

International Monetary Fund

[Jamaica](#) and the IMF

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

Press Release:

[IMF Executive Board
Concludes Eighth
Review under the
Extended Fund
Facility with Jamaica
and Approves
US\\$39.8 Million
Disbursement](#)
June 16, 2015

June 1, 2015

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

[Country's Policy
Intentions Documents](#)

E-Mail Notification
[Subscribe](#) or [Modify](#)
your subscription



Government of Jamaica

OFFICE OF THE MINISTER OF FINANCE AND PLANNING

June 1, 2015

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

Dear Ms. Lagarde,

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

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

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

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

Page 2

Ms. Christine Lagarde
International Monetary Fund

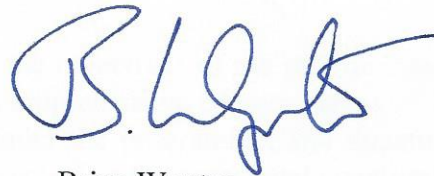
The Government will also provide the Fund staff with all the relevant information required to complete programme reviews and monitor performance on a timely basis. The Government will observe the standard performance criteria against imposing or intensifying exchange restrictions, introducing or modifying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

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

Very truly yours,



Peter D. Phillips,
Minister of Finance and Planning
Jamaica



Brian Wynter
Governor, Bank of Jamaica
Jamaica

Attachment I. Memorandum of Economic and Financial Policies

I. PROGRAMME OBJECTIVES AND GROWTH STRATEGY

- 1. The Jamaican government has embarked on a comprehensive reform programme aimed at raising economic growth.** The programme is underpinned by the understanding that fiscal and debt sustainability are necessary conditions for macroeconomic stability and economic growth. A large and credible reduction in the debt burden will be a necessary condition for higher private-sector-led growth as the government frees up more of the available domestic resources and as economic confidence is bolstered. In addition, in this environment, government spending can be directed toward the catalytic development of infrastructure to support growth. The programme also includes key measures to improve the business climate and is supported by major strategic investments, such as the North-South highway, which will link the northern and southern sides of the island, new power plants, and logistics infrastructure. The programme aims at raising annual GDP growth to more than 2 percent.
- 2. To help soften any negative impact on the poor, the programme includes important measures to strengthen the social safety net.** The programme has been designed to ensure that the adjustment burden is effectively shared across society and economic agents. Safeguards have been included to ensure that the social safety net is not only preserved but broadened, with special attention to enhancing those social programmes that are well targeted and far-reaching.
- 3. Broad agreement on the need to reform the economy is critical for the success of the programme.** The programme continues to benefit from the support of the Partnership for Jamaica Agreement, and from the active involvement of private stakeholders such as through the Economic Programme Oversight Committee (EPOC).
- 4. While significant progress has been made in the first two years of the programme, much remains to be done.** Importantly, debt has now firmly been put on a downward trajectory: debt-to-GDP declined from 147 percent of GDP in March 2013 to 137 percent of GDP in March 2015, and is projected to reach 133 percent by March 2016. Key reforms that were adopted in the first two years of the program include the December 2013 tax incentive legislation, the adoption of a fiscal rule in March 2014, the first stage of implementation of the tax administration's integrated tax software in February 2015, and the adoption of the budget ahead of the fiscal year in March 2015. Major reforms to be taken forward in the third and fourth year of the program include public sector transformation, public pension reform, and reform of the securities dealers sector, while also maintaining a prudent fiscal stance.
- 5. On May 1, 2013 the Fund's Executive Board approved a four-year extended arrangement under the EFF in support of Jamaica's economic reform programme.** Seven reviews have been completed to date. Program reviews will continue to be conducted on a quarterly basis.

II. PERFORMANCE UNDER THE PROGRAMME

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

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

III. POLICIES FOR 2015/16 AND BEYOND

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

The 2015/16 Budget

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

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

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

Tax Reforms

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

- **Introduced new tax measures in the context of the 2015/16 budget to support revenues and ensure that the government can meet its commitments.** The March 2015 tax package includes an extension of the environmental levy to domestic goods and CARICOM imports, the application of GCT on electricity for residential customer usage above 350 Kwh (applying to about 6 percent of current residential customers), and higher excises on cigarettes (by J\$1.5 per stick). The threshold for the personal income tax will be increased to J\$592,800 per year effective January 2016, to lighten the burden on employees with incomes below that level. An increase in specific taxes on petroleum products by J\$7 per litre was introduced to help compensate for lost revenue from lower global oil prices and provide resources for the establishment of the Energy Stabilization Fund.
- Tabled in Parliament the permanent legislation for the Minimum Business Tax, in March 2015; the legislation was passed in May 2015;
- Set up a Modernization Programme Office (MPO) in the TAJ to manage the implementation of tax reform. The structure and management arrangements of the MPO have been reviewed to improve governance and links with the TAJ, and revised arrangements were put in place in April 2015.
- Tabled legislation related to the establishment of the Revenue Appeals Department as a separate, independent entity, with IFC support, which was adopted in May 2015;
- Tabled legislation pertaining to transfer pricing on May 5, 2015 which is expected to be passed in June 2015. With OECD technical assistance, the TAJ is developing its capacity to effectively administer the new law upon its adoption.
- Prepared (with IMF TA support) an estimate of the revenue compliance gap for the GCT, to provide a basis for measuring the impact of administrative reforms and assisting compliance improvement initiatives. We will repeat this analysis in subsequent years;
- Explored options (with World Bank support) to simplify processes and reduce banking fees when making and receiving tax payments. This exercise is expected to yield results in 2015.

- Fully implemented the elimination of zero rating under the GCT for government purchases (except for purchases by public schools).
- Written off tax debts that have been subjected to risk-rated stress tests and consequently categorised as uncollectible in accordance with the Regulations in May 2015.
- Implemented property tax reform, including amendments to the Property Tax Amendment Act, the Land Valuation Amendment Act, and the Tax Collection Amendment Act to provide for, among other things, the publication of names, valuation numbers, addresses and amounts outstanding of delinquent property owners in the Jamaica Gazette, daily news papers, broadcast media or a Government of Jamaica website, subject to court proceedings, as well as provisions to allow utilization of a wide array of media for the posting of Assessment Notices. Amendments to the Land Valuation Act will also provide for a review mechanism (within a defined period of time) to assess the need for, and extent of, interim adjustment of land values, to take account of changes in economic conditions and/or change in the use of properties.

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

- Looking beyond 2015/16, we have requested a series of TA projects from FAD (possibly in collaboration with the IDB) to assess the impact of the tax reform completed to date, against the objectives of widening the tax base and creating room for lower rates over the medium-term, and boosting economic activity, as well as concerns about recent erosion of the tax base. The exercise should also review the existing or proposed tax regime in fields where technological changes and/or the impetus to spur foreign direct investment warrant a reassessment. The TA is expected to help identify priorities for further tax reform, to be considered starting with the 2016/17 budget.
- Following up on our entity-by-entity review of all grandfathered tax incentives, we will, by December 2015, assess the fiscal impact of ongoing grandfathering beyond 2020.
- Furthermore, and based on ongoing IDB TA, we plan to improve the reporting on tax expenditures and their estimated fiscal costs in the context of future budgets.

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

- Implementation of the tax National Compliance plan (NCP) for FY2015/16 that was prepared with assistance of the FAD's long term expert in tax administration, and is articulated around a risk-based model. The NCP is expected to be published in June 2015, and the operational plans of the tax offices and revenue service centers will be aligned with this plan no later than July 2015.
- To foster effective implementation and positive year-end tax revenue gains, FY2015/16 TAJ Programme Unit and Operational Plans which are to be finalized by 30 June 2015 will contain

implementation strategies and detailed expected outputs and outcomes consistent with the NCP to be achieved for arrears management and objections by September 30, 2015.

- Completion of staffing the TAJ as a Semi-Autonomous Revenue Authority by end-March 2016. This will require:
 - by 31 July 2015 recruiting the direct reports to the Commissioner General and the Deputy Commissioners General;
 - by 30 Sept 2015 hiring the direct reports to chiefs and general management, and staff for the Human Resources, Finance and Accounts, Strategic Services (including planning, performance monitoring and reporting and programmes) and Customer Care Center sections; and
 - by 31 March 2016 completing the phased transitioning to SARA of all remaining TAJ staff.

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

- Incorporation of the performance indicators outlined in the National Compliance Plan for FY2015/16 into the monthly reports by September 30, 2015 (covering domestic revenue collections, registration compliance, filing (including e-filing) compliance, payment compliance (both current year and arrears), correct returns (includes audit) compliance, objections processing, appeals results, withholding reporting, legal action instigated to recover taxes due, information matching and data mining activities, taxpayer education and assistance initiatives, tax gap analysis, refund processing and the achievement of the Government's revenue measures tax package for FY2015/16). This will finalize the transition to a more robust reporting system, and will meet the revenue productivity reporting structural benchmark for end-November 2015 (below).
- Full implementation of the new revenue productivity indicators that measure the effectiveness and the efficiency of the tax system (*structural benchmark for end-November 2015*), building on TA provided by the Fund.
- Commence formal training of TAJ staff (auditors, lawyers, technical specialists and data analysts) on transfer pricing issues, including asset base erosion and profit shifting, as soon as legislation is passed, based on the finalized rules by the OECD BEPS project.
- Start of sensitization and education activities of taxpayers and their accountants impacted by the new transfer pricing legislation by July 31, 2015.
- Application of the new transfer pricing law to returns for Year of Assessment 2015, by including in the LTO Audit Plan for FY2016/17 transfer pricing specific issue audits.

- Implementation of the Revenue Administration Cooperation and Information Sharing Memorandum of Understanding (MOU) which was signed in March 2015, including undertaking joint analysis, risk profiling and forensic data mining activities focusing on high compliance risk importers and the commencement of five (5) joint tax and customs compliance operations by 30 September 2015.
- Attaining the JCA annual performance indicators and targets, including for customs clearance and customs post-clearance audits, as set-out in the Jamaica Customs Agency Corporate Strategic Plan 2015-2018.
- Undertaking strategic amendments to the Customs Act with the assistance of CARTAC. The amendments will seek to facilitate the introduction of a modern integrated customs management system consistent with international standards and best practice. A Bill to amend the Customs Act will be tabled in the houses of Parliament by end-June 2015 (*structural benchmark*).
- Automating tax and customs operations by implementing:
 - (i) the full function production version of the ASYCUDA-World integrated customs software package for the entire country (*March 2016*), after completing pilot testing of this version (covering imports and exports) in the Kingston port by end-May 2015 (*structural benchmark*).
 - (ii) Phase 2 of the RAiS (GENTAX) integrated tax software package, for all major tax types by end-December 2015 (*structural benchmark*); the stamp duty and transfer tax will be added if possible (April 2016).

Special Economic Zones

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

- Legislation governing the tax regime that will be part of the SEZ legislation will be tabled by end-October 2015 consistent with the following criteria to help safeguard the integrity of the tax system and avoid tax leakage (*proposed Structural Benchmark*): (i) Restrict eligibility to firms that meet preset criteria (thereby excluding businesses in established traditional sectors), with no ministerial discretion. In particular, firms operating in the extractive industries, tourism, telecommunication services, public utilities, financial services, construction services, real estate and property management, health services (excluding research and development) and retail, or in other sectors that do not fit in the strategic objectives of SEZ development, will not be eligible, whereas firms in the BPO

- and export processing sectors can be eligible; (ii) Allow zero rating of indirect taxes for eligible entities within the zone, subject to the establishment of an appropriate legislative framework to define forms and procedures, bonded warehouse controls, administrative penalties and other sanctions against tax evasion; (iii) Apply the same direct tax regime for firms in and out of the SEZs--except for the possibility of streamlined procedures and reduced rates (while ensuring that enterprises operating in the SEZs will be subject to effective CIT), and except for temporary grandfathering of incentives granted under the tax regime for Export Free Zones), with no ministerial discretion—and apply regular personal income taxation for workers in SEZs. Reduced CIT rates for SEZ operators will be time-bound and non-renewable.
- Beyond the legislation establishing the SEZs, further actions to enhance tax and customs administration will be critical for the successful implementation of its tax regime, in particular to strengthen inventory management systems (notably for customs-related procedures) compliance enforcement to enhance risk management, and post clearance audit.

Reforms to Public Financial Management and the Budget Process

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

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

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

Debt Management

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

16. The Government will further strengthen its debt management strategy and capacity. The efficiency of the Debt Management Branch will be strengthened through increased staffing of the middle office, skills training and effecting improvements to securities operations and domestic market development, with the help of IMF TA (funded by the Canadian Department of Foreign Affairs, Trade and Development). The new medium-term debt management strategy and 2015/16 borrowing plan aim to reduce the burden of servicing

government debt over time, and to ensure that the government has access to several sources of financing, including the domestic bond market. A debt management business continuity strategy and function will also be developed with IMF TA and in conjunction with similar BoJ and AGD planning. The business continuity function will be defined through back office procedures. In March 2015, the BOJ and the MOFP finalized a Fiscal Agency Agreement on debt management operations and the debt issuance process.

Public Sector Reform

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

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

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

- **Public Sector Positions.** The GOJ will continue to reduce the size of the public sector over 2014–16 through the elimination of posts and an attrition programme. To ensure that the GOJ's overall wage ceiling of 9 percent of GDP by 2016/17 is met, the filling of vacant positions will be constrained as needed, guided subject to the need to preserve capacity in a limited number of priority areas.
- **Pension Reform.** The new public pension system, as described in the June 2014 MEFP, is expected to be implemented by April 2016 (the start of FY 2016/17). The requisite changes in legislation are expected to be tabled by end-November 2015 (structural benchmark).
- **The implementation of the human resources software system (the HCMES system; including Payroll) is progressing.** The process to evaluate the bids and identify the preferred vendor was completed in February 2015. Contract negotiation and agreement of the terms of the contract is expected to be completed by June 2015. To ensure a timely start to implementation of the system for the wider public sector, with IDB support, a dedicated project management team is now in place, and the project plan to be completed by July 2015. Implementation of the HCMES/Payroll system for the first entity, subject to the Vendor, is now expected to start in July 2015. Implementation for the remaining six entities in phase 1 will commence by January 2016.
- **A Chief Information Officer has been selected and was appointed in March 2015 to lead the e-government initiative and the public sector IT strategy.**

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

- To enhance transparency, the annual reports (including audited statements) for self-financing public bodies will be completed within six months of the end of the fiscal year; this is to be achieved by December 2015 for all self financing public bodies (with the exception of PetroCaribe, and Petrojam). Self Financing Public Bodies that fail to meet the statutory condition without reasonable cause, will be sanctioned under Section 25 of the Public Bodies Management and Accountability Act.
- Monitoring of budget-funded public bodies will be strengthened by (1) enforcing the six months time limit for submission of the relevant public bodies' financial statements to the Auditor General; and (2) bolstering capacity within the Auditor General's office for more in-depth and frequent reviews of these statements. Following the funding and commencement of additional recruitment, a new organizational structure will be approved by end-September 2015.
- In addition, a review will be undertaken to evaluate the scope for reintegrating some public bodies into the central government and setting others at a more arms-length distance from

the central government with a governance framework aligned with international best practices. TA is being requested to guide this review.

IV. FINANCIAL SECTOR REFORMS

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

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

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

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

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

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

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

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

- In consultation with IMF staff, we have established a distinct treatment for retail repo clients in the legal and regulatory framework in order to protect their interests prior to and in the event of the insolvency of a securities dealer. This entails establishing a Trust to hold the underlying securities on their behalf during the term of the retail repo. The trust will also facilitate appropriate actions in the event of a transaction failure or default.
- The transition of retail repos to the trust-based framework will be finalized by end-August 2015 (structural benchmark) taking into account evolving market conditions and ensuring financial stability. As interim steps, we have undertaken a pilot, and will start the transition in June 2015.
- We are encouraging holders of retail repos that were concluded prior to January 1, 2015 that will mature after the transition period, to amend their contracts so these can participate in the transition and enjoy the protections offered by the trust-based framework.
- We continue to improve the financial and operational readiness of the securities dealers to move to a trust-based framework, supported by regular joint focused stress tests by the BOJ and the FSC. We will also bolster—together with the JSE entities—communication efforts to inform the securities dealers and the general public about the upcoming changes.
- Meanwhile, we continue to make less risky business models available to securities dealers. We will raise the investment cap for CIS in foreign assets to 25 percent by end-December 2015 according to the timeline that was published in January 2015. This cap will be removed altogether by end-2016, unless extraordinary circumstances require a reassessment. Moreover, the BOJ, in collaboration with the FSC, has prepared a paper for discussion with the regulated entities in the insurance and pensions sectors, detailing how for these sectors current limits on permissible investments in foreign assets can be relaxed at a later stage.

V. MONETARY AND EXCHANGE RATE POLICY

- 23. Monetary policy remains aimed at achieving single digit inflation within a flexible exchange rate regime.** We envisage inflation in the range of 5.5 to 7.5 percent in FY2015/16. Over the longer term, the objective is to achieve a gradual reduction of inflation to a rate that is

consistent with that of our main trading partners, in the context of a possible move to full-fledged inflation targeting. Starting 2015, the BoJ will conduct annual reviews to assess our readiness for inflation targeting. The first review will assess institutional readiness as at March 2015 and is expected to be completed by October 2015.

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

VI. GROWTH ENHANCING REFORMS

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

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

- The Application Management and Data Automation system (AMANDA) will allow the Government to track approval of construction permits across all parish councils in Jamaica and is being implemented with support from the World Bank. AMANDA has been implemented in all parishes. The Government will now focus on implementing the system in all commenting agencies to make it fully operational by June 2015. A Concept Paper has been developed to revise and standardize the fee structure for application fees, with a view to implement the new structure by December 2015.
- Cabinet approved reforms to the Development Applications Process (DAP) in December 2014, to be implemented within two years. By July 2015, applications for projects above certain thresholds will be handled by a joint technical team, which would include NEPA, National Works Agency and the relevant parish councils, while smaller projects will be handled by the parish councils, with clarity on the expected maximum timeframes. The new process will result in a faster, more streamlined approvals process. We will report, on a quarterly basis, on progress in reducing the time needed, including against the 90 day benchmark. Meanwhile, the National Building Act is expected to be passed by September 2015, and become effective by December 2015, and will provide the regulatory framework for the acceptance of certification from licensed professionals. Building Code and Application Document will be implemented by August 2015.

- Under the Land Administration and Management Programme (LAMP) 851 new titles were issued during 2014/15. LAMP services have been expanded to clients in St. Ann and Westmoreland, and will be expanded to St. James, Trelawny and Hanover in 2015/16. During 2015/16, we expect to issue an additional 2,500 titles under this program.
- The new Insolvency Act and its implementing regulations are now effective. Training is being supported by the IADB. A Supervisor of Insolvency has been appointed by Cabinet, and the Office of the Supervisor of Insolvency is now in operation.
- An on-line system for business registration will be piloted by December 2015 and in place by April 2016, with IDB support. By then, the turnaround time for applications will be reduced further to two business days.
- Urgent actions will be taken to reduce the time needed for entrepreneurs to get an electricity connection. Plans foresee the automation of the work processes within the Government Electricity Inspectorate (GEI) and the acquisition of AMANDA software to streamline procedures for scheduling, inspecting, approving and certifying electrical installations. An action plan for implementation of the reforms is to be completed by June 2015, and adoption of the AMANDA system is expected to be completed by end 2015/16, with IDB support.
- Plans to establish a Port Community System (PCS) to electronically integrate and streamline export and import procedures are underway. The ASYCUDA World Customs Management System acquired by the Jamaica Customs Administration will support integrated processes/procedures and the National Single Window. Functions of the PCS that cannot be offered through ASYCUDA will be pursued by the private sector, possibly under a management contract. A new PCS RFP is currently underway, and a preferred bidder was selected in May 2015. The systems will ultimately be integrated to provide a complete trade and logistics solution for Jamaica. The project is expected to be completed by mid-2016.
- The Development Bank of Jamaica (DBJ) will provide J\$4.1 billion funding to MSMEs in 2015/16, up from J\$3 billion in 2014/15. The Mobile Money for Microfinance initiative will be fully rolled out in 2015 to increase access to credit for small borrowers.
- The Agro Parks Initiative, which aims to stabilize the agricultural supply chain and increase import replacement is progressing. Nine agro parks are already operational. Negotiations are ongoing to establish at least five more parks in 2015/16.
- A national strategic plan for the BPO industry was approved by Cabinet in March 2015 and implementation started in April 2015. Key actions under the plan include the establishment of a policy and legislative framework; labour market initiatives, infrastructure development, and actions to support market penetration.

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

- In early April 2015, a 30-year concession agreement was signed with a private consortium regarding the privatization of Kingston Container Terminal (KCT). Under the agreement the concessionaire will undertake dredging the access channel to the Kingston Harbour and the KCT basin to allow for the handling of larger vessels that will transit the Panama Canal after its expansion. The transfer of the operating control to the concessionaire is expected to take place shortly after financial close of the transaction, which is expected in the last quarter of CY2015. The concessionaire is expected to invest approximately US\$625 million over two phases of the concession, with the possibility of a third phase to be negotiated.
- Work is proceeding on the privatization of Norman Manley International Airport (NMIA). The pre-qualification of bidders has been completed, with five bidders being shortlisted. The selection of a preferred bidder is expected by December 2015.
- Work is also proceeding on the Caymanas SEZ, with World Bank support, with the issuance of the tender for the feasibility study in May 2015, on the basis of the results of the pre-feasibility study which was completed in January 2015. The feasibility study is expected to commence by August 2015.
- Regarding the development of a transshipment port and industrial and commercial zones in the Portland Bight area by China Harbour Engineering Company (CHEC), technical feasibility studies have commenced. This is a prerequisite for determining the construction methodology and for obtaining the terms of reference from NEPA for the Environmental Impact Assessment. The project will be executed in phases with the first phase projected to be completed in the last quarter of 2016, pending the necessary approvals in each stage.

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

- The action plan prepared by the Electricity Sector Enterprise Team (ESET) foresees replacing current (oil-fired) generation capacity with gas, coal and ethane-fired plants, to achieve significant cost savings. Next steps will include the conversion of the Bogue power station from oil to gas by March 2016. In addition, the government has approved the construction of Jamaica's first natural gas-fired power plant, a 190MW facility to be built and operated by JPS, and to be completed by 2017. Several renewable energy projects are also under way.
- A revised Electricity Act was tabled in parliament in January (*structural benchmark*), and is expected to become effective by June 2015.
- We are also preparing a plan to ensure that all public entities (central government, local government, and public bodies) meet their financial obligations in a timely manner.

29. Labour market reforms are progressing. In the context of the recently launched Comprehensive Labour Market Reform Agenda, a Labour Market Reform Commission and Secretariat was established and became operational on April 1, 2015. The Commission will review

policies and practices in the areas of education and training; productivity, technology and innovation; labour policies and legislation; social protection; and industrial relations. A concept note on options to reduce the impact of high separation costs is expected to be submitted to Cabinet in July 2015.

VII. POVERTY REDUCTION AND REFORM OF SOCIAL SPENDING

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

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

Table 1. Jamaica: Quantitative Performance Criteria 1/2/3/
(In billions of Jamaican dollars)

	2014		2015							2016	
	End-Dec.	End-Mar.	End-Mar.	End-Mar.	End-June	End-June	End-Sep.	End-Dec.	End-Mar.		
	Stock	PC	Adjusted	Actual	PC	Proposed Revised PC	PC	Proposed Revised PC	PC	Proposed Revised PC	
Fiscal targets											
1. Primary balance of the central government (floor) 4/		121.0		117.2	17.0	17.0	40.0	40.0	65.0	65.0	126.0
2. Tax Revenues (floor) 4/9/		384.0		370.9	88.0	88.0	189.0	185.0	287.0	280.0	411.0
3. Overall balance of the public sector (floor) 4/		-11.6	-12.6	6.5	-21.0	-21.0	-33.0	-34.0	-35.0	-36.0	-3.7
4. Central government direct debt (ceiling) 4/5/		90.6		76.8	4.5	4.5	0.0	40.0	12.0	41.0	71.0
5. Central government guaranteed debt (ceiling) 4/		-1.8		-1.8	2.0	2.0	2.0	2.0	0.0	0.0	0.0
6. Central government accumulation of domestic arrears (ceiling) 6/12/13/	21.6	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. Central government accumulation of tax refund arrears (ceiling) 7/12/13/		0.0		-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Consolidated government accumulation of external debt payment arrears (ceiling) 6/12/		0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Social spending (floor) 9/10/		21.7		23.2	4.5	4.5	9.2	9.2	15.6	15.6	23.2
Monetary targets											
10. Cumulative change in net international reserves (floor) 8/11/	1997.7	529.4	352.3	1289.9	470.3	-482.2	469.0	-463.3	614.5	-338.0	-339.0
11. Cumulative change in net domestic assets (ceiling) 11/	-120.2	-55.1	-36.3	-139.9	-45.7	54.4	-44.0	56.1	-45.5	53.8	24.2
<p>1/ Targets as defined in the Technical Memorandum of Understanding.</p> <p>2/ Including proposed modified performance criteria for the net international reserves and the net domestic assets.</p> <p>3/ Based on program exchange rates defined in the March 2015 TMU.</p> <p>4/ Cumulative flows from April 1 through March 31.</p> <p>5/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.</p> <p>6/ Includes debt payments, supplies and other committed spending as per contractual obligations.</p> <p>7/ Includes tax refund arrears as stipulated by law.</p> <p>8/ In millions of U.S. dollars.</p> <p>9/ Indicative target.</p> <p>10/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes.</p> <p>11/ For March 2015: cumulative change from end-December 2013; proposed revised PC show cumulative change from end-December 2014.</p> <p>12/ Continuous performance criterion.</p> <p>13/ This accumulation is measured as the change in the stock of arrears relative to the stock at end-March 2014. The latter stock is listed in the column for the stock at end-December 2014.</p>											

Table 2. Jamaica: Structural Program Conditionality

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

Table 2. Jamaica: Structural Program Conditionality (concluded)

Financial sector		
24. Government to table legislative changes regarding unlawful financial operations, consistent with Fund TA advice provided in July 2010.	March 31, 2014	Met
25. Government to submit proposals for a distinct treatment for retail repo client interests in the legal and regulatory framework to the relevant financial industry for consultation (MEFP March 2014 Paragraph 25) in consultation with Fund staff.	March 31, 2014	Met
26. Government to establish a distinct treatment for retail repo client interests in the legal and regulatory framework (June 2014 MEFP Paragraph 29) in consultation with Fund staff.	December 30, 2014	Met
27. Government to table the Omnibus Banking Law ^{1/} consistent with Fund Staff advice to facilitate effective supervision of the financial sector.	March 31, 2014	Met 4/
28. Government to finalize the transition of retail repos to the trust-based framework.	August 30, 2015	
29. Government to fully implement the Banking Services Act.	September 30, 2015	
30. The BOJ to have overall responsibility for financial stability.	November 1, 2015	
Growth enhancing structural reforms		
31. Government to implement a new (AMANDA) tracking system to track approval of construction permits across all parish councils.	December 30, 2014	Met
32. Government to table in parliament the Electricity Act.	January 31, 2015	Met
<p>1/ Currently referred to as the Banking Services Act. 2/ The review was reportedly completed in March 2015. 3/ While all other elements of the benchmarks were met, technical difficulties prevented the achievement of 95 percent take-up rate of e-filing in the LTO. The take-up rate was 80 percent. 4/ The law was tabled in March 2014 with subsequent fine-tuning in collaboration with Fund staff prior to its adoption in June.</p>		

Attachment II. Technical Memorandum of Understanding

- 1. This Technical Memorandum of Understanding (TMU) sets out the understandings between the Jamaican authorities and the IMF regarding the definitions of quantitative performance criteria and indicative targets for the programme supported by the extended arrangement under the EFF.** It also describes the methods to be used in assessing the programme performance and the information requirements to ensure adequate monitoring of the targets. In addition, the TMU specifies the requirements under the continuous structural benchmark concerning discretionary tax waivers.
- 2. For programme purposes, all foreign currency-related assets, liabilities and flows will be evaluated at “programme exchange rates” as defined below, with the exception of items affecting government fiscal balances, which will be measured at current exchange rates.** The updated programme exchange rates are those that prevailed on December 31, 2014. Accordingly, the exchange rates for the purposes of the programme are show in Table 1.

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

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

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

I. QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

- 3. Definitions:** The central government for the purposes of the programme consists of the set of institutions currently covered under the state budget. The central government includes public bodies that are financed through the Consolidated Fund.
- 4. The fiscal year starts on April 1 in each calendar year and ends on March 31 of the following year.**

A. Cumulative Floor of the Central Government Primary Balance

- 5. Definitions:** The primary balance of the central government is defined as total revenues minus primary expenditure and covers non-interest government activities as specified in the budget.
- 6. Revenues are recorded when the funds are transferred to a government revenue account.** Revenues will also include grants. Capital revenues will not include any revenues from asset sales proceeding from divestment operations. Central government primary expenditure is recorded on a cash basis and includes compensation payments, other recurrent expenditures and capital spending. Primary expenditure also includes transfers to other public bodies which are not self-financed. Costs associated with divestment operations or liquidation of public entities, such as

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

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

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

B. Cumulative Floor on Overall Balance of the Public Sector

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

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

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

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

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

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

Table 2. Overall Balance of Petrojam (Baseline Projection)

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

C. Ceiling on the Stock of Central Government Direct Debt

15. Definitions: Central government direct debt includes all domestic and external bonds and any other form of central government debt, such as supplier loans. It excludes IMF debt. It includes loan disbursements from the PetroCaribe Development Fund to finance central government operations. The target will be set in Jamaican dollars with foreign currency debt converted using the

programme exchange rate. The change in the stock of debt will be measured “below the line” as all debt issuance minus repayments on all central government debt.

16. For the purposes of computing the debt target, debt inflows are to be recorded at the moment the funds are credited to any central government account.

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

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

D. Ceiling on Net Increase in Central Government Guaranteed Debt

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

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

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

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

E. Ceiling on Central Government Accumulation of Domestic Arrears

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

change in the stock of domestic arrears relative to the stock at end-March 2014, which stood at J\$21.6 billion.

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

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

F. Non-Accumulation of External Debt Payments Arrears

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

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

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

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

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

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

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

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

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

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

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

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

G. Ceiling on Central Government Accumulation of Tax Refund Arrears

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

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

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

H. Floor on the Cumulative Change in Net International Reserves

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

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

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

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

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

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

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

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

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

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

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

II. QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

A. Cumulative Floor on Central Government Tax Revenues

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

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

B. Floor on Central Government Social Spending

48. Definition: Social spending is computed as the sum of central government spending on social protection programmes as articulated in the central government budget for a particular fiscal year. These programmes are funded by GOJ resources only and comprise conditional cash transfers

to children 0–18 years and the elderly; youth employment programmes; the poor relief programme for both indoor and outdoor poor; the school feeding programme; and the basic school subsidy.

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

- *Youth employment programmes* comprising on the job training, summer employment and employment internship programme.
- *Conditional cash transfers* comprising children health grant, children education grants, tertiary level, pregnant and lactation grants, disabled adult grants, adult under 65 grants and adults over 65 grants.
- *Poor relief programme.*

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

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

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

III. CONDITIONALITY ON TAX WAIVER REFORM

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

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

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

IV. CONDITIONALITY ON USER-FUNDED PPPS

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

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

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

V. INFORMATION REQUIREMENTS

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

Daily

- Net international reserves; nominal exchange rates; interest rates on BOJ repurchase agreements; total currency issued by the BOJ, deposits held by financial institutions at the BOJ; required and excess reserves of the banking sector in local and foreign currency, total liquidity assistance to banks through normal BOJ operations, including overdrafts; overnight interest rates; GOJ bond yields.
- Disbursements from the Financial System Support Fund, by institutions.
- Liquidity assistance to institutions from the BOJ, by institution.
- Bank of Jamaica purchases and sales of foreign currency, by transaction type (surrenders, public sector entities facility and outright purchases or sales including interventions).
- Amounts offered, demanded and placed in Bank of Jamaica open market operations, including rates on offer for each tenor and amounts maturing for each tenor.

- Amounts offered, demanded and placed in government of Jamaica auctions and primary issues; including minimum maximum and average bid rates.
- Daily foreign currency government of Jamaica debt payments (domestic and external).

Weekly

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

Monthly

- Central government operations including monthly cash flow to the end of the current fiscal year, with a lag of no more than four weeks after the closing of each month.
- Public entities' Statement A: consolidated and by institution for the "Selected Public Bodies" and consolidated for the "Other Public Bodies" with a lag of no more than six weeks after the closing of each month.
- Central government debt amortization and repayments, by instrument (J\$-denominated and US\$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans). Includes government direct, government guaranteed and total. In the case of issuance of government guaranteed debt, include the name of the guaranteed individual/institution. The reporting lag should not exceed four weeks after the closing of each month.
- Balances of the Consolidated Fund and main revenue accounts needed to determine the cash position of the government.
- Stock of central government expenditure arrears.
- Stock of central government tax refund arrears.
- Stock of central government domestic and external debt arrears and BOJ external debt arrears.
- Central government spending on social protection programmes as defined for the indicative target on social spending.

- Central government debt stock by currency, as at end month, including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (J\$-denominated and US\$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); (iii) direct and guaranteed. The reporting lag should not exceed four weeks after the closing of each month.
- The maturity structure of Government debt (domestic and external). The reporting lag should not exceed four weeks after the closing of each month. Legal measures that affect the revenue of the central government (tax rates, import tariffs, exemptions, etc.).
- Balance sheet of the Bank of Jamaica within three weeks of month end.
- A summary of monetary accounts providing detailed information on the accounts of the Bank of Jamaica, commercial banks and the overall banking system. Including Bank of Jamaica outstanding open market operations by currency and maturity and a detailed decomposition on Bank of Jamaica and commercial bank net claims on the central government, selected public bodies and other public bodies.² This information should be received with a lag of no more than six weeks after the closing of each month.
- Profits of the Bank of Jamaica on a cash and accrual basis, including a detailed decomposition of cash profits and profits from foreign exchange operations with a lag of no more than three weeks from month end.
- Deposits in the banking system: current accounts, savings and time deposits within six weeks after month end. Average monthly interest rates on loans and deposits within two weeks of month end; weighted average deposit and loan rates within six weeks after month end.
- Financial statements of core securities dealers and insurance companies within six weeks of month end.
- The maturity profile of assets and liabilities of core securities dealers in buckets within six weeks of month end.
- Data on reserve liabilities items for NIR target purposes (Table 9) within three weeks after month end.
- A full set of monthly FSIs regularly calculated by the BOJ, including liquidity ratios, within eight weeks of month end.
- Monthly balance sheet data of deposit taking institutions, as reported to the BOJ, within four weeks of month end.

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

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

Quarterly

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

- Updated set of macroeconomic assumptions and programme indicators for the preceding and forthcoming four quarters within three months of quarter end. Main indicators to be included are: real/nominal GDP, inflation, interest rates, exchange rates, foreign reserves (gross and net), money (base money and M3), credit to the private sector, open market operations and public sector financing (demand and identified financing).
- BOJ's Quarterly Financial Stability Report.
- Quarterly income statement data of deposit taking institutions, as reported to the BOJ within eight weeks of the quarter end.
- Summary review of the securities dealer sector, within eight weeks of quarter end.
- Summary report of the insurance sector (based on current FSC quarterly report), within eight weeks of quarter end.
- Capital adequacy and profitability ratios (against regulatory minima) for DTI's and non-bank financial institutions within eight weeks of quarter end.
- FSC status report detailing compliance (and any remedial measures introduced to address any non compliance) with the agreed guidelines for the operation of client holding accounts at the Jam Clear@ CSD and FSC independent verification of daily reconciliations using data provided by Jam Clear@ CSD. Reports are due within four weeks of end quarter.

Annual

- Financial statements of pension funds within six months of year end.
- Number of public sector workers paid by the consolidated fund by major categories.