica | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| National Housing Trust | -0.4 | -0.6 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 |
| National Insurance Fund | -0.6 | -0.7 | 0.1 | -0.8 | -0.1 | -0.1 | 0.0 | -0.1 |
| Gross capital expenditure selected public entities 2/ | 44.2 | 38.8 | 36.6 | 68.6 | 4.8 | 3.7 | 3.3 | 5.5 |
| *Of which:* | | | | | | | | |
| Air Jamaica | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Clarendon Aluminum | 9.1 | 2.9 | 3.3 | 2.7 | 1.0 | 0.3 | 0.3 | 0.2 |
| Sugar Company of Jamaica | 0.4 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Petrojam | 0.8 | 2.0 | 1.5 | 2.6 | 0.1 | 0.2 | 0.1 | 0.2 |
| NROCC | 3.8 | 2.5 | 3.6 | 9.1 | 0.4 | 0.2 | 0.3 | 0.7 |
| Urban Development Corporation | 0.8 | 1.9 | 2.9 | 6.6 | 0.1 | 0.2 | 0.3 | 0.5 |
| National Water Commission | 3.4 | 2.5 | 2.9 | 2.2 | 0.4 | 0.2 | 0.3 | 0.2 |
| Port Authority of Jamaica | 3.9 | 1.4 | 7.0 | 6.5 | 0.4 | 0.1 | 0.6 | 0.5 |
| National Housing Trust | 17.7 | 22.0 | 11.5 | 28.0 | 1.9 | 2.1 | 1.1 | 2.3 |
| National Insurance Fund | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other net spending selected public entities 3/ | 0.4 | -5.4 | 5.6 | -7.8 | 0.0 | -0.5 | 0.5 | -0.6 |
| Overall balance selected public entities 4/ | -27.4 | -18.1 | -15.1 | -11.9 | -3.0 | -1.7 | -1.4 | -1.0 |
| *Of which:* | | | | | | | | |
| Air Jamaica | -8.1 | -7.5 | -13.6 | 0.0 | -0.9 | -0.7 | -1.2 | 0.0 |
| Clarendon Aluminum | -6.5 | -9.1 | 0.3 | 2.6 | -0.7 | -0.9 | 0.0 | 0.2 |
| Sugar Company of Jamaica | -5.8 | 0.3 | -1.3 | 0.0 | -0.6 | 0.0 | -0.1 | 0.0 |
| Petrojam | 3.2 | 0.6 | 4.4 | -5.0 | 0.3 | 0.1 | 0.4 | -0.4 |
| NROCC | -4.3 | -2.6 | -7.0 | -9.1 | -0.5 | -0.3 | -0.6 | -0.7 |
| Urban Development Corporation | 0.6 | 0.5 | -0.8 | 3.5 | 0.1 | 0.0 | -0.1 | 0.3 |
| National Water Commission | -2.0 | -1.5 | -1.9 | 0.4 | -0.2 | -0.1 | -0.2 | 0.0 |
| Port Authority of Jamaica | -1.6 | -0.8 | -5.1 | -2.7 | -0.2 | -0.1 | -0.5 | -0.2 |
| National Housing Trust | -2.7 | 1.6 | 6.5 | -4.2 | -0.3 | 0.2 | 0.6 | -0.3 |
| National Insurance Fund | 3.3 | 1.6 | 0.3 | 3.2 | 0.4 | 0.2 | 0.0 | 0.3 |
| Overall Balance other public entities 5/ | -4.1 | -8.1 | -2.4 | 0.0 | -0.4 | -0.8 | -0.2 | 0.0 |
| Overall Balance Public Entities 4/ | -31.5 | -26.3 | -17.5 | -11.9 | -3.4 | -2.5 | -1.6 | -1.0 |
| Overall Balance Public Entities Program 4/ | | | -29.6 | -11.9 | | | -2.7 | -1.0 |

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

2/ Gross of the change in inventories

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

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

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

Table 6. Jamaica: Summary Balance of Payments

| | 2008/09 | 2009/10 | 2009/10 | | | | 2009/10 | 2010/11 | 2010/11 | | | | 2010/11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Est. | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Rev. Proj. |
| | (In millions of U.S. dollars) | | | | | | | | | | | | |
| Current account | -2,447 | -1,129 | -95 | -270 | -382 | -337 | -1,084 | -1,142 | -341 | -343 | -361 | -187 | -1,232 |
| Trade balance | -4,480 | -3,259 | -671 | -804 | -899 | -978 | -3,352 | -3,525 | -945 | -900 | -936 | -868 | -3,649 |
| Exports (f.o.b.) | 2,314 | 1,427 | 358 | 371 | 308 | 329 | 1,366 | 1,565 | 399 | 416 | 402 | 452 | 1,671 |
| Imports (f.o.b.) | 6,794 | 4,686 | 1,029 | 1,175 | 1,207 | 1,307 | 4,718 | 5,090 | 1,344 | 1,316 | 1,338 | 1,321 | 5,320 |
| Fuel (cif) | 2,807 | 1,687 | 300 | 428 | 345 | 461 | 1,535 | 1,994 | 478 | 505 | 473 | 500 | 1,955 |
| Exceptional imports (incl. FDI-related | 612 | 429 | 112 | 112 | 112 | 112 | 450 | 338 | 120 | 107 | 93 | 34 | 354 |
| Other | 3,374 | 2,571 | 617 | 635 | 749 | 733 | 2,734 | 2,758 | 746 | 704 | 773 | 787 | 3,011 |
| Services (net) | 471 | 681 | 217 | 144 | 131 | 233 | 724 | 811 | 157 | 159 | 157 | 258 | 732 |
| Transportation | -594 | -386 | -79 | -99 | -112 | -131 | -421 | -359 | -104 | -125 | -121 | -117 | -467 |
| Travel | 1,687 | 1,712 | 443 | 390 | 387 | 533 | 1,753 | 1,802 | 443 | 433 | 433 | 548 | 1,858 |
| *of which*: Tourism receipts | 1,938 | 1,956 | 489 | 457 | 447 | 607 | 2,000 | 2,052 | 497 | 508 | 505 | 599 | 2,110 |
| Other services | -622 | -645 | -148 | -147 | -144 | -169 | -607 | -633 | -182 | -149 | -154 | -173 | -659 |
| Income (net) | -545 | -517 | -141 | -155 | -140 | -117 | -553 | -480 | -114 | -157 | -160 | -117 | -548 |
| Current transfers (net) | 2,107 | 1,966 | 501 | 545 | 526 | 525 | 2,097 | 2,053 | 561 | 554 | 577 | 540 | 2,232 |
| Government (net) | 106 | 105 | 26 | 67 | 24 | 42 | 159 | 88 | 52 | 50 | 50 | 48 | 199 |
| Private (net) | 2,001 | 1,861 | 475 | 478 | 502 | 483 | 1,938 | 1,965 | 510 | 504 | 527 | 492 | 2,033 |
| Capital and financial account | 2,004 | 867 | 85 | 578 | 172 | 359 | 1,195 | 842 | -15 | 257 | 302 | 360 | 904 |
| Capital account (net) | 28 | -15 | -9 | -5 | -8 | 7 | -15 | -11 | -6 | -3 | -6 | 5 | -11 |
| Financial account (net) 1/ | 1,977 | 882 | 94 | 583 | 180 | 352 | 1,210 | 853 | -8 | 260 | 308 | 355 | 915 |
| Direct investment (net) | 629 | 391 | 106 | 106 | 98 | 109 | 420 | 308 | 81 | 72 | 65 | 73 | 292 |
| of which: One-off sales of shares | 300 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Central government (net) | 43 | 418 | -22 | -45 | 5 | 342 | 280 | 166 | -12 | 151 | 152 | 190 | 480 |
| Other official (net) 2/ | 284 | 740 | -11 | 336 | 166 | 258 | 749 | 182 | 7 | 11 | 29 | 30 | 76 |
| of which: PetroCaribe | 325 | 245 | 49 | 56 | 83 | 65 | 254 | 168 | 55 | 49 | 49 | 43 | 195 |
| Government prefinancing deposits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Portfolio investment (net) | 710 | -323 | 22 | 185 | -89 | -338 | -220 | 197 | -84 | 27 | 62 | 63 | 66 |
| Other private flows (net) | 312 | -344 | 0 | 0 | 0 | -19 | -19 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall balance | -442 | -263 | -9 | 308 | -210 | 23 | 111 | -300 | -356 | -86 | -59 | 173 | -328 |
| Financing | 442 | 263 | 9 | -308 | 210 | -23 | -111 | 300 | 356 | 86 | 59 | -173 | 328 |
| Change in GIR (- increase) | 442 | -387 | 9 | -308 | 210 | -663 | -751 | -100 | 256 | 36 | 9 | -373 | -73 |
| Prospective IMF credits | 0 | 650 | 0 | 0 | 0 | 640 | 640 | 400 | 100 | 50 | 50 | 200 | 400 |
| **Memorandum items:** | | | | | | | | | | | | | |
| Gross international reserves | 1,664 | 2,051 | 1,654 | 1,962 | 1,752 | 2,414 | 2,414 | 2,151 | 2,159 | 2,123 | 2,113 | 2,487 | 2,487 |
| (in weeks of perspective imports of GNF | 12.8 | 14.8 | | | | | 16.7 | 14.6 | | | | | 16.4 |
| Net international reserves | 1,629 | 1,378 | 1,620 | 1,940 | 1,729 | 1,752 | 1,752 | 1,078 | 1,396 | 1,310 | 1,251 | 1,424 | 1,424 |
| Current account (in percent of GDP) | -18.0 | -9.4 | -0.8 | -2.2 | -3.1 | -2.7 | -8.8 | -8.8 | -2.5 | -2.5 | -2.6 | -1.3 | -8.9 |
| Exports of goods (in percent change) | -4.3 | -38.2 | | | | | -41.0 | 9.6 | | | | | 22.3 |
| Imports of goods (in percent change) | 1.9 | -31.0 | | | | | -30.6 | 8.6 | | | | | 12.7 |
| Oil prices (composite, fiscal year basis) | 88.2 | 65.3 | | | | | 66.3 | 77.3 | | | | | 81.4 |
| Tourism receipts (in percent change) | -2.1 | 1.0 | | | | | 3.2 | 4.9 | | | | | 5.5 |
| GDP (in millions of U.S. dollars) | 13,586 | 12,055 | | | | | 12,307 | 13,051 | | | | | 13,848 |

Sources: Jamaican authorities; and Fund staff estimates.

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

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

Table 7. Jamaica: Summary Accounts of the Bank of Jamaica 1/

| | 2008/09 | 2009/10 | 2009/10 | | | | 2010/11 | 2010/11 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Orig. Proj. | Q1 | Q2 | Q3 | Q4 |
| **End-of-period stocks 1/** | | | | | | (in J$ billions) | | | | | |
| **Net international reserves** | **144.9** | **122.9** | **144.1** | **172.0** | **154.5** | **156.5** | **101.2** | **124.0** | **117.0** | **112.3** | **128.6** |
| **Net domestic assets** | **-73.7** | **-48.9** | **-71.4** | **-99.9** | **-73.4** | **-79.2** | **-23.4** | **-47.1** | **-39.0** | **-18.4** | **-45.3** |
| Net claims on public sector | 125.3 | 137.3 | 136.4 | 135.4 | 154.9 | 145.6 | 137.3 | 148.0 | 148.5 | 145.0 | 145.6 |
| Net claims on central government | 74.6 | 80.1 | 85.1 | 79.1 | 103.2 | 82.3 | 80.1 | 68.6 | 76.0 | 78.6 | 72.8 |
| Net claims on rest of public sector /2 | 46.3 | 57.2 | 50.2 | 57.7 | 53.0 | 62.8 | 57.2 | 79.4 | 72.4 | 66.3 | 72.8 |
| Operating losses of the BOJ | 4.4 | 0.0 | 1.1 | -1.3 | -1.3 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net credit to commercial banks | -16.3 | -23.3 | -23.7 | -23.9 | -23.0 | -10.3 | -19.3 | 12.1 | 8.0 | 15.7 | -12.8 |
| *Of which*: foreign prudential reserve | -17.6 | -18.1 | -17.7 | -17.8 | -16.9 | -14.6 | -16.7 | -14.2 | -14.2 | -15.0 | -15.0 |
| Net credit to other financial institutions | -1.4 | -1.4 | -1.4 | -1.5 | -1.6 | -1.4 | -1.6 | -1.4 | -1.8 | -1.5 | -1.6 |
| Open market operations | -119.3 | -68.2 | -120.8 | -118.5 | -112.0 | -121.3 | -38.9 | -114.3 | -101.4 | -84.4 | -82.1 |
| *Of which: commercial banks* | -47.1 | -18.9 | -39.1 | -36.0 | -31.9 | -48.9 | -21.7 | -71.6 | -67.3 | -66.2 | -44.0 |
| Other items net (incl. valuation adj.) | -62.0 | -93.3 | -62.0 | -91.4 | -91.8 | -91.8 | -101.0 | -91.4 | -92.3 | -93.1 | -94.4 |
| Medium- and long-term foreign liabilitie | -2.6 | -2.6 | -2.6 | -2.6 | -2.3 | -2.3 | -2.6 | -2.3 | -2.3 | -2.3 | -2.3 |
| Valuation adjustment | -54.1 | -56.2 | -54.1 | -54.1 | -54.6 | -54.6 | -63.9 | -54.2 | -55.1 | -55.9 | -57.2 |
| Allocation of SDRs | -5.3 | -34.4 | -5.3 | -34.7 | -34.8 | -34.8 | -34.4 | -34.8 | -34.8 | -34.8 | -34.8 |
| **Base money** | **71.2** | **74.0** | **72.7** | **72.1** | **81.1** | **77.3** | **77.8** | **76.9** | **78.0** | **93.9** | **83.4** |
| Currency in circulation | 36.8 | 39.8 | 38.1 | 37.4 | 44.6 | 40.6 | 43.4 | 41.5 | 42.4 | 49.3 | 45.9 |
| Liabilities to commercial banks | 34.4 | 34.2 | 34.6 | 34.7 | 36.5 | 36.7 | 34.4 | 35.4 | 35.6 | 44.6 | 37.5 |
| **Fiscal year flows 1/** | | | | | | (Change YoY in J$ billions) | | | | | |
| **Net international reserves** | **-4.9** | **-22.0** | **-16.2** | **8.9** | **10.6** | **11.6** | **-21.7** | **-20.1** | **-55.0** | **-42.2** | **-27.9** |
| **Net domestic assets** | **17.3** | **24.9** | **31.3** | **5.7** | **-1.0** | **-5.5** | **25.4** | **24.3** | **60.9** | **55.0** | **33.9** |
| Net claims on public sector | 30.3 | 12.0 | 39.8 | 44.9 | 33.9 | 20.3 | 0.0 | 11.6 | 1.0 | 0.8 | 0.0 |
| Net credit to commercial banks | -3.3 | -7.0 | -10.1 | -9.6 | -12.0 | 6.0 | 4.0 | 35.7 | 31.9 | 38.7 | -2.6 |
| Net credit to other financial institutions | -0.4 | 0.0 | -0.3 | 0.2 | -0.3 | 0.0 | -0.1 | 0.0 | -0.3 | 0.0 | -0.1 |
| Open market operations | 18.8 | 51.1 | 30.1 | 27.7 | 19.9 | -2.0 | 29.3 | 6.5 | 17.1 | 27.6 | 39.3 |
| Other items net (incl. valuation adj.) | -28.1 | -31.3 | -28.1 | -57.6 | -42.5 | -29.8 | -7.7 | -29.4 | -0.8 | -1.4 | -2.6 |
| **Base money** | **12.4** | **2.8** | **15.1** | **14.6** | **9.6** | **6.1** | **3.8** | **4.2** | **5.9** | **12.8** | **6.0** |
| Currency in circulation | 3.6 | 3.0 | 2.6 | 3.8 | 2.6 | 3.7 | 3.6 | 3.4 | 5.0 | 4.7 | 5.3 |
| Liabilities to commercial banks | 8.7 | -0.2 | 12.4 | 10.7 | 7.0 | 2.4 | 0.2 | 0.8 | 0.9 | 8.1 | 0.7 |
| | | | | | | (Change YoY in percent of Base Money) | | | | | |
| **Net international reserves** | **-8.4** | **-30.9** | **-28.1** | **15.4** | **14.8** | **16.3** | **-29.3** | **-27.7** | **-76.3** | **-52.0** | **-36.1** |
| **Net domestic assets** | **29.4** | **34.9** | **54.2** | **9.9** | **-1.3** | **-7.7** | **34.4** | **33.4** | **84.4** | **67.8** | **43.9** |
| Net claims on public sector | 51.4 | 16.9 | 69.1 | 78.1 | 47.5 | 28.5 | 0.0 | 15.9 | 18.1 | -12.3 | 0.0 |
| Net credit to commercial banks | -5.6 | -9.8 | -17.6 | -16.7 | -16.8 | 8.5 | 5.3 | 49.1 | 44.3 | 47.7 | -3.3 |
| Net credit to other financial institutions | -0.7 | -0.1 | -0.6 | 0.4 | -0.5 | 0.0 | -0.2 | -0.1 | -0.4 | 0.0 | -0.2 |
| Open market operations | 32.0 | 71.8 | 52.2 | 48.1 | 27.9 | -2.8 | 39.6 | 8.9 | 23.7 | 34.0 | 50.8 |
| Other items net (incl. valuation adj.) | -47.8 | -43.9 | -48.8 | -100.0 | -59.4 | -41.8 | -10.4 | -40.4 | -1.2 | -1.7 | -3.4 |
| **Base money** | **21.0** | **4.0** | **26.1** | **25.3** | **13.5** | **8.6** | **5.1** | **5.7** | **8.1** | **15.8** | **7.8** |
| Currency in circulation | 6.2 | 4.2 | 4.6 | 6.7 | 3.7 | 5.2 | 4.8 | 4.6 | 6.9 | 5.8 | 6.9 |
| Liabilities to commercial banks | 14.8 | -0.2 | 21.5 | 18.6 | 9.8 | 3.3 | 0.3 | 1.1 | 1.2 | 10.0 | 0.9 |
| **Memorandum items:** | | | | | | | | | | | |
| Net international reserves (US$ millions) | 1,629 | 1,378 | 1,627 | 1,941 | 1,735 | 1,752 | 1,078 | 1,396 | 1,310 | 1,251 | 1,424 |
| NDA SBA Target (in J$ billions) 3/ | | -49.1 | | | | -79.2 | -18.5 | -47.9 | -39.1 | -17.9 | -43.9 |

Sources: Bank of Jamaica; and Fund staff estimates.

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

2/ Includes net unclassified.

3/ Calculated at program exchange rate.

Table 8. Jamaica: Summary Monetary Survey 1/

| | 2008/09 | 2009/10 | 2009/10 | | | | 2010/11 | 2010/11 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Orig. Proj. | Q1 | Q2 | Q3 | Q4 | Orig. Proj. | Q1 | Q2 | Q3 | Q4 |
| **End-of-period stocks 1/** | (in J$ billions) | | | | | | | | | | |
| **Net foreign assets** | **94.3** | **74.9** | **96.4** | **125.1** | **119.7** | **140.5** | **50.7** | **106.4** | **101.2** | **96.3** | **112.4** |
| **Net domestic assets** | **223.4** | **239.8** | **223.1** | **191.7** | **212.4** | **186.7** | **300.3** | **227.9** | **243.2** | **271.8** | **257.9** |
| Net claims on public sector | 224.5 | 242.0 | 242.1 | 248.0 | 269.3 | 240.6 | 249.1 | 246.5 | 247.7 | 245.0 | 248.6 |
| *Of which: central government 2/* | 159.9 | 176.0 | 183.4 | 186.6 | 210.5 | 173.2 | 183.0 | 162.9 | 171.1 | 174.6 | 171.8 |
| Open market operations (Net) | -72.3 | -49.3 | -81.6 | -82.5 | -80.1 | -72.4 | -17.2 | -42.7 | -34.1 | -18.2 | -38.0 |
| Credit to private sector | 220.6 | 230.4 | 220.3 | 218.8 | 218.5 | 215.7 | 266.7 | 221.5 | 228.6 | 237.7 | 242.6 |
| *Of which: foreign currency* | 95.5 | 100.0 | 84.9 | 94.6 | 105.8 | 84.9 | 116.8 | 94.6 | 105.8 | 117.8 | 94.6 |
| Other 3/ | -149.4 | -183.3 | -157.6 | -192.5 | -195.3 | -197.2 | -198.3 | -197.3 | -198.9 | -192.6 | -195.3 |
| **Liabilities to private sector (M3)** | **317.7** | **314.6** | **319.5** | **316.8** | **332.2** | **327.2** | **350.9** | **334.3** | **344.4** | **368.1** | **370.3** |
| Money supply (M2) | 202.8 | 202.3 | 206.4 | 206.8 | 216.8 | 210.4 | 232.4 | 216.5 | 224.6 | 244.6 | 245.5 |
| Foreign currency deposits | 114.8 | 112.4 | 113.0 | 110.0 | 115.3 | 116.8 | 118.5 | 117.9 | 119.8 | 123.5 | 124.8 |
| **Fiscal year flows 1/** | (Change YoY in J$ billions) | | | | | | | | | | |
| **Net foreign assets** | **-37.8** | **-19.4** | **2.1** | **28.8** | **-5.4** | **46.3** | **-24.2** | **10.0** | **-24.0** | **-23.5** | **-28.1** |
| **Net domestic assets** | **70.7** | **16.4** | **57.9** | **21.3** | **-4.6** | **-36.7** | **60.5** | **4.8** | **51.5** | **59.4** | **71.2** |
| Net claims on public sector 2/ | 37.4 | 17.5 | 47.2 | 62.1 | 48.0 | 16.0 | 7.1 | 4.4 | -0.3 | -24.4 | 8.1 |
| *Of which:* central government | 24.7 | 16.1 | 63.3 | 59.8 | 47.8 | 13.3 | 7.1 | -20.5 | -15.4 | -35.8 | -1.4 |
| Open market operations | 22.2 | 23.0 | 24.5 | 10.6 | 2.2 | -0.1 | 32.1 | 39.0 | 48.4 | 61.9 | 34.4 |
| Credit to private sector | 49.0 | 9.8 | 29.8 | 18.1 | 6.2 | -4.9 | 36.4 | 1.2 | 9.8 | 19.2 | 26.9 |
| *Of which:* foreign currency | 35.1 | 4.5 | 48.5 | 47.6 | 45.4 | -10.6 | 16.8 | 9.7 | 11.2 | 12.0 | 9.7 |
| Other 3/ | -38.0 | -33.9 | -43.7 | -69.6 | -61.1 | -47.7 | -15.0 | -39.7 | -6.3 | 2.7 | 1.9 |
| *Of which: valuation adjustment* | -26.6 | -1.2 | -26.6 | -26.6 | -12.5 | -0.5 | -4.8 | -0.1 | -1.0 | -1.4 | -1.9 |
| **Liabilities to private sector (M3)** | **32.9** | **-3.0** | **28.5** | **23.9** | **19.0** | **9.6** | **36.3** | **14.9** | **27.6** | **36.0** | **43.1** |
| Money supply (M2) | 13.6 | -0.6 | 8.6 | 7.3 | 5.8 | 7.6 | 30.1 | 10.0 | 17.7 | 27.8 | 35.0 |
| Foreign currency deposits | 19.3 | -2.5 | 19.8 | 16.6 | 13.1 | 1.9 | 6.2 | 4.8 | 9.8 | 8.1 | 8.0 |
| | (Change YoY in percent of M3) | | | | | | | | | | |
| **Net foreign assets** | **-13.3** | **-6.1** | **0.7** | **9.8** | **-1.7** | **14.6** | **-7.7** | **3.1** | **-7.6** | **-7.1** | **-8.6** |
| **Net domestic assets** | **24.8** | **5.2** | **19.9** | **7.3** | **-1.5** | **-11.6** | **19.2** | **1.5** | **16.3** | **17.9** | **21.8** |
| Net claims on public sector 2/ | 13.1 | 5.5 | 16.2 | 21.2 | 15.3 | 5.0 | 2.2 | 1.4 | -0.1 | -7.3 | 2.5 |
| *Of which:* central government | 8.7 | 5.1 | 21.7 | 20.4 | 15.3 | 4.2 | 2.2 | -6.4 | -4.9 | -10.8 | -0.4 |
| Open market operations | 7.8 | 7.2 | 8.4 | 3.6 | 0.7 | 0.0 | 10.2 | 12.2 | 15.3 | 18.6 | 10.5 |
| Credit to private sector | 17.2 | 3.1 | 10.2 | 6.2 | 2.0 | -1.5 | 11.6 | 0.4 | 3.1 | 5.8 | 8.2 |
| *Of which: foreign currency* | 12.3 | 1.4 | 16.7 | 16.3 | 14.5 | -3.3 | 5.3 | 3.0 | 3.5 | 3.6 | 3.0 |
| Other 3/ | -13.3 | -10.7 | -15.0 | -23.7 | -19.5 | -15.0 | -4.8 | -12.4 | -2.0 | 0.8 | 0.6 |
| **Liabilities to private sector (M3)** | **11.6** | **-1.0** | **9.8** | **8.2** | **6.1** | **3.0** | **11.5** | **4.6** | **8.7** | **10.8** | **13.2** |
| Money supply (M2) | 4.8 | -0.2 | 3.0 | 2.5 | 1.9 | 2.4 | 9.6 | 3.1 | 5.6 | 8.4 | 10.7 |
| Foreign currency deposits | 6.8 | -0.8 | 6.8 | 5.7 | 4.2 | 0.6 | 2.0 | 1.5 | 3.1 | 2.4 | 2.5 |
| | (Change YoY, in percent) | | | | | | | | | | |
| **Liabilities to private sector (M3)** | **11.6** | **-1.0** | **9.8** | **8.2** | **6.1** | **3.0** | **11.5** | **4.6** | **8.7** | **10.8** | **13.2** |
| Money supply (M2) | 7.2 | -0.3 | 4.4 | 3.7 | 2.8 | 3.8 | 14.9 | 4.9 | 8.6 | 12.8 | 16.7 |
| Foreign currency deposits | 20.2 | -2.2 | 21.3 | 17.8 | 12.8 | 1.7 | 5.5 | 4.3 | 8.9 | 7.0 | 6.9 |
| **Memorandum items:** | | | | | | | | | | | |
| Monetary base (J$ Millions) | 71.2 | 74.0 | 72.7 | 72.1 | 81.1 | 77.3 | 77.8 | 76.9 | 78.0 | 93.9 | 83.4 |
| M3/monetary base | 4.5 | 4.3 | 4.4 | 4.4 | 4.1 | 4.2 | 4.5 | 4.3 | 4.4 | 3.9 | 4.4 |
| M3 velocity | 3.3 | 3.4 | 3.3 | 3.3 | 3.2 | 3.3 | 3.4 | 3.3 | 3.4 | 3.2 | 3.3 |

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

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

2/ Includes Bank of Jamaica operating balance.

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

# Appendix 2

Jamaica: Central Government Direct Debt Projections
(In billions of Jamaica dollars)

| | Original Program | Revised Program | Difference |
|---|---|---|---|
| End-2009/10 debt stock 1/ | 1260.4 | 1268.8 | |
| End-2010/11 debt stock | 1332.4 | 1380.0 | |
| Debt creation in 2010/11 | 72.0 | 111.2 | 39.2 |
| Air Jamaica divestment costs 2/ | | | 18.2 |
| Non-cash debt issuance 3/ | | | 15.6 |
| Other 4/ | | | 5.4 |

1/ The initial debt stock for 2009/2010 is different from the end year debt stock reported for target purposes since the latter was adjusted to exclude debt contracted in 2008/2009 recorded during 2009/2010 and prefinancing of 2010/2011 budget.

2/ Central government direct debt in the original program projections did not include divestment costs of Air Jamaica.

3/ Includes Sugar Company of Jamaica debts to be taken over by the Government ($9.4 billion), debt issued to the Bank of Jamaica to settle FINSAC interest arrears (J$4 billion), and capital accretion on CPI-indexed bonds (J$2.2 billion).

4/ Includes differences in central government deficit, exchange rates, and debt exchange assumptions in the original program projection vis-à-vis the observed outcome.

## Appendix 3. Financial Sector Reforms: Action Plan

| **Legislation (Statutes)** | |
|---|---|
| | **Timetable** |
| **Omnibus Banking Bill**<br><br>**Purpose:**<br><br>Incorporate measures to allow for more effective supervision of financial conglomerates (consolidated regulation) and strengthen oversight of the financial sector (as identified in the 2006 FSAP) JAN 2010 MEFP Paragraph 30<br><br>Adopt prompt corrective action framework. JAN 2010 MEFP paragraph 30<br>Establish authority to set risk weights for assets held by DTIs<br><br>Amalgamate all relevant statutes, namely the Banking Act, the Financial Institutions Act and the Building Societies Act and related regulations.<br><br>Incorporate provisions to facilitate new requirements under the revised Basel Core Principles<br><br>Provide supervisory with power to issue legally binding rules<br><br>Strengthen provisions related to unauthorized financial organizations, JAN 2010 MEFP paragraph 32 | Concept Paper, June 2010 (completed)<br>Submission to Cabinet, July 2010<br>Cabinet to issue drafting instructions, August 2010<br>Draft finalized by CPC (in consultation with BOJ), December 2010<br>120 day consultation with industry completed April 2011<br>Review by Legislation Committee of Cabinet, end July 2011<br>Tabled in Houses of Parliament, September 2011<br>Consideration by Joint Select Committee of Parliament commencing October 2011 to June 2011<br>Passage in Parliament July 2012 |
| | |
| **Amendments to the Bank of Jamaica Act**<br><br>Establish legal framework to underpin responsibility for overall financial sector stability, JAN 2010 MEFP paragraph 31<br>Amend provisions requiring transfer of unrealized profits to GoJ, Safeguards assessment | List of amendments to Cabinet for information (with IMF consultation), end June 2010<br>First CPC draft, in consultation with BOJ, September 2010<br>Industry consultations, completed December 2010<br>Review by Legislative Committee of Cabinet, completed end February 2011<br>Tabled in Houses of Parliament and referred to Joint Select Committee, end March 2011<br>Debate in Parliament, June 2011<br>Passage by Parliament, July 2011 |

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| | |
| **Securities Act**<br>(securities dealers)<br><br>**Purpose:**<br><br>Strengthen definition of securities<br>Strengthen rule making power (related to enhancing capital standards JAN 2010 MEFP paragraph 34)<br><br>Strengthen investigative and supervisory powers.<br>Introduce separate licensing categories<br><br>Strengthen authority and information sharing ability to enable FSC to sign the International Organization of Securities Commissions Memorandum of Understanding on Information Sharing and Cooperation (international standard for cooperation) | Draft concept paper completed August 2010<br><br>Concept paper submitted to Minister, December 2010<br>Concept paper submitted to Minister, December 2010<br>Cabinet Submission January, 2011<br>Drafting instructions to the CPC February 2011<br>First draft of Bill to be completed March 2011<br>Drafting review and revision completed August 2011<br>Submitted to Parliamentary committee for reviews, September 2011<br>Committee review completed October, 2011<br>Cabinet review completed by November 30, 2011<br>Tabling in Houses of Parliament and referral to Joint Select Committee by November, 2011<br>Consideration by Joint Select Committee and Parliamentary debate completed June 2012<br>Passage, July 2012 |
| **Securities Act**<br>(collective investment schemes)<br><br>**Purpose:**<br><br>Removing impediments to development of mutual funds market, JAN 2010 MEFP paragraph 33 | As above |
| **Securities Act**<br>(Unregulated Financial Organizations)<br><br>**Purpose:**<br><br>Combating unregulated financial organizations, JAN 2010 MEFP paragraph 32 | As above |
| | |
| **Insurance Act**<br>(UFOs)<br>**Purpose:**<br>Combating unregulated financial organizations, JAN 2010 MEFP paragraph 32 | Draft concept paper completed, June 2010 (structural benchmark)<br>Discussion paper circulated for public consultation, August 2010<br><br>Public consultation completed, October 2010<br>Concept paper submitted to Ministry, January 2011 |

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|---|---|
| | Cabinet Submission, February 2011<br>Cabinet drafting instructions to CPC, April 2011<br>Amendments to draft completed Jun 2011<br>Submitted to Legislative Committee review, July 2011<br>Committee review completed and passed to Cabinet for review, September 2011<br>Tabled in Houses of Parliament and referral to Joint Select Committee, January 2012<br>Passage, July 2012 |
| | |
| **Financial Services Commission Act**<br>(Unregulated Financial Organizations)<br>**Purpose:**<br><br>Combating unregulated financial organizations, JAN 2010 MEFP paragraph 32 | Draft concept paper completed, June 2010 (structural benchmark)<br>Discussion paper circulated for public consultation, August 2010<br>Public consultation completed, November 2010<br>Concept paper submitted to Ministry, January 2011<br>Cabinet Submission, February 2011<br>Cabinet drafting instructions to CPC, April 2011<br>Review and amendments to draft completed June 2011<br>Submitted to Legislative Committee review, July 2011<br>Committee review completed and passed to Cabinet for review, September 2011<br>Tabled in Houses of Parliament and referral to Joint Select Committee, January 2012<br>Passage, July 2012 |
| **Financial Services Act**<br>(Prompt Corrective Action)<br>**Purpose:**<br><br>Adopt rules which require supervisors to take remedial measures against a weak entity within specific timeframes (prompt corrective action, PCA), JAN 2010 MEFP paragraph 30<br>Close gaps in the power of the FSC to conduct consolidated supervision in line with Omnibus Banking bill, JAN 2010 MEFP paragraph 34 | Discussion paper circulated September 2010<br><br>Legislative timetable as above. |

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|---|---|
| **Unit Trust Act**<br><br>**Purpose:**<br><br>Removing impediments to development of mutual funds market, JAN 2010 MEFP paragraph 33 | Concept paper, December, 2010;<br>Consultation with industry to be completed by January, 2011<br>Concept paper to be sent to Ministry by December, 2010<br>Cabinet Submission, January, 2011<br><br>Cabinet drafting instructions to CPC February 2011<br>First draft of Bill completed by the CPC March, 2011<br>Drafting and review process completed May 2011<br>Submission to Legislation Committee Submission for consideration by June 2011<br>Legislation Committee review completed by June, 2011;<br>Cabinet review completed, July 2011<br>Tabling in Houses of Parliament and referral to Joint Select Committee by October, 2011<br>Review by Joint Select Committee and debate in the Houses of Parliament completed December 2011<br>Passage January 2012 |
| **Companies Act**<br>(with Securities Act amendments and Mutual Fund Regulation Amendments)<br><br>**Purpose:**<br><br>Removing impediments to development of mutual funds market, JAN 2010 MEFP paragraph 33 | Concept Paper end June 2010<br><br>Legislative timetable same as Unit Trust Act |
| **Regulations** | |
| **Securities Regulations** (with Securities Act amendments)<br><br>**Purpose:**<br>Amendments to licensing and registration. | Draft concept paper completed August 2010<br><br>Drafting instructions submitted to CPC, November 2010<br>First draft completed by CPC, November 2010<br><br>Drafting and review process completed, Dec. 2010<br>Regulations approved by FSC Chairman, December 2010<br>Regulations approved by Minister of Finance and Public Sector January 2011<br>Regulations Gazetted February 2011 |

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| | |
| **Mutual Fund Regulations**<br>(with Securities Act amendments)<br><br>**Purpose:**<br>Removing impediments to development of mutual funds market, JAN 2010 MEFP paragraph 33 | Draft concept paper completed June 2010<br><br>Drafting instructions submitted to CPC, January 2011<br><br>First draft completed by CPC, February 2011<br><br>Drafting and review process completed, August 2011<br>Regulations approved by FSC Chairman, September 2011<br>Regulations approved by Minister of Finance and Planning October 2011<br>Regulations Gazetted October 2011 |
| | |
| **Insurance Regulation**<br>**Purpose:**<br><br>Imposition of risk weighting on foreign currency GoJ instruments | Proposal developed and completed, April 2010 (met)<br><br>Industry consultation completed June 2010<br>Drafting instructions submitted to CPC, July 2010<br>First draft completed by CPC, August 2010<br>Drafting and review process completed, September 2010<br>Regulations approved by FSC Chairman, September 2010<br>Regulations approved by Minister of Finance and Planning October 2010<br>Regulations Gazetted October 2010 |
| **Regulatory Guidelines** | |
| **Amendments to FSC Risk base capital guidelines**<br><br>**Purpose:**<br><br>Enhance capital and margin rules, JAN 2010 MEFP paragraph 34 | Draft guidelines prepared, August 2010<br><br>Consultation with industry completed, October 2010<br>Guidelines issued, January 2011 |

| | |
|---|---|
| **Amendments to FSC Liquidity Management guidelines**<br><br>**Purpose:**<br><br>Enhance capital and margin rules, JAN 2010 MEFP paragraph 34 | Draft guidelines prepared, August 2010<br><br>Consultation with industry completed October 2010<br>Guidelines issued, January 2011 |
| **FSC Guideline on Operational Risk**<br><br>**Purpose:**<br><br>Enhance capital and margin rules, JAN 2010 MEFP paragraph 34 | Draft guidelines prepared, August 2010<br><br>Consultation with industry completed October 2010<br>Guidelines issued, January 2011 |

INTERNATIONAL MONETARY FUND

JAMAICA

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

Prepared by the Western Hemisphere Department

June 8, 2010

Contents | Page

Appendices

## Appendix I—Fund Relations
(As of December 31, 2009)

| | | | |
|---|---|---|---|
| **I.** | **Membership Status: Joined: February 21, 1963** | | **Article VIII** |
| **II.** | **General Resources Account:** | **SDR Million** | **% Quota** |
| | Quota | 273.50 | 100.00 |
| | Fund holdings of currency | 687.85 | 251.50 |
| | Reserve position | 0.00 | 0.00 |
| | Lending to the Fund | | |
| | Notes Issuance | | |
| | Holdings exchange rate | | |
| **III.** | **SDR Department:** | **SDR Million** | **% Allocation** |
| | Net cumulative allocation | 261.64 | 100.00 |
| | Holdings | 218.72 | 83.59 |
| **IV.** | **Outstanding Purchases and Loans:** | **SDR Million** | **% Quota** |
| | Stand-by Arrangements | 414.30 | 151.48 |

**V. Latest Financial Arrangements:**

| Type | Approval Date | Expiration Date - | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| Stand-By | Feb 04, 2010 | May 03, 2012 | 820.50 | 414.30 |
| EFF | Dec. 11, 1992 | Mar. 16, 1996 | 109.13 | 77.75 |
| Stand-By | Jun. 28, 1991 | Sep. 30, 1992 | 43.65 | 43.65 |
| Stand-By | Mar. 23, 1990 | May 31, 1991 | 82.00 | 82.00 |

**VI. Projected Payments to Fund[1]:**

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

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Principal | | | | 155.36 | 207.15 |
| Charges/Interest | 3.90 | 5.38 | 5.38 | 4.91 | 2.47 |
| **Total** | **3.90** | **5.38** | **5.38** | **160.27** | **209.62** |

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

## VII. Implementation of HIPC Initiative: Not Applicable

## VIII. Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

## IX. Exchange Rate Arrangements:

The external value of the Jamaican dollar has been determined in an interbank market operated by commercial banks beginning September 17, 1990. The Jamaican dollar has depreciated significantly since that time. At June, 2010 it was trading at around J$87.3 to the U.S. dollar.

## X. Last Article IV Consultation and Program Relations:

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

## XI. Technical Assistance:

| Department | Dates | Purpose |
|---|---|---|
| MCM | May 2010 | Medium term debt management strategy framework |
| FAD | April 2010 | Tax and customs administration |
| FAD | March 2010 | Fiscal responsibility and central treasury management |
| MCM | March 2010 | Strengthening capital and margin requirements |
| FAD | December 2009 | Tax policy |
| LEG/MCM | February 2008 | Financial sector regulatory and supervisory frameworks |
| FAD | September 2006 | Tax and customs administration |
| MAE | May 1995 | Review of deposit insurance scheme |
| | October–December 1995 | Banking supervision |
| | February–June 1996 | Banking supervision |
| | September 1996 | Banking crisis and restructuring |
| | October 1996 | Banking supervision |
| | February 1997 | Central bank accounting |
| | May 1997 | Banking supervision |
| | August 1997 | Banking supervision |
| | January 1998 | Banking supervision |
| | April 1998 | Public debt management |
| | May 1998 | Financial sector restructuring |

| | | |
|---|---|---|
| | April 2001 | Banking supervision |
| | January 2002 | Banking supervision |
| STA | September 1996 | Multisector statistics assessment |
| | July 2002 | Organization of Statistics Office |

**XII. Resident Representative**:

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

## Appendix II—Relations with the World Bank

(As of June 1, 2010)

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

### A. Projects

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

The **Jamaica Social Protection Project** (SPP) was approved in May 2008 for US$40 million. The Jamaica Social Protection Project will: (i) further improve the effectiveness of the Program of Advancement through Health and Education (PATH) in order to foster investment by poor families in human capital accumulation; (ii) develop a structured system for assisting working-age members of PATH eligible households seek and retain employment; (iii) enable the formulation of a reform program for the public sector pension schemes; and (iv) develop a holistic social protection strategy. The first component, improving effectiveness of the PATH, support the PATH through: (a) co-financing for conditional cash transfers to children 0 to 19 years-old (child grants); and (b) technical improvements to the program. The second component, building capacity for the Steps-to-Work (StW) program, support capacity building within the Ministry of Labor and Social Security (MLSS) to implement a new initiative. The StW program target working age members of PATH eligible households for referral to the relevant support services to enable them to seek and retain employment. The third component, improving the public sector pension system administration and building capacity for reform, support two core sets of activities focused on the schemes for public sector workers: (i) preparation of a reform program; and (ii) improving administration and information systems. The final component is the development of a holistic social protection strategy. This component supports the Government in developing a holistic social protection strategy to inform decision-making on the appropriate policies and programs to address social risks and vulnerabilities within the population.

The **Jamaica Hurricane Dean Recovery Project** was approved in December 2008 for US$10 million. The objective of the project is to provide funding to support the restoration of levels of service in selected community infrastructure. Specifically, basic, primary and all-age schools, health clinics and critical feeder roads, at a minimum to pre-hurricane levels, and to increase the Government's ability to respond to natural hazards. The proposed loan incorporates three project components: 1) repair and reconstruction of basic infrastructure; 2) capacity building for hazard risk reduction; and 3) project management. Component one has four subcomponents: basic school finance restoration of early childhood schools infrastructure; restoration of primary and all-age schools infrastructure; finance restoration of community clinics including type I, II and III facilities; and finance restoration of feeder roads. Component two has two subcomponents which include financing support for training on disaster preparedness and mitigation for local government and relevant stakeholders and to finance studies and activities to strengthen the capacity to better respond to natural hazards taking into account lessons learned from past events.

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

This component will finance project management, technical expertise (tourism and agricultural specialists, monitoring and evaluation) staff training, the annual audit, vehicles, office equipment, and other operating costs. This component will also ensure that effective fiduciary arrangements are in place during implementation.

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

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

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

In addition to the aforementioned projects, the Bank has grants exceeding US$11 million focused on governance, conditional cash transfer for the elderly and disabled, statistics, crime and violence and disaster risk reduction and management.

## B. Economic and Sector Work

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

## C. Financial Relations[1]

(In millions of U.S. dollars)

| Project | Original Amount | Available | Disbursed Outstanding |
|---|---|---|---|
| Rural Economic Development Initiative | 15.0 | 0.0 | 15.0 |
| Jamaica Early Childhood Development Project | 15.0 | 11.7 | 3.3 |
| Jamaica Hurricane Dean ERL | 10.0 | 4.0 | 6.0 |
| JM- Education Transformation Capacity Building | 16.0 | 16.0 | 0.0 |
| JM – Inner City Basic Services for the Poor Project | 29.3 | 17.9 | 11.4 |
| Second HIV/AIDS Prevention and Control Project (Second Phase) | 10.0 | 7.3 | 2.7 |
| Social Protection Project | 40.0 | 30.0 | 10.0 |
| **Total** | **135.3** | **86.9** | **48.4** |

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

**Disbursements and Debt Service (Fiscal Year Ending June 30)**

| | Actual | | | | | | | | | | Projections |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Total disbursements | 65.1 | 97.6 | 82.4 | 85.0 | 11.3 | 8.5 | 21.7 | 17.3 | 16.0 | 118.7 | 213.1 |
| Repayments | 70.1 | 56.9 | 45.7 | 44.9 | 47.4 | 43.4 | 39.7 | 45.8 | 47.9 | 48.4 | 45.8 |
| Net disbursements | -5.0 | 40.7 | 36.7 | 40.1 | -36.1 | -34.9 | -17.9 | -28.5 | -31.9 | 70.3 | 171.6 |
| Interest and fees | 22.8 | 21.6 | 20.3 | 21.9 | 18.9 | 17.5 | 20.5 | 22.4 | 21.6 | 16.6 | 13.0 |

## Appendix III—Relations with the Inter-American Development Bank

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

The IDB is the leading lender to Jamaica among multilateral development partners. As of April 2010, Jamaica's outstanding debt to the IDB stood at US$918.1 million, of which US$1.4 million were loans to the private sector. The total represents 11 percent of public external debt and 35 percent of multilateral debt (including the IMF).

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

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

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

This upward trend continued in January 2009 when the Bank approved two more loan operations: a US$300 million liquidity program to protect the real sector from lost credit lines; and a US$15m social safety net program. In September 2009, a US$70m loan was approved to expand the highway network. Two more loans were expected to be approved before the end of 2009: US$21 million for a citizen security and justice program and US$10 million for road improvement.

The IDB is currently preparing the Country Strategy with Jamaica for 2010–2015. Since the policy-based loans described above are programmatic in nature, it is expected that the Bank will provide new loans to support subsequent phases of the reforms they target. This lending modality is expected to dominate the Bank's program with Jamaica in the new strategy period.

In February 2010, the Bank approved 4 policy based loans for a total of US $215 million. The areas of intervention were the same than the previously approved PBLs (public financial management, education and competitiveness) and a PBL focused on human capital protection.

As of May 2010, the Bank's portfolio consisted of 13 investment loans[2] valued at US$277.3 million, and 40 non-reimbursable technical cooperations valued at US$21.0 million. Twenty-three percent of the IDB project funds and fifty-nine percent of the TC funds have been disbursed, leaving US$ 139.3 million available for disbursement.

Table 1. Major Ongoing Projects

| Project Category | Number | Amount (US$ mn.) | Percent Disbursed |
|---|---|---|---|
| Projects in execution | 10 | 195.3 | 33.1 |
| Private sector loans | 3 | 82 | 0 |
| IIC loans | 3 | 17 | 22 |
| TCs in execution | 40 | 21.0 | 59.1 |

1/ Approved amount.

A set of policy-based loans and one emergency loan totaling US$400 million are slated for approval in the remaining of 2010. These represent the continuation of the support for specific reforms that started in 2008. In addition to the specific reforms in each operation the PBL program is also conditional upon Jamaica maintaining a stable economic environment conducive to the continuation of the reform process. It is important to note that the scope of the IDB's support for Jamaica's reform agenda and its efforts to ensure macroeconomic stability are fully coordinated with other multilateral development banks.

[2] Including private sector loan but excluding IIC

Table 2. Number of Projects by implementation Progress Category

| | 2005 | 2006 | 2007 | 2008 | 2009 *(June)* |
|---|---|---|---|---|---|
| Highly Satisfactory | 0 | 0 | 0 | 0 | 1 |
| Satisfactory | 7 | 7 | 8 | 11 | 10 |
| Unsatisfactory | 4 | 3 | 0 | 1 | 2 |
| Very unsatisfactory | 2 | 0 | 1 | 0 | 0 |
| TOTAL | 13 | 10 | 9 | 12 | 13 |

Disbursements reached a low point of US$12.5 million in 2005, but have rebounded ever since. They doubled to US$25 million in 2006, and reached US$34 million in 2007. Due in large part policy-based lending in 2008 and the approval of the liquidity program in 2009, total disbursements rose dramatically to US$144.2 million, and US$151.5 million in those years respectively.

Table 3. Net Flow of IDB Convertible Currencies
(US$ million)

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

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

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

Table 4. Total Projected Debt Service, 2010-2014
(Millions of U.S. dollars equivalent)

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Principal | 71.3 | 60.1 | 99 | 199 | 160 |
| Interest | 31.5 | 33.7 | 27.2 | 21.2 | 18.4 |
| **Total** | **102.8** | **93.8** | **116.2** | **220.2** | **178.4** |

## Appendix IV—Statistical Issues

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

**Key websites for statistics on Jamaica:**

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

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

### Prices

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

### Government finance statistics

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

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

Government finance statistics are available at:
Debt: http://www.mof.gov.jm/dmu/
Budget: http://www.mof.gov.jm/programmes/em/fpmu/default.shtml

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

**Monetary and financial statistics**

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

**Balance of payments**

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

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

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

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds), and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 10/255
FOR IMMEDIATE RELEASE
June 23, 2010

International Monetary Fund
Washington, D.C. 20431 USA

**IMF Executive Board Concludes First Review Under Stand-By Arrangement with Jamaica and Approves US$ 93.9 million Disbursement**

The Executive Board of the International Monetary Fund today concluded the first review of Jamaica's economic performance under the Stand-By Arrangement. Completion of the review enables the immediate disbursement of an amount equivalent to SDR 63.7 million (about US$93.9 million), bringing total disbursements under the arrangement to SDR 478 million (about US$ 704.6 million).

Jamaica has performed very well under the program. All quantitative performance targets and structural benchmarks for end-March were met and prospects for meeting the end-June targets and benchmarks appear favorable.

The IMF's Executive Board approved a 27-month SBA in an amount equivalent to 300 percent of quota (SDR 820.5 million, or about US$1.21 billion) on February 4, 2010 (see Press Release No. 10/24). The pillars of the program include: (i) fiscal consolidation and institutional reform, including fiscal responsibility legislation and Central Treasury Management; (ii) public debt restructuring, which was completed as a prior action under the program; and (iii) financial sector reform, including to improve consolidated supervision and the regulation of non-banks.

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

"Overall macroeconomic performance under the program has been encouraging. All end-March quantitative targets and structural benchmarks were met. Since the approval of the SBA and completion of the debt exchange, financial market conditions have improved substantially: market interest rates have fallen to levels not seen since the 1980s and the foreign exchange market has stabilized, with the exchange rate appreciating in recent months. Financial institutions have been able to absorb losses from the debt exchange. There have been no requests for access to the Financial System Support Fund, which has played an important role in fostering confidence and supporting financial system stability.

Notwithstanding an overall weak economic context, the authorities preserved program targets on the basis of strengthened tax administration and expenditure restraint.

“Despite these early successes, growth and employment are expected to remain weak this year and vigilance is needed as risks are high. Advancing planned fiscal structural reforms is necessary to improve debt dynamics and strengthen the basis for growth. This involves amendments to strengthen the Fiscal Responsibility Framework, strengthening tax administration, and introducing a Central Treasury Management system. Reforming the system of tax incentives will also help reduce economic distortions. The sale of Air Jamaica represents an important milestone. It will now be necessary to focus on moving the public sector reform program forward.

“In the financial sector, efforts to strengthen the supervisory and regulatory framework are advancing in line with program expectations. This includes work to enhance capital and margin rules for securities dealers and the introduction of risk-weight rules for foreign-currency denominated government securities,” Mr. Shinohara said.