GOVERNMENT OF JAMAICA

FISCAL POLICY PAPER
FY 2013/14

INTERIM REPORT

17th December 2013

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FISCAL POLICY PAPER – INTERIM REPORT

PART 1: FISCAL RESPONSIBILITY STATEMENT

INTRODUCTION

The Financial Administration and Audit (FAA) (Amendment) Act, 2010, requires that upon presentation of the annual Estimates of Revenue and Expenditure, the Minister shall lay before both Houses of Parliament, a Fiscal Policy Paper (FPP) setting out,

(a) a Macroeconomic Framework;

(b) a Fiscal Responsibility Statement; and

(c) a Fiscal Management Strategy.

The FAA Act also requires the Minister to lay before each House of Parliament, at least twice in each financial year, a report on the performance of the economy, the public finances of Jamaica and the actions taken under the Fiscal Management Strategy.

Further, Regulations developed to support the FAA Act requires the Minister to table before each House of Parliament, an Interim Report that shall:

(a) focus primarily on the mid-year outturn, the implications for the remainder of the financial year and the medium term;

(b) provide information which will inform discussions relating to the ensuing financial year while providing a preliminary and indicative view of that year's estimates of revenue and expenditure; and

(c) notwithstanding the foregoing, present expenditure data at a relatively aggregate level.

This interim report is being presented to Parliament to satisfy this requirement and provide for active debate and participation in the management of the public finances of Jamaica and the performance of the economy.

The FPP tabled on April 18, 2013 stated that the Government of Jamaica (GOJ) had sought a 4-year Extended Fund Facility (EFF) arrangement in the amount of SDR615.0mn (US$958.0mn) with the International Monetary Fund (IMF). The FPP indicated that the EFF involved prior actions, quantitative targets and structural benchmarks. Of note, it was pointed out that Jamaica completed all the requisite prior actions as well as a set of actions which were initially identified as structural benchmarks for end-March 2013 and that approval of the programme by the IMF Board was expected by the end of April 2013.

On May 1, 2013, the Board of the IMF approved the 4-year EFF in support of Jamaica's programme. This programme, aimed at averting near term crisis risks and creating the conditions for sustained growth, entails critical steps and policy reforms to significantly enhance fiscal and debt sustainability and growth-enhancing structural reforms.

Performance under the programme to date has been strong and the GOJ expects to continue on the track of satisfying all the quantitative performance criteria and structural benchmarks.

Economic performance over the first half of the fiscal year has been mixed, reflecting a challenging economic environment. Following six consecutive quarters of economic contraction, real GDP is estimated to have expanded by 0.6% during the September 2013 quarter**,** supported by growth in tourism, mining and agriculture. For FY 2013/14, real economic growth is currently projected at 0.8%, which is in line with the growth projected at the time of the budget.

Twelve-month inflation reached 10.3% in October 2013, mainly driven by the pass-through of depreciation of the Jamaica dollar into domestic prices, seasonal price adjustments and increased administered prices, such as utility rates and transport price.

The external situation has improved with the current account deficit now projected at 10% of GDP for FY 2013/14, compared to 12.5% in FY 2012/13. Net international reserves (NIR) stood at US$910mn by end-September 2013, largely reflecting seasonal effects, and in compliance with the EFF's NIR target. As of end-November 2013, NIR fell to US$836mn however a gradual improvement to US$1,246mn is expected by end-March 2014 due to programmed inflows from multilateral institutions and improvements in net private capital flows.

Fiscal performance was quite resilient during the first half of the fiscal year with all the quantitative performance criteria and indicative targets for September 2013 under the EFF met or surpassed. In addition, all structural benchmarks to September 2013 under the programme were met, except for the tabling of the Fiscal Incentive Legislation, which was tabled in October rather than the scheduled September. The delay in tabling which was accommodated by the IMF, allowed additional technical inputs to inform development of the Bill however the enactment of the regime will not be affected by the delay in tabling.

At end-October 2013, both the Central Government primary surplus and fiscal deficit were better than budgeted. Provisional data indicate that Central Government operations to October 2013 generated a fiscal deficit of $19,546.2mn, compared to the targeted deficit of $28,780.2mn. The primary surplus amounted to $40,054.2mn, which was 10.6% better than the $36,203.7mn targeted. The primary surplus for the first seven months of FY 2013/14 was 68.6% higher than for the similar period last year, while the fiscal deficit improved by 53.5% over the $42,039.9mn generated in FY 2012/13.

NOTABLE FISCAL POLICY REFORMS

During the course of this fiscal year, the GOJ achieved a number of milestones that are expected to go a far way in bolstering fiscal and debt sustainability and transforming the Jamaican economy.

Enhanced Fiscal Rules

The GOJ developed and submitted to the IMF in August 2013, a conceptual framework for the design of legally binding fiscal rules. The enhanced fiscal rules will seek to bolster fiscal transparency, ensure a sustainable budgetary balance and lock in the gains of fiscal consolidation. Legislation to enable adoption of these fiscal rules will be enacted by end-March 2014. The GOJ will also adopt a permanent budget calendar which will establish tabling and approval of the budget before the start of the fiscal year, beginning with the FY 2015/16 budget.

Tax Reform

As indicated in the FPP tabled in April 2013, comprehensive tax reform is a critical component of Jamaica's economic reform programme. The GOJ recognizes that the tax system needs to become much more supportive of economic growth. Against this backdrop, the reform will be undertaken in a manner that seeks to simplify the system, reduce economic distortions, eliminate ministerial discretion in the granting of incentives, broaden the tax base, and reduce rates, while generating an adequate source of revenue for the treasury. The new system should result in a significant reduction in the cost of compliance and will be effective at the start of FY2014/15. Key components of the tax reform include:

- *Charities Bill* – was passed in both Houses of Parliament in November 2013.

- *Omnibus Incentive Regime (*the Fiscal Incentives Bill and the Income Tax Relief (Large-scale Projects and Pioneer Industries) Bill) - was passed in both Houses of Parliament in November 2013.

- *Tax Arrears Write-Off Regime* – Regulations to the Amended Tax Collection Act, to give effect to the Tax Arrears Write-off Regime was published in the Jamaica Gazette Supplement (Proclamation, Rules and Regulations) on October 31, 2013. Tax Administration Jamaica is currently compiling the comprehensive tax arrears listing that will be the subject of several scenarios to determine the most feasible (i.e. cost effective) option for the one-time write-off of uncollectable tax arrears.

- *Collective Investment Scheme* – An amendment to the Securities Act, which will give rise to the introduction of a Collective Investment Scheme (CIS) in January 2014, was approved by the Legislation Committee of Cabinet in November 2013, following its third sitting on this issue. The implementation of the CIS Regime is a Structural Benchmark in the EFF for December 31, 2013. The Securities (Amendment) Bill was approved by Cabinet on December 02, 2013 and the Bill will be tabled in the House for debate and approval later in December 2013.

- *Broader Tax Reform* **–** The GOJ has been engaging in ongoing consultation with the IDB toward finalizing a blueprint for broader tax reform. To this end, a comprehensive roadmap is being developed to track all the tax laws that will be amended as part of the broader tax reform, as well as the administrative changes to both Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA).

Pension Reform

The GOJ continues, with technical support from the World Bank, to pursue public sector pension reform aimed at ensuring a sustainable pension system, with more efficient management of public pensions and improved monitoring arrangements. The White Paper on pension reform was approved by cabinet in October and will be tabled in Parliament on December 17, 2013. The new public sector pension system is expected to be implemented during FY 2016/17.

CONCLUSION

The GOJ remains unyieldingly committed to meeting the objectives of its economic programme and will move forthrightly to implement the various reforms and to adopt the enhanced fiscal rules, which will be accompanied by a range of measures to strengthen public financial management. While unemployment remains high, the GOJ is encouraged by the return to positive, albeit low, economic growth. Nevertheless, the GOJ remains confident that the benefits of its strategy will become increasingly evident over time, as a more stable macroeconomic environment, a credible return to debt sustainability and an improved business climate will attract new investments and result in durable job creation and increased prosperity thereby allowing the citizens to realize the vision of making **Jamaica, the place of choice to live, work, raise family and do business.**

Peter D. Phillips, PhD., MP

Minister of Finance and Planning

December , 2013

PART 2: MACROECONOMIC FRAMEWORK

FY 2013/14 – Update

Real Sector Developments

Real Gross Domestic Product (GDP) of the Jamaican economy contracted by 0.1% during the June 2013 quarter when compared to the June 2012 quarter, followed by an estimated growth of 0.6% during the September 2013 quarter when compared with the corresponding quarter of 2012. The growth recorded for the September 2013 quarter follows six consecutive quarters of contraction recorded since the March 2012 quarter.

Real value added for the *Goods Producing Industry* grew by 2.2% with all sub-industries, recording growth, with the exception of *manufacturing* which declined by 0.8% for the quarter. The *Services* Industry also experienced growth of 0.1% for the quarter, reflecting increased real value added in six industries. This was offset by a downturn in the Electricity & Water Industry, which saw lower electricity consumption and water production, and the Producers of Government Services Industry.

The growth recorded for the September 2013 quarter largely reflected:

- Improved weather conditions and the impact of initiatives by the Government to improve productivity and output which supported growth in *Agriculture (Agro Parks etc.);*

- Increase in capital expenditure by key public bodies and an expansion in the volume and value of mortgages disbursed;

- Improved performances in *Mining and Tourism* industries.

Growth was, however, restricted by the slower than projected growth of Jamaica's main trading partners.

Overall, for the first nine months of the calendar year, January-September 2013, real GDP declined by 0.3 per cent when compared with the corresponding period of 2012. The *Goods Producing Industry* fell by 1.1 per cent, while the Services *Industry* is estimated to have remained flat. The *Agriculture and Electricity & Water Supply* sub-sectors recorded the largest declines of 4.9% and 2.9%, respectively.

Real GDP growth for the December 2013 quarter is expected to be within the range 0.5% to 1.5% as most industries are expected to grow, with the Agriculture and Construction sub-sectors projected to record the strongest growth rates. Real GDP growth for both calendar year 2013 and FY2013/14 are expected to fall within the range 0.0% to 1.0%.

Labour Market Developments

The Statistical Institute of Jamaica (STATIN) July 2013 Labour Force Survey shows that the Total Labour Force was 1,309,700 persons, an increase of 31,200 persons (2.4%) when compared to the total reported for July 2012 and an increase of 12,100 persons (0.9%) since January 2013.

The July 2013 Labour Force Survey revealed an unemployment rate of 15.4%, 2.3 percentage points higher than the 13.1% reported for July 2012 and 0.9 percentage points higher than the 14.5% reported for January 2013. The male unemployment rate was 11.7% while the female unemployment rate was 19.9%. The unemployment rate among youths (14 – 24 years) continues to be higher than other groups, accounting for 38.3% in July 2013, and 6.6 percentage points higher than the 31.7% reported for July 2012.

The July 2013 report showed that a total of 1,108,100 persons (84.6%) were employed. This comprised 632,100 males and 476,000 females. The employed labour force decreased by 3,100 persons (0.3%) compared with the report for July 2012, and decreased by 1,900 persons compared with the report January 2013. The industry group 'Real Estate' recorded the largest increase in employment of 11,300 persons (19.3%) followed by increases in the group 'Health and Social Work' of 4,300 persons (14.3%). The largest reductions in employment for the period were seen in the industry group ''Manufacturing' which declined by 8,700 persons (11.3%) followed by the group 'Wholesale & Retail, Repair of Motor Vehicle & Equipment' which declined by 5,200 persons (2.4%).

The number of persons outside the labour force in July 2013 was 768,000 or 28.3% of the total population. This represents a reduction of 25,500 persons (3.2%) from the number reported in July 2012.

Monetary Developments

During the first half of FY 2013/14, the Bank of Jamaica (BOJ) maintained its policy rate, the interest rate on its 30-day Certificate of Deposit (CD), at 5.75%, and the rate on its overnight instrument was kept at 0.25%. In addition, local currency cash reserve and liquidity asset requirement were maintained at 12.0% and 26.0% respectively. The Bank's policy stance reflected its low expectation of changes to its inflation outlook for the fiscal year as domestic demand conditions remained weak.

Overall, for the fiscal year to September, the monetary base expanded by $788.8mn or 0.9%. There was a contraction of $1.1bn (1.2%) during the June 2013 quarter followed by an expansion of $1.9bn (2.1%) during the September 2013 quarter.

The contraction for the June 2013 quarter reflected declines of $1.0bn in the commercial banks' current accounts and $104.7mn in local currency cash reserves. The reduction in cash reserves partly reflected a reduction in public sector deposits due to the continued implementation of the Central Treasury Management Systems (CTMS) which started in FY 2011/12. The effects of the lower commercial banks' current accounts and cash reserves were partially offset by net currency issue of $35.8mn (0.1%) relative to an increase of $368.2mn (0.7%) for the corresponding 2012 quarter. This contraction in the monetary base was influenced by a $12.3bn reduction in the net domestic asset as the net international reserves (NIR) increased by $11.2bn (US$119.0mn).

The growth in the monetary base for the September 2013 quarter reflected increases of $1.0bn and $348.0mn in commercial banks' current account and local currency cash reserves, respectively. There was also net currency issue of $495.3mn (0.9%) relative to the September 2012 quarter. This expansion in the monetary base was influenced by a $10.6bn increase in the net domestic assets as the NIR decreased by $8.8bn (US$93.1mn).

Inflation

Inflation rates for the June 2013 and September 2013 quarters were 1.1% and 3.7%, respectively compared to the 1.5% and 2.1%, respectively, reported for the corresponding quarters of 2012. In addition, the inflation rate for October 2013 was 0.8%.

The upward movement in the 'All Division' Consumer Price Index (CPI) for October 2013 to 209.0 saw Jamaica's inflation moving upwards to 8.6% for the calendar year-to-date relative to the 6.2% registered for the corresponding period of 2012, and 5.7% for the fiscal year-to-date relative to the 4.5% recorded for the corresponding period of FY 2012/13.

The main divisions of the CPI which contributed to the 5.7% inflation outturn since the start of FY 2013/14 included:

(i) Transport - An 18.3% upward movement in the index for 'Transport' recorded the highest increase for the fiscal year-to-date, highlighting the impact of increases in bus fares in September.

(ii) 'Miscellaneous Goods and Services' – This index recorded the second highest increase of 5.2% for the fiscal year-to-date reflecting increased prices for funeral expenses and for personal care items and personal effects.

(iii) 'Alcoholic Beverages and Tobacco' - Higher prices of spirits and tobacco products since the start of the year resulted in increases in the 'Alcoholic Beverages and Tobacco' division, which increased by 5.1% since the start of FY 2013/14.

(iv) 'Housing, Water, Electricity, Gas and Other Fuels' – This index recorded a 4.6% increase, largely reflecting increases in rates for both electricity and water.

Exchange Rate

At the end of the September 2013 quarter, the weighted average selling rate of the US dollar increased to J$103.60 = US$1 from J$98.89 = US$1 at end-March 2013, representing a 4.8% depreciation over the first two quarters of FY 2013/14. The movement in the rate for the review period reflected depreciations of 2.5% and 2.2% in the June 2013 and September 2013 quarters, respectively. Depreciation for the period was due to a combination of weak net private capital flows and seasonally higher spending on imports, particularly raw materials and consumer goods in addition to a decline in earnings from sugar and remittances.

External Sector Developments

For the first quarter of FY 2013/14, the Current Account recorded a deficit of US$206.7mn, which represents an improvement of US$208.6mn relative to the corresponding period in FY 2012/13. This improvement in the Current Account emanated from all sub-accounts, particularly the Goods and Primary Income sub-accounts, which improved by US$157.7mn and US$20.9mn, respectively.

The goods sub-account recorded a deficit of US$856.9mn, which represents an improvement of US$157.7mn relative to the corresponding period of FY 2012/13. This improvement resulted from a US$192.4mn reduction in imports of goods, primarily driven by a US$70.5mn reduction in Mineral Fuel imports and a US$63.6mn reduction in Chemical imports. Exports of goods reduced by US$34.7mn, primarily resulting from a US$17.3mn reduction in exports of Chemicals, particularly ethanol.

There was an improvement of US$19.6mn in the Services sub-account balance which primarily resulted from increases of US$21.1mn and US$10.6mn in net transportation and personal, cultural and recreational services flows, respectively.

The US$20.9mn improvement in the Primary Income sub-account primarily resulted from an increase of US$27.3mn in investment income inflows, mainly from interest income on loans from resident financial and non-financial institutions to non-residents. There was also an improvement in the Secondary Income sub-account balance of US$10.4mn over the corresponding quarter of FY 2012/13. This improvement primarily resulted from an increase in net Private Transfer flows of US$13.5mn.

The Capital Account balance deteriorated by US22.2mn to a deficit of US$9.1mn for the June 2013 quarter; while the Financial Account recorded a net borrowing position of US$20.2mn for the review quarter.

The net international reserves (NIR) increased by US$162.7mn for the June 2013 quarter as flows from official and private sources were more than sufficient to finance the net borrowing balance on the Current and Capital accounts.

Macroeconomic Outlook FY 2013/14 to 2016/17

The Medium Term Macroeconomic Profile outlined in Table 1 depicts the key macroeconomic assumptions that will inform the development of the estimates of revenue and expenditure and, by extension, the debt trajectory over the medium term (FY 2012/13 – FY 2016/17). Changes in fiscal policies do, however, tend to impact economic variables, for instance, any tax policy changes adopted over the medium term could impact inflation, real economic activities, interest and exchange rates, as well as other economic variables. Increases (decreases) in tax rates or tax bases, for example, could lead to higher (lower) inflation which could then have spillover effects on other economic variables such as growth, exchange rate and interest rates.

The macroeconomic framework predicated on a relatively sharp fiscal adjustment resulted in domestic economic contraction of 0.7% for FY 2012/13 relative to the 0.9% growth for FY 2011/12. Growth is, however, expected to recover in the subsequent years, with forecasts of 0.8%, 1.4%, 1.8% and 2.2% for FY2013/14, FY2014/15, FY2015/16 and FY

2016/17, respectively. Projected inflation of 10.0% for FY2013/14 is in line with the 10.2% estimated in the April 2013 FPP. Inflation is projected to decline over the medium term.

The current account balance is expected to improve over the medium term. It is expected to record a deficit of 10.0% of GDP in FY 2013/14 relative to the 12.5% registered in FY 2012/13. The current account balance is projected to improve over the medium term reflecting expectations of lower imports of consumer goods and raw materials associated with the projected reduction in public expenditure (in % of GDP). The deficit is expected to decline to approximately 6.0% of GDP by FY 2016/17.

Table 1: Medium Term Macroeconomic Profile

Macroeconomic Variables	**Fiscal Years**						
	2010/11 Actual	**2011/12 Actual**	**2012/13 Actual**	**2013/14 Proj.**	**2014/15 Proj.**	**2015/16 Proj.**	**2016/17 Proj.**
Nominal GDP (J$bn)	1,172.4	1,260.0	1,336.3	1,481.6	1,644.1	1,814.9	2,002.9
Nominal GDP growth rate (%)	7.5	7.5	6.1	10.9	11.0	10.4	10.4
Real GDP growth rate (%)	-0.6	0.9	-0.7	0.8	1.4	1.8	2.2
Inflation: Annual Pt to Pt (%)	7.8	7.3	9.1	10.0	9.0	8.5	8.5
Interest Rates:							
30-day repo rate (eop)	6.75	6.25	5.75				
180-day repo rate (avg)	8.31	6.50					
180-day Treasury Bill (avg)	8.15	6.50	6.22				
Avg. Selling Exch. Rate (J$=US$1.00)	86.51	86.37	91.19				
Gross Reserves (weeks of Goods & Services Imports)	22.3	17.1	11.3	13.8	14.1	16.2	18.4
NIR (US$mn)	2,553.2	1,777.1	884.3	1,246.2	1,451.0	1,606.8	1,761.6
Current Account (%GDP)	-9.0	-14.8	-12.4	-10.0	-8.8	-7.4	-6.2
Oil Prices (WTI) (avg. US$/barrel)	83.4	97.3	92.1	101.1	95.6	95.6	95.6

Source: GOJ/BOJ

PART 3: FISCAL MANAGEMENT STRATEGY

BACKGROUND

The Central Government budget for FY 2013/14 was formulated within the context of the GOJ's firm commitment under the Extended Fund Facility (EFF) to increase and maintain the primary surplus at 7.5% of GDP over the medium term.

The FY 2013/14 budget targets a primary surplus of 7.5% of GDP, equivalent to $111,520.9mn and a fiscal deficit of 0.5% of GDP ($8,045.8mn). Revenue and grant inflows are projected at $407,160.3mn with "above-the-line" expenditure (excludes amortization payments) at $415,206.1mn.

Revenue and Grants

The revenue and grants projection for FY 2013/14 represents 27.3% of GDP, a 1.8 percentage point increase over the 25.5% in FY 2012/13. Tax revenue of $360,517.6mn is estimated to account for 88.5% of total revenue and grants, down from 92% in FY 2012/13.

Tax revenue was budgeted to increase by 12.7% ($40,752.7mn) over collections in FY 2012/13. The estimate for tax revenue included an amount of $11,298.8mn (0.8% of GDP) attributable to revenue measures implemented on March 1, 2013 and April 1, 2013, as part of the tax reform to support fiscal consolidation. The revenue measures that were approved in February 2013, included:

(i) $3,400.0mn to be gained from property tax adjustments that should go to the local authorities. The impact of this measure on the Central Government operations is reflected through a reduction in subvention to the Ministry of Local Government;

(ii) $1,200.0mn from the supplanting of the Customs User Fee (CUF) with a Customs Administration Fee (CAF), which is reflected in Non-tax revenue.

Excluding the new revenue measures, tax revenue was projected to grow by 9.6%, relative to the 10.3% growth in FY 2012/13. Tax revenue performance for FY 2013/14 is expected to be positively impacted by the full-year effect of the measures implemented in FY 2012/13. In addition, stepped up compliance activity by Tax Administration Jamaica (TAJ) and Jamaica Customs Agency were programmed to bolster tax revenue flows by $11,124.4mn, equivalent to 0.8% of GDP. Tax revenue flows for FY 2013/14 were also expected to be buoyed by a return to positive economic growth and movements in other macroeconomic variables.

Non-tax revenue was projected at $34,553.2mn, an increase of $15,769.6mn (84.0%) over receipts in FY 2012/13. The most significant contributor to this expected increase was the programmed transfer of $11,400.0mn from the NHT to the Consolidated Fund. Non-tax revenue in FY 2013/14 was also programmed to be bolstered by receipts of $4,959mn from the telecommunications sector.

With respect to Bauxite Levy, receipts for FY 2013/14 were projected at $1,540.2mn, an increase of 32.4% over FY 2012/13, reflecting the expected increase in domestic output in the bauxite/alumina sector, as well as depreciation in the value of the Jamaica dollar.

Budgeted capital revenue for FY 2013/14 of $1,127.0mn was 11% higher than collections in FY 2012/13. The programmed increase was influenced by anticipated higher inflows of royalties from bauxite mining, consequent on the expected increased production.

The forecast for Grants amounted to $9,422.3mn, a 139.1% increase over receipts in FY 2012/13. Contributing most significantly to the projected increase was an estimated $5,550.4mn in budget support from the European Union (EU), with disbursements programmed after the approval of the EFF by the IMF Board.

Expenditure

The Central Government budget for FY 2013/14 reflected total expenditure (excluding amortization payments) of $415,206.1mn, of which $370,504.3mn was allocated to recurrent items and $44,701.8mn for spending on capital programmes.

Of the recurrent allocation, wages and salaries accounted for $157,253.6 million, representing 10.6% of GDP. Included in the provision were:

- amounts to meet salary arrears for various public sector groups, including the final tranche for reclassification of teachers and the third and fourth tranches of the 7% wage adjustment to public servants;
- new rates and retroactive payments for Education Officers;
- new rates for reclassified health-sector workers; and
- the $25,000 one-off sum to be paid to each public officer under the 2012/2015 Heads of Agreement.

The budgetary allocation for recurrent programmes amounted to $93,664.2mn, or 6.3% of GDP, a marginal reduction from the 6.0% of GDP in FY 2012/13. Notwithstanding, the GOJ has maintained its support for a number of social programmes including the School Feeding Programme, the Indoor and Outdoor Poor Relief programme, subsidy to basic schools, rehabilitation grants, drugs and medical supplies for vulnerable groups, grants to children's homes, places of safety, youth employment and other social intervention programmes.

With respect to the capital budget, the Central Government programmed an amount of $44,721.8mn, representing an 18.4% increase over spending in FY 2012/13. This level of spending was programmed to increase capital expenditure to 3.0% of GDP, up from 2.8% in FY 2012/13.

CENTRAL GOVERNMENT PERFORMANCE: APRIL – OCTOBER

Provisional data indicate that Central Government operations for the April to October period of FY 2013/14 generated a fiscal deficit of $19,546.1mn, compared to the targeted deficit of $28,780.2mn (Table A in Appendix 1). The primary surplus amounted to $40,054.3mn, which was 10.6% better than the $36,203.7mn targeted. The primary surplus for the first seven months of FY 2013/14 was 68.6% higher than for the similar period last year, while the fiscal deficit improved by 53.5% over the $42,039.9mn generated over the similar period in FY 2012/13.

Of note, there has been a general improvement in fiscal operations over the last 4 years, as depicted in Table 2.

Expenditure

Total expenditure of $227,060.4mn, was $14,766.9mn, or 6.1% below the amount budgeted. Recurrent and capital expenditure were $8,525.6mn (3.9%) and $6,241.3mn (24.3%), respectively, less than budgeted.

The reduced recurrent spending was due to lower outflows from all subcategories with interest costs (less by $5,383.5mn) accounting for the largest share of the reduction. The less than budgeted interest payments were due to lower than anticipated domestic interest payments (less by $4,888.7mn) occasioned by the lower than expected interest costs from the National Debt Exchange (NDX) undertaken in February 2013. At the time of the budget, there were still some outstanding settlements on the NDX. The finalization of these transactions after the budget resulted in lower than budgeted interest costs. The lower spending on recurrent programmes ($2,032.3mn, or 3.7%) was due to fiscal consolidation efforts which has resulted in lower housekeeping expenses. Spending on wages & salaries was broadly in line with budget, falling short by $1,109.8mn (1.1%) due in part to a delay in the one-off payment of $25,000.0 to some public servants. The one-off payment was programmed to be paid in full in August however the information to effect payment for some workers has not yet been provided. The bulk of the payments were made in August and September 2013.

Spending on capital programmes of $19,513.0mn was $6,241.3mn behind the amount budgeted, due to slower than anticipated execution of capital projects. Despite this slower than programmed execution of projects, capital expenditure increased 3.6% over spending for the similar period last fiscal year as the GOJ continues to execute its fiscal programme to support real economic expansion.

Compared to the similar seven-month period last year, total spending in FY 2013/14 increased by $3,245.2mn (1.4%). The increase in expenditure over last year was driven chiefly by higher spending on wages and salaries and recurrent programmes, which outweighed a considerable fall in domestic interest cost ($6,444.7mn). The lower interest costs arose largely from the effect of the NDX.

The increased spending on wages & salaries over the previous fiscal year arose mainly from:

- the one-off payment of $25,000.00 to most public sector workers in August and September 2013;

- payment of performance increments; and
- payment of outstanding amounts to some groups, including education officers.

Table 2: Central Govt. Operations Apr – October				
(in J$mn)				
	2013/14	**2012/13**	**2011/12**	**2010/11**
Rev. & Grants	**207,514.4**	**181,775.3**	**181,955.3**	**168,850.6**
Tax Revenue	187,783.7	170,664.3	160,448.8	148,902.2
Expenditure	**227,060.4**	**223,815.2**	**225,634.4**	**214,218.4**
Recurrent	***207,547.4***	***204,988.8***	***193,392.0***	***185,515.9***
Programmes	52,240.8	49,357.0	48,046.8	41,789.4
Wages & Sal.	95,706.3	89,836.1	80,447.1	74,749.8
Interest	59,600.3	65,795.7	64,898.0	68,976.7
Capital	***19,513.0***	***18,826.4***	***32,242.4***	***28,702.5***
Fiscal Balance	**-19,546.1**	**-42,039.9**	**-43,679.1**	**-45,367.7**
Primary Balance	**40,054.3**	**23,755.8**	**21,218.9**	**23,609.0**
(in % change)				
Rev. & Grants	**14.2%**	**-0.1%**	**7.8%**	**7.1%**
Tax Revenue	10.0%	6.4%	7.8%	5.8%
Expenditure	**1.4%**	**-0.8%**	**5.3%**	**-9.0%**
Recurrent	***1.2%***	***6.0%***	***4.2%***	***-14.0%***
Programmes	5.8%	2.7%	15.0%	4.7%
Wages & Sal.	6.5%	11.7%	7.6%	0.2%
Interest	-9.4%	1.4%	-5.9%	-31.9%
Capital	3.6%	-41.6%	12.3%	45.7%
Fiscal Balance	**-53.5%**	**-3.8%**	**-3.7%**	**-41.8%**
Primary Balance	**68.6%**	**12.0%**	**-10.1%**	**1.0%**

Source: MOFP

Revenue and Grants

For the April – October period of 2013, Revenue and Grants totalled $207,514.4mn, a shortfall of $5,532.8mn (2.6%) against the target. Of this total, tax revenue collection amounted to $187,783.7mn, which was $6,744.7mn (3.5%) below target. The tax receipts for the April to October period of FY 2013/14 increased 10.0% ($17,119.4mn) over collections for the similar period last year. Major tax types influencing this increase are shown in Table 3.

Table 3: Notable Tax Performances

Tax Type	Increase over prior year (J$mn)	Increase over prior year %
GCT Local	$5,156.0	16.9
Travel Tax	$3,424.2	142.6
GCT Imports	$3,401.9	13.2
Telephone Call Tax	$2,538.3	190.4(started Jul'12)
Education Tax	$1,630.5	19.3
Custom Duty	$1,543.8	11.6

Source: MOFP

The considerable increase in Travel Tax (142.6%) was due mainly to improved compliance in the collection of the air passenger levy, including collection of arrears. The levy was introduced in October 2012. The Telephone Call Tax increased significantly (190.4%) over the similar period last year. However this performance must be tempered by the fact that this tax only started on July 15, 2012 and accordingly the figures reported for April-October last year only reflected collections for the first two and one-half months of the tax being in effect. Increased collections for GCT and Education Tax were due mainly to the introduction of new revenue measures.

These increases were off-set by reductions in a few tax types, notably Withholding Tax on Interest (down $3,422.7mn) and SCT Imports (down $2,564.8mn. Lower collections on SCT Imports were partly compensated for by increased collections on the domestic side (up $810.6mn). A significant decline in receipts from tobacco, as a result of the smoking ban in public spaces effective July 15, 2013 also contributed to the reduction in SCT. Significantly lower interest costs and higher payment of refunds contributed to the decline in Tax on Interest.

Overall, tax revenue collections fell short of budget by $6,744.7mn or 3.5% for the first seven months of FY 2013/14 (Table B in Appendix 1). The main items contributing to the lower than budgeted performance were SCT Imports (short $2,945.2mn), PAYE (short 2,751.5mn), Tax on Interest (short $1,232.2mn) and Custom Duty (short $1,201.7mn). Additionally, some of the new tax measures have not performed as projected, particularly Betting, Gaming & Lottery which was $756.1mn or 35.7% less than budget and Stamp Duty & Transfer Tax that fell $529.0mn or 8.2% below the amount budgeted.

The shortfall in SCT (imports) was attributable mainly to the ban on cigarette smoking in public spaces and lower imports of refined petroleum and petroleum products. The shortfall in receipts from imported refined petroleum was partly offset from increased production of refined products.

PAYE & Education Tax were affected by reduced employment in some sectors of the economy, lower than expected compliance and the government's wage costs being less than budgeted for the fiscal year to October. Based on the Labour Force Survey for July

2013, major sectors that reported decline in employment relative to July 2012 were "*Manufacturing* (decline 11.3%)" and *Wholesale & Retail, Repair of Motor Vehicle & Equipment* (down 2.4%)."

The shortfall in Tax on Interest was due mainly to lower than budgeted domestic interest payments, which arose from higher than estimated interest savings from the NDX. Customs Duty and GCT Imports fell short of budget partly because of lower than programmed imports.

Of note, the most significant tax revenue shortfall occurred in August 2013, as for the fiscal year to July, tax collections were $625.7mn or 0.6% above target and collections from September to October were only $850mn less than budgeted.

PUBLIC DEBT

Jamaica's total public debt stood at $1,916,753.9mn at the end of October 2013 (Table 4). This represented a 5.7% increase over the $1,812,635.3mn at March 2013. The increase in the stock over the seven-month period was mainly attributable to:

- depreciation of the Jamaica dollar vis-à-vis the US dollar and other currencies; and
- financing of the fiscal deficit.

Table 4: Total Debt Stock

	Mar 2013	Oct 2013
(J$mn)		
Domestic	1,008,348.5	1,048,226.5
External	804,286.6	868,527.4
TOTAL	**1,812,635.3**	**1,916,753.9**

Source: MOFP

The domestic debt stood at $1,048,226.5mn at the end of October 2013, which was 4.0% higher than the $1,008,348.5mn registered at the end of March 2013. In addition, explicit domestic guarantees amounted to $35,555.2mn, at the end of October 2013, compared to $32,647.9mn (2.4% of GDP) at March 2013.

With respect to the stock of public and publicly-guaranteed external debt, this rose to $868,527.4.2mn (US$8,265.8mn) at the end of October 2013, representing an increase of 8.0% over the stock at the end of March 2013. A significant contributor to this 8.0% increase was the depreciation in the value of the Jamaica dollar over the April to October 2013 period, as the US dollar value of the debt increased by only 1.6% relative to the level at March 2013.

PUBLIC BODIES

The group of 65 self-financing public bodies (PBs), that is, 17 Selected Public Bodies (SPBs) and 48 Other Public Bodies (OPBs), is budgeted to return an Overall Balance deficit of $1,366.2mn for the FY. While the performance of the SPBs is expected to result in a deficit of $11,738.8mn, this outturn will be mitigated by the OPBs which have budgeted a positive $10,372.6mn. Revenue budgeted to be earned by the group is $363,904.7mn and expectations are that capital expenditure/investment will surpass $55,000.0mn.

For the half-year ended September 2013, an Overall Balance deficit of $6,800.0mn was expected from the group; however the actual outturn of $3,822.1mn reflected an improvement of $2,977.9mn or 44%. The SPBs returned a deficit of $9,455.1mn, which was a marginal improvement of $63.5mn or 1% on the target. However, the OPBs performance of $5,632.9mn more than doubled their target of $2,718.3mn.

The largest variance by any Public Body was reported by the Clarendon Alumina Production Ltd. (CAP) whose deficit of $7,218.3mn was $6,861.5mn worse than the $356.7mn targeted. CAP's negative outturn was the result of payments made during the first quarter which were expected to be made during the previous FY. In addition to CAP, the Jamaica Mortgage Bank (JMB) and the National Insurance Fund (NIF) were the only SPBs that reported shortfalls on their targets for the half-year. In the case of the NIF, the entity suffered significant reductions in interest income due to the effects of the National Debt Exchange (NDX), while JMB's income was reduced due to higher than expected receivables.

The negative outturn of these three SPBs (CAP, JMB and NIF) was compensated by the remaining SPBs with the largest over-performances reported by the Port Authority of Jamaica (PAJ) and the National Housing Trust (NHT) with positive variances of $1,502.0mn and $990.0mn respectively. PAJ's improvement was driven mainly by a shortfall on its capital programme as well as increased performance of receivables vis-a-vis budget, while for the NHT, revenue growth was the main driver as its capital expenditure was in line with budget.

The positive variance provided by the OPBs was mainly on account of the Road Maintenance Fund (RMF), Civil Aviation Authority (CAA) and Tourism Enhancement Fund (TEF). RMF was behind schedule on its road programme and this contributed approximately $1,700.0mn to the better positive variance, while CAA's shortfall on its capital expenditure yielded $781.0mn and TEF was also behind schedule on its expenditure with a saving of $638.0mn.

The forecast to end December indicates that the targeted deficit of $6,100.0mn for PBs should be met. An adverse deviation in Petrojam's deficit is expected due to, *inter alia*, increased receivables and higher inventory due to two unplanned plant shutdowns in August and October. This deviation should however be offset by a permitted adjustment, in the overall public sector balance by an amount equivalent to the shortfall on Petrojam's overall balance. The adjustment is capped at $3,500.0mn over 4 quarters. This adjustment was arrived at with the November 2013 IMF Review Mission to take account of the uncertain nature of Petrojam's operations.

The $1,366.0mn deficit target for FY2013/14 will be challenging, nevertheless the GOJ will implement appropriate strategies to reduce any shortfall that may occur.

FISCAL OUTLOOK

Against the backdrop of the significant tax revenue shortfall recorded up to October 2013, the Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA) have stepped up their administrative and operational activities, in an effort to keep collections in line with budget for the remainder of the year. However, while these actions are anticipated to yield positive results, they are not expected to be sufficient to reverse the revenue shortfall up to the end of October 2013. Within this context, the GOJ identified expenditure restraint measures of 0.5% of GDP, equivalent to $6,944.7mn, which will serve to ensure that the primary surplus remains on track with the programmed 7.5% of GDP target in the EFF. These adjustments will be reflected in Supplementary Estimates to be tabled in Parliament for approval in the final quarter of FY 2013/14. The fiscal deficit is estimated to end the fiscal year at 0.1% of GDP, a significant improvement on the 0.5% of GDP budgeted. This improvement will emanate from the reduction in interest costs below the amount originally budgeted. The estimated fiscal deficit of 0.1% of GDP is the lowest since FY 1995/96, when Central Government operations generated a fiscal surplus.

Revenue and Grants - FY 2013/14

Revenue and Grants for FY 2013/14 are currently estimated at $400,248.6mn, a shortfall of $6,911.6mn (1.7%) below budget. Tax revenue is projected at $348,079.6mn, a shortfall of $12,438.0mn (3.5%) against budget. The main tax items that are expected to fall short of budget are SCT (Imports), PAYE, Withholding Tax on Interest and Custom Duty. On the other hand, similar to the outturn for the fiscal year to October, Travel Tax, GCT (Local), Telephone Call Tax and Accommodation Tax are projected to surpass target for FY 2013/14. Non-tax revenue and grants are also expected to exceed target.

This estimate for Revenue & Grants is $55,570.9mn (16.1%) above the previous fiscal year. Contributing most significantly to this increase are tax revenue, non-tax revenue and grants, which are estimated to surpass collections in FY 2012/13 by $28,314.7mn (8.9%), $20,067.1mn (106.9%) and $7,123.6mn (179.5%), respectively. The main drivers behind the projected increase in tax revenue are the new measures that were implemented, while the transfer from the NHT to the Central Government is the most significant contributor to the higher non-tax revenue receipts. The estimated increase in grant receipts for FY 2013/14 is due to programmed budget support inflows from the European Union.

Expenditure - FY 2013/14

Central Government expenditure (excluding amortization) for FY 2013/14 is now estimated at $401,525.8mn, which is $13,680.3mn less than the original budget. This reduction is due largely to a combination of significant savings on domestic interest costs, a strategic adjustment to non-debt expenditure in light of the expected revenue shortfall, and slower than expected execution of some projects.

Interest payments are currently estimated at $112,831.1mn, a reduction of $6,735.6mn (5.6%) below budget. The reduction in interest costs occurred as lower payments from the finalization of the NDX transactions significantly outweighed the impact of increased interest rates during the course of the fiscal year.

Non-debt (primary) expenditure is expected to be reduced by $6,944.7mn relative to the amount originally programmed, mainly to ensure adherence to established fiscal targets, given the shortfall in revenue as well as underperformance especially in respect of the Capital B Budget. The bulk of the reduction is on the capital side of the budget ($5,900.3mn or 13.2%), with reduction in recurrent programmes of $1,106.1mn (1.2%).

Expenditure on Wages and Salaries is projected at $157,315.1mn, which is in line with the approved budget. Of note, all back pay, outstanding settlements and benefits under the 2012/15 Heads of Agreement, scheduled for payment in FY 2013/14, are being paid as programmed. Payments for recently concluded settlements are programmed to begin in the final fiscal quarter for the following groups: (i) Correctional Officers and Fire Fighters (due to a salary realignment exercise following the completion of a relativity study that commenced prior to the signing of the Heads of Agreements with unions in March 2013, and (ii) Medical Officers (outstanding settlement for the 2008/10 period).

Total capital expenditure is projected at $38,821.5mn as against an original approved budget of $44,721.8mn reflecting net overall reduction of $5,900.3mn. The projected reduction comprises Capital A of $2,743.3mn & Capital B of $3,157.0mn. With respect to Capital B projects, the projected outturn is for expenditure of $23,200mn against originally approved budget of $26,400mn reflecting a reduction of $3,157mn. Some projects have been executed in line with budget but overall there has been significant underperformance in the case of several projects. For the period April to October 2013, total under-spending on Capital B projects amounted to $3,885mn, thus it is not feasible for most of these projects to spend at the budgeted levels for FY 2013/14.

It is important to note that notwithstanding the lower overall expenditure relative to budget, the GOJ has maintained its commitment to protect specified social spending, as contained in the EFF. Spending in these social areas is projected at $20,700mn, which is in keeping with commitment to protect this area of expenditure. In addition, the GOJ has also complied with the performance criterion under the EFF of not increasing the expenditure arrears (over-90 days) of the Central Government.

Public Debt

The stock of public debt is expected to end FY 2013/14 at $1,924,416.9mn or 129.9% of GDP. This compares to $1,812,635.3mn or a debt-to-GDP ratio of 135.6% at end FY 2012/13. The domestic debt at the end of FY 2013/14 is projected at $1,003,640.3mn or 67.7% of GDP. This represents a decrease of 0.5% over the previous fiscal year's domestic debt which stood at $1,008,348.5mn or 78.2% of GDP.

The expected increase in the total debt stock (J$) will be due mainly to the depreciation of the Jamaica dollar vis-à-vis the United States dollar and other currencies, with financing of the fiscal deficit of the Central Government accounting for a minor proportion of the increase.

The stock of public and publicly guaranteed external debt is projected to end FY 2013/14 at $920,776.6mn, or 62.1% of GDP. This represents a slight increase over the 60.2% of GDP for FY 2012/13. The main factor behind the projected increase is the depreciation in the value of the Jamaica dollar, as the US$ value of the external debt stock is projected to increase by 3.1%.

Medium Term Fiscal Profile

Against the backdrop of the medium term macroeconomic framework outlined in Table 1, and, based on existing fiscal policies, inter alia, the medium term fiscal profile depicted in Table C in Appendix 1 was developed.

Revenue and Grants are forecast to decline from 27.0% of GDP in FY 2013/14 to 25.7% in FY 2014/15 and to 24.9% in FY 2016/17. Non-Tax Revenue is the most significant contributor (down 0.7% GDP) to this reduction in FY 2014/15, due mainly to the expected one-off receipts in FY 2013/14.

Tax Revenue is forecast to decline from 23.5% of GDP in FY 2013/14 to 23.0% of GDP in FY 2014/15 and to 22.7% in FY 2016/17. The following are key factors behind the projected fall in the Tax/GDP ratio:

- The relatively flat wage bill (a 0.8% of GDP reduction in FY2014/15 and FY2015/16) over the medium term will result in a reduction in PAYE & Education Tax;
- The GOJ's intention to clear the outstanding withholding tax refunds over a 5-year period, which will lead to a reduced net inflow from Tax on Interest;
- Some of the tax types, including a significant portion of the SCT, are fixed rates (not advalorem) and accordingly will not grow in line with nominal GDP, with the result that these taxes will show a declining ratio in proportion to GDP.

Bauxite levy receipts to the Consolidated Fund are forecast to decline in FY 2014/15 due to the Jamaica Bauxite Mining Limited/WINDALCO Settlement Agreement. Under this agreement, proceeds from the bauxite levy will be used, commencing April 2014, to clear the GOJ's (Clarendon Alumina Productions) obligations, to WINDLACO, over 2 1/2 years.

The GOJ's economic programme that is embedded in the EFF, establishes a requirement for a Central Government primary surplus of 7.5% of GDP from FY 2013/14 through the medium term (FY 2016/17). Current estimates indicate that the GOJ is on track to achieve the targeted primary surplus of 7.5% of GDP for FY 2013/14. The required primary surplus of 7.5% of GDP amounts to $123,307.5mn for FY 2014/15.

The GOJ has examined the various stages of capital projects and is updating the Public Sector Investment Programme (PSIP). Based on these active initiatives alongside an assessment of the recurrent needs, inclusive of the wage obligations emanating from the settlements (outstanding prior to the March 2013 Heads of Agreement) with different public sector groups, the MOFP has derived the non-debt (primary) expenditure of $309,068.5mn, consisting of $259,489.1mn for recurrent and $49,579.4mn for the capital budget for FY 2014/15. Juxtaposing these expenditure ceilings against the forecast for revenue and grants generates a primary surplus of $114,034.7mn. Accordingly, achievement of the 7.5% of GDP primary surplus target will require additional fiscal effort of $9,272.8mn. The GOJ is examining various fiscal initiatives to close the projected gap for FY 2014/15 as it remains unyieldingly committed to achieving and maintaining the agreed 7.5% of GDP primary surplus target.

Appendix I

Table A1: CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 2013/14

(in millions of Jamaica dollars)

Item	Prov Apr - Oct	Budget Apr - Oct	Diff	Diff %	FY 12/13 Apr - Oct	Diff	Diff %
Revenue & Grants	**207,514.4**	**213,047.2**	**-5,532.8**	**-2.6%**	**181,775.3**	**25,739.1**	**14.2%**
Tax Revenue	187,783.7	194,528.5	-6,744.7	-3.5%	170,664.3	17,119.4	10.0%
Non-Tax Revenue	16,432.1	15,107.4	1,324.8	8.8%	9,158.5	7,273.7	79.4%
Bauxite Levy	683.8	758.3	-74.5	-9.8%	714.3	-30.5	-4.3%
Capital Revenue	447.2	463.7	-16.5	-3.5%	304.3	142.9	47.0%
Grants	2,167.5	2,189.4	-21.9	-1.0%	933.9	1,233.6	132.1%
Expenditure	**227,060.4**	**241,827.4**	**-14,766.9**	**-6.1%**	**223,815.2**	**3,245.2**	**1.4%**
Recurrent Expenditure	207,547.4	216,073.0	-8,525.6	-3.9%	204,988.8	2,558.6	1.2%
Programmes	52,240.8	54,273.1	-2,032.3	-3.7%	49,357.0	2,883.8	5.8%
Wages & Salaries	95,706.3	96,816.0	-1,109.8	-1.1%	89,836.1	5,870.2	6.5%
Interest	59,600.3	64,983.9	-5,383.5	-8.3%	65,795.7	-6,195.4	-9.4%
Domestic	35,863.6	40,752.2	-4,888.7	-12.0%	42,308.2	-6,444.7	-15.2%
External	23,736.7	24,231.6	-494.9	-2.0%	23,487.4	249.3	1.1%
Capital Expenditure	19,513.0	25,754.4	-6,241.3	-24.2%	18,826.4	686.6	3.6%
Capital Programmes	19,513.0	25,754.4	-6,241.3	-24.2%	18,826.4	686.6	3.6%
Fiscal Balance (Surplus + / Deficit -)	**-19,546.1**	**-28,780.2**	**9,234.1**	**-32.1%**	**-42,039.9**	**22,493.9**	**-53.5%**
Loan Receipts	**34,326.5**	**51,653.0**	**-17,326.5**	**-33.5%**	**87,916.1**	**-53,589.6**	**-61.0%**
Domestic	12,660.6	8,148.2	4,512.4	55.4%	83,568.3	-70,907.7	-84.9%
External	21,665.9	43,504.8	-21,838.9	-50.2%	4,347.8	17,318.1	398.3%
Project Loans	6,652.2	6,868.8	-216.6	-3.2%	4,347.8	2,304.4	53.0%
Other	15,013.7	36,636.0	-21,622.3	-59.0%	0.0	15,013.7	'-
Amortization	**28,393.9**	**28,460.4**	**-66.5**	**-0.2%**	**60,934.4**	**-32,540.5**	**-53.4%**
Domestic	10,438.8	10,702.9	-264.1	-2.5%	22,705.5	-12,266.7	-54.0%
External	17,955.1	17,757.5	197.6	1.1%	38,228.9	-20,273.8	-53.0%
Overall Balance (Surplus + / Deficit -)	**-13,613.5**	**-5,587.6**	**-8,025.9**	**143.6%**	**-15,058.3**	**1,444.8**	**-9.6%**
Primary Balance (Surplus + / Deficit -)	**40,054.3**	**36,203.7**	**3,850.6**	**10.6%**	**23,755.8**	**16,298.5**	**68.6%**

Source: MOFP

Appendix I

Table A2: DETAILS OF REVENUE FY 2013/14

(in millions of Jamaica dollars)

Item		Prov. Apr - Oct	Budget Apr - Oct	Diff	Diff %	FY 12/13 Apr - Oct	Diff	Diff %
Revenue & Grants		**207,514.4**	**213,047.2**	**-5,532.8**	**-2.6%**	**181,775.3**	**25,739.1**	**14.2%**
Tax Revenue		***187,783.7***	***194,528.5***	***-6,744.7***	***-3.5%***	***170,664.3***	***17,119.4***	***10.0%***
	Income and profits	54,722.3	58,512.2	-3,790.0	-6.5%	56,602.3	-1,880.0	-3.3%
	Bauxite/alumina	0.0	0.0	0.0	0.0%	0.0	0.0	-100.0%
	Other companies	14,502.2	13,256.3	1,245.9	9.4%	13,944.7	557.5	4.0%
	PAYE	35,819.8	38,571.3	-2,751.5	-7.1%	34,891.9	927.9	2.7%
	Tax on dividend	845.6	1,557.9	-712.3	-45.7%	896.0	-50.4	-5.6%
	Other individuals	1,338.5	1,678.4	-339.8	-20.2%	1,230.8	107.7	8.7%
	Tax on interest	2,216.2	3,448.4	-1,232.2	-35.7%	5,638.8	-3,422.7	-60.7%
	Environmental Levy	1,198.3	1,220.6	-22.3	-1.8%	1,111.8	86.5	7.8%
	Production and consumption	67,040.9	67,132.9	-91.9	-0.1%	54,051.7	12,989.3	24.0%
	SCT	6,773.0	6,326.3	446.6	7.1%	5,962.3	810.6	13.6%
	Motor vehicle licenses	1,499.7	1,303.4	196.3	15.1%	1,193.3	306.4	25.7%
	Other licenses	207.3	210.1	-2.8	-1.3%	193.3	14.0	7.2%
	Betting, gaming and lottery	1,362.1	2,118.2	-756.1	-35.7%	1,090.3	271.8	24.9%
	Accommodation Tax	1,057.3	652.2	405.0	62.1%	73.0	984.3	1348.2%
	Education Tax	10,084.5	11,011.2	-926.8	-8.4%	8,454.0	1,630.5	19.3%
	Telephone Call Tax	3,871.3	3,270.5	600.8	18.4%	1,333.0	2,538.3	190.4%
	Contractors levy	549.1	835.6	-286.5	-34.3%	722.1	-173.1	-24.0%
	GCT (Local)	35,709.0	34,948.5	760.4	2.2%	30,552.9	5,156.0	16.9%
	Stamp Duty (Local)	5,927.8	6,456.9	-529.0	-8.2%	4,477.4	1,450.4	32.4%
	International Trade	64,822.2	67,662.8	-2,840.6	-4.2%	58,898.5	5,923.7	10.1%
	Custom Duty	14,868.8	16,070.4	-1,201.7	-7.5%	13,324.9	1,543.8	11.6%
	Stamp Duty	1,027.9	975.9	52.0	5.3%	909.2	118.7	13.1%
	Travel Tax	5,825.4	3,466.4	2,359.0	68.1%	2,401.2	3,424.2	142.6%
	GCT (Imports)	29,178.4	30,283.0	-1,104.6	-3.6%	25,776.5	3,401.9	13.2%
	SCT (imports)	13,921.8	16,867.1	-2,945.2	-17.5%	16,486.6	-2,564.8	-15.6%
Non-Tax Revenue		***16,432.1***	***15,107.4***	***1,324.8***	***8.8%***	***9,158.5***	***7,273.7***	***79.4%***
Bauxite Levy		***683.8***	***758.3***	***-74.5***	***-9.8%***	***714.3***	***-30.5***	***-4.3%***
Capital Revenue		***447.2***	***463.7***	***-16.5***	***-3.5%***	***304.3***	***142.9***	***47.0%***
Grants		***2,167.5***	***2,189.4***	***-21.9***	***-1.0%***	***933.9***	***1,233.6***	***132.1%***

Source: MOFP

Appendix I

TABLE B: CENTRAL GOVERNMENT SUMMARY ACCOUNTS (Jmn)

FY 2013/14

(in millions of Jamaica dollars)

Item	Prov Apr - Mar	Budget Apr - Mar	Diff	Diff %	FY 12/13 Apr - Mar	Diff	Diff %
Revenue & Grants	**400,248.6**	**407,160.3**	**-6,911.7**	**-1.7%**	**344,677.7**	**55,570.9**	**16.1%**
Tax Revenue	348,079.6	360,517.6	-12,438.0	-3.5%	319,764.9	28,314.7	8.9%
Non-Tax Revenue	38,832.2	34,553.2	4,279.0	12.4%	18,765.1	20,067.1	106.9%
Bauxite Levy	1,296.2	1,540.2	-244.0	-15.8%	1,163.7	132.5	11.4%
Capital Revenue	948.7	1,127.0	-178.3	-15.8%	1,015.8	-67.1	-6.6%
Grants	11,091.9	9,422.3	1,669.6	17.7%	3,968.3	7,123.6	179.5%
Expenditure	**401,525.8**	**415,206.0**	**-13,680.2**	**-3.3%**	**399,278.9**	**2,246.9**	**0.6%**
Recurrent Expenditure	362,704.3	370,484.2	-7,779.9	-2.1%	361,521.0	1,183.3	0.3%
Programmes	92,558.1	93,664.2	-1,106.1	-1.2%	87,201.5	5,356.6	6.1%
Wages & Salaries	157,315.1	157,253.3	61.8	0.0%	147,381.8	9,933.3	6.7%
Interest	112,831.1	119,566.7	-6,735.6	-5.6%	126,937.7	-14,106.6	-11.1%
Domestic	67,919.4	75,523.1	-7,603.7	-10.1%	87,729.1	-19,809.7	-22.6%
External	44,911.7	44,043.6	868.1	2.0%	39,208.6	5,703.1	14.5%
Capital Expenditure	38,821.5	44,721.8	-5,900.3	-13.2%	37,757.9	1,063.6	2.8%
Fiscal Balance (Surp+/ Def-)	**-1,277.2**	**-8,045.7**	**6,768.5**	**-84.1%**	**-54,601.2**	**53,324.0**	**-97.7%**
Loan Receipts	**97,757.0**	**103,279.6**	**-5,522.6**	**-5.3%**	**144,347.1**	**-46,590.1**	**-32.3%**
Domestic	39,889.0	13,777.5	26,111.5	189.5%	134,070.2	-94,181.2	-70.2%
External	57,868.0	89,502.1	-31,634.1	-35.3%	10,276.9	47,591.1	463.1%
Project Loans	13,540.4	13,134.1	406.3	3.1%	10,276.9	3,263.5	31.8%
Other	44,327.6	76,368.0	-32,040.4	-42.0%	0.0	44,327.6	-
Amortization	**106,910.6**	**105,680.4**	**1,230.2**	**1.2%**	**88,329.8**	**18,580.8**	**21.0%**
Domestic	77,443.7	76,387.4	1,056.3	1.4%	37,094.8	40,348.9	108.8%
External	29,466.9	29,293.0	173.9	0.6%	51,235.0	-21,768.1	-42.5%
Overall Balance (Surp+/Def-)	**-10,430.8**	**-10,446.5**	**15.7**	**-0.2%**	**1,416.1**	**-11,846.9**	**-836.6%**
Primary Balance (Surp+/Def-)	**111,553.9**	**111,521.0**	**32.9**	**0.0%**	**72,336.5**	**39,217.4**	**54.2%**

Source: MOFP

Appendix I

TABLE C1: CENTRAL GOVERNMENT SUMMARY ACCOUNTS
(% GDP)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue & Grants	**25.6%**	**25.8%**	**27.0%**	**25.7%**	**25.3%**	**24.9%**
Tax Revenue	23.0%	23.9%	23.5%	23.0%	22.9%	22.7%
Non-Tax Revenue	1.3%	1.4%	2.6%	1.9%	1.8%	1.7%
Bauxite Levy	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%
Capital Revenue	0.8%	0.1%	0.1%	0.1%	0.1%	0.1%
Grants	0.3%	0.3%	0.7%	0.7%	0.6%	0.4%
Expenditure	**32.0%**	**29.9%**	**27.1%**	**26.7%**	**25.3%**	**24.2%**
Recurrent Expenditure	27.8%	27.1%	24.5%	23.6%	22.3%	21.2%
Programmes	7.1%	6.5%	6.2%	6.0%	5.9%	5.8%
Wages & Salaries	11.1%	11.0%	10.6%	9.8%	9.0%	9.0%
Interest	9.6%	9.5%	7.6%	7.9%	7.4%	6.4%
Domestic	6.5%	6.6%	4.6%	4.9%	4.8%	4.1%
Foreign	3.1%	2.9%	3.0%	2.9%	2.6%	2.3%
Capital Expenditure	4.2%	2.8%	2.6%	3.0%	3.0%	3.0%
Fiscal Balance (Surp+/Def-)	**-6.4%**	**-4.1%**	**-0.1%**	**-0.9%**	**0.0%**	**0.7%**
Loan Receipts	**13.0%**	**10.8%**	**6.6%**	**8.7%**	**13.2%**	**3.4%**
External	1.6%	0.8%	3.9%	4.1%	5.5%	2.5%
Domestic	11.3%	10.0%	2.7%	4.6%	7.7%	0.9%
Divestment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortization	**10.2%**	**6.6%**	**7.2%**	**7.8%**	**13.2%**	**4.1%**
External	4.8%	3.8%	2.0%	6.4%	5.7%	2.5%
Domestic	5.4%	2.8%	5.2%	1.4%	7.5%	1.6%
Overall Balance (Surp+/Def-)	**-3.6%**	**0.1%**	**-0.7%**	**0.0%**	**0.0%**	**0.0%**
Primary Balance(Surp+/Def-)	**3.1%**	**5.4%**	**7.5%**	**6.9%**	**7.4%**	**7.1%**
GDP	**1,260,013.9**	**1,336,347.8**	**1,481,600.0**	**1,644,100.0**	**1,814,900.0**	**2,002,900.0**

Source: MOFP

Appendix I

TABLE C2: CENTRAL GOVERNMENT SUMMARY ACCOUNTS (J$mn)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue & Grants	**322,149.8**	**344,677.7**	**400,248.7**	**423,114.6**	**459,276.9**	**499,278.2**
Tax Revenue	289,882.2	319,764.9	348,079.6	378,937.0	414,977.0	454,431.6
Non-Tax Revenue	16,709.2	18,765.1	38,832.2	31,818.2	32,392.7	34,627.4
Bauxite Levy	1,524.5	1,163.7	1,296.2	46.0	593.0	1,063.1
Capital Revenue	10,585.1	1,015.8	948.7	991.0	1,029.3	1,033.2
Grants	3,448.8	3,968.3	11,091.9	11,322.5	10,285.0	8,122.9
Expenditure	**403,122.2**	**399,278.9**	**401,525.8**	**438,242.4**	**458,664.7**	**484,903.7**
Recurrent Expenditure	349,891.3	361,521.0	362,704.2	388,662.9	404,036.6	424,616.7
Programmes	89,699.4	87,201.5	92,558.1	98,272.3	106,625.5	115,688.7
Wages & Salaries	139,556.9	147,381.8	157,315.1	161,216.8	163,820.6	181,135.8
Interest	120,635.0	126,937.7	112,831.0	129,173.8	133,590.5	127,792.2
Domestic	81,547.9	87,729.1	67,919.4	81,185.3	87,125.8	81,344.6
Foreign	39,087.1	39,208.6	44,911.7	47,988.5	46,464.7	46,447.6
Capital Expenditure	53,230.9	37,757.9	38,821.6	49,579.5	54,628.2	60,286.9
Fiscal Balance (Surp+/Def-)	**-80,972.4**	**-54,601.1**	**-1,277.2**	**-15,127.8**	**612.2**	**14,374.5**
Loan Receipts	**163,520.5**	**144,347.1**	**97,756.9**	**143,072.9**	**239,116.9**	**68,097.5**
External	20,768.1	10,276.9	57,868.0	66,993.0	99,325.8	49,555.0
Domestic	142,752.5	134,070.2	39,889.0	76,079.8	139,791.2	18,542.5
Divestment	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	**128,373.2**	**88,329.8**	**106,910.6**	**127,945.1**	**239,729.1**	**82,472.0**
External	60,553.0	51,235.0	29,466.9	104,829.6	103,552.1	49,555.0
Domestic	67,820.2	37,094.8	77,443.7	23,115.4	136,177.0	32,917.0
Overall Balance (Surp+/Def-)	**-45,825.0**	**1,416.2**	**-10,430.8**	**0.0**	**0.0**	**0.0**
Primary Balance(Surp+/Def-)	**39,662.6**	**72,336.5**	**111,553.9**	**114,046.0**	**134,202.7**	**142,166.7**

Source: MOFP

Appendix II

TAX REFORM

Comprehensive tax reform remains a critical component of GOJ's economic reform programme. To make the tax system more supportive of economic growth and employment creation, the reform will be done by simplifying the system, reducing economic distortions, eliminating ministerial discretion in the granting of incentives, broadening the tax base, and reducing rates, while keeping the overall tax reform revenue neutral. The tax reform measures will be based on these principles such that they will result in a reduction of tax expenditures. The reformed system is expected to result in a significant reduction in the cost of compliance and will be effective at the start of FY2014/15.

As first steps of the reform, a Charities Act and a Fiscal Incentive Legislation (Income Tax Relief (Large Scale Projects and Pioneer Industries) Act, 2013, and the Fiscal Incentives (Miscellaneous Provision) Act, 2013 were passed in November 2013. The GOJ is also finalizing a blueprint of all the key elements of the reform.

The Charities Act establishes a new and strict registration process for charitable organizations. With effect from December 1, 2013, all new applications (organizations/individuals) must be registered under the new regime in order to be eligible for exemptions granted under the Act. A transitional period of six months has been provided under the Act to existing charities, to facilitate registration, at the end of which if not registered as per the new regime, these entities would no longer qualify to benefit from requisite exemptions.

The Fiscal Incentives Legislation instruments will put in place a rule-based regime for limited tax incentives that will replace existing (mostly sectoral) schemes. New incentives will take the form of tax credits for personal and corporate income taxes only, and incentives will be defined as the amount credited against the CIT/PIT payable in any fiscal year. There will be no ministerial discretion in granting tax incentives. Incentives provided under the Urban Renewal Programme will be maintained at this stage, as will the existing incentives for venture capital investment under the Income Tax Act. The existing incentives under the Bauxite and Alumina Industries Act will also be retained. For pioneer/"mega" projects that are growth-enhancing, specific tax credits could be provided in the context of the budget, with parliamentary approval, up to an overall annual cap of 0.25% GDP on this tax expenditure. The existing regime for the establishment and operation of Export Free Zones from which limited licensed activities can be conducted under strict conditions will be maintained at this stage. This regime will be subject to a review to ensure compliance with commitments to the WTO and to ensure that the covered enterprises will be subject to CIT on profits.

The main elements of the reform of the Corporate Income Tax (CIT) are as follows:

- Regarding tax rates, the distinction between regulated and unregulated companies will remain. For regulated companies, the statutory rate will remain at 33 1/3%. The statutory CIT rate for unregulated entities will be harmonized at 25%, thereby eliminating the 5% surcharge on specified unregulated entities.

- An across-the-board Employment Tax Credit (ETC) will apply to registered companies engaged in the conduct of a trade, based on a percentage of specified labour costs. The computation of the ETC will be transparent and verifiable, and based on payroll tax payments by registered companies. The ETC rate will be specified as the combined HEART, NIS, NHT and Education Tax payments, capped at 30% of income tax chargeable in respect of trading income (as adjusted for tax purposes) and net of tax losses carried forward claimed in the year of assessment (subject to the cap below). Income tax chargeable on non-trading income will not be eligible for reduction via use of ETC, and regulated companies will not be eligible for the ETC.

- Increased Initial Capital Allowances (ICAs) will apply to specified newly acquired (i.e. new and used) plant and equipment. ICAs on plant and equipment will be increased to 25% (from 20%), and their application will be broadened to a wider range of eligible plant and equipment. In addition, ICAs will be more broadly applied to buildings and structures to include a wider range of industrial buildings and structures (including hotels and hospitals). However, ICAs would be applicable only to new investment (i.e. original construction, refurbishing and renovation) in such industrial buildings and structures. A straight-line method of capital allowances will replace the reducing balance method.

- A cap of 50% of chargeable income (before deduction of tax losses) will be established on the amount of losses of previous years that can be used to offset taxable CIT and PIT income. This restriction shall not apply where (a) the period of assessment is less than 5 years after the year of incorporation and/or registration of the entity, or (b) the turnover of the entity is below J$3 million. The taxpayer will be allowed to carry forward unused tax losses.

- Entities choosing grandfathering (i.e., using pre-existing incentive schemes) will not be entitled to new incentives until those grandfathered incentives have expired or until they opt out of their grandfathered regime, as per procedures described in the Fiscal Incentives Legislation. Moreover, the 10% non-standard GCT rate for tourism services will only be accessible under the new fiscal regime. Companies choosing grandfathering of their CIT incentives will be required to pay the standard GCT rate of 16.5%. The GOJ will be conducting an entity by entity review of all grandfathered entities and of their regime by the end of FY 2014/15, to serve as a basis for discussion to speed up transition to the new regime by mutual agreement between the GOJ and entities.

- If a tax audit determines that the company was not current on its obligations in any year, then in addition to the usually applicable penalties the new incentive regime will include provisions to allow for a claw back of tax incentive credits granted in that year, and a suspension of eligibility for future tax incentive credits until compliance is assessed to be satisfactory.

- A Minimum Business Tax (MBT) will be established, payable by locally registered companies equal to a flat nominal amount, periodically specified, and initially at J$60,000. The MBT will apply to every registered company, and every individual who operates as a business and who is registered or liable for registration for GCT purposes. The MBT payable will be creditable against income tax chargeable for the year of the assessment.

- The system of tax relief for companies listed on the Junior Stock Exchange (JSE) with market capitalization not exceeding US$5mn will gradually be phased out. For companies listing from January 1, 2017, no special relief from CIT would be available. Companies that list on the JSEM from January 1, 2014 (the effective date of the new fiscal incentive legislation) until December 31, 2016 will be granted income tax relief for a maximum period of five years (with an income tax relief rate of 100%). Companies that are already listed or list prior to January 1, 2014 will be grandfathered for the remainder of their initial ten year concession period. Companies benefitting from the JSEM income tax relief would not be eligible for the Employment Tax Credit and specified incentives for pioneer activities until after the expiration of their concession period. However, firms may opt to forgo JSEM income tax relief to become eligible for the tax treatment under the new Fiscal Incentives Act. Tax expenditures associated with JSE income tax relief granted to entities will be capped at a level to be prescribed by the Minister of Finance and Planning.

- Over the medium term, the GOJ will consider a convergence of personal and corporate income tax rates to a uniform statutory rate, subject to available fiscal space and the attainment of revenue targets.

With respect to GCT, the main elements of the reform include:

- Elimination of the zero-rating for government purchases;
- Reduction of tax exemptions;
- Undertaking of a study by March 2014 on the scope for imposing GCT on petroleum products; and
- Allowing start-up companies to immediately claim GCT refunds for excess credit.

In November 2013, an amendment to the Customs Act was tabled in parliament, reflecting the following main elements:

- The tariff structure will be simplified by reducing import tariff dispersion, eliminating anomalies and opportunities for misclassification and substantially reducing higher rates;

- Import duties to be capped for non-agricultural imports at the normal rate of 20%, and in exceptional cases, at 40%. For agricultural imports, tariff rates at or below 40% will generally be reduced to the normal rate of 20%, however, in exceptional cases, the CET rates above 50% will be maintained. It must be noted that these rates will be held compliant with CARICOM/CET agreements;

- The Government intends to promote amendments to the CARICOM tariff regime with the objective of reducing tariff dispersion.

Further, reforms to strengthen tax and customs administration are proceeding**.** In October 2013, the GOJ put in place the necessary regulations to implement a write-off programme. Further steps to improve tax and customs administration will be guided by the Tax Reform action plan prepared in collaboration with the IDB.

Appendix III

PUBLIC FINANCIAL MANAGEMENT REFORM

The GOJ remains strongly committed to implementing reforms to public financial management, in collaboration with its development partners. Against this backdrop, the GOJ is undertaking the following initiatives, which are necessary to support and anchor the enhanced fiscal rules that will be enacted before end-March 2014:

- The Central Treasury Management System (CTMS) will be strengthened by including modules for the tracking of expenditures.

- The adjusted Chart of Accounts will be implemented by November 2014.

- The GOJ will strengthen the efficiency and quality of the GOJ procurement process thereby improving the ease of doing business and reducing costs through: (a) Implementing the Electronic Tendering System which will be procured by March 31, 2014 and be implemented in five pilot entities during FY 2014/15 and (b) Publishing a GOJ Public Procurement Page in the print media by January 2014 which will enable procurement management through a centralized process.

- In October 2013, the Cabinet approved a detailed budget calendar for the FY 2014/15 budget. Further, the GOJ has developed a work plan to strengthen budget preparation. Key elements of the plan include the establishment of a permanent binding budget calendar that envisages budget approval prior to the start of the fiscal year, starting with the budget for FY2015/16 and adoption of a policy to limit the use of virements.

- The GOJ has also prepared a work plan to strengthen procedures for budget execution and cash management. In order to improve the Commitment Planning and Control system in central government, an automated Purchase Order Module will be added to the FinMan system. In addition the Commitment Planning and Control Module will be activated. The upgraded Commitment Control System and the Purchase Order Module are to be:

    (i) developed and tested by December 31, 2013;
    (ii) piloted in the MOFP between January and February 2014; and
    (iii) implemented in all MDAs by April 1, 2014.

Appendix IV

PUBLIC SECTOR REFORM

The GOJ remains fully committed to improving the efficiency, quality and cost effectiveness of the public sector**.** The Fiscal Responsibility Framework, through the FAA Act, establishes a ceiling on the wage bill of 9% of GDP by March 2016 and the GOJ has been working assiduously to ensure that all agreements signed with unions representing public sector workers are in line with satisfying this requirement.

The terms of reference for technical assistance for the review of public sector employment and remuneration has been completed and a consultant from the IDB has been contracted to undertake this review. The review is expected to be finalized by end-March 2014. To support a rationalization of public sector employment, the GOJ will improve the public service databases in e-Census by ensuring that it is up to date and covers all MDAs by end-March 2014. The procurement of the human resources software system (the enterprise HR system) is underway. The system is expected to be contracted by end-May 2014 and implementation is anticipated to be completed for the Tax Administration Jamaica (TAJ) and the Jamaica Customs Agency (JCA).by end-September 2014.

Public sector pension reform aimed at ensuring that the system is sustainable in the long run, with more efficient management of public pensions and improved monitoring arrangements, is underway with the support of the World Bank. The White Paper on pension reform was approved by Cabinet in October 2013 and will be tabled on December 17, 2013. The new public sector pension system is expected to be implemented by FY 2016/17.

Appendix V

GROWTH-ENHANCING REFORMS

The GOJ has been actively pursuing actions to promote economic growth through improvement to the business climate. The National Competitiveness Council, established to improve the business climate, has identified a number of key reforms, addressing the most critical constraints facing the private sector. In collaboration with the World Bank, the GOJ is addressing investment climate issues pertaining to construction permits, trading across borders, business registration, and paying taxes. The tracking system (AMANDA) will allow the GOJ to track approval of construction permits across all parish councils in Jamaica. With support from the IDB, land titling is being expanded under the Land Administration and Management Programme (LAMP). Under this programme, approximately 3,000 new titles were issued between 2011 and 2013.

Legislation to create a secured interest in personal property was passed in Parliament in December 2013. In addition, actions toward Parliamentary passage of an Insolvency Act are proceeding as planned, with the tabling of the Bill in December 2013. Steps have also been taken to implement the use of a multi-purpose registration instrument that will streamline the business registration process. Of note, plans to establish a Port Community System (PCS) to electronically integrate and streamline export and import procedures are underway. A phased roll-out of the PCS is expected to start in March 2014, with full implementation programmed for the end of FY 2015/16.

Strategic investments to establish Jamaica as a logistics hub are well underway**.** The 2015 expansion of the Panama Canal will create opportunities to establish Jamaica as a logistics hub. Several projects to support this initiative are underway, including: (1) phased development of the Caymanas Economic Zone; (2) privatization of the Kingston Container Terminal; and (3) privatization of the Norman Manley International Airport.

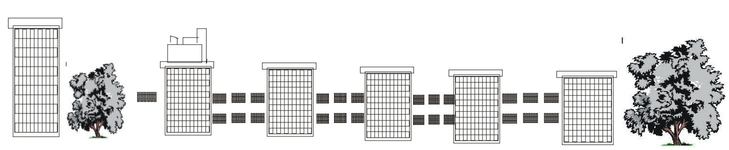
Several projects and initiatives to achieve fuel-source diversification, facilitate energy conservation, liberalize the electricity market and reduce the cost of energy are underway, with construction of a new 360 Megawatt Plant being the critical element of the medium-term energy strategy. Construction of the facility is slated to commence in January 2014, with completion expected in 2016. The operation of this plant is projected to reduce the cost of electricity and thereby address a major obstacle to economic growth in Jamaica.

Other important growth-enhancing reforms being undertaken include:

- An increase in financing to, and support for micro, small and medium-sized enterprises (MSMEs) - the roll-out of the mobile money initiative, aimed at providing greater access to financial services to underserved entities including MSMEs is expected to be completed by September 2014, while the Development Bank of Jamaica is rapidly expanding its credit to MSMEs.

- The new Agro Parks are contributing to an increase in agricultural production. So far, three Agro Parks have already been established while another four are expected to be in operation by March 2014, with two expected to start operation during FY2014/15.

- Labour market reforms, entailing the establishment of flexible work arrangements by end FY 2013/14.



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