International Monetary Fund

Jamaica and the IMF

Press Release:
IMF Executive Board Approves US$1.27 Billion Stand-By Arrangement with Jamaica
February 4, 2010

Country's Policy Intentions Documents

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

January 15, 2010

Letter of Intent

ANY REPLY OR SUBSEQUENT REFERENCE SHOULD BE ADDRESSED TO THE **FINANCIAL SECRETARY** AND THE FOLLOWING REFERENCE NUMBER QUOTED:-

Telephone No. 92-28600-16
Website: http://www.mof.gov.jm
Email: info@mof.gov.jm

MINISTRY OF FINANCE AND THE PUBLIC SERVICE
30 NATIONAL HEROES CIRCLE
P.O. BOX 512
KINGSTON
JAMAICA

Kingston, Jamaica
January 15, 2010

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

Dear Mr. Strauss-Kahn:

For many years, Jamaica has struggled with the twin challenges of low economic growth and high public debt. As a result of the fragile economic situation and underlying vulnerabilities, the economy has been seriously affected by the ongoing global economic and financial crisis. Growth is projected to fall a cumulative 5 percent between 2008 and 2009. Moreover, the high debt levels and limited access to financing have left us no other option but the implementation of short term pro-cyclical fiscal and monetary policies which, in turn, have reinforced the negative effects of the global shocks on the economy.

The main objective of this programme is to restore macroeconomic stability and create conditions for strong and sustained growth and to enable the economy to benefit from the recovery in the global economy. Through the sustained implementation of a strong and credible fiscal adjustment programme and key structural fiscal reforms, the programme puts the public debt levels on a clearly downward path. This fiscal programme will be supplemented upfront by decisive action to tackle, in close coordination with creditors, the large and expensive debt burden.

The Government of Jamaica is deeply committed to the objectives and measures underlying this programme, and intends to pursue them regardless of any formal lending arrangement with the International Monetary Fund (Fund). In the current context, however, we believe that support from the Fund and other multilateral financial institutions will help further boost investor confidence, including the provision of a liquidity cushion to avoid shortfalls in external inflows that could put the programme at risk. Given the broad-based nature of our reform agenda, we believe that sustained multilateral engagement over the medium term is essential, including through the provision of technical assistance in priority areas. To this end, we are requesting a 27-month Stand-By Arrangement (SBA) through March 2012 in an amount equivalent to SDR 820.5 million or 300 percent of quota (about US$1,300 million) that will support the programme detailed in the attached Memorandum of Economic and Financial Policies (MEFP).

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 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.

The authorities 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.

During the period covered by the programme, there will be quarterly quantitative performance criteria (Table 2) and structural benchmarks (Table 3). During 2010, there will be quarterly reviews to be completed by end-May, end-August, and end-November. These reviews will be associated with the observance of the relevant performance criteria.

The Fund is hereby authorized to publish this letter and the attached MEFP, to facilitate access to and review of Jamaica's policies both locally and internationally.

Very truly yours,

/s/

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

Very truly yours,

/s/

Brian Wynter
Governor, Bank of Jamaica
Jamaica

JAMAICA—MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

I. Background and Recent Developments

1. **Jamaica faces severe economic challenges.** During most of the past decade, economic growth has been low, at 1 percent a year on average. At the same time, inflation has remained relatively high, while the external current account balance registered large deficits. Anaemic growth and recurring bouts of financial market instability have been rooted in increasingly high levels of public debt, which reached 135 percent of GDP at the end of 2009. Sustained high debt service obligations and large refinancing needs have resulted in costly risk premiums and helped crowd out private sector investment. The high debt levels have also exposed the country to adverse shifts in market sentiment. With interest payments alone accounting for 60 percent of government revenues, the fiscal accounts are stretched too thin to pursue productivity-enhancing social and infrastructure investment.

2. **As a result of these structural vulnerabilities, the Jamaican economy has been deeply affected by the global crisis.** Real GDP contracted by 1½ percent in FY 2008/09 and is projected to fall by an additional 3½ percent in FY 2009/10. Tourism, remittances, and mining have been negatively impacted by the weakening in the global environment. At the beginning of the crisis, the Jamaican currency came under intense pressure, depreciating by 22 percent against the U.S. dollar. This reflected investors' concerns about potential fiscal and external financing gaps as global private credit dried up. International reserves, which initially fell significantly, have stabilized at a lower level in recent months. The Bank of Jamaica (BOJ) responded decisively to stabilize financial market conditions. The BOJ raised interest rates above 20 percent; intervened in the foreign exchange market to limit excessive volatility in the value of the currency; and established special facilities and procedures to provide liquidity and ensure normal functioning of the interbank and foreign exchange markets. The global crisis has also negatively affected the fiscal accounts, with lower revenue and a significantly higher interest bill. As a result, the budget deficit for FY 2009/10 is projected to exceed the original budget target by a wide margin. The government is therefore confronting large financing gaps in a context where external markets remain closed.

II. Programme Objectives and Strategy

3. **The government is firmly committed to implementing policy reforms to fundamentally transform the Jamaican economy and create the conditions for strong and sustained growth.** The overarching objectives of this programme are to put the public debt/GDP ratio firmly on a downward trajectory, entrench fiscal discipline and accountability, and significantly raise real GDP growth rates. The programme rests on three central and interrelated pillars: (i) an ambitious fiscal consolidation strategy, focused on streamlining expenditure and reforming the public sector, including the divestment of non-core public bodies; (ii) a comprehensive debt management strategy that decisively addresses the debt overhang; and (iii) reforms to further strengthen the financial system. Monetary policy will aim at bringing inflation down to mid-single digit levels and maintaining it at those levels, within the context of exchange rate flexibility.

4. **To help soften any negative impact on the poor, the programme includes important measures to strengthen the social safety net.** The government is well aware that adverse economic conditions are generating drastic changes in Jamaica. The contraction in activity has led to a significant increase in layoffs, exacerbating the already high unemployment rate. The most vulnerable social groups, with low levels of human capital, are most affected by the decline in economic activity. The programme has been designed to ensure that the adjustment burden is effectively shared across society and economic agents. Safeguards have been included to ensure that the social safety net is not only preserved but broadened, with special attention being given to enhancing those social programmes that are well targeted and far-reaching.

III. Medium-term Macroeconomic framework

5. **The programme aims at yielding permanent growth dividends by raising growth to 2 percent by FY2011/12, with upside risks to the outlook over the longer-term.** After registering a decline during this fiscal year, real GDP is projected to rise by ½ percent in FY2010/11. The growth outlook over the programme period reflects both a gradual pick-up in activity in the mining sector, as global demand recovers, and continued investment and growth in Jamaica's highly competitive tourism sector. Restoring fiscal and debt sustainability will help reduce sovereign risk premiums and boost private sector investment. This will benefit agriculture and other activities with linkages to the tourism sector.

6. **Under the programme, inflation will trend down to the 6–7 percent range over the medium term.** Despite a temporary increase in inflation this fiscal year, resulting from the introduction of new tax measures, underlying price pressures will remain limited, given the absence of strong demand or foreign exchange market pressures. In this context, inflation is projected to fall from 12 percent in FY 2009/10 to less than 8 percent in FY2010/11. In subsequent years, monetary policy will continue to focus on quickly bringing inflation to 6 percent.

7. **Fiscal policy is aimed at eliminating the overall public sector deficit over the medium term and putting the debt-to-GDP ratio on a clear downward trajectory.** The overall public sector deficit is projected to fall from 12¾ percent of GDP in FY2009/10 to 1 percent in FY2013/14. This improvement is consistent with a significant reduction in the interest bill and an increase from 6 percent of GDP to 9 percent in the primary surplus of the central government. The debt-to-GDP will decline steadily from 140 percent in FY2009/10 to below 120 percent over the next four years. Fiscal consolidation measures will be underpinned by core structural reforms—fiscal responsibility legislation, central treasury management, and public bodies and employment reforms—that entrench fiscal discipline.

8. **In this context, the balance of payments is expected to improve markedly over the medium term.** Higher national savings as a result of fiscal adjustment, the gradual recovery in world demand, and a recovery in remittances are projected to help narrow the current account deficit from about 9½ percent of GDP in FY2009/10 to about 8¾ percent in FY2010/11 and, further, to around 5 percent of GDP over the medium term. This improvement, coupled with a projected recovery in foreign direct investment, will result in solid overall balance of payments surpluses beginning in FY2011/12. Gross international reserves are projected to remain at

around 3¼–4 months of imports of goods and services during the programme period and stay around 3¾ months over the medium term.

IV. Macroeconomic Programme

A. Fiscal Policy

9. **The government is committed to reducing the overall public sector deficit from 12¾ percent of GDP in the current fiscal year to 5 percent in FY2011/12.** The public debt ratio is projected to fall from 140 percent of GDP at end FY2009/10 to 136 percent at end FY2011/12, including Fund credit. Consistent with these figures, the central government's primary surplus would rise from 6¼ percent of GDP in the current fiscal year to 7 percent in FY2010/11 and 7¾ percent in FY2011/12. The deficit of the public bodies is projected to decline from 3 percent of GDP to near balance in FY2011/12. Achieving these objectives requires a combination of corrective revenue and spending measures, and specific actions to reduce the interest bill. The government is committed to pass a FY2010/11 budget consistent with the program outlined below and in the attached macro-framework tables. The government believes that the measures outlined below will be sufficient to achieve these targets but is committed to take additional action to meet the targets if needed.

Revenue and spending measures for the remainder of FY2009/10 and in FY 2010/11

10. **To safeguard public finances, the government has introduced three packages of measures over the past year, aimed at boosting revenue by over 3 percent of GDP**. In the first phase of measures, introduced at the time of the FY 2009/10 budget, the government raised the excise tax on gasoline by J$8.75 per litre, and broadened the General Consumption Tax base by eliminating exemptions on several items. The second package, aimed at generating annualized revenue equivalent to 0.3 percent of GDP, became effective on October 1, 2009 and included increasing the GCT rate on telephone services from 20 percent to 25 percent and increasing the departure tax to J$1,800. The third package aimed at generating revenue equivalent to 1¾ percent of GDP, became effective on January 1, 2010 (prior action). This package includes the following measures:

- **General Consumption Tax (GCT**) (yield: 0.5 percent of GDP). The GCT rate was raised from 16½ percent to 17½ percent. In addition, residential electricity consumption above 200 kwh and commercial/industrial electricity consumption are subject to GCT at 10 percent; the rate of GCT applicable to the tourism sector has been increased from 8.25 percent to 10 percent; and commercial importers are now required to pay a 5 percent advanced GCT payment on all taxable imported goods.

- **Personal income tax.** Tax rates for income over J$5 million but below J$10 million and for income over J$10 million have been adjusted from 25 percent to 27.5 percent and 35 percent respectively, until March 31, 2011. The yield is estimated at 0.1 percent of GDP.

- **Fuel tax**. An ad valorem fuel tax of 15 percent was applied. It is expected to generate revenue equivalent to 0.9 percent of GDP on a full-year basis.

- **Other taxes**. A freeze was introduced in the granting or renewal of discretionary waivers of duties and taxes; excise taxes on cigarettes were raised; and license fees for large motor cars were increased as were the common external tariff on various luxury items. The yield is estimated at 0.3 percent of GDP.

11. **On the expenditure side, the freeze on wage and salary increases will be maintained through FY2011/12, and primary spending in FY2010/11 will be reduced by 1¼ percent of GDP, excluding the one-time costs associated with divesting Air Jamaica.**

- **Wages and salaries.** The government is committed to maintaining the current public service wage freeze on salary increases into FY2011/12, while it develops a comprehensive reform of the public sector. Wage and salary increases agreed for periods prior to FY2009/10 that have not yet been paid will be paid in instalments over the medium term. Similar treatment will also be applied in the event that an award is made to health care workers in the reclassification case now under arbitration. Overall, this scheduling across the medium term will help generate savings of close to 1 percent of GDP in FY2010/11. New compensation agreements will be better aligned with the budget process and budget constraints to ensure that the government's objective of reducing the size of the wage bill from 11¾ percent of GDP to about 9½ percent over the next four years is achieved.

- **Cost containment in recurrent expenditure programmes**. The budget for FY2010/11 will freeze or reduce allocations in a number of areas. Most notably, a nominal freeze will be extended to purchases of goods and services, awards, and indemnities, and travel costs will be cut by 10 percent. Allocations for public utility costs in ministries and agencies will be reduced by at least 5 percent, benefiting from a recently-launched energy saving programme. A nominal freeze will also be implemented on tuition subsidies for tertiary education at the level of the FY2009/10 budget, while a system of means testing will be introduced. Subsidies on external school examination fees will be reduced, by improving the incentive structure (e.g. providing reimbursement based on results). These measures will provide a combined fiscal saving of 0.5 percent of GDP.

12. **To help protect the poor, the social safety net will be significantly enhanced**. Resources within the social assistance envelope will be reallocated to the better targeted programmes. Spending on these programmes will be increased by at least 25 percent in FY2010/11 (0.3 percent of GDP). In particular, this increase will benefit the school feeding programme, which provides breakfast and lunches to children; and the Programme of Advancement through Health and Education (PATH), which provides conditional cash transfers to five categories within the poorest income groups. Coverage of PATH will be expanded from the current 327,000 to 360,000. A Steps to Work programme, aimed at improving the employability of working age members of PATH households has been launched. The government will also be pursuing efforts to expand the social safety net to assist persons below the poverty line who do not qualify for PATH assistance.

13. **In the area of public bodies, which has been a constant drain on public resources, significant improvement is to be achieved in the following key public bodies:**

- **Air Jamaica will be divested or liquidated.** The elimination of losses from Air Jamaica is a key priority for the government. To that effect, the government is committed to finalizing an agreement for the sale of the company to a strategic partner, or to arrange the liquidation of the company. The arrangement will not entail subsidies or guarantees of any kind to the airline or to the strategic partner. The costs associated with the divestment of the airline, including for the cancellation of airplane lease agreements, fees to workers, and tax payments due to foreign tax administration agencies will be addressed (prior action).

- **The activities of Petrojam will remain streamlined.** To avoid further increases in the public debt due to the activities of public bodies, the government will not participate in the planned Petrojam refinery expansion project. The cost of this project—estimated at around 10 percent of GDP—is prohibitive in the current economic and fiscal context. The government is exploring with the foreign shareholder the possibility of alternate means of financing the project that will involve no Jamaica liability. In any case, no public sector debt, directly contracted or guaranteed by any public sector institution, will be involved in the financing of this project.

- **Divestment of the assets of Sugar Company of Jamaica will continue** Already, two factories have been sold, and the government is seeking to divest the remaining three factories. In the interim, these factories will be either leased or put on a strict zero-deficit budget by March 2010.

- **The net operational loss of the Jamaica Urban Transit Company (JUTC) will be reduced by 40 percent.** An increase of not less than 40 percent in bus fares approved by the Office of Utility Regulations in October 2009 will be implemented effective April 1, 2010. Further improvements in the financial situation of this company will be achieved from recent initiatives to curb illegal bus and taxi operators and continued improvements in cost efficiency.

Public Debt Exchange

14. **The government will engage its creditors in a debt exchange aimed at securing fiscal savings by exchanging existing high cost debt for new instruments that have lower coupons and longer maturities.** The success of the exchange is essential to closing the government's financing gap. It will also reduce the periodic bouts of financial market instability arising from large rollover requirements and improve the structure of the debt to ensure sustainability. The debt exchange will be undertaken in January 2010, in advance of the IMF's Board meeting to approve the requested SBA (prior action). Its key elements are as follows:

- **Objectives**. The exchange explicitly targets achieving: (i) interest saving of at least 3 percent of GDP next fiscal year; and (ii) a reduction by at least two thirds in maturing domestic debt over the next 36 months.

- **Bonds exchanged**. The operation targets a high proportion of the government's domestically-issued bonds (J$701.4 billion, or 65 percent of GDP), with a special focus on short-dated instruments (i.e., those maturing within the next two years) and high-coupon fixed-rate instruments. If necessary, the government intends to strategically exercise call options embedded in existing bonds in support of the debt exchange.

- **New bonds**. A mix of fixed and variable interest instruments, including inflation indexed bonds will be offered in the exchange, with the aim of developing new benchmark securities along the yield curve. The exchange is to be par-neutral. The lower interest rate coupons will still provide investors positive real rates of return, based on improved prospects for underlying inflation and exchange rate fundamentals.

15. **The debt exchange has been designed carefully, recognizing the need to avoid jeopardizing the stability of the domestic financial system.** Development of contingent measures is an important aspect of this design. A contingency planning framework is in place with the Financial Regulatory Council (FRC) taking the leadership role for ensuring appropriate coordination and communications. FRC is an interagency policy level group, chaired by the BOJ. Moreover, supervisors perform monthly stress tests (more frequently if circumstances warrant), which allow them to identify and develop plans for institutions which might be impacted under the various stress testing scenarios. Further, funds from the multilateral institutions will be devoted to establishing a Financial Sector Support Fund (FSSF) in the amount of approximately US$1 billion, immediately following disbursement under the IMF programme. This fund will be established by the government and administered by the BOJ.

16. **Deposit taking institutions, securities dealers, and insurance companies will be eligible for access to the FSSF provided the institution and the group to which the institution belongs tender in the debt exchange at least 90 percent of eligible assets.** Institutions and groups must participate by first exchanging instruments that generate the highest savings to the government (taking into account both coupon and maturity). The government will authorize access to the FSSF, informed by the assessment and recommendation of the FRC.

17. **The FSSF will be overseen by the FRC.** The FRC will use the existing technical working group (TWG), also chaired by BOJ staff, to assess applications from institutions seeking financial assistance. Assessments will be made of the liquidity needs of the system and the financial condition of the institution requesting support. The work of the TWG will be ongoing, and it will provide periodic reports to the FRC. The FRC will monitor specific thresholds, which will trigger further evaluation and action by the primary supervisor.

18. **The FSSF will be used primarily to provide temporary assistance to institutions in the event of liquidity needs, including from external borrowing on margin.** The disbursement of funds will be secured by eligible collateral, which would be Government of Jamaica (GOJ) instruments. Institutions should be required to repay liquidity support extended under the FSSF as quickly as possible. After a period of 6 months, this liquidity should be repaid or become subject to a punitive interest rate. We have developed a framework for supervisory action based on the level of liquidity support provided as a percentage of capital. If the stock of liquidity reaches certain levels, institutions will be subject to escalating supervisory response including inspections, intensive monitoring, and intervention. The authorities will consult with the Fund once 50 percent of the FSSF resources have been disbursed.

19. **All necessary measures will be taken to ensure stability of the financial system.** Institutions receiving support will be subject to intensive supervision. Any institution receiving support for recapitalization will be required to submit an agreed plan of recapitalization and operational restructuring, restrictions on dividend payments, and other measures as determined by supervisors. For safety and soundness reasons, supervisors have the authority to intervene in all institutions. This authority includes taking temporary management, which suspends the rights of shareholders and managers for at least 60 days. The government maintains its commitment to resolving any institution which does not meet the full solvency requirements, in accordance with existing legal and regulatory frameworks and consistent with the objective of maintaining financial system stability.

20. **Beyond the debt exchange, the government will strengthen its debt management strategy.** The strategy will include an explicit assessment of the cost-risk analysis of alternative portfolio options, and enhance transparency and communication with market players and rating agencies by June 2010. The government will also seek technical assistance from the IMF to look into institutional features of the government securities market in order to make it more competitive.

B. Structural Fiscal Reforms

21. **The programme prioritizes a set of structural fiscal reforms that aim at entrenching fiscal discipline and bolstering transparency.** These reforms will help ensure that the gains achieved during the programme period will be sustained and deepened over the medium term.

Public Sector Reform

22. **The government is committed to rationalizing the public sector with a view to improving efficiency and cost effectiveness.** A committee appointed by the Prime Minister is reviewing the existing structure of the public sector and will present recommendations by September 2010 on the formulation of a new structure. The current structure is characterized by many entities with unclear or overlapping functions. The government commits to implementing

the core recommendations of the committee no later than FY2011/12 and to gradually reduce the wage bill from 11½ percent of GDP at present to around 9½ percent in the medium term. In this context, the government believes that it is critical to increase its control over public sector compensation and ensure that public employment costs are transparently reported. To achieve these objectives the government will:

- Complete a census of all government positions, compensation, and description of function (by end-June 2010).
- Create and maintain a comprehensive database of employment and compensation in the public sector, updating on a regular basis the census information (by end-June 2010 and thereafter).
- Finalize and present the Prime Minister's Committee Report on Public Sector Reform (by end-September 2010).
- Complete a time-bound public employment reform action plan, which will be implemented in time for the FY2011/12 budget (by end-December 2010) (structural benchmark).

23. **The ongoing rationalization and reform of Jamaica's public bodies will continue over the medium term.** This reform has been a priority of this administration since taking office. The government's three-pronged plan aims at: (i) divesting commercial entities; (ii) merging entities when feasible to bolster efficiencies; and (iii) winding-up inactive entities. Guiding the government's approach are two fundamental principles: the priority given to reducing public debt and the need to reduce the size of the public sector, particularly through divesting activities that ought to be carried out more efficiently by the private sector. The government has identified twenty parastatal entities to be divested. With respect to mergers and the winding up of inactive entities, the government has also identified a wide set of candidates. It is expected that a number of entities will be merged and more than 50 inactive enterprises will be closed over the next 3 years. A plan to this effect will be completed in time to be implemented beginning in the upcoming fiscal year. A Fiscal Responsibility Framework (see below) will increase the entities' accountability by requiring approval of their budgets by Parliament, while transparency will be increased through a stricter enforcement of reporting and auditing standards. In order to ensure that sought after efficiency gains are realized, the government plans to agree to performance targets with the management of each entity, in line with the nature of each entity's core functions.

Tax Reform

24. **The government will deepen reforms to strengthen tax administration.** In the short term, this includes: (1) adopting a comprehensive reform strategy including a time bound action plan to unify the domestic tax administration; (2) vesting the necessary legal and administrative powers in the Tax Administration Director General instead of the respective commissioner of

each department; (3) expanding the large taxpayers office; (4) facilitating compliance through streamlined procedures; and (5) developing an interface between the domestic tax and customs IT systems to exchange information between departments. By June 2010, a time-bound action plan will be designed to implement these reforms.

25. **Key tax policy reforms will also be undertaken.** The government remains committed to significantly scale back the system of tax incentives and exemptions in order to significantly broaden the tax base, reduce distortions in the system, and allow a phased reduction in the corporate tax rate to a more competitive level. The freeze in granting of discretionary waivers on duties and taxes is the first step in this process. The government will prepare and announce by September 2010 a strategy for the reform of tax incentives. At the same time, the government is committed to spearheading the revival of negotiations on tax coordination under the auspices of CARICOM.

Public Expenditure Management

26. **The government will enact legislation before the end of FY2009/10 to establish a fiscal responsibility framework (FRF).** The overall objective is to operationalize the key principles of prudent fiscal management in order to ensure that the institutional framework is consistent with achieving the government's short- and medium-term fiscal targets. The FRF will provide for clearly articulated fiscal policies, including a medium-term fiscal framework; greater transparency through various reporting requirements; stricter accountability in the management of public finances; and a better level of oversight of fiscal policy and the management of public funds. The FRF will provide for improved public financial management through expanding the coverage of the budget to all general government institutions; enshrining the principle of no spending without prior budget appropriation; and requiring approval by parliament of the budget of each of the "self financed" public bodies. By March 2010, the FRF will be integrated into the Financial Administration and Audit Act, while the Public Bodies Management and Accountability Act will also be amended to ensure consistency with the FRF (structural benchmark).

27. **Central Treasury Management System.** The government is pursuing the establishment of a central treasury management system (CTMS) to bring responsibility for treasury management functions under one agency. The CTMS will establish a Treasury Single Account (TSA) to improve cash management. The government plans to consolidate all general government cash resources in the TSA. All funds, including special funds, owned by general government entities and held in financial institutions would be transferred to the TSA and those accounts would then be closed. The government is receiving assistance in establishing the CTMS from several multilateral agencies including the IMF. A step-by-step plan for consolidation will be fully completed by end-June 2010 with the help of IMF technical assistance (structural benchmark). This includes the preparation of an inventory of all accounts of general government entities, sources of inflows, rules for outflows, and the existing balances.

The government is committed to have an operational CTMS system by end-December 2010 in order to support the implementation of the FY2011/12 budget.

C. Monetary and exchange rate policy

28. **Monetary policy will focus on reducing inflation and supporting the operations of the domestic financial system.** The BOJ will safeguard the programme's inflation objective. In the aftermath of the debt exchange, the BOJ will monitor closely operations in the financial system to identify liquidity pressures.

29. **The BOJ will continue to manage monetary policy within the framework of a managed floating exchange rate regime.** The BOJ will allow the exchange rate to move freely while using its instruments to ensure stability in credit and foreign exchange markets in the short and medium term. To that end, the programme will contain clear reserve targets to safeguard the adequacy of reserve coverage—a key policy priority in the current context.

D. Strengthening the Financial System

30. **Important work needs to be undertaken to respond to the challenges posed by Jamaica's highly interconnected financial institutions.** Implementing recommendations made during the 2006 IMF/World Bank Financial Sector Assessment Program (FSAP) will introduce a number of reforms by June 2011. The government plans to pass an omnibus banking law that will allow for more effective supervision of financial conglomerates, including by harmonizing the prudential standards that apply to commercial banks, merchant banks, and building societies. Toward this end, the BOJ's concept paper for an omnibus banking law and the related legislative and regulatory framework to strengthen the oversight of the financial sector (as identified in the 2006 FSAP),will be reviewed and revised, in consultation with IMF (structural benchmark). The Bank of Jamaica Act and the Financial Services Commission Act will both be amended to further strengthen supervisory tools. Stronger capital adequacy standards will be developed for all financial institutions to achieve fullest compliance with international standards, in consultation with the Fund. Additionally, supervisors will adopt rules which require them to take remedial measures against a weak entity within specific timeframes (prompt corrective action) (December 2010).

31. **The Bank of Jamaica Act will also be amended to establish the legal framework to underpin its responsibility for overall financial system stability by December 2010**. This will allow the BOJ to access data from parent or affiliate institutions that might not be a part of a conglomerate group. It will also provide a stronger basis for the BOJ to provide financial support to nonbanks, if needed for securing financial system stability during periods of extreme volatility. The BOJ will develop procedures for providing liquidity facilities to primary dealers.

32. **There are several additional reforms pertaining specifically to deposit-taking institutions that will be developed, in consultation with the Fund.** Other key reforms will deal with enhancing capital rules to address all market risks (December 2010), including equity

and interest rate risks; improving the frameworks for AML/CFT (March 2010); and combating unregulated financial organizations by June 2010 (structural benchmark).

33. **The government will reform the securities dealer sector to strengthen its ability to withstand shocks going forward.** A major problem with the securities dealer sector as currently structured is that liquidity and maturity risk are held on the security dealer's balance sheet and capital requirements are not comprehensive, as identified in the FSAP. In keeping with FSAP recommendations and technical assistance from CARTAC, the government is taking steps to shift risks to investors by encouraging the development of collective investment schemes, including by amending the Unit Trust Act. Amendments to this act will come into effect by December 2010. Thereafter, the existing freeze on new registrations of unit trusts (and new unit trust products) will be lifted. At the same time, the government is committed to removing structural impediments to the development of a vibrant local mutual fund market, including by exempting mutual funds from onerous provisions in the Companies Act of Jamaica by December 2010.

34. **In addition, the government will continue strengthening the regulatory and supervisory framework of the securities dealers sector.** Reforms to enhance capitalization and margin requirements, to include a liquidity risk component and an operational risk component will be developed in consultation with the Fund. It is expected that draft regulations will be ready by August 2010, to be fully implemented by March 2012. Until that time, we will place a temporary freeze on issuing new licenses for securities dealers whose business model is based on repos and other short-term liabilities, except coming out of mergers and/or acquisitions of existing firms (structural benchmark). The government is committed to ensuring that any new applicants have robust financial resources, a well-diversified business model and knowledgeable management and staff. The government will also press ahead with an initiative underway to improve the stress testing and contingency planning capacity of the Financial Services Commission (FSC). Draft legislation will be presented to Parliament for approval in early FY2011/12 to close gaps in the power of the FSC to conduct consolidated supervision, in line with the BOJ's omnibus banking bill. Dealers' repo contracts are a source of risk. Dealers will be required to register customer interest against underlying instruments in a central securities depository by September 2010. To ensure that the enhanced legal framework is technically sound and the agreed timetable in the program is met, the FSC would require IMF technical assistance to develop the new risk-based capital framework to incorporate elements such as operational risk and liquidity risk.

V. Financing under the Programme

35. **In support of the economic programme, the government envisages the need for financing from multilateral sources of US$2.4 billion over the next two years.** Of this, about half would be required upfront to address immediate budget financing and balance of payments needs as well as the establishment of the FSSF. Total funding from the IMF is expected to be SDR 820.5 million or 300 percent of quota (about US$1,300 million), with about half provided

up front. Loan commitments over the next two years from the IDB, World Bank, and the Caribbean Development Bank are US$1.1 billion. In addition, Jamaica will continue to draw financing from the PetroCaribe facility and to strategically access external commercial markets, which are expected to re-open before the end of the next fiscal year. Remaining financing needs will be filled through domestic financial sector borrowing.

VI. Safeguards Assessment

36. **The government fully recognizes the importance of completing a safeguards assessment of BOJ before the first review of the Stand-By Arrangement.** To facilitate such an assessment, the central bank's external auditors have been authorized to hold discussions directly with Fund staff. An IMF mission to conduct the safeguards assessment is scheduled for February 2010 and the BOJ will provide Fund staff with all necessary information in preparation of that mission.

VII. Programme Monitoring

37. **The programme will be monitored on a quarterly basis, through quantitative performance criteria, indicative targets, and structural benchmarks.** The phasing of access under the arrangement and the review schedule are set out in Table 1 of this memorandum. The quantitative performance criteria and indicative targets through end-March 2011 are set out in Table 2. Targets for the remainder of FY2010/11 will be identified at the time of the second programme review. Programme reviews will assess the achievement of the quantitative targets and focus on progress in key structural reforms. In this context, the first programme review will focus on the FY 2010/11 budget and the implementation of the fiscal responsibility framework. The review will also examine the plans for recapitalizing financial institutions. The second review will focus on fiscal reforms, specifically in the debt management, tax, and public financial management areas. It will also review progress in the various initiatives aimed at strengthening financial system regulatory and supervisory framework. The third review will focus on public bodies and employment reforms as well as progress in financial sector reforms. Structural benchmarks are set out in Table 3. Programme conditionality is further specified in the accompanying Technical Memorandum of Understanding.

Table 1. Jamaica: Schedule of reviews and Purchases

Date	Amount of Purchase		Conditions
	Millions of SDR	Percent of Quota	
February 4, 2010	414.3	151.5	Approval of arrangement
May 31, 2010	63.7	23.3	First review and end-March 2010 performance criteria
August 31, 2010	31.9	11.7	Second review and end-June 2010 performance criteria
November 30, 2010	31.9	11.7	Third review and end-September 2010 performance criteria
February 28, 2011	127.5	46.6	Fourth review and end-December 2010 performance criteria
May 31, 2011	31.9	11.7	Fifth review and end-March 2011 performance criteria
August 31, 2011	31.9	11.7	Sixth review and end-June 2011 performance criteria
November 30, 2011	31.9	11.7	Seventh review and end-September 2011 performance criteria
February 28, 2012	55.5	20.3	Eighth review and end-December 2011 performance criteria
Total	820.5	300.0	

Table 2: Jamaica: Quantitative Performance Criteria 1/

	2010				2011
	end Mar. 6/	end Jun.	end Sept.	end Dec.	end Mar.
	Performance criteria		Indicative targets		
Fiscal targets					
1. Primary balance of the central administration (floor) 2/ 3/	66.9	12.1	31.5	51.7	83.3
2. Overall balance of public entities (floor) 2/ 3/	-29.6	-3.0	-6.0	-8.9	-11.9
3. Central government direct debt (ceiling) 3/	1260.4	1287.2	1306.6	1325.2	1332.4
4. Cumulative net increase in central government guaranteed debt (ceiling) 2/ 4/	32.8	3.0	3.0	3.0	3.0
5. Central government accumulation of domestic arrears (ceiling) 5/	0.0	0.0	0.0	0.0	0.0
6. Central government accumulation of tax arrears (ceiling) 7/	0.0	0.0	0.0	0.0	0.0
7. Consolidated government accumulation of external arrears (ceiling) /8	0.0	0.0	0.0	0.0	0.0
Monetary targets					
8. Cumulative change in net international reserves (floor) 8/	-351	-534	-673	-617	-651
9. Net domestic assets (ceiling)	-49.1	-33.7	-20.6	-11.2	-18.5

1/ Targets as defined in the Technical memorandum of Understanding.
2/ Cumulative flows through April 1 to March 31.
3/ Excludes government guaranteed debt. In billions of Jamaican dollars. The central government direct debt excludes IMF credits.
4/ In billions of Jamaican dollars.
5/ Includes debt payments, supplies and other committed spending as per contractual obligations.
6/ Includes February and March 2010, under the assumption that the program begins on February 1, 2010.
7/ Includes all arrears in refunding taxpayers owed refunds stipulated by law.
8/ In millions of US dollars.

Table 3: Jamaica: Programme Conditionality

	Measure	Conditionality	Timing
	Prior Actions		
Government Finances			
1	Adopt a tax policy package yielding around 2 percent of GDP (MEFP, paragraph 10).	Prior action	December 2009
Public debt management			
2	Launch and complete debt exchange operation that, in comparison to the existing securities, achieves an estimated saving of over 3 percent of GDP in FY2010/11 and a reduction in the amount of debt maturing during 2010-2012 by at least two thirds. (MEFP, paragraph 14).	Prior action	January 2010
Public entities			
3	Reach agreement on divestment of Air Jamaica or initiate plans to liquidate the airline by June 2010 (MEFP, paragraph 13).	Prior action	January 2010
	Structural Benchmarks		
Institutional Fiscal Reform			
4	Complete a time-bound plan to establish a central treasury management system by end-2010 (MEFP, paragraph 27).	Benchmark	June 2010
5	Pass a fiscal responsibility framework and accompanying legislative amendments (MEFP, paragraph 26).	Benchmark	March 2010
6	Design a public employment and compensation reform (MEFP, paragraph 22).	Benchmark	December 2010
Financial sector reform			
7	Review and revise, in consultation with IMF, the BOJ's concept paper for an omnibus banking law and the related legislative and regulatory framework to strengthen the oversight of the financial sector (as identified in the 2006 FSAP), (MEFP, paragraph 30).	Benchmark	March 2010
8	Draft a concept paper, in consultation with the IMF, on all major elements to be included in legislation and other measures to address unregulated financial organizations (MEFP, paragraph 32).	Benchmark	June 2010
9	Introduce a temporary freeze on issuing new licenses for securities dealers whose business model is based on repos and other short-term liabilities (MEFP, paragraph 34).	Benchmark	February 2010

JAMAICA—TECHNICAL MEMORANDUM OF UNDERSTANDING

This Technical Memorandum of Understanding (TMU) defines the variables subject to quantitative targets (performance criteria and indicative targets), specified in the Letter of Intent (LOI). It also describes the methods to be used in assessing the program 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 program, and provide the Fund with the necessary information for program monitoring.

The exchange rates for the purposes of the program 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.

VIII. Quantitative Performance Criteria: Definition of Variables

A. Cumulative Floor of the Central Government Primary Balance

Definition: The central government for the purposes of the program 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 2). 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.

The primary balance target does not include expenditure related to the divestment or liquidation costs of Air Jamaica. Should costs associated to the divestment or liquidation of Air Jamaica occur, the targets will be adjusted downwards to accommodate those costs, up to an amount equivalent to US$200 million at the program reference exchange rate.

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$)
End-January 2010 (program projection)	45.4
End-February 2010 (program projection)	47.0
End-March 2010 (performance criterion)	66.9
End-April 2010 (program projection)	6.3
End-May 2010 (progam projection)	14.8
End-June 2010 (performance criterion)	12.1
End-July 2010 (program projection)	18.2
End-August 2010 (program projection)	22.3
End-September 2010 (indicative target)	31.5
End-October 2010 (program projection)	35.6
End-November 2010 (program projection)	40.8
End-December 2010 (indicative target)	51.7
End-January 2011 (program projection)	61.2
End-February 2011 (program projection)	63.9
End-March 2011 (indicative target)	83.3

B. Cumulative Floor on Overall Balance of Public Bodies

Definition: 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 Partners (CAP); Sugar Company of Jamaica (SCJ). "Other Public Bodies" include: Bauxite and Alumina Trading Company of Jamaica Ltd. ; 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 Services (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. All new entities that might be created as a result of this process, including from the merging of existing entities, will be incorporated in either of these two groups. However, this process will not affect the performance criterion.

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$)
End-January 2010 (program projection)	-24.7
End-February 2010 (program projection)	-27.2
End-March 2010 (performance criterion)	-29.6
End-April 2010 (program projection)	-1.0
End-May 2010 (progam projection)	-2.0
End-June 2010 (performance criterion)	-3.0
End-July 2010 (program projection)	-4.0
End-August 2010 (program projection)	-5.0
End-September 2010 (indicative target)	-6.0
End-October 2010 (program projection)	-7.0
End-November 2010 (program projection)	-8.0
End-December 2010 (indicative target)	-8.9
End-January 2011 (program projection)	-9.9
End-February 2011 (program projection)	-10.9
End-March 2011 (indicative target)	-11.9

C. Ceiling on the Stock of Central Government Direct Debt

Definition: 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. 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 program) are called.

3. Targets on Central Government Direct Debt Stock

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

	Ceiling (In billions of J$)
End-March 2010 (performance criterion)	1260
End-June 2010 (performance criterion)	1287
End-September 2010 (indicative target)	1307
End-December 2010 (indicative target)	1325
End-March 2011 (indicative target)	1332

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. 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 2009	76.3
Stock of Government Guaranteed Debt at end-March 2010	109.1
End-March 2010 (performance criterion)	32.8
End-June 2010 (performance criterion)	3.0
End-September 2010 (indicative target)	3.0
End-December 2010 (indicative target)	3.0
End-March 2011 (indicative target)	3.0

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 millions of J$)
End-January 2010 (program projection)	0.0
End-February 2010 (program projection)	0.0
End-March 2010 (performance criterion)	0.0
End-April 2010 (program projection)	0.0
End-May 2010 (progam projection)	0.0
End-June 2010 (performance criterion)	0.0
End-July 2010 (program projection)	0.0
End-August 2010 (program projection)	0.0
End-September 2010 (indicative target)	0.0
End-October 2010 (program projection)	0.0
End-November 2010 (program projection)	0.0
End-December 2010 (indicative target)	0.0
End-January 2011 (program projection)	0.0
End-February 2011 (program projection)	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 millions of J$)
End-January 2010 (program projection)	0.0
End-February 2010 (program projection)	0.0
End-March 2010 (performance criterion)	0.0
End-April 2010 (program projection)	0.0
End-May 2010 (progam projection)	0.0
End-June 2010 (performance criterion)	0.0
End-July 2010 (program projection)	0.0
End-August 2010 (program projection)	0.0
End-September 2010 (indicative target)	0.0
End-October 2010 (program projection)	0.0
End-November 2010 (program projection)	0.0
End-December 2010 (indicative target)	0.0
End-January 2011 (program projection)	0.0
End-February 2011 (program projection)	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 program 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 program 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 program disbursements relative to the baseline projection reported in Table 8. Program 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-December 2009 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.

Should costs associated to the divestment or liquidation of Air Jamaica occur, the targets will be adjusted downwards to accommodate those costs, up to an amount equivalent to US$140 million at the program reference exchange rate.

7. Net International Reserves of the Bank of Jamaica

	(In millions of US$)
6. Floor on the Net International Reserves of the Bank of Jamaica	
Outstanding stock	
End-December 2009	1,729
Floor on cumulative change in net international reserves from end-December 2009:	
End March 2010 (performance criterion)	-351
End-June 2010 (performance criterion)	-534
End-September 2010 (indicative target)	-673
End-December 2010 (indicative target)	-617
End-March 2011 (indicative target)	-651

8. External Program Disbursements (baseline projection)

Cumulative flows from end-December 2009	(In millions of US$)
End March 2010	685
End-June 2010	685
End-September 2010	785
End-December 2010	1,070
End-March 2011	1,070

Table 9. Reserve liabilities items for NIR target purposes

	(In millions of US$) 1/
1. BOJ's foreign liabilities to residents	
Outstanding stock	
End-December 2009	199.1
Cumulative change from end-December 2009	
End-March 2010	-122.3
End-June 2010	-199.1
End-September 2010	-199.1
End-December 2010	-199.1
End-March 2011	-199.1
2. Banks foreign currency deposits in BOJ against reserve requirements	
Outstanding stock	
End-December 2009	194.6
Cumulative change from end-December 2009	
End-March 2010	11.4
End-June 2010	5.5
End-September 2010	10.2
End-December 2010	9.8
End-March 2011	9.2

1/ Converted at the programme exchange rates.

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

Definition: The Bank of Jamaica 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 10. Ceilings on Net Domestic Assets of the Bank of Jamaica

	(In billions of J$)
Ceiling on net domestic assets:	
End March 2010 (performance criterion)	-49.1
End-June 2010 (performance criterion)	-33.7
End-September 2010 (indicative target)	-20.6
End-December 2010 (indicative target)	-11.2
End-March 2011 (indicative target)	-18.5

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

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

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

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

i. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until some time 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 program, 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 program period. For the purpose of this performance criterion, an external debt payment arrear will be defined as a payment by the consolidated government and the BOJ, which has not been made within seven days after falling due.

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

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

X. Information Requirements

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

A. Daily

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

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

- Deposits and liquidity assistance to institutions, by institution.

- Bank of Jamaica purchases and sales of foreign currency.

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

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

B. Weekly

- Consolidated balance sheet and individual balance sheets of the core securities dealers, including indicators of liquidity and capital positions; evolution of liabilities, details on sources of funding, including from external borrowing on margin.

- 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.

- Central government debt amortization and repayments, by instrument (LRS, Debentures, US$ denominated bonds, US$-linked bonds, treasury bills, Eurobonds, domestic loans, external commercial loans; 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.

- Central government debt stock, including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (LRS, Debentures, US$ denominated bonds, US$-linked bonds, treasury bills, Eurobonds, domestic loans, external commercial loans; 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 (LRS, Debentures, US$-linked, US$-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.

- A summary of monetary accounts providing detailed information on the accounts of the Bank of Jamaica, commercial banks, and the overall banking system. Include a detailed decomposition on Bank of Jamaica and commercial bank net claims on the Central Government, selected public bodies, and other public bodies.[1] This information should be received with a lag of no more than three 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.

- Deposits in the banking system: current accounts, savings and time deposits. Average monthly interest rates on loans and deposits.

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[1] Selected public bodies and other public bodies are defined as outlined in Section B.

- Financial statements of other (non-bank) deposit taking institutions, insurance companies and pension funds.
- Monthly balance sheet and income statement data of deposit taking institutions, as reported to the BOJ
- Data on Table 9.
- A full set of monthly FSIs regularly calculated by the BOJ, including capital adequacy, profitability and liquidity ratios.
- Imports and exports of goods, in US$ million. Tourism indicators. Remittances' flows.
- Consumer price inflation, including by sub-components of the CPI index.
- Use of the PetroCaribe fund, including loan portfolio by debtor and allocation of the liquidity funds in reserve.

D. Quarterly

- Summary balance of payments. Revised outturn for the preceding quarters and quarterly projections for the forthcoming year, with a lag of no more than one month following the close of the quarter.
- Stock of external debt, by creditor, as of end-of-quarter, with a lag of no more than one month following the close of the quarter. The reporting lag should not exceed four weeks after the closing of each month.
- Gross domestic product growth by sector, in real and nominal terms, including revised outturn for the preceding quarters and projections for the next four quarters.
- BOJ Quarterly Financial Stability Report.

Table 1. Jamaica: Selected Economic Indicators 1/

					Proj.				
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	012/13	013/14
GDP, prices, and employment									
Real GDP	1.2	3.2	0.6	-1.6	-3.5	0.6	1.9	1.9	2.0
Nominal GDP	12.2	14.2	13.2	12.3	3.3	11.5	10.3	9.7	9.5
Consumer price index (end of period)	11.2	8.0	19.9	12.4	12.2	7.3	7.0	6.5	6.0
Consumer price index (average)	14.8	7.4	12.4	20.2	9.0	11.2	7.1	6.7	6.3
Exchange rate (end of period, in J$/US$)	65.3	67.6	70.8	88.0	…	…	…	…	…
Exchange rate (average, J$/US$)	63.2	66.3	69.7	76.3	…	…	…	…	…
End-of-period REER (percent change, apprecia	4.0	-0.7	4.0	-10.1	…	…	…	…	…
Unemployment rate (in percent)	11.6	10.8	9.7	10.6	…	…	…	…	…
Government operations									
Budgetary revenue	26.2	25.9	27.3	26.6	28.3	27.7	27.8	27.9	27.9
Budgetary expenditure	29.5	30.8	31.1	34.0	38.2	34.2	32.1	30.5	28.6
Primary expenditure	16.3	18.9	19.5	21.8	22.0	20.7	20.2	19.5	18.8
Interest payments 2/	13.2	11.9	11.6	12.2	16.2	13.5	11.9	10.9	9.7
Budget balance	-3.3	-4.8	-3.8	-7.3	-10.0	-6.5	-4.3	-2.6	-0.7
Of which: primary fiscal balance	9.9	7.0	7.8	4.8	6.2	7.0	7.7	8.3	9.1
Of which: underlying primary fiscal balance 3/	..	..	..	..	5.2	7.0	7.7	8.3	9.1
Off-budget expenditure 4/	1.0	1.5	1.1	-0.4	0.0	0.0	0.0	0.0	0.0
Net capital transfers to public entities 5/ 6/	..	..	0.0	0.6	-0.2	0.0	0.0	0.0	0.0
Public entities balance 5/	..	..	-3.4	-2.5	-2.8	-1.0	-0.6	0.1	0.2
of which financed with loans and deposits dra	..	..	-3.4	-3.1	-2.5	-1.0	-0.6	0.1	0.2
Overall fiscal balance			-8.2	-9.4	-12.7	-7.5	-4.9	-2.5	-0.5
Public debt 2/ 7/	119.9	116.5	113.5	124.0	140.0	140.0	135.6	126.1	114.9
External sector									
Current account balance	-10.5	-9.7	-18.4	-18.0	-9.4	-8.8	-6.6	-5.9	-5.0
Of which: exports of goods, f.o.b.	16.0	17.9	18.3	17.0	11.8	12.0	12.6	12.9	13.2
Of which: imports of goods, f.o.b.	40.0	42.3	50.4	50.0	38.9	39.0	39.5	39.0	38.4
Net international reserves (in millions of US$)	2,078	2,329	2,083	1,629	1,378	1,078	1,325	1,436	1,705
Gross international reserves (In millions of US$	2,373	2,614	2,106	1,664	2,051	2,151	2,635	2,677	2,616
Money and credit									
Net foreign assets	1.7	4.2	0.9	-13.3	-6.1	-7.7	7.6	4.0	8.1
Net domestic assets	6.9	6.6	11.6	24.8	5.2	19.2	6.0	9.1	1.4
Of which: credit to the central government	-5.6	-3.5	2.7	8.7	5.1	2.2	2.7	1.7	0.8
Broad money	8.6	10.8	12.5	11.6	-1.0	11.5	13.7	13.1	9.5
Velocity (ratio of GDP to broad money)	3.1	3.2	3.2	3.3	3.4	3.4	3.3	3.2	3.2
Memorandum items:									
Nominal GDP (in billions of J$)	714	815	923	1,037	1,071	1,194	1,317	1,445	1,582

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

1/ Based partly on assumptions provided by the authorities. Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.

2/ Assumes liability management operations on January 1st 2010 involving the par-for-par exchange of bonds, and targeting a 12.5 percent yield return on domestically-issued bonds and extension of maturities.

3/ Adjusts for one-off revenues in FY 2009/10.

4/ 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.

5/ 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.

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

7/ Central government direct and guaranteed only, including PetroCaribe debt and proposed IMF disbursements.

Table 2. Jamaica: Summary of Central Government Operations
(in billions of Jamaican dollars)

					Proj.				
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Budgetary revenue and grants	186.7	211.3	252.0	276.2	302.8	330.5	366.4	402.8	441.3
Tax	165.7	192.5	224.5	250.7	266.6	303.0	336.0	369.5	404.8
Non-tax	20.3	17.3	23.0	18.0	24.2	20.6	22.7	24.9	27.3
Grants	0.7	1.5	4.5	7.6	11.9	7.0	7.7	8.4	9.2
Budgetary expenditure	210.4	250.8	286.8	352.2	409.5	408.2	422.6	440.2	451.9
Primary expenditure	116.0	153.9	180.0	226.2	235.9	247.3	265.6	282.3	297.9
Wage and salaries	63.1	78.7	86.2	111.5	126.4	130.5	137.1	145.0	149.3
Other expenditure	40.8	48.0	64.9	73.3	74.3	76.9	82.4	87.9	96.6
Capital expenditure 1/	12.0	27.2	28.9	41.4	35.2	39.9	46.1	49.4	52.1
Interest	94.4	96.9	106.8	126.0	173.6	160.9	156.9	158.0	153.9
Domestic	71.5	70.3	75.1	90.2	132.5	121.6	122.6	121.8	114.7
Current	65.4	65.5	69.3	89.5	132.5	121.6	122.6	121.8	114.7
BoJ special issue bonds 2/	6.1	4.8	5.7	0.7	0.0	0.0	0.0	0.0	0.0
External	22.9	26.5	31.7	35.8	41.1	39.3	34.3	36.1	39.2
Budget balance	-23.7	-39.4	-34.8	-76.0	-106.7	-77.6	-56.2	-37.4	-10.6
o.w. primary budget balance	70.7	57.4	72.0	50.0	66.9	83.3	100.8	120.6	143.4
Off-budget expenditure	4.8	5.7	2.3	-4.5	0.0	0.0	0.0	0.0	0.0
BoJ cash losses 3/	4.8	5.7	0.7	-4.5	0.0	0.0	0.0	0.0	0.0
Deferred financing 4/	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Public entities balance 5/	..	..	-31.5	-26.3	-29.6	-11.9	-8.3	1.6	2.9
of which financed with loans and deposits drawdown	..	..	-0.4	5.9	-2.4	-0.5	0.3	0.0	0.0
Net capital transfers to public entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	..	..	-68.6	-97.8	-136.3	-89.6	-64.5	-35.8	-7.7
Net increase in central government debt	70.8	68.3	37.1	71.5	106.7	77.6	56.2	37.4	10.6
Principal Repayments	140.0	164.7	99.1	105.8	105.5	145.6	174.7	333.9	345.1
External	33.1	59.6	30.3	31.5	23.7	20.0	64.1	62.2	64.1
o.w. official	16.1	17.5	15.6	18.6	18.5	16.9	23.6	31.1	30.3
Domestic	106.9	105.1	68.8	74.3	81.8	125.6	110.6	271.7	281.0
Gross Financing Needs	210.8	233.0	136.2	177.3	212.2	223.2	230.9	371.3	355.6
Gross Financing Sources 6/	210.8	233.0	143.4	183.2	209.8	222.7	231.1	371.3	355.6
External	55.2	37.4	24.0	63.7	70.3	45.4	76.0	75.7	79.5
o.w. official	3.2	16.6	9.6	34.0	60.8	35.2	23.6	31.1	30.3
Domestic	155.6	179.1	90.5	113.5	166.8	149.8	154.4	295.6	276.2
Divestment + deposit drawdown	0.0	16.6	28.9	6.0	-27.3	27.4	0.7	0.0	0.0
Memo item:									
Central government debt, J$ billion	856	950	1047	1286	1499	1672	1786	1822	1818
Central government debt excluding IMF, J$ billion	856	950	1047	1286	1463	1567	1671	1740	1780

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ Excludes the costs of divestment or liquidation of Air Jamaica.

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

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

4/ Debt issued upon assuming public investment projects carried out by the private sector.

5/ Includes selected public entities which are financially independent from the central government.

6/ For FY 2006/07 and FY 2007/08 the composition reflects the impact of external borrowing for pre-financing.

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

	2005/06	2006/07	2007/08	Est. 2008/09	Projection 2009/10	2010/11	2011/12	2012/13	2013/14
Budgetary revenue and grants	26.2	25.9	27.3	26.6	28.3	27.7	27.8	27.9	27.9
Tax	23.2	23.6	24.3	24.2	24.9	25.4	25.5	25.6	25.6
Non-tax	2.8	2.1	2.5	1.7	2.3	1.7	1.7	1.7	1.7
Grants	0.1	0.2	0.5	0.7	1.1	0.6	0.6	0.6	0.6
Budgetary expenditure	29.5	30.8	31.1	34.0	38.2	34.2	32.1	30.5	28.6
Primary expenditure	16.3	18.9	19.5	21.8	22.0	20.7	20.2	19.5	18.8
Wage and salaries	8.8	9.7	9.3	10.8	11.8	10.9	10.4	10.0	9.4
Other expenditure	5.7	5.9	7.0	7.1	6.9	6.4	6.3	6.1	6.1
Capital expenditure 1/	1.7	3.3	3.1	4.0	3.3	3.3	3.5	3.4	3.3
Interest	13.2	11.9	11.6	12.2	16.2	13.5	11.9	10.9	9.7
Domestic	10.0	8.6	8.1	8.7	12.4	10.2	9.3	8.4	7.3
Current	9.2	8.0	7.5	8.6	12.4	10.2	9.3	8.4	7.3
BoJ special issue bonds 2/	0.9	0.6	0.6	0.1	0.0	0.0	0.0	0.0	0.0
External	3.2	3.3	3.4	3.5	3.8	3.3	2.6	2.5	2.5
Budget balance	-3.3	-4.8	-3.8	-7.3	-10.0	-6.5	-4.3	-2.6	-0.7
o.w. primary budget balance	9.9	7.0	7.8	4.8	6.2	7.0	7.7	8.3	9.1
o.w. underlying primary balance 3/	..	..	..	..	5.2	7.0	7.7	8.3	9.1
Off-budget expenditure	1.0	1.5	1.1	-0.4	0.0	0.0	0.0	0.0	0.0
BoJ cash losses 4/	1.0	1.5	0.9	-0.4	0.0	0.0	0.0	0.0	0.0
Deferred financing 5/	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Public entities balance 6/	..	..	-3.4	-2.5	-2.8	-1.0	-0.6	0.1	0.2
of which financed with loans and deposits	..	..	-3.4	-3.1	-2.5	-1.0	-0.6	0.1	0.2
Net capital transfers to public entities	..	..	0.0	0.6	-0.2	0.0	0.0	0.0	0.0
Public sector balance	..	..	-8.2	-9.4	-12.7	-7.5	-4.9	-2.5	-0.5
Net increase in central government debt	9.9	8.4	4.8	7.5	9.7	6.5	4.3	2.6	0.7
Principal Repayments	19.6	20.2	10.7	10.2	9.9	12.2	13.3	23.1	21.8
External	4.6	7.3	3.3	3.0	2.2	1.7	4.9	4.3	4.1
o.w. official	2.2	2.1	1.7	1.8	1.7	1.4	1.8	2.2	1.9
Domestic	15.0	12.9	7.5	7.2	7.6	10.5	8.4	18.8	17.8
Gross Financing Needs	29.5	28.6	15.5	17.7	19.6	18.7	17.5	25.7	22.5
Gross Financing Sources 6/	29.5	28.6	15.5	17.7	19.6	18.7	17.5	25.7	22.5
External	7.7	4.6	2.6	6.1	6.6	3.8	5.8	5.2	5.0
o.w. official	0.4	2.0	1.0	3.3	5.7	2.9	1.8	2.2	1.9
Domestic	21.8	22.0	9.8	11.0	15.6	12.5	11.7	20.5	17.5
Divestment + deposit drawdown	0.0	2.0	3.1	0.6	-2.5	2.3	0.1	0.0	0.0
Memo item:									
Central government debt	119.9	116.5	113.5	124.0	140.0	140.0	135.6	126.1	114.9
Central government debt excluding IMF	119.9	116.5	113.5	124.0	136.6	131.2	126.8	120.4	112.5

Sources: Jamaican authorities and Fund staff estimates and projections.
1/ Excludes the costs of divestment or liquidation of Air Jamaica.
2/ Accrued interest on previous year's BoJ Special Issue Bonds has contractually been paid to the BoJ through debt issuance the following year. Starting in 2008/09 there is no further issuance of special issue bonds, and the central government pays all amounts due as debt when it settles the Bank of Jamaica total losses concurrently for the fiscal year.
3/ Excludes one-off grants and nontax revenues in 2009/10.
4/ Refers to operating losses of the BoJ, not covered by the BoJ Special Issue Bonds.
5/ Debt issued upon assuming public investment projects carried out by the private sector.
6/ Includes selected public entities which are financially independent from the central government.
7/ For FY 2006/07 and FY 2007/08 the composition reflects the impact of external borrowing for pre-financing.

Table 4. Jamaica: Summary Balance of Payments

(In millions of U.S. dollars)

					Proj.				
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Current account	-1,186	-1,199	-2,436	-2,439	-1,129	-1,142	-905	-846	-760
Trade balance	-2,716	-3,008	-4,250	-4,481	-3,259	-3,525	-3,691	-3,753	-3,828
Exports (f.o.b.)	1,809	2,202	2,419	2,311	1,427	1,565	1,726	1,863	1,994
Imports (f.o.b.)	4,524	5,210	6,670	6,792	4,686	5,090	5,417	5,616	5,821
Fuel (cif)	1,558	1,730	2,835	2,805	1,687	1,994	2,107	2,217	2,332
Exceptional imports (including FDI-related)	310	631	735	613	429	338	481	463	468
Other	2,656	2,849	3,100	3,373	2,571	2,758	2,829	2,936	3,022
Services (net)	643	614	455	471	681	811	809	864	916
Transportation	-290	-451	-564	-594	-386	-359	-396	-411	-426
Travel	1,372	1,639	1,678	1,686	1,712	1,802	1,888	1,977	2,072
of which : Tourism receipts	1,619	1,920	1,980	1,938	1,956	2,052	2,145	2,243	2,346
Other services	-439	-573	-660	-622	-645	-633	-683	-703	-730
Income (net)	-702	-615	-712	-536	-517	-480	-343	-374	-420
Current transfers (net)	1,589	1,810	2,071	2,107	1,966	2,053	2,319	2,417	2,571
Government (net)	130	141	134	106	105	88	88	88	88
Private (net)	1,459	1,669	1,937	2,000	1,861	1,965	2,232	2,330	2,484
Capital and financial account	1,634	1,439	1,928	1,997	867	842	1,152	957	1,028
Capital account (net)	-3	-7	-5	28	-15	-11	-11	-11	-10
Financial account (net) 1/	1,638	1,446	1,933	1,969	882	853	1,163	967	1,038
Direct investment (net)	608	802	1,444	629	391	308	685	444	452
of which: One-off sales of shares	0	0	0	300	0	0	0	0	0
Central government (net)	334	-413	-194	125	418	166	0	0	0
Other official (net) 2/	227	470	275	284	740	182	188	153	158
of which: PetroCaribe	12	231	230	325	245	168	160	153	158
Government prefinancing deposits	-250	-100	350	0	0	0	0	0	0
Portfolio investment (net)	196	-119	768	620	-323	197	289	371	428
Other private flows (net) 3/	523	805	-710	312	-344	0	0	0	0
Overall balance	449	241	-508	-442	-263	-300	247	111	269
Financing	-449	-241	508	442	263	300	-247	-111	-269
Change in GIR (- increase)	-449	-241	508	442	-387	-100	-484	-42	61
Prospective IMF credits	0	0	0	0	650	400	237	-69	-330
Memorandum items:									
Gross international reserves	2,373	2,614	2,106	1,664	2,051	2,151	2,635	2,677	2,616
(in weeks of perspective imports of GNFS)	16.9	15.1	12.1	12.8	14.8	14.6	17.2	16.9	16.1
Net international reserves	2,078	2,329	2,083	1,629	1,378	1,078	1,325	1,436	1,705
Current account (in percent of GDP)	-10.5	-9.7	-18.4	-18.0	-9.4	-8.8	-6.6	-5.9	-5.0
Exports of goods (in percent change)	15.4	21.7	9.9	-4.5	-38.2	9.6	10.3	7.9	7.0
Imports of goods (in percent change)	22.6	15.2	28.0	1.8	-31.0	8.6	6.4	3.7	3.7
Oil prices (composite, fiscal year basis)	57.1	63.3	77.6	88.2	65.3	77.3	79.9	81.5	83.4
Tourism receipts (in percent change)	11.1	18.6	3.1	-2.2	1.0	4.9	4.5	4.6	4.6
GDP (in millions of U.S. dollars)	11,301	12,305	13,245	13,586	12,055	13,051	13,708	14,391	15,159

Sources: Jamaican authorities; and Fund staff estimates.

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

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

3/ Capital flight accompanying the liability management operation is expected to take place in 2009/10 Q4.

Table 5. Jamaica: Summary Accounts of the Bank of Jamaica 1/

	2005/06	2006/07	2007/08	2008/09	Proj. 2009/10	2010/11	2011/12
End-of-period stocks 1/							
Net international reserves	**136**	**158**	**150**	**145**	**123**	**101**	**130**
Net domestic assets	**-92**	**-106**	**-91**	**-74**	**-49**	**-23**	**-49**
Net claims on public sector	97	97	95	125	137	137	137
Net claims on central government 2/	55	45	53	75	80	80	80
Net claims on rest of public sector	28	35	28	46	57	57	57
Operating losses of the BOJ	14	17	14	4	0	0	0
Net credit to commercial banks	-11	-11	-13	-16	-23	-19	-17
Of which : foreign prudential reserve	-9	-11	-13	-18	-18	-17	-15
Net credit to other financial institutions	-1	-1	-1	-1	-1	-2	-2
Open market operations	-157	-166	-138	-119	-68	-39	-59
Other items net (incl. valuation adj.)	-20	-25	-34	-62	-93	-101	-108
Valuation adjustment	-14	-19	-27	-54	-56	-64	-71
Base money	**44**	**52**	**59**	**71**	**74**	**78**	**81**
Currency in circulation	26	31	33	37	40	43	47
Liabilities to commercial banks	17	21	26	34	34	34	34
Fiscal year flows 1/							
Net international reserves	**17.9**	**22.2**	**-7.9**	**-4.9**	**-22.0**	**-21.7**	**29.1**
Net domestic assets	**-15.9**	**-14.0**	**14.9**	**17.3**	**24.9**	**25.4**	**-25.6**
Net claims on public sector	1.7	0.2	-1.8	30.3	12.0	0.0	0.0
Net claims on central government 2/	-22.7	-9.9	7.7	21.8	5.5	0.0	0.0
Net credit to commercial banks	1.7	0.0	-2.1	-3.3	-7.0	4.0	2.2
Net credit to other financial institutions	0.0	-0.3	0.1	-0.4	0.0	-0.1	-0.1
Open market operations	-13.5	-8.3	27.5	18.8	51.1	29.3	-20.5
Other items net (incl. valuation adj.)	-5.9	-5.6	-8.7	-28.1	-31.3	-7.7	-7.1
Base money	**2.0**	**8.2**	**7.0**	**12.4**	**2.8**	**3.8**	**3.6**
Currency in circulation	2.7	5.0	2.1	3.6	3.0	3.6	3.5
Liabilities to commercial banks	-0.7	3.3	5.0	8.7	-0.2	0.2	0.1
Net international reserves	**42.9**	**51.0**	**-15.2**	**-8.4**	**-30.9**	**-29.3**	**37.4**
Net domestic assets	**-38.2**	**-32.1**	**28.8**	**29.4**	**34.9**	**34.4**	**-32.8**
Net claims on public sector	4.1	0.4	-3.5	51.4	16.9	0.0	0.0
Net credit to commercial banks	4.1	0.1	-4.1	-5.6	-9.8	5.3	2.8
Net credit to other financial institutions	0.0	-0.8	0.1	-0.7	-0.1	-0.2	-0.2
Open market operations	-32.4	-19.1	53.1	32.0	71.8	39.6	-26.3
Other items net (incl. valuation adj.)	-14.1	-12.7	-16.8	-47.8	-43.9	-10.4	-9.1
Base money	**4.7**	**18.8**	**13.5**	**21.0**	**4.0**	**5.1**	**4.6**
Currency in circulation	6.4	11.4	4.0	6.2	4.2	4.8	4.5
Liabilities to commercial banks	-1.7	7.5	9.6	14.8	-0.2	0.3	0.1
Memorandum items:							
Net international reserves (US$ millions)	2,078	2,329	2,083	1,629	1,378	1,078	1,325

Sources: Bank of Jamaica; and Fund staff estimates.

1/ Fiscal year runs from April 1 to March 31.
2/ Includes net unclassified and BoJ operating loss from the previous fiscal year.

Table 6. Jamaica: Summary Monetary Survey 1/

	2005/06	2006/07	2007/08	2008/09	Proj. 2009/10	2010/11	2011/12
End-of-period stocks 1/							
Net foreign assets	**120**	**130**	**132**	**94**	**75**	**51**	**77**
Net domestic assets	**108**	**123**	**153**	**223**	**240**	**300**	**321**
Net claims on public sector	191	194	187	225	242	249	258
Of which: central government 2/	136	128	135	160	176	183	192
Open market operations (Net)	-116	-124	-94	-72	-49	-17	-28
Credit to private sector	106	139	172	221	230	267	304
Of which: foreign currency	36	47	60	96	100	117	134
Other 3/	-73	-85	-111	-149	-183	-198	-213
Of which: valuation adjustment	-14	-19	-27	-54	-55	-60	-65
Liabilities to private sector (M3)	**229**	**253**	**285**	**318**	**315**	**351**	**399**
Money supply (M2)	154	175	189	203	202	232	271
Foreign currency deposits	75	78	96	115	112	119	127
Fiscal year flows 1/							
Net foreign assets	**3.7**	**9.6**	**2.3**	**-37.8**	**-19.4**	**-24.2**	**26.7**
Net domestic assets	**14.5**	**15.0**	**29.3**	**70.7**	**16.4**	**60.5**	**21.2**
Net claims on public sector 2/	12.5	2.8	-6.7	37.4	17.5	7.1	9.3
Of which: central government	-11.9	-8.0	6.7	24.7	16.1	7.1	9.3
Open market operations	-5.7	-8.7	29.7	22.2	23.0	32.1	-10.7
Credit to private sector	13.1	32.6	33.0	49.0	9.8	36.4	37.7
Of which: foreign currency	3.5	10.5	13.5	35.1	4.5	16.8	17.6
Other 3/	-5.4	-11.7	-26.7	-38.0	-33.9	-15.0	-15.1
Of which: valuation adjustment	-6.6	-5.3	-8.3	-26.6	-1.2	-4.8	-4.8
Liabilities to private sector (M3)	**18.2**	**24.6**	**31.6**	**32.9**	**-3.0**	**36.3**	**47.9**
Money supply (M2)	14.2	21.8	13.8	13.6	-0.6	30.1	39.0
Foreign currency deposits	3.9	2.9	17.8	19.3	-2.5	6.2	8.9
Net foreign assets	**1.7**	**4.2**	**0.9**	**-13.3**	**-6.1**	**-7.7**	**7.6**
Net domestic assets	**6.9**	**6.6**	**11.6**	**24.8**	**5.2**	**19.2**	**6.0**
Net claims on public sector 2/	5.9	1.2	-2.6	13.1	5.5	2.2	2.7
Of which: central government	-5.6	-3.5	2.7	8.7	5.1	2.2	2.7
Open market operations	-2.7	-3.8	11.7	7.8	7.2	10.2	-3.1
Credit to private sector	6.2	14.3	13.0	17.2	3.1	11.6	10.8
Of which: foreign currency	1.7	4.6	5.3	12.3	1.4	5.3	5.0
Other 3/	-2.6	-5.1	-10.5	-13.3	-10.7	-4.8	-4.3
Of which: valuation adjustment	-3.1	-2.3	-3.3	-9.3	-0.4	-1.5	-1.4
Liabilities to private sector (M3)	**8.6**	**10.8**	**12.5**	**11.6**	**-1.0**	**11.5**	**13.7**
Memorandum items:							
Monetary base (J$ Millions)	43.6	51.8	58.8	71.2	74.0	77.8	81.4
M3/monetary base	5.2	4.9	4.8	4.5	4.3	4.5	4.9
Net foreign assets (US$ Millions)	1841	1921	1865	1072	840	540	787
M3 velocity	3.1	3.2	3.2	3.3	3.4	3.4	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.