GOVERNMENT OF JAMAICA

FISCAL POLICY PAPER FY 2014/15

17th April 2014

TABLE OF CONTENTS

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.

On April 18, 2013, the Minister duly complied with the requirements of the FAA Act by laying the FPP in Parliament. The Auditor General, as is required under the FAA Act, examined the components of the FPP and provided a report to the House.

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. An FPP Interim Report was tabled in Parliament on December 17, 2013 to satisfy this requirement.

Jamaica has experienced a high-debt low-growth cycle for a number of years, occasioned by persistent fiscal deficits, long-standing structural impediments to competitiveness and low resilience to macroeconomic shocks and natural hazards. The Government of Jamaica (GOJ) is unyieldingly committed to breaking this cycle through increasing competitiveness. For a small open economy like Jamaica, enhanced competitiveness is vital to generating robust economic growth. Enhanced competitiveness will require strong institutions, solid infrastructure, economic resilience and skilled human capital.

Empirical evidence points to a negative correlation between economic growth rates and public debt accumulation. When the dimension of expectations in a globalized world is added, it brings into sharp focus the need to sustain consistent and credible fiscal policies over time. The necessity of dealing with financial volatility in capital markets has compelled most economies, mainly emerging and developing economies, to embrace credibility through the adoption of measures aimed at strengthening the macroeconomic and fiscal fundamentals anchored by structural enhancements. It was within this context that the GOJ developed a sound and credible economic programme with the support of the International Monetary Fund (IMF) and other international development partners.

Just over a year ago, Jamaica was precariously positioned, facing major social and economic challenges, as demonstrated by anemic growth in national output, high fiscal deficits, large current account deficits, unsustainable public debt, growing unemployment and rising poverty levels. The public debt stock was over 135% of GDP, the Net International Reserves (NIR) were falling, negotiation of an arrangement with the IMF was protracted, multilateral funding for budget support was absent, business and consumer confidence was falling and the real economy was contracting.

Today, Jamaica has a medium term economic programme whose main objective is debt sustainability through fiscal consolidation and the creation of enabling conditions to generate meaningful economic growth. The IMF approved a four-year Extended Fund Facility (EFF) for Jamaica on May 1, 2013. The EFF evaluates Jamaica's performance through eleven quarterly quantitative performance criteria (QPCs) and a number of structural benchmarks as well as in addition to other commitments made by the GOJ under the programme. Two of the QPCs are monetary targets and nine are fiscal targets, inclusive of two indicative targets, namely the *Cumulative Floor on Central Government Tax Revenue* and the *Cumulative Floor on Central Government Social Spending.* So far, the country has successfully gone through three quarterly reviews by the IMF, meeting all the performance criteria and structural benchmarks. Approval of the EFF and the successful reviews, have to date enabled Jamaica to make four (4) drawdowns under the EFF for a total disbursement of US$345.8mn. Multilateral institutions, namely the IDB and World Bank, have also resumed budget support lending while the EU has resumed grant funding for budget support.

At the end of FY 2013/14 the Central Government recorded a fiscal surplus of 0.1% of GDP. This is the first fiscal surplus registered since FY 1995/96.

Review of Economic Performance

Fiscal operations remained quite resilient throughout FY 2013/14, with Central Government primary surplus and fiscal balance targets being surpassed. Central Government registered a fiscal surplus of 0.1% of GDP ($1,757.5mn) compared to the budgeted deficit of 0.5% of GDP ($8,045.0mn), while the primary surplus of 7.5% of GDP (111,677.1mn) was on track with the 7.5% ($111,520.9mn) targeted. The estimated overall deficit for the group of public bodies for FY 2013/14 was larger than programmed ($9,522.5mn versus budget of $1,365.5mn). However, the significantly better performance of the Central Government enabled a better than programmed out-turn on the overall public sector deficit.

The Debt/GDP ratio is moving in the targeted direction, falling by about 4% of GDP at the end of March 2014 to 131.9%, from the 135.6% a year earlier.

The economy registered positive real growth, though modest, for the September and December 2013 quarters, following consecutive quarters of decline since 2012. Real GDP growth is currently estimated at 0.9% for FY 2013/14. The Goods Producing industry is expected to expand by 2.6% while the Services industry is also expected to grow by 0.3%. The positive real GDP growth for FY 2013/14 reflects the impact of: (i) favourable weather conditions relative to the previous fiscal year; (ii) increased external demand for some Jamaican exports; and (iii) an expansion in residential and non-residential construction activities. Further growth was stymied by the lagged impact of adverse weather conditions, which constrained output during the first quarter of FY 2013/14, as well as weak domestic demand.

With respect to inflation, the outturn for the fiscal year is 8.1%, which is well below the 10.2% projected in the April 2013 FPP.

The NIR surged to US$1,303.6mn at the end of FY 2013/14, from the US$884.3mn at end-March 2013. This level of NIR surpassed the target established under the EFF. Of note, the current account deficit of the balance of payment (BOP) is estimated to have declined appreciably from 12.8% of GDP at March 2013 to 9.6% at March 2014.

Unemployment inched up from 14.0% at October 2013 to 14.9% at October 2014. Notably, however, is the fact that the unemployment rate has fallen over the last two survey periods, from 16.3% and 15.4% in April 2013 and July 2013, respectively indicating a declining trend since April 2013.

Strong Commitment to Fiscal Responsibility

In the FPP tabled in Parliament on April 18, 2013, and in the Interim Report tabled on December 17, 2013, the GOJ's unequivocal commitment to fiscal responsibility and prudence, and to act forthrightly to implement the various reforms required to improve public financial management was reaffirmed. The GOJ remains resolute on this stance of profound fiscal prudence. The path to recovery cannot be built on large fiscal deficits and growing debt. Debt service payments impede the public investments necessary to drive growth, and, impose a vicious stranglehold on our economy. Over the past two years, strong and deliberate actions to spur the process of recovery have been taken and the results so far have been positive. The medium term economic programme embedded in the EFF entails fiscal consolidation as one of its main pillars toward reducing the debt to sustainable levels and the GOJ has been resolute in its implementation of profound and credible fiscal policies.

Responsibility in fiscal management requires a structural change which presupposes well-planned and transparent actions to minimize risks and correct deviations, which may affect the sustainability of public finances over time. This responsibility entails strict adherence to targets and involves continuous monitoring of fiscal events and timely reporting of fiscal decisions and outcomes. The underlying theme is that indebtedness, in its many forms, represents the transfer of the responsibility for financing expenditure incurred during the current period, to the future.

Within this context, the policy decisions we take now as a Government, will not only be reflective of the immediate impact but will have due regard to the financial implications or burden for future generations. We recognize that the historical pattern whereby both high Central Government fiscal deficits and the recurrent assumption of contingent and direct liabilities of public bodies, financed by public debt and an increasing tax burden, is unsustainable. These alternatives have proved to be undesirable and have limited the country´s economic and social development. As such, the **Government's broad strategic priorities** from FY 2013/14 and through the medium term are **job creation, improved security and safety, human capital development, social inclusion, fiscal prudence and the pursuit of a credible economic programme.** These strategic priorities are being underpinned by efficient expenditure management, robust tax reform, profound pension reform, public sector transformation and reduction in corruption and waste.

These priority areas complement our unyielding commitment to reducing the debt to sustainable levels, generating adequate levels of national saving and for creating more fiscal space for the pursuit of public investment to support economic growth, poverty reduction and improvement in human welfare. This focus will help us as a country to provide the enabling environment for improving the quality of life thereby making ***Jamaica, the place of choice to live, work, raise families and do business.***

The FPP FY 2013/14 Interim Report mentioned a number of milestones reached during the fiscal year. It also provided a menu of notable economic, in particular fiscal, reforms that the GOJ was undertaking to bolster fiscal and debt sustainability and to transform the Jamaican economy. The reforms include: adoption of enhanced fiscal rules (which were approved by Parliament in March 2014); wide-ranging tax reform (the Blue-Print for tax reform was presented to the Tax Measures Committee of Parliament in February 2014); public sector (including pension) reform; public financial management reform and growth-enhancing reform. The GOJ will continue to implement these reforms as we strive to achieve the objectives of the economic reform programme and the goals of Vision 2030.

In the attached Fiscal Management Strategy (FMS), are targets for the Central Government's fiscal balance, primary balance, domestic and external debt, as well as guaranteed debt for FY 2013/14 – FY 2016/17. The fiscal accounts are compiled on a cash accounting basis. They are prepared to be consistent with the IMF Government Finance Statistics (GFS) guideline lines and accordingly treat receipts from divestment of assets "below the line" (that is divestment receipts are not recorded as revenue, but rather as financing). While the PBMA presents no explicit ceilings on the overall balances of public bodies, their budgets are being closely monitored to ensure that they remain in line with the targets in the economic programme. In fact, since FY 2010/11, following amendments to the PBMA Act, the level of Parliamentary scrutiny applied to public bodies has been broadly in line with that of the Central Government.

Economic Outlook

Jamaica's weak growth performance over the last four decades has led the country into unsustainable levels of borrowing. In maintaining the focus of making Jamaica, the place of choice to live, work, raise families and do business, the GOJ has embarked on an economic reform programme (ERP), which has as its primary goals: sustained economic growth; job creation; poverty reduction; and improved living standards. The GOJ is laying the foundation for the ERP by taking steps to significantly enhance fiscal governance, which will address the urgent need for the country to better manage its resources. The FMS outlines a number of key initiatives being implemented to enhance fiscal governance.

A critical ingredient of the ERP is the implementation of a growth strategy that involves (i) undertaking or promoting fundamental reforms of the business environment to allow for the unlocking of dynamic private enterprise and (ii) promoting private sector involvement and partnership in strategic areas of economic activity.

Several important steps have already been taken to achieve the objectives of the ERP. A major step was the presentation and execution of a credible budget for FY 2013/14. The construction of the FY 2014/15 Budget represents another step in the process. The GOJ remains firmly committed to reducing the Debt/GDP ratio to the agreed target under the EFF of 96% by the end of FY 2019/20. Adherence to this target for the Debt/GDP ratio is essential to maintaining a favourable trend in interest rates, increasing economic growth with job creation, supporting price stability and improving living standards. Thus, the established debt target is consistent with providing the enabling conditions for sustainable economic growth, while maintaining the current policy of fiscal discipline that seeks to eliminate Central Government deficit by FY 2015/16. In support of this objective, the annual primary surplus target for the FY 2014⁄15 - FY 2016⁄17 period remains at 7.5% of GDP.

Against the backdrop of the GOJ's broad strategic priorities, the quantitative targets agreed under the EFF, the macroeconomic assumptions outlined in the accompanying Macroeconomic Framework and the revenue and expenditure measures being implemented through the FY 2014/15 budget, the MOFP has developed the medium term fiscal and debt profile depicted in Table 1A.

Table 1A: Medium Term Fiscal & Debt Indicators

	Act.	Act.	Prov.	Budget	Proj	Proj
(J$mn)	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Revenue & Grants	322,149.8	344,677.7	397,178.2	427,888.5	451,558.5	493,553.1
of which Tax Revenue	*289,882.2*	*319,764.9*	*343,836.1*	*384,286.0*	*411,343.42*	*450,453.9*
Expenditure	403,122.2	399,278.9	395,420.7	439,282.6	447,867.8	465,920.6
of which Wages & Salaries	*139,556.9*	*147,381.8*	*156,361.7*	*161,704.3*	*161,321.1*	*176,224.2*
of which Interest	*120,635.0*	*126,937.7*	*109,919.5*	*132,669.1*	*130,116.8*	*119,907.5*
Cent Govt Fiscal Balance	**-80,972.4**	**-54,601.1**	**1,757.5**	**-11,394.1**	**3,690.9**	**27,632.6**
Cent Govt Primary Balance	**39,662.6**	**72,336.5**	**111,677.1**	**121,275.0**	**133,807.7**	**147,540.1**
Domestic Debt	912,642.3	1,008,348.5	1,024,515.2	1,096,484.5	1,114,948.9	1,105,573.9
External Debt	749,627.6	804,286.4	921,490.0	993,924.9	1,073,420.8	1,147,473.5
Total Debt	**1,662,269.9**	**1,812,634.9**	**1,946,005.2**	**2,090,409.4**	**2,188,369.7**	**2,253,047.3**
(% GDP)						
Revenue & Grants	25.6%	25.8%	26.9%	26.5%	25.3%	25.1%
of which Tax Revenue	*23.0%*	*23.9%*	*23.3%*	*23.8%*	*23.1%*	*22.9%*
Expenditure	32.0%	29.9%	26.8%	27.2%	25.1%	23.7%
of which Wages & Salaries	11.1%	11.0%	10.6%	10.0%	9.0%	9.0%
of which Interest	9.6%	9.5%	7.5%	8.2%	7.3%	6.1%
Cent Govt Fiscal Balance	**-6.4%**	**-4.1%**	**0.1%**	**-0.7%**	**0.2%**	**1.4%**
Cent Govt Primary Balance	**3.1%**	**5.4%**	**7.5%**	**7.5%**	**7.5%**	**7.5%**
Domestic Debt	72.2	75.5	69.4	67.8	62.5	56.2
External Debt	59.3	60.2	62.5	61.5	60.2	58.3
Total Debt	**131.5**	**135.6**	**131.9**	**129.3**	**122.7**	**114.5**

Source: MoFP

The medium term fiscal profile reflects a trend reduction in the Wages/GDP ratio to the 9.0% ceiling by FY 2015/16 and reflects:

- no increase in Central Government employment levels;
- payment of annual performance increments of 2.5%;
- implementation of the second and third phases of the health sector reclassification, in FY 2014/15 and FY 2015/16, respectively;
- the agreement signed with unions in March 2013 for no increase in wage rates through to FY 2014/15 and a one-off annual payment of $25,000 to each public sector worker for each year of the 2012 - 2015 contract periods;
- settlements reached with some groups such as the Fire Service, Education Officers, and expectations of settlements with other groups such as Correctional Officers, Legal and Medical Officers; and
- continuing the policy of job attrition involving only filling posts that are deemed critical.

In keeping with the commitment to reform the current tax system, based on the principles of equity, simplicity, transparency and efficiency, the GOJ implemented a revenue positive reform package in June 2012 with an estimated yield to $16,590.0mn (1.2% GDP). In February 2013, the GOJ announced another tax reform package with estimated yield of $15,900.0mn (1.1% of GDP), with some components taking effect in March 2013 and others in April 2013, to allow for a full year's effect in FY 2013/14. The accompanying FMS provides more information on the performance of revenue, including of the new measures implemented toward the end of FY 2012/13.

The FPP FY 2013/14 Interim Report tabled in Parliament on December 17, 2013 indicated that revenue and grants were running behind target and that expenditure adjustments were being undertaken to meet the critical primary surplus target for FY 2013/14. Further, the Interim Report indicated that in light of that trend, achievement of the 7.5% primary surplus target for FY 2014/15 would require additional fiscal effort of $9,272.8mn. With revenue and grants registering a greater shortfall than anticipated, the GOJ made further reductions to planned expenditure for FY 2013/14 and FY 2014/15.

In an effort to sustain the debt reduction trajectory through maintenance of the fiscal consolidation thrust with primary surplus of 7.5% of GDP, another revenue package, predicated on the need to ensure revenue adequacy, will be implemented in FY 2014/15. The new revenue measures, with projected yield of $6,685.0mn are summarized in Table 1B and further details are provided in a Ministry Paper to be tabled on April 17, 2014.

In addition to these measures, it is important to note that The Public Bodies (Financial Distribution) Regulations 2012, passed by both Houses of Parliament in March 2012, provides for the distribution of profit or surplus from public bodies to the Consolidated Fund to support the government's fiscal consolidation thrust. For FY 2013/14, an amount of $484.8mn was distributed to the Consolidated Fund in addition to the transfer of $11,400.0mn from the National Housing Trust (NHT). Programmed transfers from public bodies to the Consolidated Fund for FY 2014/15 amounts to $12,291.2mn, inclusive of the $11,400.0mn from the NHT. The programmed transfer from the NHT of $11,400.0mn annually is a temporary measure through the 4-year period FY 2013/14 - FY 2016/17.

The policy measures implemented over the last two fiscal years, and to be implemented in FY 2014/15 are expected to be adequate to achieve the medium term fiscal targets. These measures, which are critical to meeting the stated fiscal objectives, are founded on the principles of sound fiscal management in that they will have the effect of delivering lasting benefits and have proven so far to be quite effective in: reducing the fiscal deficit; reducing the debt burden on the citizens; and supporting adequate levels of national savings. Further, the reduction in debt and debt servicing costs resulting from these measures should provide more fiscal space to support proper maintenance of the GOJ's physical assets and facilitate moderation of cyclical fluctuations in economic activity, as appropriate. Nevertheless, as was the case in FY 2013/14 when revenue fell below programmed levels, should there be any unforeseen fallout in programmed revenue and/or increased expenditure requirements, the GOJ stands ready to make the necessary adjustments and take the requisite measures to correct any fiscal imbalance that may emerge.

The priorities, objectives and policies enunciated in this Fiscal Responsibility Statement are consistent with those in other GOJ documents and in the EFF. It is important however to note some variances with respect to presentations, as follows:

(i) The total debt shown in Table 1A and the remainder of this FPP refers to the stock of public debt directly contracted by the Central Government, Bank of Jamaica debt and Government guaranteed external debt. The stock of debt reported in the EFF includes Central Government debt, Government guaranteed external debt, Government guaranteed domestic debt and debt of the PetroCaribe Development Fund (PCDF). The debt of the PCDF is not a direct debt of the GOJ and so is not included in the FPP reported stock of debt; except for the amounts contracted from the PCDF by the Central Government. As a result of the difference in coverage, the total debt at the end of FY 2013/14 as presented in this FPP is approximately 8% of GDP less than that reported in the EFF.

(ii) The revenue and grant figures for FY 2013/14 in this FPP represent actual collections by revenue departments/agencies. However, the revenue data contained in the Financial Statements and Revenue Estimates represent transfer from the revenue departments/agencies to the Consolidated Fund. Transfers to the Consolidated Fund may differ from actual revenue collections because of a lag between receipt of revenue and the physical transfer of such revenue to the Consolidated Fund. The fiscal and primary balances shown in Table 1A and the remainder of the FPP are compiled based on actual revenue collections.

(iii) The expenditure outturn for FY 2013/14 shown in Table 1A and upon which fiscal and primary balances are computed is based on actual cash expenditure for the fiscal year. These differ from those shown in the Financial Statements & Revenue Estimates and the Estimates of Expenditure, which reflect figures from the First Supplementary Estimates. In particular, not all the amounts provided for in the First Supplementary Estimates were spent, thus actual expenditure for FY 2013/14 as reported in the Fiscal Responsibility Statement was less than the amount allocated.

Fiscal Risks

Beyond the revenue and expenditure estimates, and their comparison with the previous year's results, the FMS also includes a Fiscal Risk assessment, which evaluates contingent liabilities and other risks that may affect the fiscal accounts but due to the uncertainty as to their actual occurrence, are not budgeted. The various contingent liabilities presented may also contribute to an increase in the debt stock. Thus, although the medium term fiscal programme contemplates and requires an elimination of Central Government budget deficit and reduction in the Debt/GDP and Wages/GDP ratios, these efforts could be thwarted if contingent liabilities and other fiscal risks are not properly managed.

Table 1B: Revenue Measures

Revenue Measures (Tax and Non-Tax) and Associated Estimated Revenue Yield	Estimated Revenue/Gain (Cost) $mn	Implementation Date
Modification of the alcohol tax regime to unify the Specific SCT on all alcoholic beverages at $1,120 per litre of pure alcohol	**844.0**	April 22, 2014
Increase in age limit of second sale vehicles on which GCT will be applicable (from 8 to 10 years)	**26.0**	April 1, 2014
Introduction of a Financial Transactions Tax	**2,250.0**	June 1, 2014
Increase in premium tax for regionalized and non-regionalized Life Assurance Companies (up to 5.5%):	**276.0**	May 1, 2014
Increase investment tax for insurance companies from 15 per cent to 20 per cent	**701.0**	May 1, 2014
Increase in the Asset Tax	**1,788.0**	As per the year of assessment, 2014
Modification of the duty regime for specified motor vehicles	**250.0**	May 1, 2014
Redirecting portion of SCT from the Road Maintenance Fund to Central Government	**1,200.0**	May 1, 2014
Increase in the Annual General Personal Income Tax Threshold to $557,232.0	**(650.0)**	January 1, 2015
TOTAL	**6,685.0**	

Source: MoFP

The FY 2014/15 Central Government budget includes contingency provisions as follows:

(i) interest payments on guaranteed loans of $8,088.9mn, up from $7,241.7mn in FY 2013/14;
(ii) amortization (principal) payments on guaranteed loans of $6,152.7mn;
(iii) Liability management of the external debt - amortization (principal) payments of $17,238.0mn and interest payments of $1,723.8mn
(iv) $20,581.4mn, for:
  (a) public sector wage restraint 2012-2015 agreement for $3,340.0mn;
  (b) salary arrears (back pay) and outstanding settlements of $7,401.5mn, inclusive of $4,000.0mn for the final tranche of the 7.0% payment and amounts for firemen, legal officers and medical officers;
  (c) $2,333.3mn for the second tranche of health sector reclassification;
  (d) $1,506.6mn to cover outstanding bills, including $1,200.0mn for electricity; and
  (e) $6,000.0mn for GCT on purchase of goods and services by the Central Government.

On the revenue side, the GOJ intends to eliminate the stock of outstanding withholding tax refunds (over 90 days) over the next four years and as such the fiscal profile entails payment of withholding tax refunds at an average rate of $1,000.0mn monthly from FY 2014/15 (this amount includes outstanding refunds plus obligations that will arise during the course of the year).

The maintenance of responsible fiscal policy in respect of revenue and expenditure is essential for the achievement of the fiscal and debt targets established under the EFF. Thus, it is of utmost importance that revenue and expenditure measures which have deleterious fiscal effects are not adopted without the implementation of offsetting measures. Decisions to incur obligatory expenditure ahead of the budget being approved, such as expenditure associated with employment of staff, have been a notable source of fiscal risks in the past. The risk is especially amplified if the effects of such decisions will cover several fiscal years into the future. The Government will be quite vigilant to prevent such occurrences. In this regard, Regulations which were first approved by Parliament in March 2012 to, firstly, mitigate these occurrences and secondly, impose sanctions for any such breach will be strengthened during FY 2014/15. Ministries, Departments and Agencies will need to recognize that the approach being adopted toward enhanced fiscal governance represents a major game changer with respect to public financial management practices and in light of the firm commitment to achieve the fiscal and debt targets any decision to incur additional expenditure can only be accommodated through imposition of expenditure cuts in other areas, or the raising of additional revenue.

Similarly, any policy decision that results in revenue foregone will, of necessity, be accompanied by an estimate of the budgetary/financial impact in the fiscal year it becomes effective and in subsequent years, as well as by compensating measures. This is important, as foregoing revenue could jeopardize the achievement of fiscal and debt targets and, by extension, development of the country.

It is worthwhile to emphasize that both the fiscal deficit and the public debt will depend directly on the macroeconomic assumptions considered, such as: inflation, exchange and interest rates; external and domestic demand; and the price of oil and other key commodities. Simulations have been conducted on the trajectory of the debt, which show that the target is attainable in the medium term, based on maintenance of the agreed primary surplus, as well as the forecasts for economic growth, inflation, interest and exchange rates. It is also important to emphasize that the macroeconomic forecasts are not commitments of the economic policy and, accordingly, they may change over time. However, in so far as there are deviations in macroeconomic variables, these will invariably affect fiscal outcomes and influence countercyclical fiscal policy.

Fiscal Responsibility with Flexibility

Whereas the fiscal framework is concerned with fiscal equilibrium over time, it is desirable that it allows for flexibility for special situations in order to provide the necessary adjustments to economic cycles. The preservation of fiscal equilibrium is not incompatible with cyclical fluctuations in economic activity and disruptions related to public disaster, national emergency, or a financial sector crisis that have a severe impact on fiscal operations. The fiscal framework allows for adjustments to targets, with the approval of Parliament, under the aforementioned circumstances.

The enhanced Fiscal Rules provide for a notional account into which deviations from fiscal targets will be deposited. This particular element of the enhanced fiscal governance framework becomes effective in FY 2017/18. The Rules will also allow for an automatic correction should deviations get to a pre-defined threshold. The legislation also includes provisions for suspension of the Rules under specific circumstances and with authentication from the Auditor General and approval of Parliament. Further details on the enhanced Fiscal Rules are provided in Appendix VII.

Positive economic growth creates a condition for revenue buoyancy. This makes it easier to achieve the fiscal and debt targets, and, at the same time, creates less of a demand by the citizens on the Government. During a recession, however, there are pressures for the State to provide fiscal stimuli and engage in expansionary fiscal policy. Reconciling economic growth and fiscal balance is not only desirable, it is necessary for the very survival of the fiscal operations.

The propositions presented here are consistent with the novel conceptual framework of the FRF, with respect to the control of public debt and the requirement for public sector solvency. The international experience has demonstrated that countries facing similar problems have gained credibility and achieved fiscal objectives by adopting a well-designed FRF, underpinned by transparency and fiscal rules, and espousing the following fundamental principles to which we sincerely commit:

- prevention of high and recurrent fiscal deficits, by striking the balance between the citizen's aspirations towards public expenditures and the resources available for financing them;
- targeting of public debt at prudent levels, compatible with revenues and public assets, while providing a safety margin to absorb the effects of contingent liabilities and other fiscal risks;
- adoption of a reasonable tax burden and a stable tax policy;
- preservation of public assets, including their proper maintenance, at a level compatible with the role assigned to the State; and
- transparency in the production and dissemination of documents concerning the budget, its execution and accounting.

Conclusion

I am confident that the economic programme on which the administration has embarked will help to establish a solid foundation for sustained economic growth with job creation. The administration fully understands the tight fiscal situation and recognizes that the programme of economic transformation will be a challenge for all of us. Jamaica's prospects for a bright future depend on the success of this economic reform programme. The Government has a responsibility to ensure a safe and stable environment that will allow individuals to use their talents to create wealth. Such an environment requires a responsible Government, not a profligate one burdening the population with debt and taxes. This is why strong implementation of tax, pension and public sector reforms, intensifying efforts toward divestment of some public sector assets, accelerating the growth agenda and moderating the growth in the cost of government are so critical for the future. The enhanced fiscal rules will help to lock in the gains from the fiscal consolidation efforts from which benefits are already accruing. These measures are important not just for meeting targets established under the country's economic programme with the IMF but more importantly for moving the country toward sustained growth and development.

The world has changed dramatically, particularly since the beginning of this century and we must change if we are to survive, grow and create wealth for our people. The pattern of consumption will have to be financed by what the country earns not by what it borrows. Only by reducing and eliminating the deficit, thereby allowing us to pay down and move the debt to sustainable levels will we be able to make the much needed investments in national security, education, public health and infrastructure. Jamaica is now moving in the right direction. We are going for growth and we will stay the course.

In this Fiscal Responsibility Statement, I hereby declare that, in pursuing the policy objectives of the Government, I will adhere to the principles of prudent fiscal management and seek to manage financial risks accordingly. In so doing, I hereby attest to the reliability, accuracy and completeness of the information contained in this Fiscal Policy Paper and its compliance with fiscal responsibility principles.

Peter D. Phillips, PhD, MP
Minister of Finance and Planning
April 17, 2014

Part 2

MACROECONOMIC FRAMEWORK

Overview of Macroeconomic Developments FY 2013/14

Background

The macroeconomic programme for FY 2013/14 was structured within the context of the broad strategic priorities of the Government of Jamaica (GOJ). These included economic growth, price stability and job creation, predicated on prudent fiscal management and structural reforms aimed at improving efficiency. Assessment of the performance of the Jamaican economy during FY 2013/14 will entail a review of the developments in the real sector, labour market, monetary sector and external sector. Table (2a) below provides a summary of the macroeconomic performance of Jamaica for FY 2012/13 - FY 2013/14, based on the outturn for the relevant sectors.

Table 2A: Summary of Economic Performance

	Unit	FY 2012/13	FY 2013/14
Real GDP Growth Rate	%	-0.7	0.9
Inflation (Annual Pt to Pt)	%	9.1	8.1
Broad Money Growth	%	13.3	10.9
Unemployment Rate (Oct.)	%	14.0	14.9
Exchange Rate (average)	J$=US$1	91.17	103.87
Treasury Bill (average 6-month)	%	6.77	8.03
Current Account/GDP	%	-12.8	-9.6
Net International Reserves (NIR)	US$mn	884.3	1,303.6
Gross Reserves (Goods & Services Imports)	Weeks	12.1	14.9
Fiscal Accounts			
Central Gov't Fiscal Balance	%GDP	-4.0	0.2
Central Gov't Primary Balance	%GDP	5.3	7.5
Public Sector Balance	%GDP	-4.5	0.4
Debt Stock	%GDP	135.6	131.9

Source: MoFP/BoJ

Jamaica has for many years operated under the burden of a heavy debt. This has impeded the country’s progress by crowding out public investment which is necessary to create an enabling environment to drive economic growth. In an effort to return the debt to a more sustainable level over the medium term, the GOJ entered an arrangement with the International Monetary Fund (IMF) for a four-year Extended Fund Facility (EFF). The approval of the EFF has had a catalytic influence on other multilateral inflows. These developments, together with the improving global economic conditions, have positively impacted the performance of the Jamaican economy during FY 2013/14.

REAL SECTOR DEVELOPMENTS

FY 2013/14 Estimated Performance[1]

Real GDP growth of 0.9% is estimated for FY 2013/14. The Goods Producing Industry, which accounts for the larger share of increased economic activities, is estimated to expand by 2.6%. The Services industry is also expected to grow, by 0.3%. GDP projections for FY 2013/14 reflect the anticipated impact of: (i) favourable weather conditions relative to the previous fiscal year in which output was impacted by the effects of Hurricane Sandy and drought conditions; (ii) increased external demand for some Jamaican exports; and (iii) an expansion in residential and non-residential construction activities. Further growth was stymied by the lagged impact of adverse weather conditions, which constrained output during the first quarter of the fiscal year, as well as weak domestic demand.

Within the Goods Producing Industry, all industries, with the exception of Manufacturing, are expected to record higher value-added. The Mining & Quarrying industry is estimated to have recorded the largest increase (7.5%), brought about by a rise in the production of alumina and bauxite, due to increased global demand. The Agriculture, Forestry & Fishing industry is estimated to have grown by 4.9%, predicated mainly on higher output of Domestic Crops and Traditional Export Crops, reflecting a recovery from weather related shocks which impacted the industry during the preceding fiscal year. The industry should benefit from an increase in domestic crop output from the seven agro parks in operation. Growth in Construction was facilitated by increased building construction and civil engineering activities. Building construction was influenced by an expansion in residential construction in addition to a rise in hotel construction and renovation projects. Increased civil engineering activities were associated with work on the North-South leg of Highway 2000, the generation and distribution of electricity and the production of water. Contraction in the Manufacturing industry reflected declines in domestic and international demand for manufactured items.

The Hotel & Restaurant industry is projected to record the largest absolute increase, 2.4%, of all Service industries. This outturn will be influenced by growth in stopover arrivals facilitated by increased airline seats. Supported by growth in tourism, Other Services is expected to increase by 0.6%. Increased real value-added in the Transport, Storage & Communication industry will be driven mainly by growth in the Communication segment of the industry. This is linked mainly to competition in the telecommunications industry which resulted in lower rates and facilitated an increase in the number of minutes sold. Growth of 0.4% is expected for the Finance & Insurance Services industry, spurred by an increase in total assets at deposit-taking institutions, a rise in net interest income and higher revenue generated from fees and commission.

[1] This estimate is based on two official quarterly out-turn published by STATIN and two quarterly estimates produced by the PIOJ.

Table 2B: Change in Real Value Added by Industry at Constant (2007) Prices (%)

	FY 2012/13 Actual	FY 2013/14 Projection
GOODS PRODUCING INDUSTRY	**-3.0**	**2.6**
Agriculture, Forestry & Fishing	-2.8	4.9
Mining & Quarrying	-9.8	7.5
Manufacturing	-1.6	-0.4
of which: Food, Beverages & Tobacco	*-0.4*	-0.5
Other Manufacturing	*-3.1*	-0.3
Construction	-2.6	2.5
Services Industry	**-0.1**	**0.3**
Electricity & Water Supply	-2.4	-1.0
Transport, Storage & Communication	0.7	0.4
Wholesale & Retail Trade; Repair and Installation of Machinery	-1.4	0.1
Finance & Insurance Services	0.8	0.4
Real Estate, Renting & Business Activities	-0.2	0.3
Producers of Government Services	-0.1	-0.4
Hotels and Restaurants	0.9	2.4
Other Services	1.0	0.6
Less Financial Intermediation Services Indirectly Measured (FISIM)	-2.7	0.1
Total GDP At Basic Prices	**-0.7**	**0.9**

Source: PIOJ

Labour Market Developments

Data from the October 2013 Labour Force Survey, conducted by the Statistical Institute of Jamaica (STATIN), indicated that the Total Labour Force grew by 1.6% between October 2012 and October 2013. This equated to an increase of 20,900 persons, up from 1,283,900[2] in October 2012 to a total of 1,304,800 in October 2013. Compared to the numbers reported for January 2013, the Total Labour Force for October 2013 increased by 7,200 persons, representing growth of 0.6%.

Total employment reported for October 2013 was 1,110,700 compared to 1,104,000[3] for October 2012. The 0.6% increase in total employment reflected, primarily, an increase in male employment by 6,400 (1.0%) as there was only a negligible increase of 300 (0.1%) in female employment. The most significant

---

[2] Revised from 1,261,100 previously reported for October 2012

[3] Revised from 1,088,200 previously reported for October 2012

increase in employment occurred in the industry group 'Health and Social Work' which rose by 8,400 persons (32.1%) from 26,200 in October 2012 to 34,600 in October 2013. The industry group 'Other Community, Social and Personal Service Activities' experienced the largest decline in employment of 6.1% – reducing from, 63,600 to 59,700 persons. The unemployment rate, based on the results of the October 2013 Labour Force Survey, increased by 0.9 percentage points, climbing to 14.9% from the 14.0%[4] reported for October 2012. The Male unemployment rate was reported to be 10.6%, while the female unemployment rate was 20.0%. The Labour Force Survey revealed that the unemployment rate for the age group 14-24 years was 37.7% for October 2013. This reflected an increase of 3.0 percentage points relative to the 34.7% for October 2012. Within this age group, the male unemployment rate for October 2013 was 31.4% compared to 46.2% for females.

There were 774,300 persons classified as being outside the labour force in October 2013, which is 15,200 persons (1.9%) less than the 789,500 reported for October 2012. This suggests that more people were actively seeking employment.

Over the period October 2012 to October 2013 the data showed an increase in the unemployment rate for two consecutive three-month periods: end-October 2012 to end-January 2013 and end-January 2013 to end-April 2013. The unemployment rate over the October 2012 to October 2013 period peaked at 16.3% in April 2013, subsequently declining for the end-April 2013 to end-July 2013 three-month period and again for the end-July 2013 to end-October 2013 period. The movement in the unemployment rate over the period is illustrated below.

Source: STATIN

[4] Revised from 13.7% previously reported for October 2012

Monetary Development

On February 25, 2013, the Bank of Jamaica reduced its monetary policy signal rate - the interest rate payable on its 30-day Certificate of Deposit (CD) - by 50 basis points, from 6.25% to 5.75%. This was informed by the favourable outlook for inflation and the generally weak economic conditions that persisted. The reduction followed an earlier fall in interest rates on selected Government of Jamaica (GOJ) securities during the National Debt Exchange (NDX) which also took place in February 2013. The 30-day monetary policy signal rate was maintained by the Bank at 5.75% during FY 2013/14, within the context of marginal improvements in economic conditions and continued positive outlook for inflation. The local currency cash reserve and liquid asset requirements were also maintained at 12.0% and 26.0% respectively, while the rate on the Bank's overnight instrument remained at 0.25%.

Along with its regular suite of instruments, the Bank offered a number of special instruments to primary dealers and commercial banks to augment its liquidity management. These instruments included Variable Rate Certificates of Deposit (VR CDs) and USD Indexed Bonds of varying tenors. Liquidity in the financial system during FY 2013/14 was relatively tight and concentrated. Consequently, the Bank provided liquidity to the system through a series of repurchase agreements. Additionally, the Bank introduced the Standing Liquidity Facility (SLF) in December 2013 to provide assurance of overnight liquidity support. Under the SLF, deposit-taking institutions (DTIs) have automatic access to overnight liquidity by way of overnight repurchase agreements.

The monetary base changed from $91.3bn at the beginning of FY 2013/14 to $103.6bn at the end of December 2013, an expansion of $12.3bn (13.5%). This increase was lower than the $14.0bn (16.7%) reported for the corresponding period of the previous fiscal year. The magnitude of the expansion in the monetary base over the period resulted from the combined effect of an increase in the Net International Reserves (NIR) and a decline in Net Domestic Assets (NDA). The NIR increased by $15.4bn (18.5%), primarily reflecting loan inflows from the IMF under the four year Extended Fund Facility (EFF), while there was a reduction in NDA of $3.1bn (38.0%).

Inflation

For the fiscal year to February 2014 inflation was 7.2%, based on movements in the All Jamaica 'All Divisions' Consumer Price Index (CPI). The inflation level for the corresponding period of FY 2012/13 was 6.8%. The inflation outturn for the 2013 calendar year was 9.7%, relative to the 8.0% recorded for 2012. Inflation for FY 2013/14 is estimated at 8.1%.

The overall level of inflation for the fiscal year to February 2014 was primarily the result of movements in the two most heavily weighted divisions: 'Food and Non-Alcoholic Beverages' and 'Transport', which increased by 6.3% and 19.0%, respectively. Higher prices for processed foods and domestic agricultural commodities were mainly responsible for the increase in the 'Food and Non-Alcoholic Beverages' division while the hike in bus and taxi fares during the second quarter of the fiscal year contributed significantly to the upward movement in the 'Transport' division. Over the period, the only division that experienced a decline was 'Communication', which fell by 4.3%. In addition, the inflation outturn for the fiscal year to date was impacted by a 8.3% increase in the 'Furnishing, Household Equipment and Routine Household Maintenance', reflecting the impact of the approximate 12.0% increase in the National Minimum Wage which took effect on January 6, 2014.

The main sources of inflationary pressure during the 2013/14 fiscal year to February 2014 included: drought conditions during the first quarter which adversely affected agricultural prices; administrative increases granted by the Office of Utilities Regulation (OUR) for bus fares in the second quarter as well as for water and sewage during the third quarter; and the increase in the National Minimum Wage in

January 2014. The pass-through effect of continued depreciation of the local currency and increases in imported oil prices also contributed to inflationary pressure. The pass-through effect from the currency depreciation was, however, moderated by persistent weak domestic demand conditions.

Exchange Rate

For FY 2013/14 the weighted average selling rate of the US dollar increased to J$103.87 = US$1 from J$91.17 = US$1 at end-March 2013, reflecting an overall depreciation of 12.2% for the review period. The value of the Jamaica dollar depreciated by 4.1% during the March 2014 quarter. The depreciation of the Jamaica dollar during FY 2013/14 was largely due to continued weak net private capital (NPC) flows.

The pace of depreciation slowed in November 2013 and December 2013, and was in the context of seasonally higher net demand for foreign currency to satisfy higher current account transactions, and concentration of supplies in a few entities. Against this background, there was an estimated increase in NPC flows.

Between 2010 and 2012, there was an appreciation in the real effective exchange rate (REER) which signified an overall loss in external competitiveness. Since FY 2012/13, there has been a change in this trend thereby enabling an improvement in the country's competitiveness.

External Sector Developments

The Current Account recorded a deficit of US$668.0mn for the first half of FY 2013/14, improving by US$358.5mn when compared to the deficit of US$1,026.5mn for the corresponding period of FY 2012/13. While all the sub-accounts improved, the Goods sub-account was primarily responsible for the amelioration of the Current Account.

The Goods sub-account improved by US$275.6mn to a deficit of US$1,860.3mn, relative to the deficit of US$2,135.9mn recorded for the first half of FY 2012/13. A larger decline in imports than the corresponding decline in exports accounted for the improvement in the Goods balance for the first half of FY 2013/14. Imports fell by US$368.4mn relative to the corresponding period of FY 2012/13, due mainly to a reduction in the importation of Chemicals and Mineral Fuel; while exports declined by US$92.8mn, resulting chiefly from a decrease in the export of Chemicals, in particular ethanol.

The balance on the Services sub-account improved by US$7.9mn, reflecting the net effect of increases in net transportation and personal, cultural and recreational service flows during the June quarter followed by declines in insurance and pension services as well as travel services for the September quarter.

The Primary Income sub-account balance improved by US$9.9mn for the first half of FY 2013/14, primarily reflecting increases in net investment income flows. Similarly, the Secondary Income sub-account balance improved by US$65.2mn for the review period, primarily reflecting increases in net Private Transfer flows.

In contrast, the balance on the Capital Account deteriorated by US$8.9mn to a deficit of US$20.8mn for the first half of FY 2013/14, relative to the deficit of US$11.9mn recorded for the corresponding period of FY 2012/13. The combined balance on the Current and Capital Accounts yielded a net borrowing of US$688.8mn, representing an amelioration of US$349.7mn, relative to the equivalent period of FY 2012/13.

The Financial Account balance deteriorated by US$12.7mn, reflecting net borrowing of US$668.3mn for the first half of FY 2013/14 compared to the US$655.6mn recorded for the corresponding period of FY 2012/13. The largest contributor to this net borrowing position was Other Investments, which had a net borrowing balance of US$656.3mn.

Flows from official and private sources for the first half of FY 2013/14 were not sufficient to finance the net deficit on the Current and Capital Accounts. As a result, the NIR declined by US$4.9mn.

Table 2C: Balance of Payments for the First Half of FY 2013/14: April - September 2013

Balance of Payments (US$MN)	FY 2012/13 Apr - Sept	FY 2013/14 Apr - Sept	Change
Current Account Balance	**-1026.5**	**-668.0**	**358.5**
Credits	3459.0	3473.0	14.0
Debits	4485.4	4141.0	-344.4
Goods & Services	-1833.0	-1549.6	283.4
Credits	2151.6	2022.8	-128.8
Debits	3984.6	3572.5	-412.1
Goods	-2135.9	-1860.3	275.6
Exports	845.2	752.4	-92.8
Imports	2981.1	2612.7	-368.4
Services	302.8	310.7	7.9
Credits	1306.4	1270.5	-35.9
Debits	1003.6	959.8	-43.8
Primary Income	-217.3	-207.4	9.9
Credits	141.5	237.3	95.8
Debits	358.7	444.7	86.0
Secondary Income	1023.8	1089.0	65.2
Credits	1165.9	1212.9	47.0
Debits	142.0	123.8	-18.2
Capital Account	**-11.9**	**-20.8**	**-8.9**
Credits	12.7	3.6	-9.1
Debits	24.6	24.4	-0.2
Net lending (+) /net borrowing (-) (balance from current and capital account)	**-1038.5**	**-688.8**	**349.7**
Financial Account Net lending (+) /net borrowing (-) (balance from financial account)	**-655.6**	**-668.3**	**-12.7**
Direct Investment	-161.6	-91.7	69.9
Net acquisition of financial assets	-44.7	0.1	44.8
Net incurrence of liabilities	116.9	91.8	-25.1
Portfolio Investments	328.2	78.5	-249.7
Net acquisition of financial assets	73.0	162.6	89.6
Net incurrence of liabilities	-255.2	84.1	339.3
Financial derivatives	-58.0	6.1	64.1
Net acquisition of financial assets	-29.5	51.8	81.3
Net incurrence of liabilities	28.6	45.7	17.1
Other Investments	-241.1	-656.3	-415.2
Net acquisition of financial assets	-103.7	-224.0	-120.3
Net incurrence of liabilities	137.4	432.3	294.9
Reserve Assets	-523.1	-4.9	
Net Errors and Omissions	382.9	20.5	

Source: BOJ

The Commodities Market

The IMF's January 2014 Commodity Market Monthly report indicated that commodity prices increased by 0.8% during CY 2013. Energy prices increased by 3.0%; metal prices decreased by 7.0%, due to continued increase in new capacity; agriculture prices decreased by 2.0%, largely owing to a 26.0% reduction in cereal prices due to recovery in output from the CY 2012 drought; and seafood prices increased by 47.0% against strong demand. For the first three months of 2014, the April 2014 Commodity Market Monthly is reporting a 0.7% reduction in commodity prices. This reflects reductions of 8.0% and 2.0% in metal and energy prices respectively, and a 6.0% increase in agriculture prices.

The BOJ is estimating an inflation rate of 8.1% for FY 2013/14, with outturn for the March 2014 quarter expected to be approximately 1.4%. The Bank's perceived risks for the final quarter of FY 2013/14 remains balanced, with the likelihood of upside risks coming from the possibility of higher prices of imported commodities, particularly crude oil (Box A), as well as the possibility of stronger than expected pass-through of exchange rate depreciation. Downside risks could result from lower than expected international oil and grain prices as well as further declines in real wages, which could constrain spending.

Box A: International Commodity Prices

Jamaica remains a price taker for a variety of internationally traded primary commodities (Table 2D) such as alumina, coffee, cocoa and sugar which are important foreign exchange earners for Jamaica. At the same time, Jamaica spends considerable amounts of foreign exchange on commodities such as oil, soybean, corn/maize and wheat.

The prices of soybean meal and maize/corn are of critical importance to Jamaica as these are some of the main inputs in animal feed, especially poultry feed. Poultry (chicken meat) is heavily weighted in the Consumer Price Index (CPI) basket and movements in the prices of inputs for poultry feed impact inflation in Jamaica. Crude oil prices are also critical as it affects every aspect of the production process in Jamaica, mainly via electricity costs and gas at the pumps. When the dimension of adverse J$/foreign currency movements is added, it brings into sharp focus the need to sustain relative stability in the foreign exchange market.

Table 2D: International Commodity Prices

Commodity	Unit	Avg. Prices Apr-Mar 2012/13	Avg. Prices Apr-Mar 2013/14	% Change
Cocoa	Cents per Kg.	234.4	262.47	12.0
Coffee, Arabica	Cents per Kg.	376.14	322.57	-14.2
Soybean meal	$/mt	496.33	484.46	-2.4
Maize/Corn	$/mt	305.27	235.21	-22.9
Wheat, US, HRW	$/mt	323.9	306.15	-5.5
Sugar, EU, domestic	Cents per Kg.	57.93	58.30	0.6
Sugar, World	Cents per Kg.	44.21	38.02	-14.0
Crude Oil	US$ per Barrel	92.02	99.04	7.6
Aluminum	US$/Tonne	1977.72	1773.80	-10.3

Source: IMF Primary Commodity Prices

Macroeconomic Outlook FY 2013/14 to FY 2016/17

The outlook for the Jamaican economy over the medium term has been enhanced by the current Extended Fund Facility with the International Monetary Fund. The four-year EFF, approved on May 1, 2013, has been providing much needed support to Jamaica's economic programme which aims to improve fiscal operations, reduce the heavy debt burden, and place the country on a path of sustainable growth. Although successfully implementing the agreed structural reforms and meeting the required quantitative targets under the IMF programme for the first three reviews, growth forecasts are moderate as the economy remains vulnerable to adverse macroeconomic shocks and natural hazards.

The Medium Term Macroeconomic Profile displayed in Table 2E outlines the key macroeconomic projections that will inform the development of the Estimates of Revenue and Expenditure and, by extension, the debt trajectory over the medium term (FY 2014/15 – FY 2016/17). This macroeconomic profile, however, is not static given that the economic variables may be impacted by variations in fiscal policy as well as other associated economic outcomes.

Table 2E: Medium Term Macroeconomic Profile

Macroeconomic Variables	Fiscal Years 2011/12 Actual	2012/13 Actual	2013/14 Est.	2014/15 Proj.	2015/16 Proj.	2016/17 Proj.
Nominal GDP (J$bn)	1,260.0	1,336.3	1,475.4	1,617.0	1,784.1	1,967.2
Nominal GDP growth rate (%)	7.5	6.1	10.4	9.6	10.3	10.3
Real GDP growth rate (%)	0.9	-0.7	0.9	1.4	1.8	1.9
Inflation: Annual Pt to Pt (%)	7.3	9.1	8.1	8.5	8.0	8.0
Interest Rates:						
30-day repo rate (end-period)	6.25	5.75	5.75			
180-day Treas. Bill (end-period)	6.47	6.22	9.25			
180-day Treasury Bill (avg.)	6.50	6.60	7.92			
Avg. Exchange Rate (J$=US$1)	86.37	91.17	103.87			
NIR(US$mn)	1777.1	884.3	1303.6	1453.0	1612.6	1761.3
Current Account (% GDP)	-14.8	-12.8	-9.6	-8.2	-7.2	-6.2
Oil Prices (WTI) (avg US$/barrel)	97.3	92.1	98.4	93.0	93.0	93.0

Source: GOJ/BOJ

Supported by the Extended Fund Facility as well as by improving external conditions, the economy is estimated to have grown by 0.9% for FY 2013/14 relative to the 0.7% contraction for FY 2012/13. The outlook is for continued positive growth over the medium term with the economy forecasted to grow by 1.4%, 1.8% and 1.9% for FY 2014/15, FY 2015/16 and FY 2016/17, respectively.

The outturn for inflation is estimated at 8.1% for FY 2013/14, 1.0% lower than the 9.1% outturn for FY 2012/13. This level of inflation is projected to increase marginally to 8.5% in FY 2014/15, then decline to 8.0% in FY 2015/16 and FY 2016/17.

In comparison to US$884.3mn at the end of FY2012/13, the NIR increased to US$1,303.6mn at end-March 2014, bolstered by inflows from the IMF and other multilateral institutions, as well as GOJ revenue and purchase from the market. Based on the expected multilateral support under the four-year EFF, alongside capital market flows and regular purchase from the market, the medium term forecast is for continued growth in the NIR with projections of US$1,453.0mn, US$1,612.6mn and US$1,761.3 for FY2014/15, FY2015/16 and FY2016/17 respectively.

The current account balance is projected to record a deficit of 9.6% of GDP for FY 2013/14, an improvement over the 12.8% deficit recorded for FY 2012/13. The improvement in the current account balance as a percentage of GDP is forecasted to continue over the medium term, based on expectations of continued reduction in imports and projections for growth in GDP. The balance on the current account is expected to decline to 6.2% of GDP by FY 2016/17.

The implementation of enhanced fiscal rules during FY 2014/15 is expected to strengthen fiscal transparency, ensure a sustainable budgetary balance and secure the gains of fiscal consolidation. Consequently, the expectation is for a sustainable reduction in the public debt to GDP to the agreed target of 96% by FY 2019/20.

JAMAICA: PROJECTED REAL SECTOR PERFORMANCE FY 2013/14 TO FY 2016/17

Medium term (FY 2013/14 – FY 2016/17) prospects for the Jamaican economy are positive. The projections are predicated on, *inter alia*, the macroeconomic programme supported by an Extended Fund Facility with the IMF as well as the continued implementation of the Growth Agenda, which has as its main elements: fiscal consolidation, structural/business reforms, strategic private/public investments, and social protection and transformation. Combined, these initiatives are expected to address the binding structural constraints to growth and achieve sustainable economic growth with greater social equity. Additional developments expected to positively influence the economy are, an uptick in the pace of global economic progress through higher levels of industrial production and consumer demand, and, favourable commodity prices.

It is important to be cognizant of the downside risks to the projections presented. Among them is a lower than anticipated growth of the global economy associated in part with the projected slowing in major Emerging Market Economies, particularly China. Economic activity in China is expected to be moderated amidst deliberate attempts to rebalance growth away from investment and towards consumption. This is expected to decrease Chinese demand and pose a challenge to other Emerging Market Economies, particularly those dependent on exports. Downside risks to Jamaica's economic performance also include the threat of weather-related shocks which would detract from growth.

Table 2F: Projected Change in Value Added by Industry at Constant (2007) Prices (%)

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
	PIOJ's Estimates			
GOODS PRODUCING INDUSTRY	**2.6**	**2.6**	**2.8**	**3.3**
Agriculture, Forestry & Fishing	4.9	4.0	4.1	4.9
Mining & Quarrying	7.5	3.0	4.0	4.5
Manufacture	-0.4	0.7	1.0	1.2
of which: Food, Beverages & Tobacco	-0.5	0.5	0.8	1.0
Other Manufacturing	-0.3	1.0	1.2	1.4
Construction	2.5	3.5	3.5	4.4
SERVICES INDUSTRY	**0.3**	**0.9**	**1.4**	**1.5**
Electricity & Water Supply	-1.0	1.7	2.5	3.0
Transport, Storage & Communication	0.4	1.2	2.2	2.8
Wholesale & Retail Trade; Repair and Installation of Machinery	0.1	0.6	1.0	1.2
Finance & Insurance Services	0.4	1.0	1.7	1.8
Real Estate, Renting & Business Activities	0.3	1.0	1.2	1.3
Producers of Government Services	-0.4	-0.5	-0.5	-0.8
Hotels and Restaurants	2.4	3.5	4.5	5.5
Other Services	0.6	1.6	1.8	2.0
Less Financial Intermediation Services Indirectly Measured (FISIM)	0.1	0.0	1.0	1.4
TOTAL GDP AT BASIC PRICES	**0.9**	**1.4**	**1.8**	**1.9**

Source: PIOJ

FY 2014/15 Projected Performance

For FY 2014/15, the Jamaican economy is expected to record a 1.4% increase in real GDP. This performance is based on projected increases of 2.6% and 0.9% in the real value added of the Goods Producing and Services Industries. Expected increases in economic activity are predicated on the combined effect of: (i) an uptick in global economic activities which would augur well for Jamaican export industries; (ii) strengthened investor confidence consequent on the continued robust implementation of the macroeconomic programme under the EFF; (iii) favourable weather conditions which would facilitate improved agricultural production; (iv) the impact of business environment reforms and strategic investment projects; and (v) improved linkages within the economy, due in part to the depreciation of the Jamaican dollar.

Growth in the Goods Producing Sector is expected to be supported by improved performances of industries. Increased agricultural output (up 4.0%) is projected to be higher due mainly to the Agro Parks which will be at a greater level of development compared with the previous fiscal year. These parks are geared towards stabilizing the supply chain, thereby facilitating import substitution. Real value added of the Mining & Quarrying industry is expected to increase by 3.0% due to continued uptick in global industrial production and the associated increased demand for alumina and bauxite. In the case of the Construction sector, continued road construction (highways), new hotels construction as well as the programmed construction of several energy plants are expected to boost performance and result in a 3.5% increase in real value added.

For the Services Sector, all industries with the exception of Government Services are expected to record increases. Significant increases are expected for: Hotels & Restaurants (3.5%) and Electricity & Water Supply (1.7%). Higher value added in the Hotel & Restaurant industry is expected to be boosted by increased visitor arrivals consequent on continued marketing, particularly in new markets, and an increase in room stock. The anticipated performance of the Electricity & Water Supply industry is based on increased consumption associated with the general uptick in economic activities. Growth of 1.2% in the Transport, Storage & Communication industry is predicated on an expansion in transport activities, associated with a strengthening of trade, including a rise in exports of alumina and bauxite, combined with continued competition in the telecommunication sector.

FY 2015/16 Projected Performance

Real GDP growth of 1.8% is projected for FY 2015/16. With the exception of Government Services, all industries are expected to record increased value added. Among the industries expected to fuel growth during the fiscal year are:

- Agriculture, Forestry & Fishing – due to gains from the full establishment of nine Agro Parks by end FY 2014/15 as well as the expanded use of technology and best practices.
- Mining & Quarrying – expected to be derived from a general uptick in global demand which will result in an expansion in the demand for bauxite and alumina exports. The implementation of an energy solution is also expected to positively influence the industry.
- Construction – associated with increased infrastructural activities, in particular road maintenance and construction, and residential and hotel construction. This industry is also expected to be boosted by continued construction of the combined cycle electricity plants and the renewable energy plants.
- Hotels & Restaurants – predicated on increased visitor arrivals from both main and new market sources. This will be facilitated by an increase in the room capacity and continued marketing of the tourism product.

FY 2016/17 Projected Performance

Economic growth of 1.9% is projected for FY 2016/17. It is anticipated that this performance will reflect continued strengthening of most industries. Robust global economic activity is expected to cause an increase in the demand for Jamaican exports and result in increased activity in the Mining & Quarrying; Transport & Communication; and Hotel & Restaurant industries. Increased economic activity and consumer demand within the domestic environment should lead to: increased electricity consumption, resulting in an expansion in the Electricity & Water industry; an expansion in the demand for goods, resulting in growth in the Wholesale & Retail Trade; Repair & Installation of Machinery.

THE INTERNATIONAL ENVIRONMENT

The IMF's World Economic Outlook for April 2014 reported an uptick in global activity and world trade during the second half of 2013 owing largely to higher inventory demand in advanced economies. Of note, the strongest impact was due to stronger than expected growth in the United States economy which experienced stronger export growth and temporary increases in inventory demand. In addition, export rebounded in emerging market economies, while, with the exception of China, domestic demand remained subdued.

Improvements in global activity are expected to continue in 2014 and 2015, largely reflecting recovery in advanced economies. Global growth is projected at 3.6% for 2014, followed by growth of 3.9% in 2015. Growth in advanced economies is expected to strengthen moderately to 2.2% in 2014 followed by 2.3% in 2015, capitalizing on gains in the second half of 2013. Growth in emerging market and developing economies is expected to remain robust, increasing to 4.9% in 2014, and to 5.3% for 2015.

The IMF's Commodity Price Outlook and Risks Reports (March 2014) indicated that most commodity prices are expected to remain flat or decline during 2014. Oil prices are expected to decline, reflecting increases in non-OPEC supplies and possible recovery from outages in OPEC nations. Prices of natural gas are expected to remain flat throughout the summer and autumn and rise thereafter, reflecting normal seasonal trends. Copper and gold futures prices are, however, expected to remain flat.

Prices of several food products, namely coffee and wheat are expected to increase in 2014. The expected increase in coffee prices are due to weather-related supply concerns surrounding the Brazilian harvest, mainly affecting the Arabica variety; while reduced exports from Canada and Argentina, as well as supply concerns resulting from tensions between Russia and Ukraine are expected to cause increases in wheat prices.

PART 3

FISCAL MANAGEMENT STRATEGY

CENTRAL GOVERNMENT OPERATIONS FY 2013/14

BACKGROUND

The Central Government budget for FY 2013/14 was formulated within the context of the GOJ's medium term economic programme, embedded in the Extended Fund Facility (EFF) with the International Monetary Fund, to increase and maintain the primary surplus at 7.5% of GDP over the medium term. This requirement to maintain the primary surplus at 7.5% of GDP is consistent with reducing the public debt to 96.0% of GDP by the end of FY 2019/20.

The FY 2013/14 budget targeted 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 were projected at $407,160.3mn with "above-the-line" expenditure (excluding amortization payments) budgeted at $415,206.1mn.

Expenditure

The Central Government expenditure budget of $415,206.1mn comprised $370,484.3mn for recurrent items and $44,721.8mn for spending on capital programmes.

Of the recurrent allocation, wages and salaries accounted for $157,253.6mn, which represents 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 for public servants;

- new rates and retroactive payments for Education Officers;

- new rates for reclassified health-sector workers; and

- a $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 6.4% of GDP in FY 2012/13. 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.

Revenue and Grants

The revenue and grants budgeted for FY 2013/14 represented 27.3% of GDP, a 1.8 percentage point increase over the 25.5% in FY 2012/13**.** Tax revenue was budgeted to increase by 12.7% ($40,752.7mn) over collections in FY 2012/13 (Table 3A). 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.

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 was 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 (JCA) 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 contributors to this expected increase were the programmed transfer of $11,400.0mn from the National Housing Trust (NHT) to the Consolidated Fund and receipts of $4,942.2mn for new license fees from the telecommunications sector.

The budgeted Grant inflows of $9,422.3mn represented a 139.1% increase over receipts in FY 2012/13, due mainly to the projected increase of $5,550.4mn in budget support from the European Union (EU).

Table 3A: FY 2013/14 Revenue Forecast

	2012/13	2013/14	% Change
Revenue & Grants	**344,668.4**	**407,160.3**	**18.1**
Tax Revenue	319,764.9	360,517.6	12.7
Non-tax Revenue	18,783.6	34,553.2	84.0
Bauxite Levy	1,163.7	1,540.2	32.4
Capital Revenue:	1,015.8	1,127.0	11.0
Grants	3,940.5	9,422.3	139.1

Source: MoFP

FISCAL OUTTURN

Provisional data indicates that Central Government operations generated a primary surplus of $111,677.1mn (Table 3B), or 7.5% of GDP for FY 2013/14, thereby meeting the performance criterion under the EFF of $111,520.9mn (7.5% of GDP). The fiscal balance returned a surplus of $1,757.5mn (0.1% GDP) compared to the budgeted deficit of $8,045.8mn, or 0.6% of GDP. The significance of this outturn is that the Central Government was able to generate a fiscal surplus two years ahead of the balance budget timeline of March 2016 which had been established as a fiscal rule under the 2010 amendments to the FAA which established the Fiscal Responsibility Framework[5].

[5] See Appendix VII for the enhanced fiscal rules which repealed this target.

Table 3B: Central Government Summary Accounts
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	**397,178.2**	**407,160.3**	**-9,982.1**	**-2.5%**	**344,677.7**	**52,500.5**	**15.2%**
Tax Revenue	343,836.1	360,517.6	-16,681.5	-4.6%	319,764.9	24,071.2	7.5%
Non-Tax Revenue	41,047.1	34,553.2	6,493.9	18.8%	18,765.1	22,282.0	118.7%
Bauxite Levy	1,009.5	1,540.2	-530.7	-34.5%	1,163.7	-154.2	-13.3%
Capital Revenue	658.1	1,127.0	-468.9	-41.6%	1,015.8	-357.7	-35.2%
Grants	10,627.4	9,422.3	1,205.1	12.8%	3,968.3	6,659.1	167.8%
Expenditure	**395,420.7**	**415,206.1**	**-19,785.4**	**-4.8%**	**399,278.9**	**-3,858.2**	**-1.0%**
Recurrent Expenditure	360,248.9	370,484.3	-10,235.3	-2.8%	361,521.0	-1,272.0	-0.4%
Programmes	93,967.7	93,664.2	303.5	0.3%	87,201.5	6,766.2	7.8%
Wages & Salaries	156,361.7	157,253.3	-891.7	-0.6%	147,381.8	8,979.9	6.1%
Interest	109,919.5	119,566.8	-9,647.2	-8.1%	126,937.7	-17,018.1	-13.4%
Domestic	68,728.9	75,523.1	-6,794.2	-9.0%	87,729.1	-19,000.2	-21.7%
External	41,190.6	44,043.6	-2,853.1	-6.5%	39,208.6	1,982.0	5.1%
Capital Expenditure	35,171.8	44,721.8	-9,550.1	-21.4%	37,757.9	-2,586.2	-6.8%
Fiscal Balance (Surp+/Def-)	**1,757.5**	**-8,045.8**	**9,803.4**	**121.8%**	**-54,601.1**	**56,358.7**	**-103.2%**
Loan Receipts	**94,290.6**	**103,279.6**	**-8,989.0**	**-8.7%**	**144,347.1**	**50,056.6**	**-34.7%**
Domestic	40,119.9	13,777.5	26,342.4	191.2%	134,070.2	93,950.4	-70.1%
External	54,170.7	89,502.1	-35,331.4	-39.5%	10,276.9	43,893.8	427.1%
Project Loans	10,377.2	13,134.1	-2,756.8	-21.0%	10,276.9	100.3	1.0%
Other	43,793.5	76,368.0	-32,574.5	-42.7%	0.0	43,793.5	0.0%
Amortization	**106,640.2**	**105,680.4**	**959.8**	**0.9%**	**88,329.8**	**18,310.3**	**20.7%**
Domestic	76,604.4	76,387.4	217.0	0.3%	37,094.8	39,509.6	106.5%
External	30,035.8	29,293.0	742.8	2.5%	51,235.0	21,199.2	-41.4%
Overall Balance (Surp+/Def-)	**-10,592.0**	**-10,446.6**	**-145.4**	**1.4%**	**1,416.2**	**-12,008.2**	**-847.9%**
Primary Balance (Surp+/Def-)	**111,677.1**	**111,520.9**	**156.1**	**0.1%**	**72,336.5**	**39,340.5**	**54.4%**

Source: MoFP

Revenue and Grants

Revenue and Grants totalled $397,178.2mn, a shortfall of $9,982.1mn (2.5%) against the target. All categories with the exception of Non-tax revenue and Grants performed below target. Despite falling short of target, Revenue and Grants in FY 2013/14 increased by $52,500.5mn (15.2%) over receipts in FY 2012/13, representing a real increase of about 7.0%. Tax Revenue (7.5%), Non-tax Revenue (118.7%) and Grants (167.8%) registered increases over last fiscal year. On the other hand, Capital Revenue and Bauxite Levy declined by 35.7% and 13.3%, respectively.

Tax Revenue

Tax Revenue collections totalled $343,836.1mn, a shortfall of $16,681.5mn or 4.6% against the amount budgeted (Table 3D). The shortfall was influenced by lower collections from most tax types.

The main tax types that contributed to the tax revenue shortfall in absolute terms were: SCT Imports ($4,493.5mn), Customs Duty ($3,333.1mn), PAYE ($3,233.1mn), GCT Imports ($2,655.5mn) Other Companies/Corporate Income Tax (1,853.3mn), and Stamp Duty Local ($1,845.6mn). The significant shortfalls arose largely from:

- significantly lower than budgeted collections from administrative/compliance activities;
- faster than programmed decline in imports (Table 3C);
- reduced employment in some sectors of the economy;
- lower than programmed inflation; and
- underperformance of some of the new measures implemented in March 2013 and April 2013.

Table 3C: Performance of Selected Economic Indicators

FY 2013/14	Budget	Prov. Outturn
Inflation (%) point to point	10.2	8.1
Core Imports (% change)	-2.6	-5.2
Oil Price (WTI) (avg. US$/barrel)	95.1	98.4

Source: MoFP

Table 3D: Central Government Revenue Details 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	**398,459.9**	**407,160.3**	**-9,982.1**	**-2.5%**	**344,677.7**	**52,500.5**	**15.2%**
Tax Revenue	**343,836.1**	**360,517.6**	**-16,681.5**	**-4.6%**	**319,764.9**	**24,071.2**	**7.5%**
Income and profits	112,647.7	119,153.6	-6,505.9	-5.5%	115,877.1	-3,229.4	-2.8%
Bauxite/alumina	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other companies	35,154.8	37,008.1	-1,853.3	-5.0%	35,798.0	-643.2	-1.8%
PAYE	62,810.7	66,043.8	-3,233.1	-4.9%	60,876.3	1,934.4	3.2%
Tax on dividend	1,687.5	2,736.5	-1,049.0	-38.3%	1,664.2	23.3	1.4%
Other individuals	4,162.3	5,089.0	-926.7	-18.2%	4,022.4	139.9	3.5%
Tax on interest	8,832.4	8,276.2	556.1	6.7%	13,516.2	-4,683.8	-34.7%
Environmental Levy	2,084.2	2,346.1	-261.9	-11.2%	2,122.1	-37.9	-1.8%
Production and consumption	115,212.3	117,089.7	-1,877.3	-1.6%	96,459.9	18,752.4	19.4%
SCT	12,313.8	12,754.4	-440.6	-3.5%	12,457.3	-143.5	-1.2%
Motor vehicle licenses	2,595.6	2,320.6	274.9	11.8%	2,184.2	411.4	18.8%
Other licenses	360.5	345.7	14.8	4.3%	342.9	17.6	5.1%
Betting, gaming and lottery	2,455.7	3,740.0	-1284.2	34.3%	1,915.0	540.7	28.2%
Accommodation Tax	1,717.7	1,264.6	453.1	35.8%	610.2	1,107.5	181.5%
Education Tax	18,103.8	19,272.7	-1,168.8	-6.1%	15,038.7	3,065.1	20.4%
Telephone Call Tax	6,539.8	5,697.1	842.7	14.8%	3,822.5	2,717.3	71.1%
Contractors levy	991.5	1,427.3	-435.8	-30.5%	1,293.4	-301.9	-23.3%
GCT (Local)	61,265.1	59,552.8	1,712.3	2.9%	50,897.1	10,368.0	20.4%
Stamp Duty (Local)	8,868.9	10,714.5	-1,845.6	-17.2%	7,898.6	970.3	12.3%
International Trade	113,891.8	121,928.2	-8,036.4	-6.6%	105,305.7	8,586.1	8.2%
Custom Duty	25,559.3	28,892.4	-3.333.1	-11.5%	24,413.7	1,145.6	4.7%
Stamp Duty	1,945.5	1,821.7	123.8	6.8%	1,672.2	273.3	16.3%
Travel Tax	9,187.0	6,865.0	2,322.0	33.8%	5,396.6	3,790.4	70.2%
GCT (Imports)	51,237.5	53,893.0	-2,655.5	-4.9%	45,501.2	5,736.3	12.6%
SCT (Imports)	25,962.5	30,456.1	-4,493.5	-14.8%	28,322.0	-2,359.5	-8.3%
Non-Tax Revenue	**41,047.1**	**34,553.2**	**6,493.9**	**18.8%**	**18,765.1**	**22,282.0**	**118.7%**
Bauxite Levy	**1,009.5**	**1,540.2**	**-530.7**	**-34.5%**	**1,163.7**	**-154.2**	**-13.3%**
Capital Revenue	**658.1**	**1,127.0**	**-468.9**	**-41.6%**	**1,015.8**	**-357.7**	**-35.2%**
Grants	**10,627.4**	**9,422.3**	**1,205.1**	**12.8%**	**3,968.3**	**6,659.1**	**167.8%**

Source: MoFP

Income and Profits

The Income and Profit tax category is traditionally the largest tax category, averaging approximately 40.0% of total taxes over the last 10 years. This situation was, however, reversed in FY 2013/14, as the contribution from the Income and Profit category fell behind both the Production and Consumption and International Trade categories to 32.7% of total taxes. Total collection from Income and Profit taxes in FY 2013/14 was $112,647.7mn, a shortfall of $6,505.9mn, or 5.5% against budget. While Tax on Interest was above budget, all the other items registered significant shortfalls. Collections from Tax on Interest were ahead of target by $556.1mn (6.7%) as less than expected receipts arising from below-programmed interest costs were offset by lower payment of refunds.

Receipts from PAYE amounted to $62,810.7mn, which were $3,233.1mn (4.9%) less than budgeted. Reduced employment in some sectors of the economy (unemployment was 14.9% at October 2013 compared to 14.0% at October 2012), lower than expected collection from compliance effort and less than budgeted wages for the fiscal year, negatively affected PAYE. Based on the Labour Force Survey for October 2013, major sectors that reported decline in employment relative to October 2012 were *Wholesale & Retail, Repair of Motor Vehicle & Equipment* (down 4.2%); *Agriculture, Hunting, Forestry & Fishing (down 2.3%) and Public Administration & Defence (down 3.1%).*

Other Companies (Corporate taxes) performed below budget with collections of $35,154.8mn falling short by $1,853.3mn (5.0%), mainly due to lower than targeted flows from administrative efforts. Receipts from Other Individuals/self-employed amounted to $4,162.3mn, a shortfall of $926.7mn (18.2%). Similar to Corporate taxes, the underperformance of Other Individuals resulted largely from lower than budgeted collections from administrative efforts.

With respect to Tax on Dividend, collections totalled $1,687.5mn, which were $1,049.0mn (38.3%) less than the amount budgeted. This shortfall arose as companies had declared dividends earlier than anticipated, during the previous fiscal year, to avoid the increased rate from 5.0% to 15.0%, effective April 2013. Tax on Dividend in FY 2012/13 was actually 42.9% higher than budgeted, due to the earlier than anticipated declaration of dividends.

In addition to falling short of budget, Income and Profit taxes were $3,229.4mn (2.8%) less than in FY 2012/13. This decline occurred as reduced collections from Tax on Interest (less by $4,683.8mn) and Other Companies (less by $643.2mn) outweighed increases in the other tax items. Significantly lower interest costs arising from the NDX and higher payment of refunds, contributed to the decline in Tax on Interest, while in FY 2012/13 Other Companies were buoyed by a significant increase in the collection of arrears. Of note, PAYE increased by $1,934.4mn (3.2%) over collections in FY 2012/13, due largely to the increase in the government's wage bill.

Production and Consumption

Production and Consumption taxes totalled $115,212.3mn, falling behind budget by $1,877.3mn or 1.6%. While a number of items surpassed budget, these were outweighed by shortfalls in other tax types, most notably Stamp Duty, Betting, Gaming & Lottery (BGL), Education Tax and Contractors Levy.

Education Tax, which fell short of budget by $1,168.8mn (6.1%), was impacted by the same factors that resulted in lower PAYE collections (lower than anticipated wage payment and compliance). In addition, the revenue yield from the increase in the Education Tax rate in April 2013 was less than the $2,800.0mn projected.

With respect to BGL, collections of $2,455.7mn were $1,284.2mn (34.3%) less than budgeted as the budgeted receipts from the proposed new measures were not realized. The budget anticipated additional inflows of $1,500mn from amendments to the fee structure and gross profit tax for the BGL sector, effective April 1, 2013. However, the amendments were not implemented as originally proposed due to setbacks in passage of the legislation, resulting in lower than budgeted yield from the sector. The requisite legislation is expected to be in effect during FY 2014/15, which should contribute to improved revenue collections.

Collections from the Stamp Duty and Transfer Tax fell $1,845.6mn below budget to total $8,868.9mn. Similar to the experience of BGL and Education Tax, the projected yield (2,000.0mn) from the one percentage point increase in the Stamp Duty and Transfer Tax rates on April 1, 2013 did not materialize.

Contractors Levy totalled $991.5mn, a shortfall of $435.8mn (30.5%) against budget. The shortfall emanated largely from the slower than anticipated pick up in construction activity during FY 2013/14.

Of note, GCT, Telephone Call Tax (TCT) and the Accommodation Tax exceeded budget by $1,712.3mn (2.9%), $842.7mn (14.8%) and $453.1mn (35.8%), respectively. All three tax types were positively impacted in FY 2013/14 by the carry-over of collections that were programmed for March 31, 2013 but with that date falling on a weekend, the due date for payment was extended to April 2, 2013. As was reported in the April 2013 FPP, this factor also contributed to shortfalls in these three tax types in FY 2012/13.

In comparison to collections in the previous fiscal year, receipts from Production and Consumption taxes increased by $18,752.4mn (19.4%), representing an increase in real terms of over 11.0%. The most significant contributors to this increase in absolute terms were:

- GCT ($10,368.0mn or 20.4%);
- Education Tax ($3,065.1mn or 20.4%);
- Telephone Call Tax ($2,717.3mn or 71.1%);
- Accommodation Tax ($1,107.5mn or 181.5%);and
- Stamp Duty ($970.3mn or 12.3%).

The considerable increase registered by the Telephone Call Tax and Accommodation Tax is largely due to the fact that these taxes started in July 2012 and October 2012, respectively, and, accordingly, the figures for FY 2012/13 do not reflect a full year's collection, unlike for FY 2013/14. At the same time, the introduction of new revenue measures in FY 2013/14, albeit with lower yields than expected, contributed significantly to increased collections for GCT, Education Tax and Stamp Duty.

International Trade

Receipts from International Trade taxes amounted to $113, 891.8mn, a shortfall of $8,036.4mn (6.6%) against budget. All sub-categories with the exception of Travel Tax and Stamp Duty registered shortfalls. The shortfalls arose mainly from a sharper than budgeted reduction in imports (Table 3C).

Travel Tax receipts totalled $9,187.0mn, an increase of 33.8% over budget. This considerable increase was due mainly to improved compliance in the collection of the air passenger levy, including collection of arrears. The levy was introduced in September 2012 but underperformed during the first few months of implementation as some airlines did not remit the collections in a timely manner. In FY 2013/14, the

Jamaica Customs Agency moved aggressively against airlines that have been delinquent in remitting taxes due to the GOJ, resulting in improved compliance and increased inflows.

SCT collections of $25,962.5mn fell short of budget by $4,493.5mn, or 14.8%. A significant contributor to the shortfall was a sharp decline in importation of tobacco products arising from the ban on cigarette smoking in public spaces. Lower than programmed importation of motor vehicles, especially new motor vehicles, and refined petroleum products also led to the shortfall in SCT collections. The shortfall in receipts from imported refined petroleum was, however, compensated for with increased SCT collections from refining/production of petroleum products by Petrojam.

Custom Duty and GCT collections fell below budget by $3,333.1mn (11.5%) and $2,655.5mn (4.9%), respectively. In addition to the sharper than budgeted reduction in imports, Custom Duty and GCT were also impacted by lower than programmed collections from compliance/administrative improvements.

Despite the shortfall against budget, collections from International Trade taxes increased $8,586.1mn (8.2%) over the previous fiscal year. The increased collections stemmed from new revenue measures implemented toward the end of FY 2012/13, as well as the depreciation in the value of the Jamaica dollar, which outweighed the decline in the US dollar value of imports. All tax types registered increases over FY 2012/13, with the exception of SCT, which declined by $2,359.5mn (8.3%) mainly due to the significant reduction in importation of tobacco products and motor vehicles.

Environmental Levy

The Environmental Levy performed below expectations as total collections of $2,084.2mn were $261.9mn (11.2%) short of budget. In comparison to the previous fiscal year, collections declined by $37.9mn (1.8%). Similar to International Trade taxes, lower import values contributed to the underperformance of the Environmental Levy.

Other Revenue

Non-tax Revenue

Non-tax revenue totalled $41,047.1mn, which was $6,493.9mn (18.8%) higher than the amount budgeted. The Customs Administration Fee (CAF) accounted for approximately 35.0% of this over-performance.

Collections from the CAF totalled $11,200.0mn, an increase of $2,315.6mn (26.1%) over the amount budgeted. On April 1, 2013, the CAF was introduced to supplant the Customs User Fee (CUF) and other fees that previously applied at Jamaica Customs Department and this measure has contributed to the improved revenue performance.

Also contributing to the higher Non-tax revenue intake were unprogrammed receipts of $5,475.0mn and $1,533.0mn from telecommunications companies Digicel and LIME, respectively. These payments were for renewal of the respective telecommunications licenses ahead of schedule. The earlier renewal of the licenses compensated for the fallout of programmed receipts of $4,942.2mn, which were budgeted from the auction of spectrum bands but for which no bids were received.

The Consolidated Fund also received significant transfers and distributions from MDAs and public bodies during FY 2013/14. These transfers and distributions contributed to the buoyant Non-tax revenue flows, including from FINSAC, BGL Commission, as well as the programmed $11,400.0mn from the NHT. As a result of these inflows, alongside the receipts from the telecommunications sector and the notable performance of the CAF, Non-tax revenue increased by 118.7% over collections in FY 2012/13.

Capital Revenue

Capital revenue receipts totalled $658.1mn, which was $468.9mn (41.6%) below budget. Lower than budgeted collections from loan repayments and royalties from the bauxite/alumina sector contributed most significantly to the shortfall. Compared to the budgeted amount of $766.9mn, royalties from the bauxite/alumina sector are estimated at $559.9mn, a shortfall of $207.0mn due to lower than projected output by the sector.

Bauxite Levy

Receipts from the Bauxite Levy amounted to $1,009.5mn, a shortfall of $530.7mn (34.5%) against the budget. The shortfall stemmed from a combination of lower than anticipated aluminium prices on the London Metal Exchange (LME), as well as below programmed bauxite production. The average LME price for aluminium was about 12.0% less than budgeted for FY 2013/14 while total bauxite production was approximately 8.0% below the level budgeted. Bauxite Levy receipts for the Central Government fell $154.2mn (13.3%) below collections in FY 2012/13, due partly to lower prices.

Grants

Grant receipts for FY 2013/14 of $10,627.4mn surpassed the budgeted amount by $1,205.1mn (12.8%). The increase in Grants was due to the receipt of unprogrammed budget support inflows from the European Union (EU), which outweighed shortfall in Grants for capital programmes that stemmed from the slower than planned execution of capital spending. Grants, from the EU, in the form of budget support were programmed at $5,550.4mn however actual inflows amounted to $8,018.6mn, $2,468.2mn more than programmed.

Expenditure

Provisional expenditure for FY 2013/14 (excluding amortization) totalled $395,420.7mn, which was $19,785.4mn (4.8%) less than the original budget. This reduction against budget resulted mainly from a combination of significant saving in interest costs, a strategic adjustment to non-debt (primary) expenditure in light of the revenue shortfall, and slower than programmed execution of some investment projects. Non-debt (primary) expenditure was $10,235.3mn (2.8%) less than 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 was on the capital side of the budget, which was $9,550.1mn or 21.4% less than programmed.

Notwithstanding the lower primary expenditure relative to budget, the GOJ was able to maintain its commitment to protect specified social spending, consistent with the requirement under the EFF. Spending in these social areas for FY 2013/14 was in line with the established floor of $20,700mn. Additionally, 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.

Recurrent Expenditure

Recurrent expenditure for FY 2013/14 totalled $360,248.9mn, which was $10,235.3mn (2.8%) less than budget and $1,272.0mn (0.4%) below the previous fiscal year. Lower interest payments, particularly on the domestic side, were primarily responsible for the reduced recurrent expenditure.

Recurrent Programmes

Spending on Recurrent Programmes of $93,967.5mn was in line with budget. Increased spending in some areas was effectively offset by reduction and containment in other areas. There were increased payments for travelling, purchase of goods and service, and higher utility costs, including payments associated with reducing electricity arrears. On the other hand, saving of $1,800.0mn was realized from lower than programmed pension costs. This allocation was provided for in the budget to facilitate pension payments to persons employed in the tax departments, consequent on the establishment of Tax Administration Jamaica (TAJ) as a Semi-Autonomous Revenue Authority (SARA) and Jamaica Customs Agency, as an executive agency. However, these payments were not made in FY 2013/14 due to administrative delays.

Recurrent Programmes in FY 2013/14 was $6,766.2mn (7.8%) higher than the previous fiscal year, representing a marginal reduction in real spending.

Wages and Salaries

Wages and Salaries for FY 2013/14 totalled $156,361.7mn, which was broadly in line with budget, falling by just $891.7mn (0.6%), as the actual payments from some settlements were slightly less than the amount budgeted. The actual pay-out for the one-off payment of $25,000.00 to public sector workers was $2,549.6mn compared to the budgeted $2,781mn, while the cost for implementing the first phase of the health sector reclassification amounted to $2,083.0mn, compared to the $2,333.3mn that was budgeted.

Compared to last fiscal year, spending on Wages and Salaries in FY 2013/14 increased by $8,979.9mn (6.1%) due mainly to:

- the $25,000.00 one-off payment to most public sector workers;
- implementation of the first phase of the health sector reclassification;
- payment of performance increments;
- payment of new rates and, in some instances, arrears, for previous outstanding settlements to some groups, including education officers, medical officers, fire fighters and the judiciary; and
- costs associated with a Book/Software Grant to teachers.

This containment in the wage bill kept the Wages/GDP ratio at the programmed 10.6% for FY 2013/14, a notable reduction from the 11.0% in FY 2012/13 and on track to satisfy the legislated (FAA Act) requirement of 9.0% by March 2016[6].

[6] This fiscal target remains as part of the enhanced fiscal rules legislated in March 2014.

Interest Payments

Interest costs of $109,919.5mn was $9,647.2mn (8.1%) less than the amount budgeted with saving reflected on both the domestic and external side. Domestic Interest payments totalled $68,728.9mn (less by $6,794.2mn or 9.0%) while External Interest payments amounted to $41,190.6mn, $2,853.1mn (6.5%) below budget.

The lower than budgeted Domestic Interest payments were due mainly to greater than anticipated saving from the National Debt Exchange (NDX) undertaken in February 2013. At the point of budget preparation, there were still some outstanding settlements on the NDX and finalization of these transactions after preparation of the budget resulted in lower interest costs. The reduction in interest costs from the finalization of these NDX transactions significantly outweighed the impact of increased interest rates during the course of the fiscal year.

The lower External Interest costs resulted mainly from a combination of slower than programmed disbursement of external loans as well as a reduction in the amount spent against a contingency provision for loan raising expenses. These factors outweighed increased payment on guaranteed loans of $1,293.4mn.

Interest Payments as a proportion of GDP decreased significantly from 9.5% in FY 2012/13 to 7.5% in FY 2013/14. As a share of total expenditure (excluding Amortization), Interest Payments declined to 27.8% in FY 2013/14 compared to 31.8% in FY 2012/13. Interest Payments to tax revenue ratio trended downwards in FY 2013/14 to 32.0% compared to 39.7% in FY 2012/13 and an average of 50.0% over the last 5 years. This favourable reduction in the share of expenditure and the proportion of tax revenue consumed by Interest Payments, was primarily due to the effect of the NDX and thus the trend is expected to continue throughout the medium term.

Capital Expenditure

Total Capital Expenditure for FY 2013/14 was estimated at $35,171.8mn as against an original approved budget of $44,721.8mn reflecting a net reduction of $9,550.1mn (21.4%). This reduction reflected restraint in government spending against the backdrop of lower than budgeted revenue, as well as a slower pace of project implementation. Some projects have been executed in line with budget but overall there was significant underperformance in the case of several projects, in particular multilateral/bilateral projects. As in previous years, these projects have experienced significant under-execution due to slower than programmed implementation of project activities.

In the FPP FY 2012/13 Interim Report, a number of factors were stated as being largely responsible for the under-execution of capital projects. The MOFP committed to undertake a comprehensive review of the multilateral/bilateral projects on the GOJ's budget to identify those that were suffering from acute delays so that corrective actions could be taken to alleviate the situation. The review was facilitated through technical assistance from the World Bank and grant funding from the British DFID. It involved a review of the Public Investment Management System (PIMS) and in particular the Public Sector Investment Programme (PSIP). The review, which is now complete, identified a number of weaknesses which will be addressed in a comprehensive reform of the PIMS covering the identification, assessment, selection, management, monitoring and evaluation of all public investment. The reform of the PIMS was appropriately incorporated as part of the Fiscal Rules, which were passed by both Houses of Parliament in March 2014.

The expenditure on Capital Programmes for FY 2013/14 declined by $2,586.2mn (6.8%) relative to last fiscal year due to delays in execution.

Financing

The generation of a fiscal surplus in FY 2013/14 allowed the Central Government to reduce its borrowing requirement such that gross Loan Receipts were less than Amortization Payments. This resulted in an overall deficit of $9,308.4mn, which was financed by cash balances carried over from the previous fiscal year.

Loan Receipts of $94,292.6mn were $8,987.0mn below the amount budgeted. Loans from external sources amounted to $54,170.7mn, a shortfall of $35,331.4mn against the budget. The shortfall from external sources was nevertheless made up on the domestic side in the form of higher inflows from the PetroCaribe Development Fund. Accordingly, Domestic Loan Receipts of $40,121.8mn, exceeded the amount budgeted by $26,344.3mn.

Amortization payments totalled $106,640.2mn, which were in line with budget, increasing by just $959.8mn (0.9%). Both Domestic and External Amortization payments were broadly on track with budget.

Public Debt Stock

Jamaica's total public debt stood at $1,946,005.2mn or 131.9% of GDP at the end of FY 2013/14 (Table 3E). This represented a 7.4% increase over the $1,812,634.9mn or 135.6% of GDP at the end of FY 2012/13. The increase in the stock during the course of FY 2013/14 was primarily due to the depreciation of the Jamaica dollar vis-à-vis the US dollar and other currencies, which accounted for about 81.3% of the increase in the stock.

Table 3E: Total Debt Stock

	2012/13	2013/14
(J$mn)		
Domestic	1,008,348.5	1,024,515.2
External	804,286.4	921,490.0
TOTAL	**1,812,634.9**	**1,946,005.2**
(% GDP)		
Domestic	75.5	69.4
External	60.2	62.5
TOTAL	**135.6**	**131.9**

Source: MoFP

The domestic debt stood at $1,024,515.2mn or 69.4% of GDP at the end of FY 2013/14, which was 1.6% higher than the $1,008,348.5mn registered at the end of FY 2012/13. In addition, explicit domestic guarantees are estimated at $37,738.4mn (2.6% of GDP) at end-March 2014, compared to $31,897.2mn (2.4% of GDP) at the end of March 2013.

With respect to the stock of public and publicly-guaranteed external debt, this increased to $921,490.0mn or 62.5% of GDP at the end of FY 2013/14, representing an increase of 14.6% over the stock at the end of FY 2012/13. The depreciation in the value of the Jamaica dollar was the most significant contributor to this increase. In US dollar terms, the stock increased marginally by 3.4% from US$8,133.4mn to US$8,409.7mn. The stock of publicly-guaranteed external debt at the end of March 2014 is estimated at $140,882.7mn (9.5% of GDP), compared to $128,855.7mn or 9.6% of GDP at end-March 2013.

At the end of FY 2013/14, domestic debt accounted for 52.6% of the total debt, down from 55.0% in the previous fiscal year. Domestic and external bonds accounted for 44.6% and 20.4% of total debt, respectively (Table 3F).

Table 3F: Stock of Debt at end March 2014 by Creditor Category

Domestic Debt	J$mn	% Total Debt
Bonds	867,225.5	44.6
Treasury bills	4,000.0	0.2
Loans	153,289.7	7.9
Total Domestic	***1,024,515.2***	***52.6***
External Debt		
Bonds	396,717.4	20.4
Bilateral	93,022.1	4.8
Multilateral	386,519.3	19.9
IMF	*88,737.7*	*4.6*
IDB	*157,004.8*	*8.1*
IBRD	*83,677.6*	*4.3*
Other	*57,099.2*	*2.9*
Private creditors	45,231.2	2.3
Total External	***921,490.0***	***47.4***
Total Debt	**1,946,005.2**	**100.0**

Source: MoFP

PUBLIC BODIES OPERATIONS - FY 2013/14

Public Bodies, defined as statutory bodies, authorities or government companies, continue to play a critical role in stimulating economic activity and promoting development. Their functions cover a wide spectrum of activities including developmental, regulatory, social and commercial. Given the size of some Public Bodies and the diverse nature of activities they undertake across various sectors of the economy, their contribution to development at both the macro- and micro-economic levels has over the years been significant. There are 195 active Public Bodies currently on the register.

The Overall Balance of the group of Self-financing Public Bodies as approved by Parliament at the beginning of FY 2013/14 was a deficit of $1,366.2mn. Contributing to this balance were the Selected Public Bodies (SPBs) and the Other Public Bodies (OPBs) which had budgeted a deficit of $11,738.8mn and a surplus of $10,372.6mn respectively. The group of Public Bodies had budgeted revenues of $363,904.7mn and a surplus on operations of $24,978.0mn.

The estimated performance of the Public Bodies for the year is an Overall Balance deficit of $9,522.5mn. The Public Bodies responsible for the adverse variance from budget were mainly Petrojam ($9,185mn) and the Clarendon Alumina Production Ltd. (CAP) ($7,029.0mn). This was mitigated by the positive variance recorded by a number of Public Bodies, including the Housing Agency of Jamaica (HAJ) $1,853.0mn, Jamaica Civil Aviation Authority (JCAA) $1,263.0mn, Urban Development Corporation (UDC) $1,249.0mn, and the Petroleum Corporation of Jamaica (PCJ) $1,050.0mn.

Of the $61,722.0mn budgeted for capital expenditure/investment by Public Bodies, $41,899.0mn or 68.0% was slated to be spent by four entities in the priority sectors of housing, water and roads. The estimated expenditure is $50,852.0mn of which $40,411.0mn or 79.0% is accounted for in the housing, water and road sectors as planned originally.

The estimated performance of the Public Bodies is shown in the table below, followed by performance highlights of four (4) Public Bodies.

Public Bodies (Selected & Other)	Summary of Estimated Outturn for Financial Year 2013/14		
	J$m		
	SPBs Estimated 2013/14	OPBs Estimated 2013/14	TOTAL PBs 2013/14
Statement 'A' Flow of Funds			
1 Current Revenue	387,980.06	69,118.08	457,098.13
2 Current Expenses	(333,455.17)	(55,848.76)	(389,303.93)
3 Current Balance	54,524.88	13,269.32	67,794.20
4 Adjustments	(44,397.94)	3,636.19	(40,761.76)
Change in Accounts	0.00	0.00	0.00
Receivable/Payable	(18,707.83)	(1,384.14)	(20,091.97)
Items not requiring outlay of cash:	0.00	0.00	0.00
Depreciation	12,676.15	910.34	13,586.49
Other Non-Cash Items	(38,366.26)	4,150.44	(34,215.82)
Prior Year Adjustment	0.00	(40.46)	(40.46)
5 Operating Balance	10,126.94	16,905.51	27,032.45
6 Capital Account	(13,322.23)	(1,266.44)	(14,588.67)
Revenue	26,473.05	0.12	26,473.17
Expenditure	(41,370.11)	(1,741.77)	(43,111.88)
Investment	(375.36)	(109.12)	(484.48)
Change in Inventory	1,950.19	584.33	2,534.52
7 Transfers from Government	11,882.26	3,272.11	15,154.37
Loans	0.00	0.00	0.00
Equity	0.00	0.00	0.00
On-Lending	0.00	0.00	0.00
Other	11,882.26	3,272.11	15,154.37
8 Transfers to Government	(32,102.86)	(5,017.75)	(37,120.61)
Dividend	(237.20)	(247.58)	(484.78)
Loan Repayments	0.00	0.00	0.00
Corporate Taxes	(1,058.80)	(95.46)	(1,154.26)
Other	(30,806.86)	(4,674.72)	(35,481.57)
9 OVERALL BALANCE (5+6+7+8)	(23,415.90)	13,893.42	(9,522.47)
10 FINANCING (11+15)	23,415.91	(13,893.41)	9,522.50
* 10a Total	68.90	7.41	76.31
Capital Revenue	68.90	7.41	76.31
Loans	0.00	0.00	0.00
Equity	0.00	0.00	0.00
On-Lending	0.00	0.00	0.00
Loan Repayments	0.00	0.00	0.00
11 Total Foreign (12+13+14)	13,020.93	71,235.69	84,256.62
12 Government Guaranteed Loans	2,191.48	6,898.99	9,090.47
Disbursement	5,686.63	6,898.99	12,585.62
Amortization	(3,495.15)	0.00	(3,495.15)
13 Direct Loans	10,866.10	64,336.70	75,202.80
Long Term:	4,657.78	64,336.70	68,994.48
Disbursement	14,653.99	67,611.83	82,265.82
Amortisation	(9,996.21)	(3,275.13)	(13,271.34)
Short Term:	6,208.32	0.00	6,208.32
Change in Trade Credits	6,208.32	0.00	6,208.32
14 Change in Deposits Abroad	(36.65)	0.00	(36.65)
15 Total Domestic (16+17+18)	4,037.50	(85,136.51)	(81,099.01)
16 Banking System	6,223.47	(2,070.32)	4,153.15
Loans (Change)	(83.74)	(46.38)	(130.12)
Overdraft (Change)	(184.44)	23.68	(160.76)
Deposits (Change)	6,491.65	(2,047.62)	4,444.03
17 Non-Banks (Change)	(1,090.20)	(1,288.18)	(2,378.37)
18 Other (Change)	(1,095.78)	(81,778.01)	(82,873.79)

Source: MoFP

HIGHLIGHTS

National Housing Trust (NHT)

The NHT's provision of affordable housing solutions for Jamaicans was on target for FY 2013/14. Planned expenditure of $23,115.0mn on housing was achieved, as the estimated outlay was $23,118.0mn. A total of 8,280 housing benefits were provided by the sum expended.

NHT's Overall Balance deficit of $7,360.0mn reflects an improvement of $642.0mn on the amount budgeted. The improvement is attributable to increased operational results, and savings resulting from a shortfall on its non-housing capital expenditure.

Petroleum Corporation of Jamaica (PCJ)

Improved operating results and an underutilized capital expenditure budget are the main contributing factors for the estimated positive Overall Balance outturn of the PCJ. The operating performance was impacted positively by both an increase in revenues and a reduction in expenses. The increased revenue was attributable mainly to higher earnings from commissions, foreign exchange gains and interest while delays in project, repairs and maintenance programmes contributed to the savings on the budgeted expenses. Delayed implementation of planned capital programme, resulted in improvement of the Overall Balance by over $700.0mn.

Clarendon Alumina Production (CAP)

Trade payments scheduled for end March 2013 did not occur until during the first quarter of FY 2013/14 This, together with operating results being less favourable than budgeted, resulted in CAP reporting an Overall Balance deficit of $7,029.0mn.

During FY 2013/14, the GOJ assumed CAP's outstanding loans totaling US$403.0mn. This was part of an arrangement with the Nobles Group for the provision of a US$120.0mn Letter of Credit facility which is secured by future deliveries of alumina.

Petrojam

The adverse variance returned by Petrojam is due to: (i) two unplanned plant shut-downs which necessitated the purchase of finished products at prices higher than budgeted; and (ii) higher levels of receivables. With respect to the EFF targets, the negative variance was limited by an allowance approved by the IMF in recognition of the volatility in Petrojam's operations.

MEDIUM TERM FISCAL PROGRAMME

The GOJ has developed a medium term fiscal programme, which is designed to support the economic reform programme (ERP). The key goals of the ERP are:

- Sustained economic growth;
- Job creation;
- Poverty reduction; and
- Improved living standards.

The GOJ has been laying the foundation for the ERP by taking steps to significantly enhance fiscal governance, which will address the urgent need for the country to manage its resources more effectively and make government more efficient, accountable and transparent. Against this backdrop, the GOJ is implementing a number of initiatives geared toward improving financial management and creating a more flexible, efficient and transparent fiscal administration. The key initiatives being implemented include:

- Enhanced Fiscal Rules – to generate adequate levels of fiscal saving that will allow for attainment of debt sustainability and create a more transparent and accountable government;
- Debt Management Strategy – to minimize risks to the debt portfolio and raise adequate levels of funding at minimum costs;
- Public Sector Investment Programme (PSIP) – to streamline the public investment thereby promoting efficiency in administration of execution of public expenditure;
- Tax Reform – to create a simple, efficient, fair and equitable tax system;
- Central Treasury Management System (CTMS) – to reduce waste by centralizing the payment of salaries, utilities and other GOJ bills;
- Pension Reform – to ensure a sustainable pension system with more efficient management of public pensions and improved monitoring arrangements.

The GOJ remains committed to reducing the Debt/GDP ratio to the agreed 96.0% by end of FY 2019/20 under the EFF. Consistent with this commitment, the Central Government primary surplus has been programmed to remain at the required 7.5% of GDP through the life of the EFF (FY 2013/14 - 2016/17). The overall balance of the public bodies is programmed to be in balance over the medium term.

The GOJ, over the last two fiscal years, has implemented a number of measures to raise the Central Government primary surplus to 7.5% of GDP, which was achieved in FY 2013/14. The fiscal measures undertaken included structural fiscal reforms, revenue enhancement initiatives, wage restraint and other expenditure containment activities, which were complemented by the NDX. The challenge now is to maintain the primary surplus at the 7.5% of GDP, which will anchor a sustained reduction in the public debt stock.

Against the backdrop of the Government's broad strategic priorities, the assumptions outlined in the Macroeconomic Framework and the expenditure and revenue strategies outlined below, the MOFP developed estimates of revenue and expenditure to generate a medium term fiscal profile. The fiscal profile indicates a gap on the targeted Central Government primary surplus equivalent to 0.4% of GDP in FY 2014/15.

In line with Government's firm commitment to stick to the targeted primary surplus of 7.5% of GDP over the medium term, revenue measures of $6,685.0mn (0.4% of GDP) have been identified for implementation in FY 2014/15. A brief outline of these measures is presented below and further details are provided in a Ministry Paper to be tabled in Parliament on April 17, 2014.

Revenue Measures:

- *Modification of the alcohol tax regime to unify the Specific SCT on all alcoholic beverages at $1,120 per litre of pure alcohol. This measure is to be implemented on April 22, 2014, with estimated yield of $* ***844.0mn;***
- *Increase in the age limit of second sale vehicles on which GCT will be applicable from 8 to 10 years. This measure was implemented on April 1, 2014, with estimated yield of* ***$26.0mn;***
- *Introduction of a Financial Transactions Tax. This measure is to be implemented on June 1, 2014, and the yield is estimated at* ***$2,250.0mn;***
- *Increase in premium tax for regionalized and non-regionalized life assurance companies to 5.5%. This measure will take effect on May 1, 2014, with estimated yield of* ***$276.0mn;***
- *Increase in investment tax for insurance companies from 15% to 20%. This measure will take effect on May 1, 2014, with estimated yield of* ***$701.0mn;***
- *Increase in the Asset Tax for the 2014 year of assessment. The yield is estimated at* ***$1,788.0mn****;*
- *Modification of the duty regime for specified motor vehicles, to take effect May 1, 2014 with an estimated yield of* ***$250.0mn****;*
- *Redirecting, the portion of the SCT on petroleum that goes to the Road Maintenance Fund, to Central Government. This will take effect on May 1, 2014 with estimated revenue of* ***$1,200.0mn;*** and
- *Increase in the Annual General Personal Income Tax Threshold to $557,232.0 effective January 1, 2015. Revenue foregone is estimated at* ***$650.0mn****.*

The measures are projected to increase the primary surplus to 7.5% of GDP in FY 2014/15 and maintain that level through FY 2016/17 (Tables 3G and 3H). The fiscal balance is expected to show a deficit of 0.7% of GDP in FY 2014/15 and then revert to a surplus position from FY 2015/16 onward.

Revenue Strategy

The medium term fiscal profile depicted in Tables 3G and 3H indicate that Revenue and Grants are forecast to decline from 26.9% of GDP in FY 2013/14 to 26.5% in FY 2014/15 and to 25.1% in FY 2016/17. Non-Tax Revenue is expected to be the most significant contributor (down 1.0% of GDP) to this reduction by FY 2016/17, due mainly to the one-off receipts in FY 2013/14.

Tax Revenue is forecast to increase from 23.3% of GDP in FY 2013/14 to 23.8% of GDP in FY 2014/15 then decrease to 22.9% in FY 2016/17. The following are key factors behind the projected fall in the Tax/GDP ratio over the medium term:

- The reduction in the wage bill (from 10.6% of GDP in FY 2013/14 to the legislated 9.0% by FY 2015/16) will result in a reduction in PAYE & Education Tax;

- The GOJ's intention to clear the outstanding withholding tax refunds over a 4-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 ad valorem) 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.

The major goal of GOJ's revenue strategy is to build an efficient and equitable tax system that will not only contribute to the development of a stable macro-economy and to facilitating a competitive business environment to support economic growth and development but will also ensure that Government's expenditure is adequately funded. Within this context, some key policy, administrative and legislative reform actions to be undertaken to augment the various measures that have been implemented so far are summarized below. Implementation of these activities will be spearheaded by the TAJ and JCA. Further details on the strategies to improve the administration of taxes in Jamaica are provided in Appendix V.

For the TAJ, the strategy will focus primarily on two objectives: (i) Improving voluntary compliance; and (ii) modernization of the organization. The TAJ will aim to accomplish these objectives through:

- implementing programmes specifically developed to improve compliance rates;
- increasing overall efficiency and effectiveness of TAJ's operations by way of improved business processes; and
- administering both a simpler and more equitable tax system.

The TAJ will seek to effectively utilize recently enacted legislation to leverage its strategic operations. These legislative changes include the:

- *Tax Administration Jamaica Act – which* established the legal framework for TAJ to become a Semi-Autonomous Revenue Authority (SARA);

- *Fiscal Incentives Regime* - to remove distortions created by previous incentives regimes and streamline the set of measures aimed at stimulating the business community and bringing coherence to the tax system as it relates to incentives;

- *Revenue Administration (Amendment) Act 2013* - enhances the information gathering powers of the Commissioner General as it gives legal authority to TAJ to obtain third party information and to implement mandatory E-filing;

- *Charities Bill* - two-fold legislation as follows:

  (a) the Harmonization Bill provides for harmonized treatment of registered charities for all tax types; and

  (b) the Charities Act provides for the registration and regulation of charities.

- *Tax Collections (Write Off) Regulations* - a new Regulation that allows TAJ to remove arrears deemed uncollectable from its books.

With respect to the strategic objective of improving voluntary compliance, the TAJ will focus on optimizing its management and collection of arrears, better manage its refund payments, widen its audit coverage and employ strong enforcement activities, including utilizing experienced representation in the Jamaican Courts.

In terms of the objective of modernizing the organization, the new SARA is expected to begin operations within the first quarter of FY 2014/15 and the services and product offerings of TAJ will mirror taxpayer segmentations and their taxpaying lifecycles. The new organization will:

- expand E-Service offerings during FY 2014/2015;
- utilize the S03 payment form introduced on January 1, 2014 to provide improved service to the self-employed taxpayer group;
- implement an Integrated Tax Accounting System (ITAS) on a phased basis over the next two fiscal years; and
- acquire an Enterprise Content Management (ECM) system for better management of documents.

The JCA will be undertaking a number of activities, which are detailed in Appendix V, to achieve the following strategic objectives over the medium term:

- assess and collect revenue due to the Government of Jamaica;
- reduce importation of illegal, prohibited and restricted goods;
- facilitate the movement of legitimate goods and persons across Jamaica's borders
- encourage voluntary compliance through the simplification and standardization of systems and procedures and implementation of effective deterrents;
- streamline core business processes through the effective use of technology;
- develop and maintain a team of motivated, professional and competent staff; and
- improve the system of internal control within the Agency.

Expenditure Strategy

Expenditure containment will continue to be a key component of the Fiscal Management Strategy for bolstering fiscal outcomes over the medium to long term. Reflecting this expenditure containment stance of fiscal policy, Central Government primary expenditure is expected to fall by close to 3 percentage points of GDP, from 20.4% in FY 2012/13 to 17.6% by FY 2016/17 (Table 3G). Total expenditure by Central Government is programmed to decline by over 6 percentage points of GDP to 23.7% in FY 2016/17, compared to 29.9% in FY 2012/13, with more than half the reduction expected to come from lower interest payments, following the success of the NDX in generating significant saving for the budget.

Wages and Salaries

The reduction in the wage bill to the legislated 9.0% of GDP ceiling by March 2016, from 11.0% in FY 2012/13, is expected to contribute most significantly to the projected contraction in primary spending over the medium term. The March 2013 Heads of Agreements signed with unions representing public sector workers will contribute toward the GOJ meeting the 9.0% of GDP wage ceiling by March 2016. In addition, the decision taken by the GOJ to control the size of the public sector through natural attrition will continue. The GOJ also remains committed to no net hiring of workers over the medium term and to filling only critical vacancies.

Non-Wage Non-Debt Expenditure

With respect to pension reform, the White Paper was approved by Cabinet in October 2013, and tabled in Parliament in December 2013. The reform of the public sector pension system was borne out of the recognition that the current system has become fiscally unsustainable, thus rendering it unaffordable. Within this context and the many challenges being faced by the Jamaican economy, the reform of the public sector pension system emerged as one of the critical elements in steering the fiscal operations onto a sustainable path over the medium to long term. The new pension system is scheduled for implementation on April 1, 2016 and further details are provided in Appendix IV.

The GOJ has being implementing structural changes to expenditure management and budget execution that will also assist in containing spending over the medium to long term. The enhanced fiscal rules, which were approved by Parliament in March 2014, will provide a critical legislative mechanism for improving expenditure management. The enhanced fiscal rules institutionalize the Public Investment Management System (PIMS), to ensure alignment of public investment with the country's strategic and fiscal imperatives. The institutionalized PIMS will also allow for value for money on public investments and full capture of project costs for both recurrent and capital spending. Among the early actions being executed under this reform, is the reclassification of the Central Government capital budgets to exclude expenditure which do not qualify as 'public investment projects.' This change is to ensure that going forward capital expenditure will be guided by national priorities and geared at supporting the growth agenda and social protection, while ensuring fiscal prudence.

The Public Sector Investment Programme (PSIP), which is represented in Appendix VI, is the centrepiece of the PIMS. The PSIP will guide all public investment by the Central Government and public bodies through efficiency criteria and alignment with growth and equity objectives of the State. Further details on the enhanced fiscal rules are provided in Appendix VII.

For some time now, the GOJ has built up payment arrears for goods and services provided to MDAs. While it is expected that there will be some arrears, from time to time, the GOJ acknowledges that arrears which remain outstanding for long periods will have a negative impact on the sustainability of any business and impose significant fiscal risks on the budget. In light of this, the following strategies are being utilized to better manage and restrict arrears build-up by MDAs:

- *Maintaining a Cap on Arrears:* Under the EFF, a cap has been placed on the over-90 days domestic arrears at the level of that at end-March 2013. Domestic arrears were identified including statutory deductions for PAYE, NIS, NHT and Education Tax, drugs and medical supplies and other purchases of goods and services. The sum total of these arrears became the cap against which performance is monitored. MDAs are required to submit monthly reports to the MOFP which are monitored to ensure that the cap is not breached. Where there is a threat to the cap, resources will be strategically allocated within the limits of the expenditure budget to make the requisite payments, as was done in FY 2013/14, where resources were reallocated in the Supplementary Estimates to pay down arrears for public utilities and statutory deductions. The GOJ will also seek to set -off obligations it has to suppliers of goods and services against amounts owed to the government by those same suppliers. With respect to electricity arrears for street lighting, the MOFP and the Ministry of Local Government will be collaborating early in FY 2014/15 to develop a sustainable strategy for addressing the problem. The strategy will include a programme to convert the current light bulbs to energy saving LED bulbs.

- *Withholding of Statutory Payments at Source:* Recognizing that the build-up of statutory deductions arrears was presenting a serious risk to the arrears cap, the MOFP issued Financial Instructions to allow for the withholding of all Statutory Deductions (PAYE, Education Tax, NIS and NHT) by the Accountant General (AG) and for those sums to be transferred directly to TAJ. The instructions extended to all educational and health institutions, which were not covered under the previous arrangement where only PAYE and Education Tax were withheld by the AG. These instructions took effect on March 01, 2014.

- *Revised Commitment and Purchase System*: This revised system will ensure that commitments to spend can only be made where a warrant exists to cover the funds required to support the issue of a Purchase Order. The Purchase Order is an electronically generated document which is sent to a supplier or vendor authorizing the supply of goods or services.

In undertaking the requisite fiscal consolidation efforts and simultaneously implementing the supporting structural reforms, the GOJ remains cognizant of the impact on the poor and vulnerable in the society. Within this context the GOJ remains committed to prioritizing expenditure through enhanced targeting of social spending and has established a floor on specified social protection programmes. The floor has been set at the FY 2012/13 spending level, in real terms. The social protection programme will continue to include: conditional cash transfers for children and the elderly; youth employment programmes; poor relief programmes; school feeding programme; basic school subsidy; basic education including early childhood, primary and secondary education; assistance to persons with disabilities; and targeted components of primary health care.

Table 3G: CENTRAL GOVERNMENT SUMMARY ACCOUNTS

CENTRAL GOVERNMENT SUMMARY ACCOUNTS

(as percent of GDP)

Item	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue & Grants	**25.6%**	**25.8%**	**26.9%**	**26.5%**	**25.3%**	**25.1%**
Tax Revenue	23.0%	23.9%	23.3%	23.8%	23.1%	22.9%
Non-Tax Revenue	1.3%	1.4%	2.8%	2.1%	1.8%	1.9%
Bauxite Levy	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Capital Revenue	0.8%	0.1%	0.0%	0.0%	0.0%	0.0%
Grants	0.3%	0.3%	0.7%	0.5%	0.4%	0.3%
Expenditure	**32.0%**	**29.9%**	**26.8%**	**27.2%**	**25.1%**	**23.7%**
Recurrent Expenditure	27.8%	27.1%	24.4%	25.0%	23.0%	21.6%
Programmes	7.1%	6.5%	6.4%	6.8%	6.7%	6.5%
Wages & Salaries	11.1%	11.0%	10.6%	10.0%	**9.0%**	9.0%
Interest	9.6%	9.5%	7.5%	8.2%	7.3%	6.1%
Domestic	6.5%	6.6%	4.7%	5.0%	4.7%	3.8%
Foreign	3.1%	2.9%	2.8%	3.2%	2.6%	2.3%
Capital Expenditure	4.2%	2.8%	2.4%	2.1%	2.1%	2.1%
Fiscal Bal (Surp+/Def -)	**-6.4%**	**-4.1%**	**0.1%**	**-0.7%**	**0.2%**	**1.4%**
Loan Receipts	**13.0%**	**10.8%**	**6.4%**	**6.9%**	**10.4%**	**2.9%**
External	1.6%	0.8%	3.7%	3.4%	5.5%	2.5%
Domestic	11.3%	10.0%	2.7%	3.5%	4.9%	0.4%
Amortization	**10.2%**	**6.6%**	**7.2%**	**6.2%**	**10.6%**	**4.3%**
External	4.8%	3.8%	2.0%	4.7%	5.8%	2.5%
Domestic	5.4%	2.8%	5.2%	1.5%	4.8%	1.8%
Overall Bal(Surp+/Def-)	**-3.6%**	**0.1%**	**-0.7%**	**-0.1%**	**0.0%**	**0.0%**
Primary Balance	**3.1%**	**5.4%**	**7.5%**	**7.5%**	**7.5%**	**7.5%**
Target Primary Balance	**5.0%**	**6.0%**	**7.5%**	**7.5%**	**7.5%**	**7.5%**
GDP	**1,260,013.9**	**1,336,347.8**	**1,475,400.0**	**1,617,000.0**	**1,784,100.0**	**1,967,200.0**

Source: MoFP

Table 3H: CENTRAL GOVERNMENT SUMMARY ACCOUNTS

CENTRAL GOVERNMENT SUMMARY ACCOUNTS

(in millions of dollars)

Item	*Act* 2011/12	*Act* 2012/13	*Est* 2013/14	*Proj* 2014/15	Proj 2015/16	Proj 2016/17
Revenue & Grants	***322,149.8***	***344,677.7***	***397,178.2***	***427,888.5***	**451,558.5**	**493,553.1**
Tax Revenue	*289,882.2*	*319,764.9*	*343,836.1*	*384,286.0*	411,343.4	450,453.9
Non-Tax Revenue	*16,709.2*	*18,765.1*	*41,047.1*	*34,186.4*	31,587.6	36,808.7
Bauxite Levy	*1,524.5*	*1,163.7*	*1,009.5*	*17.9*	494.7	531.3
Capital Revenue	*10,585.1*	*1,015.8*	*658.1*	*753.3*	768.4	749.7
Grants	*3,448.8*	*3,968.3*	*10,627.4*	*8,644.9*	7,364.4	5,009.5
Expenditure	***403,122.2***	***399,278.9***	***395,420.7***	***439,282.6***	**447,867.8**	**465,920.6**
Recurrent Expenditure	*349,891.3*	*361,521.0*	*360,248.9*	*404,654.5*	410,541.4	424,763.5
Programmes	*89,699.4*	*87,201.5*	*93,967.7*	*110,281.1*	119,103.5	128,631.8
Wages & Salaries	*139,556.9*	*147,381.8*	*156,361.7*	*161,704.3*	161,321.1	176,224.2
Interest	*120,635.0*	*126,937.7*	*109,919.5*	*132,669.1*	130,116.8	119,907.5
Domestic	*81,547.9*	*87,729.1*	*68,728.9*	*81,242.6*	84,053.5	74,069.9
External	*39,087.1*	*39,208.6*	*41,190.6*	*51,426.5*	46,063.3	45,837.6
Capital Expenditure	*53,230.9*	*37,757.9*	*35,171.8*	*34,628.1*	37,326.3	41,157.1
Fiscal Bal (Surp+/Def-)	***-80,972.4***	***-54,601.1***	***1,757.5***	***-11,394.1***	**3,690.7**	**27,632.5**
Loan Receipts	***163,520.5***	***144,347.1***	***94,290.6***	***110,894.5***	**185,465.2**	**56,462.9**
External	*20,768.1*	*10,276.9*	*54,170.7*	*54,613.9*	98,467.6	48,904.2
Domestic	*142,752.5*	*134,070.2*	*40,119.9*	*56,280.6*	86,997.6	7,558.7
Amortization	***128,373.2***	***88,329.8***	***106,640.2***	***100,775.3***	**189,156.2**	**84,095.4**
External	*60,553.0*	*51,235.0*	*30,035.8*	*76,540.6*	102,657.5	48,904.2
Domestic	*67,820.2*	*37,094.8*	*76,604.4*	*24,234.7*	86,498.7	35,191.2
Overall Bal (Surp+/Def-)	***-45,825.0***	***1,416.2***	***-10,592.0***	***-1,274.9***	**0.0**	**0.0**
Primary Bal (Surp+/Def-)	***39,662.6***	***72,336.5***	***111,677.1***	***121,275.0***	**133,807.7**	**147,540.1**
Target Primary Balance	*64,975.1*	*70,340.6*	*111,520.9*	*121,275.0*	*133,807.7*	*147,540.1*

Source: MoFP

FY 2014/15 BUDGET – CENTRAL GOVERNMENT

FY 2014/15 marks the second year of implementation of the GOJ's medium term economic programme under the EFF. The medium term economic programme seeks to promote sustainable economic growth, fiscal and debt sustainability while protecting the most vulnerable social groups.

The FY 2014/15 fiscal programme is designed to be consistent with the objectives of the medium term economic programme. The focus, therefore, continues to be on strategies geared at maintaining the primary surplus at 7.5% of GDP, equivalent to $121,275.0mn, as an operational instrument to achieving the objective of reducing the debt and maintaining it at sustainable levels. The fiscal deficit is programmed at $11,394.1mn, or 0.7% of GDP. Crafting the FY 2014/15 budget was quite challenging as considerable efforts were made to contain expenditure at levels consistent with the expected revenue inflows to deliver the required fiscal targets. As a result, MDAs will be required to become even more efficient in their operations - reduce waste and achieve higher levels of productivity.

Expenditure

The Central Government expenditure budget for FY 2014/15 is programmed at $558,819.5mn, of which $18,761.6mn will be funded from Appropriations in Aid (AIA) generated from fees, charges and local grants and $540,057.9mn from revenues, external grants and loans (domestic and external). Of this $540,057.9mn, $233,444.4mn is for debt servicing with $132,669.1mn provided for Interest Payments and $100,775.3mn for Amortization of loans.

Central Government "above the line" expenditure (excluding Amortization and AIA) for FY 2014/15 is budgeted at $439,282.6mn, or 27.2% of GDP, with $404,654.5mn (25.0% GDP) allocated for Recurrent spending and $34,628.2mn (2.1% GDP) for Capital spending.

Non- Debt (Primary) Expenditure

The Non-debt (primary) expenditure budget totals $306,613.5mn, comprising Wages and Salaries of $161,704.3mn, Recurrent Programmes of $110,281.1mn and Capital Programmes of $34,628.1mn.

The provision for primary expenditure represents an increase of 7.4% over the provisional outturn for FY 2013/14. Primary expenditure is budgeted to fall to 19.0% of GDP in FY 2014/15, down from 19.3% in the previous fiscal year. Primary expenditure was 22.4% of GDP in FY 2011/12.

Notwithstanding the tightening of primary expenditure, the GOJ has kept its commitment to:

- Unions representing public sector workers by making provisions to honour all obligations for which agreements exist;
- The most vulnerable segments of the population by protecting social spending; and
- public sector pensioners by providing an annual increase.

In determining the allocation of fiscal space during FY 2014/15, emphasis was placed on critical programmes within the following priority areas:

i. Social Protection;
ii. Education and Health;
iii. Economic Growth;
iv. Physical Infrastructure; and
v. National Security and Justice.

On the issue of social protection, an allocation of $22,563.0mn has been made for the menu of social programmes, consistent with the established floor. The floor was set at $20,700mn in FY 2013/14 and the increase to $22,563.0mn in FY 2014/15 will maintain the real level of the floor. Included in this provision are:

- Conditional Cash Payments of $3,798.0mn, a $600.0mn increase relative to FY 2013/14;
- School Feeding Programme allocation of $4,286.0mn, which includes additional provision of over $300.0mn;
- Student Assistance allocation of $3,094.0mn, of which $2,971.0mn will be paid directly to secondary institutions (same provision as last year) towards meeting their operating expenses,

$8.0mn to be administered by the Ministry of Education and $115.0mn (up from $100.0mn) going to the Student' Loan Bureau to provide assistance to tertiary level students with living expenses.

- Drugs and Medical Supplies' allocation of $4,078.0mn, an increase of over $300.0mn relative to the previous FY; and
- Basic Schools Subsidy of $1,329.0mn.

Wages and Salaries

The allocation for Wages and Salaries of $161,704.3mn represents the largest share of the non-debt expenditure budget accounting for 52.7%, a marginal reduction from the 54.8% in FY 2013/14. This provision amounts to 10.0% of GDP, down from 10.6% of GDP in FY 2013/14 and is in line to satisfy the requirement of the FAA Act (FRF) for the Central Government Wage Bill not to exceed 9.0% of GDP by March 2016.

In addition to the usual adjustments for performance increments, the compensation budget includes a contingency provision of $13,000.0mn under the Ministry of Finance and Planning Recurrent Head to cover:

i) Commitments to unions representing public sector workers under the 2012/15 Heads of Agreement, including the $25,000 one-off payment to be paid to each public officer ;
ii) Back-pay arising from prior wage settlements for various groups including the final tranche of the 7.0% wage payment agreed in 2011;
iii) The second of three tranches of the Health Sector Reclassification – (first tranche paid in FY 2013/14;
iv) Adjustments to salaries of Firemen and Correctional Officers arising from the restoration of pay relativities (total emoluments) established in 1995 between the Jamaica Fire Brigade, the Jamaica Constabulary Force (JCF), other Police Groups and the Correctional Officers.

The FY 2014/15 allocation for Wages and Salaries makes no provision for payment-in-lieu of vacation leave and accounting officers are to ensure that appropriate arrangements are put in place to allow officers to proceed on vacation leave at the appropriate time.

Recurrent Programmes

The budgetary allocation for Recurrent Programmes amounts to $110,281.1mn and includes among other things:

i) A provision of $6,000.0mn to meet GCT on purchases by MDAs. This is allocated as a block provision in the Contingency Provision of MOFP;
ii) Provision for the annual pension increases;
iii) Amounts to pay down arrears to suppliers of goods and services;
iv) Transfers from Capital Programmes, for activities that were previously reported as capital spending, including recurring maintenance and non-investment type expenditure.

This provision to Recurrent Programmes represents an increase of 17.4% over the provisional outturn for FY 2013/14. However, excluding the $6,000.0mn allocation for the payment of GCT by the Central

Government, Recurrent Programmes are budgeted to increase by 11% over the previous fiscal year. The allocation to Recurrent Programmes (excluding the GCT payment) maintains it at the 6.4% of GDP level as in FY 2013/14.

Capital Programmes

In developing the budget for Capital Programmes, the MOFP reviewed all project proposals in order to determine their alignment to current policy priorities, the general state of readiness of the project for implementation, MDAs executing capacity, procurement status and stage of meeting conditions precedent required by funding agencies. Projects which were in the PSIP pipeline were prioritized using established prioritization criteria.

The provision for Capital Programmes of $34,602.7mn includes Capital A of $8,482.7mn and Capital B of $26,120.0mn. This provision is a marked reduction in the Capital A budget due to the transfer of recurring maintenance, non-capital and one-off type expenditure to the Recurrent Budget of the respective MDAs. This transfer has contributed to overall Capital Programmes for FY 2014/15 falling to 2.1% of GDP, compared to the provisional outturn of 2.4% of GDP for FY 2013/14.

The largest share of the capital budget has been allocated to the Ministry of Transport, Works and Housing (MTWH). For FY 2014/15, gross capital expenditure allocated to this Ministry amounts to $13,679.3mn, including $3,100.0mn for purchase of buses for the JUTC and $2,455.0mn allocated for the arbitration award to Pihl Construction in relation to Northern Jamaica Development Project. The main infrastructure projects to be undertaken by the ministry are:

a) The Major Infrastructure Development Project (MIDP) funded by China EXIM Bank with $4,000.0mn to undertake reconstruction of six bridges, commence rehabilitation of two main roads; and through the Jamaica Emergency Employment Programme (JEEP), to repair works on community roads, retaining walls and drainage structures;
b) The Jamaica Economical Housing Project with $1,700.0mn to complete Belle Air Phase and deliver 634 service lots as well as 200 service lots in Luana Gardens, St. Elizabeth;
c) The Kingston Metropolitan Area Drainage Project with a provision of $883.5mn to complete the remaining draining rehabilitation works on the Sandy Gully;
d) The Transportation Infrastructure Project with a provision of $689.7mn to complete road construction in Westmoreland, Hanover, St Thomas, and St Catherine;
e) Rural Road Rehabilitation Project with an allocation of $494.1mn to commence road construction works in Clarendon; and
f) Road Improvement Programme with $273.9mn allocated to undertake maintenance of the North Coast Highway and upgrade traffic signals at select intersections.

In its efforts to further enhance capacity for competitiveness and growth, the GOJ will be implementing three new projects in FY 2014/15 as follows:

- Under the Economic Partnership II Capacity Building Project (valued at over $706.0mn and supported by the European Union), $123.0mn has been allocated to commence enhancement of MSMEs' capacity in the food sector & to commence ISO 17025 accreditation of local laboratories;
- Under the Jamaica Foundation for Competitiveness and Growth Project (valued at $5,500.0mn over 4 years), $40.0mn has been provided to commence work to support the logistics Hub and commence development of a regulatory framework for design of Special Economic Zones; and

- Under the Agricultural Competitiveness Programme, $313.7mn has been allocated to continue work on increasing competitiveness of the agricultural sector through the establishment of Agro-Parks and facilitating market access for small and medium farmers.

Debt Servicing

Total debt servicing for FY 2014/15 is projected at $233,444.3mn, or 43.2% of the budget, the same as the provisional outturn for FY 2013/14. Interest payments are budgeted to increase by 20.7% over FY 2013/14 to $132,669.1mn (8.1% of GDP).

Domestic and External interest costs are budgeted to rise to $81,242.6mn (18.2%) and $51,426.5mn (24.9%), respectively. On the external side, increased borrowing from multilateral institutions, depreciation in the value of the Jamaica dollar, a provision for a Liability Management exercise and projected cost from expected new international capital market bonds are mainly responsible for the budgeted increase. With respect to Domestic Interest payments, higher domestic interest rates, increased provision on guaranteed loans and the depreciation in the value of the Jamaica dollar are the main factors behind the projected rise in costs.

Amortization payments are budgeted to fall by 5.5% to $100,775.2mn. With none of the NDX instruments maturing during FY 2014/15, Domestic Amortization is budgeted to fall to $24,234.7mn from $76,604.4mn in the previous fiscal year. On the other hand, a Euro 150mn bond that matures in FY 2014/15, alongside the depreciation in the value of the Jamaica dollar, will contribute to a significant increase in External Amortization to $76,540.6mn, up from $30,035.8mn in FY 2013/14.

Revenue and Grants

Revenue and Grants for FY 2014/15 are budgeted at $427,888.5mn. This is equivalent to 26.5% of GDP, a 0.4 percentage point reduction from the 26.9% in FY 2013/14**.** Tax revenue of $384,286.0mn accounts for 89.8% of total revenue and grants, up from 86.6% in FY 2013/14.

Tax revenue is budgeted to increase by 11.8% ($40,449.8mn) over collections in FY 2013/14. This forecast includes an amount of $6,685mn (0.4% of GDP) attributable to new revenue measures to be implemented in FY 2014/15 as part of the policy thrust to bolster fiscal consolidation.

Excluding the new revenue measures, tax revenue is projected to grow by 9.8%, compared to the 7.5% growth in FY 2013/14. A breakout of the revenue and grants for the FY 2014/15 budget is depicted in Table 3I.

Table 3I: FY 2014/15 Revenue Forecast

	2013/14	2014/15	% Change
Revenue & Grants	**397,178.2**	**427,888.5**	**7.7**
Tax Revenue	343,836.1	384,286.0	11.8
Non-tax Revenue	41,047.1	34,186.4	-16.7
Bauxite Levy	1,009.5	17.9	-98.2
Capital Revenue:	658.1	753.3	14.5
Grants	10,627.4	8,644.9	-18.7

Source: MoFP

The tax revenue forecast for FY 2014/15 is expected to be positively impacted by stepped up compliance activities by TAJ and JCA. These compliance activities are forecast to bolster tax revenue flows by about 0.4% of GDP. The budgeted increase in tax revenue is also predicated on a projected 9.6% growth in nominal income in FY 2014/15, as well as upward movements in other macroeconomic variables.

Non-tax revenue is projected at $34,186.4mn, which is 2.1% of GDP, compared to 2.8% of GDP in FY 2013/14. The decline stems from the fact that there were significant one-off flows in FY 2013/14, particularly the earlier renewal of licenses by telecommunications companies Digicel and LIME. The projected Non-tax revenue for FY 2014/15 include:

- Programmed transfer of $11,400.0mn from the NHT to the Consolidated Fund;
- $11,800.0mn from the CAF;
- Payment from Digicel and LIME toward the renewed licenses; and
- Dividend distribution from public bodies of $891.2mn.

With respect to the Bauxite Levy, transfers to the Consolidated Fund are forecast to decline to $17.9mn 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 budgeted transfer to the Consolidated Fund of $17.9mn represents the balance of Bauxite Levy flows after covering the obligations to WINDLACO.

Capital revenue forecasts of $753.3mn for FY 2014/15 are 14.5% higher than collections in FY 2013/14. This amount includes royalties from bauxite mining of $621.1mn and loan repayment of $132.3mn.

The forecast for Grants amounts to $8,644.9mn, an 18.7% reduction compared to receipts in FY 2013/14. Contributing most significantly to the budgeted decline is the expected reduction in budget support flows from the European Union (EU).

It should be noted that a planned upward adjustment to the National Insurance Scheme (NIS) threshold, while improving the flows to the NIS will negatively impact the PAYE and education tax receipts in FY 2014/15.

Financing

The Central Government's borrowing requirement for FY 2014/15 amounts to $110,894.5mn. This amount is required to finance the deficit of $11,394.1mn and cover amortization payments of $100,775.3mn. Of the budgeted loan receipts, $56,280.6mn is programmed to be raised from domestic sources and $54,613.9mn is to be raised from external sources, in the form of policy based/development policy loans from international financial institutions, project loans ($12,814.1mn) and from the international capital market. The borrowing need for FY 2014/15 represents a 17.6% increase in gross loan receipts over FY 2013/14. The increased loan demand over the last fiscal year emanates mainly from the need to finance the fiscal deficit programmed for FY 2014/15.

PUBLIC DEBT STOCK

Controlling the growth in public debt (through prudent fiscal management) is critical to 'crowding in' the private sector to spur economic growth and enable businesses to be more viable, through more affordable financing costs.

Critical to managing the growth of the public debt will be the management of contingent liabilities (a fiscal risk) over the medium term and the ceilings on guarantees set in the Public Debt Management Act 2012. The stock of publicly-guaranteed external debt is projected to fall from $140,882.7mn or 9.5% of GDP at the end of March 2014 to 6.2% of GDP by the end of FY 2016/17. Domestic guarantees are also projected to fall from 2.6% of GDP at end-March 2014 to 1.6% of GDP by end-March 2017.

Total public debt is programmed to decline over the medium term from the estimated 131.9% at the end of FY 2013/14 to 114.5% of GDP by the end of FY 2016/17. The fiscal consolidation effort, which delivered a Central Government surplus of 0.2% of GDP at the end of FY 2013/14, and, which is expected to strengthen over the medium term, will remain a key contributor to the projected decline in the debt stock.

In the FY 2013/14 FPP, it was pointed out that the Debt/GDP target of no more than 100% by FY 2015/16 was unlikely to be achieved and within that context, the GOJ's intent to pay very close attention to fiscal and debt developments throughout FY 2013/14 and the medium term and, if necessary seek to amend the FAA Act to revise the timeline for achieving the desired debt reduction. The FAA Act was amended in March 2014 to enhance and establish new fiscal rules. The amendments established a new definition and ceiling for the public debt stock of 60% of GDP by FY 2025/26. The amendments also established a transition period for using the new definition and public debt ceiling, which will commence in FY 2017/18, after the current EFF expires.

FY 2014/15 BUDGET –PUBLIC BODIES

The Overall Balance of the group of 65 Self-financing Public Bodies is projected at a surplus of $387.0mn for FY 2014/15. Current revenues are forecast at $437,675.0mn from which a current surplus of $35,492.0 is expected. The group is projecting expenditure on infrastructure/investments of $52,327.0mn in comparison to the estimated $43,596.0mn for FY 2013/14. When project expenditure by the Road Maintenance Fund is added to these figures the total increases to $53,941.0mn (FY 2013/14 estimate: $50,853.0mn). Approximately $32,470.0mn or 60.0% of the total capital/investment outlay will be spent by three Public Bodies in the housing and water sectors (FY 2013/14 estimate: $33,471.7mn or

66.0%). The Public Bodies that will undertake this expenditure are: NHT - $23,286.0mn, HAJ - $2,944.0mn and the NWC - $6,240.0mn.

During FY 2014/15 the Government is expected to pursue agreements with the private sector for three major infrastructure PPP transactions namely:

- The Norman Manley International Airport
- The Kingston Container Terminal
- Port Community System.

These are expected to facilitate combined capital investments in excess of US$500.0million over the life of the concessions. Economic spin offs are expected from job creation, taxes, concession fees and capital expansion works. Additionally, other prospective projects have been identified and are being assessed to determine the modality for procurement.

The following programmes to be undertaken by Public Bodies are expected to contribute significantly to economic development in the short to medium term.

Port Development/Expansion

Port Authority of Jamaica (PAJ)

The completion of the expansion of the Panama Canal in 2015 is expected to result in a considerable shift in container traffic from the West Coast/Intermodal Route of the United States to the all-water route through the Panama Canal. The expanded Canal will facilitate the passage of ultra large vessels with the capacity of 12,000 Twenty Foot Equivalent Units (TEUs), up from the current capacity of 4,400 TEUs. Given Jamaica's geographical location along the trade route coming out of the Panama Canal, the country is poised to benefit immensely from the opening of the expanded Canal.

In order for Jamaica to benefit from increased volumes that are expected to traverse the Panama Canal, considerable investment in the port infrastructure will be required. These include increased depth of the access channel and berth to accommodate larger vessels, increased container storage area and more sophisticated container handling equipment. Given the significant cost associated with these investments and the financial constraints of the Government, PAJ in collaboration with the Government appointed Enterprise Team and the Development Bank of Jamaica (DBJ), will be seeking to facilitate the needed port investment by way of a Public Private Partnership (PPP). The process of securing a suitable private partner is far advanced and it is anticipated that a preferred bidder will be selected during the first half of the 2014/15 financial year.

It is anticipated that expansion of the Kingston Container Terminal (KCT) will result in increased investment in Jamaica, and the expanded operations will contribute significantly to Jamaica's economic development through job creation and an overall increase in Government revenues.

Logistics Hub

The Government's policy directive to establish Jamaica as the Logistics Hub of the Americas and the fourth major node in the global supply chain is expected to be a major driver of economic growth over the medium to long term. The establishment of the hub will require significant investments in the sea and air ports, as well as Jamaica's industrial infrastructure and will involve a wide cross-section of public and private sector interest. The major investments currently being pursued are the establishment of near port facilities, providing value added services and a container terminal in the Portland Bight area, the development of the Caymanas Economic Zone (CEZ) and the establishment of a Port Community System.

The CEZ and other Projects being Undertaken by the Factories Corporation of Jamaica

The Factories Corporation of Jamaica (FCJ) plans to undertake selected strategic activities/projects over the next three (3) years. Emphasis will be placed on the Caymanas Economic Zone (CEZ) with the development of the Industrial Parks, as well as the Naggo Head Information Communication Technology (ICT) Informatics Centre. The growth in the ICT/Business Process Outsourcing industry will drive the need for the infrastructural developments. To finance the projects, FCJ has budgeted over $900.0mn to be spent in FY 2014/15 and will seek to foster increased private participation in future developmental projects.

The major projects to be undertaken by FCJ over the next three (3) years are as follows:

A) The development of CEZ under two phases:-
   - Phase 1 - the development of 200 acres of land for the Caymanas Logistics Centre (CLC) – North Park, targeted to commence by the end of the third quarter of FY 2014/15;
   - Phase 2 – the development of 500 acres of land for CLC, – South Park.

B) Naggo Head ICT Informatics Centre – This project will entail the design and construction of 750,000 square feet of building space in phases, specifically for the expansion of Information and Communication Technology (ICT)/ Business Process Outsourcing (BPO) activities. The first phase, which will comprise the construction of 150,000 square feet of space, is targeted to commence by the end of the third quarter of FY 2014/15; and

C) Redevelopment of Garmex Free Zone.

Port Community System

To enhance the efficiency of business processes in the shipping industry, PAJ, in partnership with the Jamaica Customs Department, will seek to implement a Port Community System (PCS) by way of a PPP. This electronic platform will connect the multiple systems operated by organisations at the sea and air ports and will facilitate an overall improvement in trading practices and the cost of doing business in Jamaica. Bids from two potential investors were received in February 2014 and the first phase of the system is expected to be operationalized by February 2015.

Housing

National Housing Trust (NHT)

The NHT is committed to providing quality and affordable housing to Jamaicans. Expenditure on its housing programme during FY 2014/15 is projected at $22,371.0 million, which will result in the creation of approximately 7,678 new loans, 2,465 housing starts and 2,163 completions. The NHT's programme to provide special subsidies and grants in facilitating access to benefits by contributors in the two lowest income bands will continue and a provision of $971.0 million has been made to support this programme for the year.

Housing Agency of Jamaica Limited (HAJL)

The HAJL continues to pursue the objectives of the three-year strategic plan implemented in the 2013/14 financial year. The objectives are:

- To develop expertise in low income housing development and project management;
- To regain the status as the market leader within the lower and lower-middle income housing segments;
- To improve knowledge and cultural awareness of the low-income population in order to develop solutions and services that best suit their needs.

HAJL's refocus to the lower and lower-middle income segments of the housing market will assist in satisfying demand which is estimated at over 50.0% in these underserved categories. Over $2,900.0mn is budgeted for capital expenditure during FY 2014/15. Construction projects are Whitehall Phase 3 (Housing) - Westmoreland, Boscobel – St. Mary and Luana Gardens – St. Elizabeth.

Jamaica Mortgage Bank (JMB)

JMB will continue to provide financing for residential construction and infrastructure development in the primary mortgage market where it has committed $1,100.0 million to facilitate the development of 320 housing units throughout the Island. Of total commitments, $1,059.0 million (96.0%) is slated for disbursement during FY 2014/15. Disbursement to the secondary mortgage market will be suspended during the year.

Water

National Water Commission (NWC)

The NWC will continue the implementation of its new strategic business plan by undertaking capital works that are expected to reduce the current level of Non-Revenue Water (NRW), achieve energy and other efficiency targets, enhance revenues and contain operating costs. In ongoing efforts to achieve targeted objectives, the Commission will focus on selected goals that are expected to (a) increase national coverage; (b) increase service quality and supply reliability; and (c) improve compliance with regulatory and other performance standards.

Implementation of the Commission’s capital expenditure programme is expected to cost $6,240.2mn. The projects include:

- Components of the Jamaica Water Supply Improvement Project ($1,677.0mn) – These are aimed at establishing Non-Revenue Water (NRW) relief stations, installing pipelines and residential and domestic meters;
- KMA Water Supply Project ($1,516mn) - Comprises several components including on-going rehabilitation of water supply facilities in Kingston & St. Andrew;
- Rural Water Supply Project ($1,234.0mn) – This involves pipe-laying works, development of water sources, and building of pumping stations for over 15 water supply projects island-wide;

- Portmore Sewerage Project ($542.0mn) – This will be undertaken to reconfigure the sewerage network in parts of Portmore to direct flows from inefficient treatment plants to the Soapberry Treatment Facility in St. Catherine; and
- Tank and Pumps Programme ($677.0mn). This involves rehabilitation and replacement of existing tanks and pumping facilities to reduce energy use and NRW levels while improving service delivery and reliability to customers.

Finance

Development Bank of Jamaica (DBJ)

DBJ's medium-term strategy for 2014-2017 focuses on growth and development of the Micro, Small and Medium Sized Enterprise (MSME) sector, efficient privatization, as well as optimal investment opportunities for Jamaica. In this regard, the Bank expects to broaden the lending base by increasing the number of Small and Medium Enterprise (SME) lenders. Specific focus will also be placed on intensifying its own direct lending, as well as, additional distribution channels, credit guarantees, and capacity building to enhance product and service delivery. The Bank will also seek to:

- Reduce business finance and production costs through the provision of energy loans;
- Create a viable venture capital industry through the development of a suitable ecosystem supported by the design of a strategic plan and market review;
- Target high investment/job sectors for direct lending; and
- Increase GOJ's efficiency and revenue streams through the divestment of selected assets.

Disbursements should total $4,234.1mn and US$27.4mn (FY 2013/14, $3,594.0mn and US$30.0mn). The main financiers of DBJ's lending programme include the PetroCaribe Development Fund, the World Bank, Caribbean Development Bank and the China Development Bank.

Export Import (Ex-Im) Bank of Jamaica

The Ex-Im Bank is cognizant of challenges being faced by the SME sector to access financing. Accordingly, the Bank will continue its efforts to realign its strategic objectives and initiatives with its core mandate to enable the growth and development of the export sector where a significant amount of SMEs operate.

Selected objectives to be pursued during FY 2014/15 include:

- Achieving loan growth with continued focus on the (non-traditional) export and productive sectors, particularly SMEs. The Bank will also target new and emerging sectors such as the creative (including animation), ICT and renewable energy sectors;
- Developing innovative loan products/services to meet the needs of its target market; and
- Pursuing prudent governance, compliance and risk management.

These efforts are expected to result in loan utilisation to $8,848mn. For FY 2013/14 loan utilisation was estimated at $6,460.0mn.

Public Bodies (Selected & Other)	*Summary of Financial Forecasts for Financial Year 2014/15*			
		J$m		
		SPBs Projected 2014/15	**OPBs Projected 2014/15**	**TOTAL PBs 2014/15**
Statement 'A' Flow of Funds				
1	Current Revenue	359,130.45	79,901.42	439,031.87
2	Current Expenses	(344,985.35)	(57,196.86)	(402,182.21)
3	Current Balance	14,145.11	22,704.56	36,849.67
4	Adjustments	16,709.46	(1,631.78)	15,077.68
	Change in Accounts	0.00	0.00	0.00
	Receivable/Payable	(1,907.51)	(5,261.12)	(7,168.63)
	Items not requiring outlay of cash:	0.00	0.00	0.00
	Depreciation	13,174.71	1,147.22	14,321.93
	Other Non-Cash Items	5,442.26	2,482.12	7,924.38
	Prior Year Adjustment	0.00	(0.00)	(0.00)
5	Operating Balance	30,854.57	21,072.78	51,927.34
6	Capital Account	(14,289.14)	(8,320.06)	(22,609.20)
	Revenue	30,192.16	89.81	30,281.97
	Expenditure	(43,780.95)	(7,609.71)	(51,390.65)
	Investment	96.68	(1,033.15)	(936.47)
	Change in Inventory	(797.03)	232.99	(564.04)
7	Transfers from Government	11,061.72	2,355.43	13,417.15
	Loans	0.00	0.00	0.00
	Equity	0.00	0.00	0.00
	On-Lending	0.00	0.00	0.00
	Other	11,061.72	2,355.43	13,417.15
8	Transfers to Government	(37,627.42)	(4,527.40)	(42,154.82)
	Dividend	(183.29)	(707.87)	(891.16)
	Loan Repayments	0.00	0.00	0.00
	Corporate Taxes	(1,556.36)	(89.32)	(1,645.68)
	Other	(35,887.77)	(3,730.21)	(39,617.98)
9	OVERALL BALANCE (5+6+7+8)	(10,000.27)	10,580.75	580.48
10	FINANCING (10a +11+15)	10,000.27	(10,580.75)	(580.48)
10a	Total	6,092.23	69.66	6,161.89
	Capital Revenue	6,092.23	340.11	6,432.34
	Loans	0.00	(270.45)	(270.45)
	Equity	0.00	0.00	0.00
	On-Lending	0.00	0.00	0.00
	Loan Repayments	0.00	0.00	0.00
11	Total Foreign (12+13+14)	1,962.32	57,367.25	59,329.57
12	Government Guaranteed Loans	(6,875.85)	727.09	(6,148.76)
	Disbursement	0.00	727.09	727.09
	Amortization	(6,875.85)	0.00	(6,875.85)
13	Direct Loans	8,144.78	56,640.16	64,784.94
	Long Term:	4,944.54	56,640.16	61,584.70
	Disbursement	10,200.02	59,362.11	69,562.13
	Amortisation	(5,255.48)	(2,721.95)	(7,977.43)
	Short Term:	3,200.24	0.00	3,200.24
	Change in Trade Credits	3,200.24	0.00	3,200.24
14	Change in Deposits Abroad	693.39	0.00	693.39
15	Total Domestic (16+17+18)	1,945.72	(68,017.66)	(66,071.94)
16	Banking System	3,140.52	28.26	3,168.79
	Loans (Change)	2,614.75	527.56	3,142.31
	Overdraft (Change)	(394.75)	51.13	(343.62)
	Deposits (Change)	920.52	(550.43)	370.10
17	Non-Banks (Change)	(6,552.58)	31.72	(6,520.87)
18	Other (Change)	5,357.78	(68,077.64)	(62,719.86)

Source: MoFP

FISCAL DISCIPLINE, RISKS AND CHALLENGES

Sustained fiscal discipline promotes macroeconomic stability and underpins growth, particularly in small, open, developing countries. There may be some debate as to what constitutes an optimal fiscal stance over the 'long-run' but little, if any, as to the importance in ensuring that a sustainable fiscal stance persists. The sustainability of any fiscal stance may be derailed or strengthened by external factors, while the structural features of the economy may influence its vulnerability to shocks. Additionally, a country's fiscal history may act as a drag on fiscal performance, impact market and public confidence and influence the type of fiscal stance that is adopted.

Fiscal discipline starts with expenditure (including tax expenditures) and no fiscal consolidation effort can be successful, without expenditure containment and/or revenue enhancement, consistent with less reliance on debt to close financing gaps. Once fiscal deficits are eliminated, the public debt stock can be reduced in an orderly and sustained manner, thus simultaneously 'crowding in' the private sector and also allowing GOJ to focus on some of its core functions such as social protection programmes and infrastructure maintenance and development at minimal cost to the economy.

Under the aegis of the Fiscal Responsibility Framework, which was further enhanced with amendments to the FAA and PBMA Acts in March 2014, the GOJ will continue to demonstrate its commitment to fiscal discipline through prudent and transparent use of public resources. In FY 2013/14 Central Government primary expenditure declined to 19.4% of GDP from 20.4% of GDP in FY 2012/13 and an average of 21.7% over the last five years. This trend is illustrative of the GOJ's resolve to contain expenditure, in the face of sluggish revenue performance. Moreover, primary expenditure for FY 2014/15 is budgeted to decline further to 19.0% and to average just about 18% of GDP over the medium term. A number of expenditure strategies were earlier outlined to facilitate better management of fiscal resources and contribute toward this trend reduction in primary expenditure, in relation to GDP.

Wage containment, buttressed by the March 2013 Heads of Agreement signed with unions representing public sector workers, is expected to continue throughout the medium term and the 9% of GDP ceiling by March 2015 is expected to be met. Interest costs fell 2 percentage points in FY 2013/14 to 7.5% of GDP, the lowest level since FY 1992/93. Single digit ratios for interest cost as a share of GDP are expected to remain over the medium term, consequent on the NDX which reduced the effective interest rates on GOJ debt, and, consistent with the GOJ undertaking strong fiscal action to reduce and eliminate the fiscal deficit.

There is usually an element of judgment surrounding the medium term assumptions that are made in preparing the fiscal forecasts. The risks to the forecasts are inherently greater for the latter years within the medium term programme. To provide a more comprehensive picture of the fiscal position also requires the disclosure of, and strategies to deal with, the various fiscal risks that may lead to a material difference between the forecasts and the actual outturn. This includes issues such as new policies the Government may implement or consider as well as sensitivity around key assumptions (example economic conditions).

Fiscal risks can emanate from a wide range of sources, some of which have been encapsulated in Box 2. These fiscal risks have the potential to derail the Fiscal Management Strategy (FMS) that has been outlined and as such the GOJ is and will continue to be proactive, with respect to the management of these fiscal risks.

The maintenance of responsible fiscal policy in respect of revenue and expenditure is essential for the achievement of fiscal and debt targets. Thus, it is of utmost importance that revenue and expenditure measures which have deleterious fiscal effects are not adopted without the implementation of offsetting measures. Decisions to incur obligatory expenditures ahead of the budget being approved, is a notable source of fiscal risk. This risk is especially amplified if the effects of such decisions will cover several fiscal years into the future.

Key Fiscal Risks & Strategies to Mitigate

Wages and Salaries

The signing of Heads of Agreements (HOA) with unions representing 82% of public sector workers in March 2013 for the contract period 2012/15, reduced the risk element associated with wages by enhancing the predictability of the wage bill up to FY 2014/15. Nevertheless, there is still an element of risk, as the agreements place certain performance measures on the GOJ in terms of, inter alia, economic performance. Significant deviation from programmed macroeconomic indicators could threaten the sustainability of the industrial harmony embedded in the agreements. In particular, the HOA contains a clause that a review would be triggered if inflation exceeds the outer band of the 9% – 11% range by more than 2 percentage points. In FY 2013/14, inflation fell below the lower band and for FY 2014/15 inflation is expected to be within the targeted range. The GOJ however remains committed to deliver on its targets and will maintain constant dialogue with unions through the Monitoring Committee.

Another risk that could be cited is the fact that the police groups, nurses, and medical officers did not sign the 2012-2015 HOA. However, discussions with the police groups are ongoing and a settlement is expected early within FY 2014/15. Although these groups did not sign, the fiscal risk to the GOJ is minimal as the principle that applies to the groups who signed the general agreement is applicable across the public sector.

Other risk elements relate to disputes where the outcome is uncertain. For instance, with respect to legal officers, there was a relationship established between the pay of the Chief Justice and that of legal officers. The GOJ took the decision to delink the pay of the Legal Officers from that of the Judiciary. The legal officers in turn took the GOJ to Court on the matter. The Court heard the matter but the Judge has reserved his ruling. An unfavourable ruling for the GOJ would lead to an increase in the wage bill. The GOJ has however made an estimate of an expected cost and factored this into the medium term wage bill.

Box 2: Sources of Fiscal Risks

- Judicial Awards
- Wage anomalies
- Un-Budgeted Obligatory Expenditures
- Other Entities Debt Assumption
- Tax Expenditure (Discretionary)
- Guarantees which represents a risk:
  - Interest
  - Amortization
- Arrears/Pending Obligations:
  - Wages & Salaries
  - Other Expenditure Arrears
  - Tax Refund Arrears
- Financial Assistance to Public Bodies
- Public Private Partnership
- Other Fiscal Risks:
  - Impact of lower GDP on revenues
  - Impact of adverse interest, inflation & exchange rate
- Revenue yields less than expected
- Natural Disasters
- Government Policy Changes

Source: MoFP

Other Entities debt assumptions can and do present a "clear and present danger" to the goals of the FMS. Whereas the GOJ is clear that guarantees (contingent liabilities) and its other commitments must be honoured, these contingent liabilities that are of a material risk to the targets will necessitate certain steps being taken to keep the fiscal profile on a credible path. The enhanced fiscal framework (fiscal rules), with an expanded coverage of the public debt stock will provide a legal mechanism for closer monitoring of the debt incurred by public bodies, thereby minimizing the risks of unforeseen increases in the stock of public debt.

Natural disasters occur and often cause significant damage to infrastructure as well as unanticipated costs to the Budget. One of the main fiscal risks to the Budget (climatic risks) materialized in late October 2012 when Hurricane Sandy caused loss of lives and significant damage to roads and other infrastructure across the country with associated fiscal costs. The cost associated with repairs after Hurricane Sandy was accommodated through reallocation within the overall budget envelope.

Risks associated with natural disasters are partly managed through the Caribbean Catastrophic Regional Insurance Fund (CCRIF), an insurance facility that would provide immediate liquidity in the event of natural disasters such as hurricanes and earthquakes of a predefined magnitude (Hurricane Sandy did not reach the required threshold to trigger a payout from CCRIF). Jamaica has expressed an interest in increasing its catastrophe coverage to include an Excess Rainfall product, which the CCRIF's will add to its suite of products on June 1, 2014. The introduction of an excess rainfall product is consistent with long-standing efforts of the GOJ to have in place adequate catastrophe risk-sharing mechanisms, as over the years, Jamaica has suffered major damage from excess rainfall and flooding, even more so than from hurricanes and earthquake. The GOJ is currently in discussions with CCRIF officials, to explore the option of adjusting Jamaica's insurance facility to include excess rainfall coverage.

The enhanced fiscal rules require the government to allocate funds in the budget for weather related events and for such amounts to be transferred to the Contingencies Fund. The FY 2014/15 Budget made no explicit provision for weather-related events. However, a number of projects targeting disaster mitigation are included in the FY 2014/15 Budget. The allocation to these projects amounts to $2,280.8mn. In addition, considerable disaster mitigation work has been done to the Pallisadoes Road and Sandy Gully Bridge, which should serve to minimize the damage and fiscal costs associated with any unfavourable weather events.

Adverse movements in key macro-economic variables, such as inflation, reduce the impact (purchasing power) of the expenditure budget, particularly the recurrent expenditure. In order to manage this risk over the medium term, the forecast inflation over the period is "built into" the medium term expenditure budget estimates. Lower than forecast economic growth would also have the effect of contracting the revenue base. Faster economic growth may not necessarily increase revenue inflow to the government if the growing sectors are not adequately and appropriately taxed. To minimize this risk to the budget, the GOJ is implementing profound tax reform that will have the effect of reducing tax waivers, exemptions and incentives, broadening the tax base and improving the elasticity of the tax system. The enactment of the Fiscal Incentive (Omnibus) Legislation and Charities Act in FY 2013/14 will contribute toward achieving these objectives.

Tax expenditures (*discretionary*) are a significant fiscal risk and in recognition of this, the GOJ has overhauled the system of waivers. The GOJ will be tabling a 'Tax Expenditures Statement' which will detail the waivers, exemptions and other revenues foregone in calendar year 2012. The GOJ, as part of its tax reform programme, significantly curtailed discretionary waivers in FY 2012/13 and FY 2013/14. Further, the Fiscal Incentive Legislation that was passed by Parliament in November 2013 has removed ministerial discretion and put in place a rule-based regime for limited tax incentives that replaced the previous (mostly sectoral) schemes. New incentives now take the form of tax credits for personal and corporate income taxes only, and incentives will be the amount credited against the CIT/PIT payable in any fiscal year. To augment this new incentive regime, the Charities Act establishes a new and strict registration process for charitable organizations. Thus, 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 Charities Act. With these measures, the risk associated with the provision of tax breaks resulting in a reduction in tax revenue and thereby jeopardizing the achievement of fiscal targets has been effectively and significantly minimized.

Arrears over 90 days will be closely monitored to ensure there is no accumulation. The GOJ intends to eliminate the stock of outstanding withholding tax refunds (over 90 days) over the next four years. Within this context, the medium-term fiscal profile entails payment of withholding tax refunds at an average of $1,000.0mn monthly from FY 2014/15. One of the performance criteria in the EFF is a ceiling on Domestic Arrears over 90 days as at March 31, 2013, that is, there is to be no accumulation of arrears over 90 days. During FY 2013/14 the GOJ was able to adequately satisfy this performance criterion. The EFF also establishes a similar ceiling on Tax Refund Arrears. At the end of February 2014, Domestic Arrears and Tax Refund Arrears were $194.8mn and $2,356.1mn, respectively, below the March 2013 levels. The GOJ will however be aiming over the medium term to manage its arrears such that they will only fall into the traditionally recognized 30-day period. An outline of a plan to manage domestic expenditure arrears is provided as part of the Expenditure Strategy.

Lower GDP outturns can have adverse impacts on the revenues and the GOJ stands ready to make adjustments to the expenditure budget consistent with the goals of the FMS. In addition, lower revenue yields, due to other factors would also be met with appropriate adjustments to the expenditure budget, as far as is possible. Changes in GDP also affect the fiscal, debt and other economic ratios. For example, in FY 2012/13, the Debt/GDP for FY 2011/12 was revised from 128.0% up to 131.6%, consequent on a downward revision of GDP. The downward revision to the GDP series also adversely affected the Wages/GDP ratio. In the FY 2012/13 FPP, Wages/GDP for FY 2011/12 was stated as 10.7% however the downward revision to the GDP pushed up the ratio to 11.0%.

Changes in Government policy may become necessary, in response to changes in economic and other conditions, however, where these policy changes lead to an adverse material impact on either revenue or expenditure, then the GOJ will take the necessary "compensating measures" to ensure that the FMS maintains its integrity. In July 2013 the GOJ imposed a smoking ban in public spaces as a policy measure to promote a healthier public environment. The ban is expected to save on public health expenditure in the medium to long term. However, the ban led to a sharp drop in importation of tobacco products and an attendant significant reduction in budgeted tax revenue in FY 2013/14. In response, the GOJ made adjustments to its planned expenditure to ensure that the critical primary and fiscal balance targets were adhered to.

Going forward, the GOJ intends to manage fiscal risks appropriately and will be putting in place the necessary safeguards to ensure this objective is met. To this end, the GOJ will be augmenting the recent amendments to the FAA and PBMA Acts (enhanced fiscal rules) with additional Regulations during the first quarter of FY 2014/15, to include a strengthened regime for sanctions against public officers for non-compliance. In addition, in August 2013, the MOFP engaged the service of a consultant, with support from the IDB, to undertake a "*Consultancy for the evaluation of and quantification of main fiscal risks and strengthening of the fiscal responsibility framework*". The objective of the consultancy is to support the GOJ in better identifying, evaluating, quantifying and reporting its main fiscal risks for better public financial and fiscal management and economic planning. The consultancy is due to end in July 2014 and upon completion the MOFP's capacity to undertake vigorous fiscal risks assessment is expected to be significantly enhanced.

Appendix I

Medium Term Expenditure Profile

Table IA - Non-Debt Recurrent Expenditure 2012/2013 - 2017/2018

$'000

Heads	Actual 2012/13	Revised 2013/14	Budget 2014/15	Projected 2015/16	Projected 2016/17
His Excellency the Governor-General	154,475	176,422	170,306	175,415	189,448
Houses of Parliament	762,380	743,941	768,818	791,883	855,233
Office of the Public Defender	76,561	73,113	75,453	77,717	83,934
Office of the Contractor-General	227,584	232,723	229,184	236,060	254,944
Auditor General	346,598	352,528	528,498	544,353	587,901
Office of the Services Commissions	163,702	171,697	179,578	184,965	199,763
Office of the Children's Advocate	84,078	97,686	112,585	115,963	125,240
INDECOM	280,000	312,986	334,258	344,286	371,829
Office of the Prime Minister	1,638,066	1,792,713	2,997,150	3,087,065	3,334,030
Office of the Cabinet	525,423	551,529	483,736	498,248	538,108
Ministry of Tourism and Entertainment	1,531,488	1,488,507	1,535,072	1,581,124	1,707,614
Ministry of Finance and Planning	34,855,343	33,918,828	52,298,071	51,061,463	55,772,503
Tax Administration Department	4,525,808	4,769,130	4,907,756	5,054,989	5,459,388
Ministry of National Security	47,084,287	48,360,768	47,241,522	48,658,768	52,551,469
Ministry of Justice	4,019,695	4,307,292	4,652,576	4,792,153	5,175,526
Ministry of Foreign Affairs and Foreign Trade	2,696,293	2,898,965	3,000,349	3,090,359	3,337,588
Ministry of Labour and Social Security	2,277,788	2,414,695	2,262,746	2,330,628	2,517,079
Ministry of Education	79,155,517	84,011,316	78,292,324	80,641,094	87,092,381
Ministry of Health	33,615,874	37,614,361	35,975,346	39,317,935	44,018,975
Ministry of Youth and Culture	3,126,396	3,530,258	3,644,872	3,754,218	4,054,556
Ministry of Agriculture and Fisheries	3,343,130	3,377,738	3,533,677	3,639,687	3,930,862
Ministry of Industry, Investment and Commerce	1,682,363	1,653,665	1,794,458	1,848,292	1,996,155
Ministry of Science, Technology, Energy and Mining	3,445,619	3,557,848	4,465,241	4,599,198	4,967,134
Ministry of Transport, Works and Housing	2,295,285	2,650,374	3,363,293	3,464,192	3,741,327
Ministry of Water, Land, Environment and Climate Change	2,284,495	2,345,010	2,705,604	2,786,772	3,009,714
Ministry of Local Government and Community Development	8,048,993	7,517,949	8,926,332	9,194,122	9,929,652
Contingency Allocation			7,506,560	8,553,650	9,053,650
GRAND TOTAL RECURRENT	**238,247,241**	**248,922,042**	**271,985,365**	**280,424,598**	**304,856,002**

Table IB - Economic Classification
Non-Debt Recurrent Expenditure 2010/2011 - 2015/2016
$'000

Object Classification	Actual 2012/2013	Revised 2013/2014	Estimates of Expenditure 2014/2015	Projected 2015/2016	Projected 2016/2017
Wages and Salaries	**147,381,845**	**157,700,901**	**161,704,301**	**161,321,102**	**176,224,200**
Recurrent Programmes (of which:)	**90,865,396**	**91,221,141**	**110,281,064**	**119,103,497**	**128,631,800**
Travel Expenses and Subsistence	10,886,961	10,593,245	12,439,155	13,558,679	14,778,960
Retirement Benefits	24,951,587	23,524,418	26,483,000	28,866,470	30,464,452
Rental of Property and Machinery	2,653,268	2,688,936	3,211,795	3,500,857	3,815,934
Utilities and Communication Services	6,341,169	7,302,779	8,622,732	9,398,778	10,244,668
Use of Goods and Services	20,807,862	20,083,208	24,680,937	26,902,221	28,323,421
Grants and Contributions	24,193,632	20,629,495	24,062,275	25,387,140	28,060,151
Capital Goods	800,337	761,088	901,013	982,104	1,070,494
Others	230,580	5,637,972	2,373,597	2,587,221	2,820,071
Contingencies			7,506,560	7,920,027	9,053,650
TOTAL RECURRENT	**238,247,241**	**248,922,042**	**271,985,365**	**280,424,599**	**304,856,000**

Table IC - Medium Term Capital Profile 2012/2013 - 2016/17

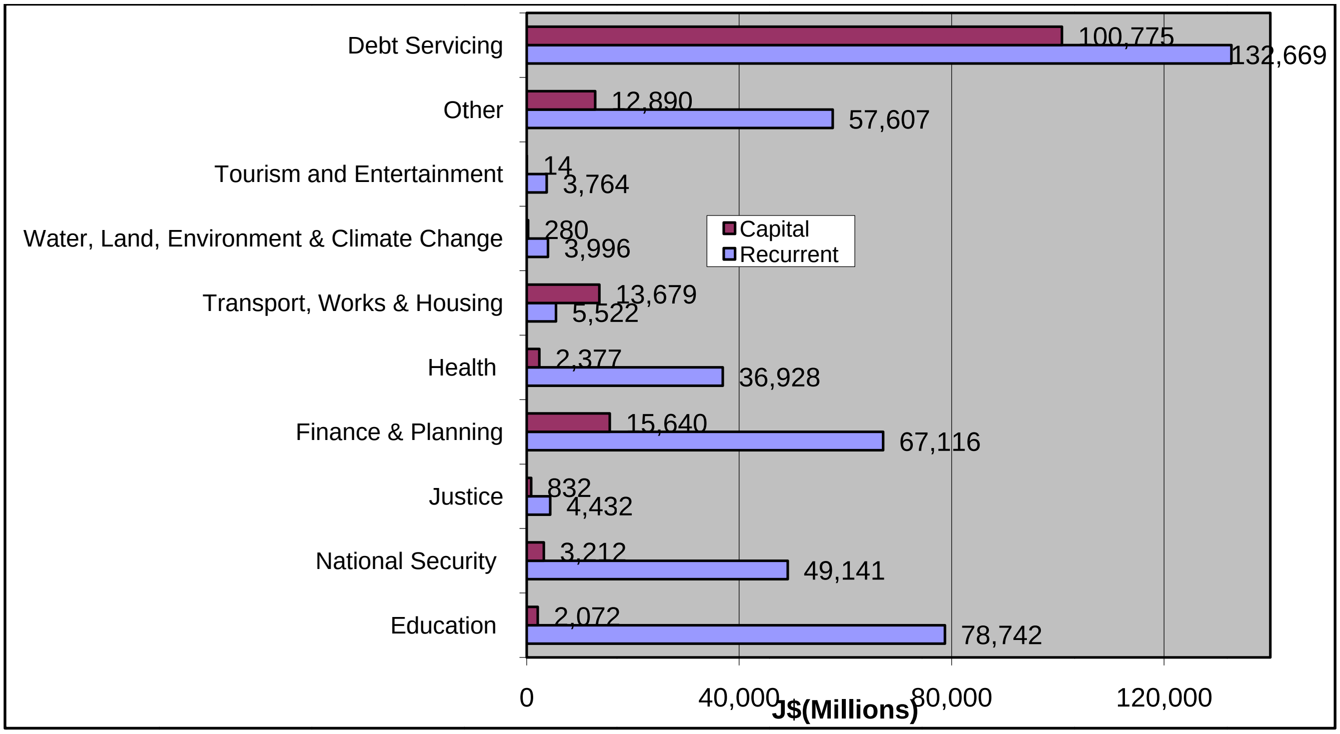
$'000

Heads	Actual 2012/13	Revised 2013/14	Budget 2014/15	Projected 2015/16	Projected 2016/17
Office of the Prime Minister	1,079,580	1,088,337	-		
Office of the Cabinet	30,000	-	-		
Ministry of Finance and Planning	1,481,266	1,300,546	-		
Ministry of National Security	856,511	1,592,172	2,172,245	1,198,440	367,093
Ministry of Justice	223,500	121,675	445,000	175,000	150,000
Ministry of Labour and Social Security	650,000	-	-		
Ministry of Education	497,217	216,000	615,000	320,000	400,000
Ministry of Health	10,000	6,500	-		
Ministry of Youth and Culture	336,065	85,000	-		
Ministry of Agriculture and Fisheries	1,984,351	2,062,723	1,863,450	1,500,000	2,000,000
Ministry of Industry, Investment and Commerce	35,000	86,921	-		
Ministry of Science, Technology, Energy and Mining	606,856	317,225	597,000		
Ministry of Transport, Works and Housing	6,261,178	3,933,587	3,100,000	3,826,625	380,088
Ministry of Water, Land, Environment and Climate Change	377,331	390,867	-		
Ministry of Local Government and Community Development	495,000	345,915	-		
GRAND TOTAL CAPITAL A	**14,923,855**	**11,547,468**	**8,792,695**	**7,020,065**	**3,297,181**
Office of the Prime Minister	1,851,869	1,916,645	1,655,721	1,783,732	2,190,842
Office of the Cabinet	203,210	142,189	278,928	550,000	586,460
Ministry of Tourism and Entertainment	-	5,530	14,392	20,552	
Ministry of Finance and Planning	367,307	1,237,428	1,747,838	3,087,037	4,298,910
Ministry of National Security	1,199,357	1,329,693	1,039,357	1,367,858	1,422,215
Ministry of Justice	205,526	201,406	386,903	814,914	518,363
Ministry of Foreign Affairs and Foreign Trade	43,000	42,082	75,000	350,000	400,000
Ministry of Labour and Social Security	3,742,605	4,696,053	5,544,504	5,994,305	6,947,059
Ministry of Education	1,711,094	1,510,518	1,457,369	1,094,995	1,468,922
Ministry of Health	1,613,035	548,205	1,103,423	2,394,340	858,200
Ministry of Youth and Culture	255,961	203,905	173,678	43,000	22,000
Ministry of Agriculture and Fisheries	1,326,251	569,516	563,776	722,423	235,748
Ministry of Industry, Investment and Commerce	1,044	49,350	3,800		
Ministry of Science, Technology, Energy and Mining	381,260	514,347	800,298	1,069,273	1,209,273
Ministry of Transport, Works and Housing	9,146,808	8,282,023	10,579,264	10,037,889	14,878,451
Ministry of Water, Land, Environment and Climate Change	1,379,223	938,239	279,973	658,209	144,043
Ministry of Local Government and Community Development	41,786	75,617	131,243	317,708	470,993
GRAND TOTAL CAPITAL B	**23,469,336**	**22,262,746**	**25,835,467**	**30,306,235**	**35,651,479**
Contingencies					**2,208,440**
TOTAL CAPITAL	**38,393,191**	**33,810,214**	**34,628,162**	**37,326,300**	**41,157,100**

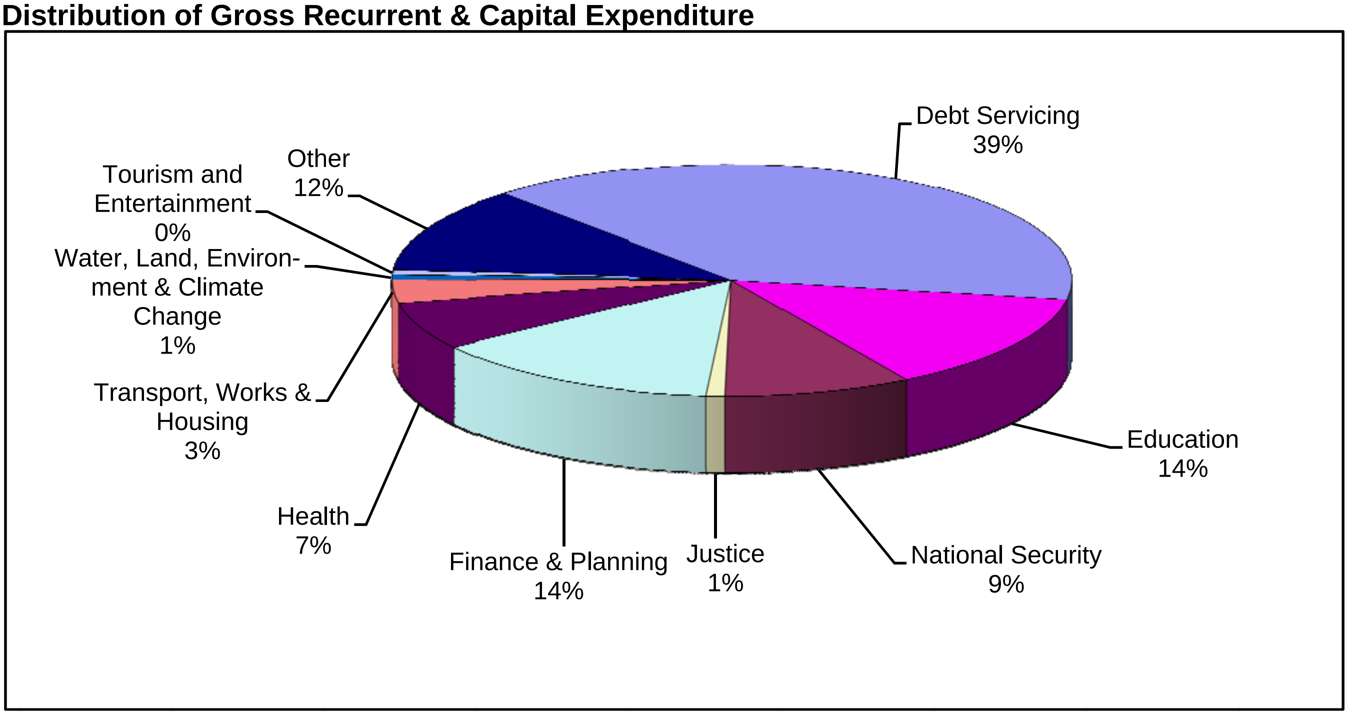
2014/2015 Jamaica Budget

Gross Estimates (including Debt and Appropriations-in-Aid) by Selected Ministry Groups

Gross Expenditure Recurrent & Capital



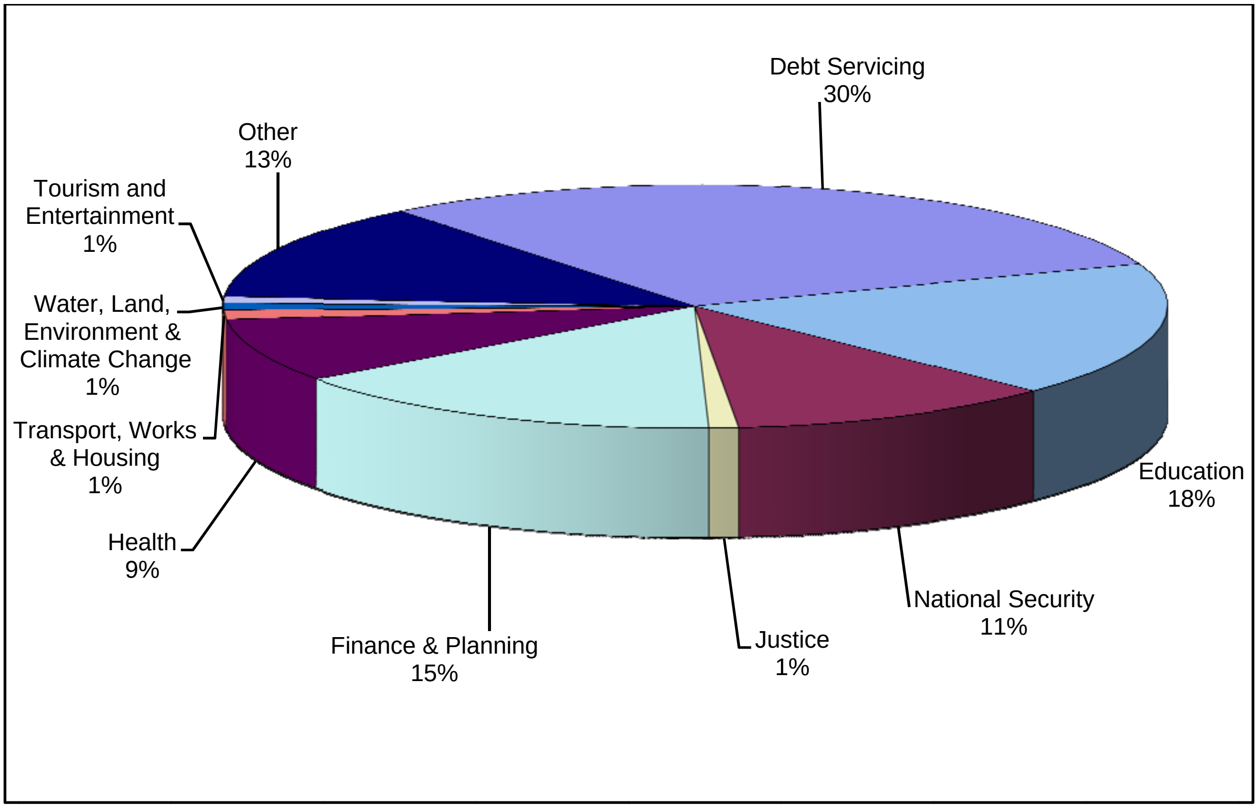
Distribution of Gross Recurrent & Capital Expenditure



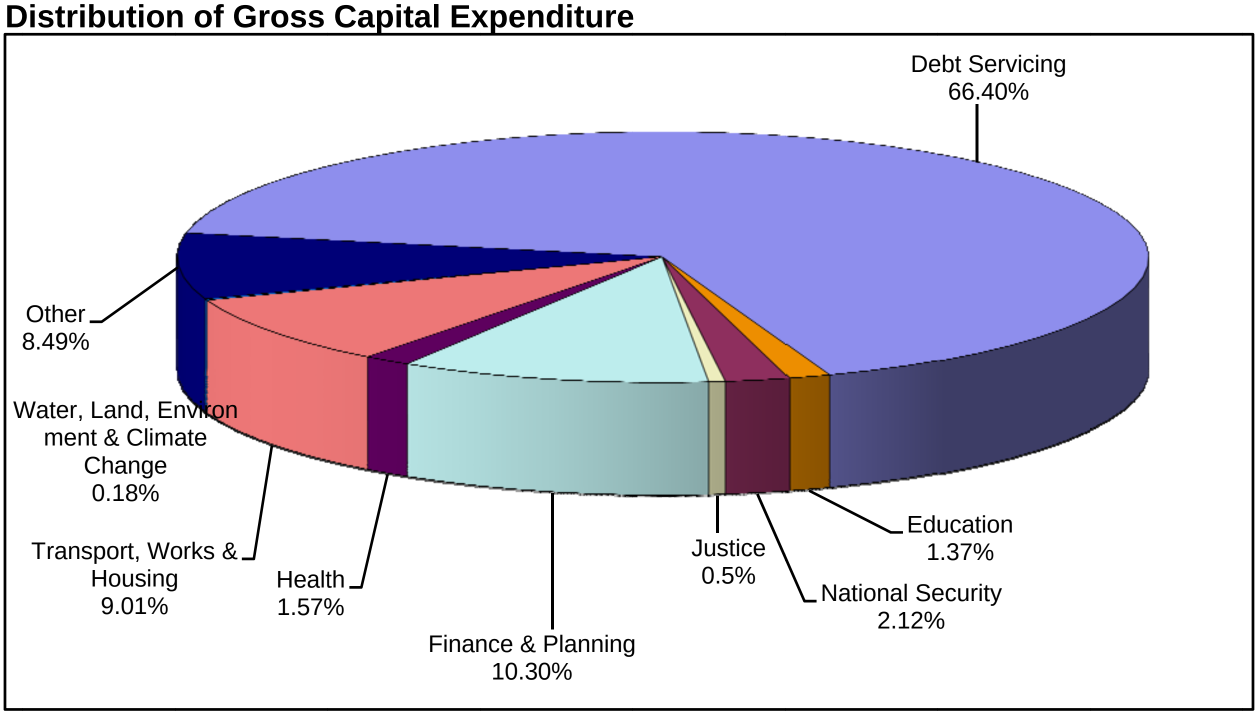
Ministry of Finance and Planning

2014/2015 Jamaica Budget

Distribution of Gross Recurrent & Capital Expenditure



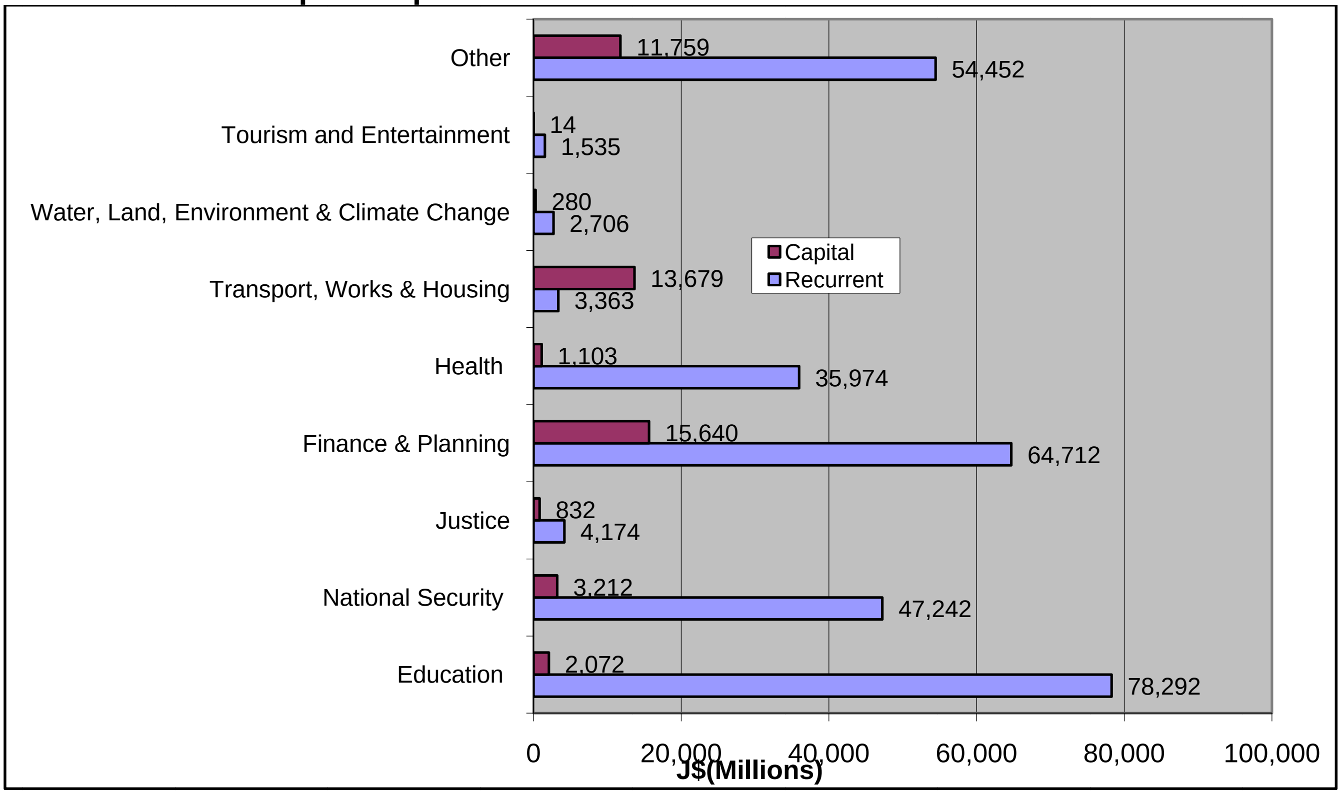
Distribution of Gross Capital Expenditure



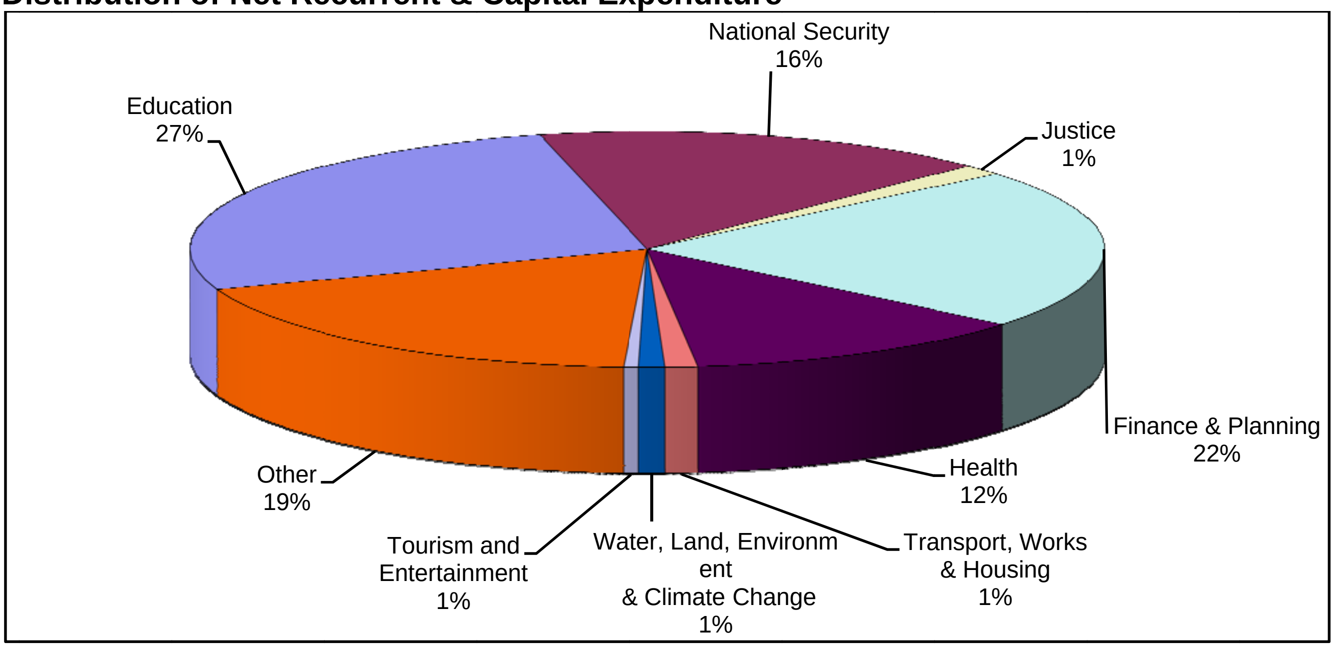
Ministry of Finance and Planning

2014/2015 Jamaica Budget
Estimates (Net of Debt and Appropriations-in-Aid) by Selected Ministry Groups

Net Recurrent & Capital Expenditure



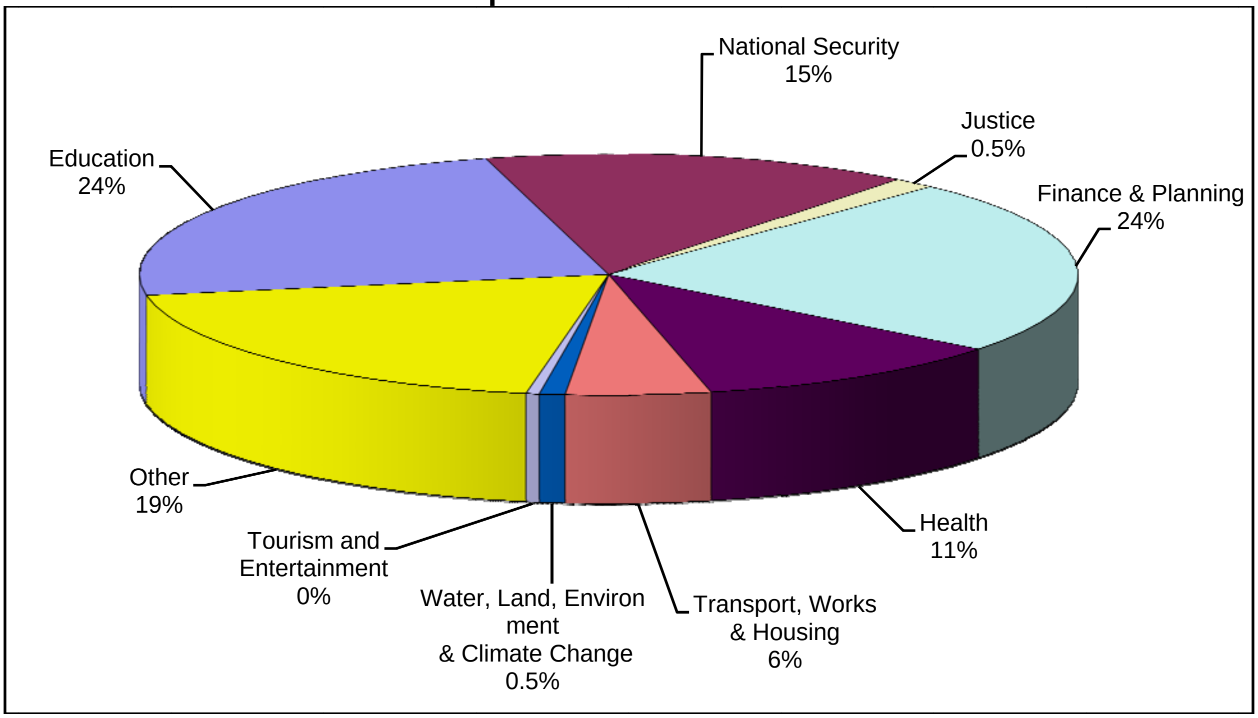
Distribution of Net Recurrent & Capital Expenditure



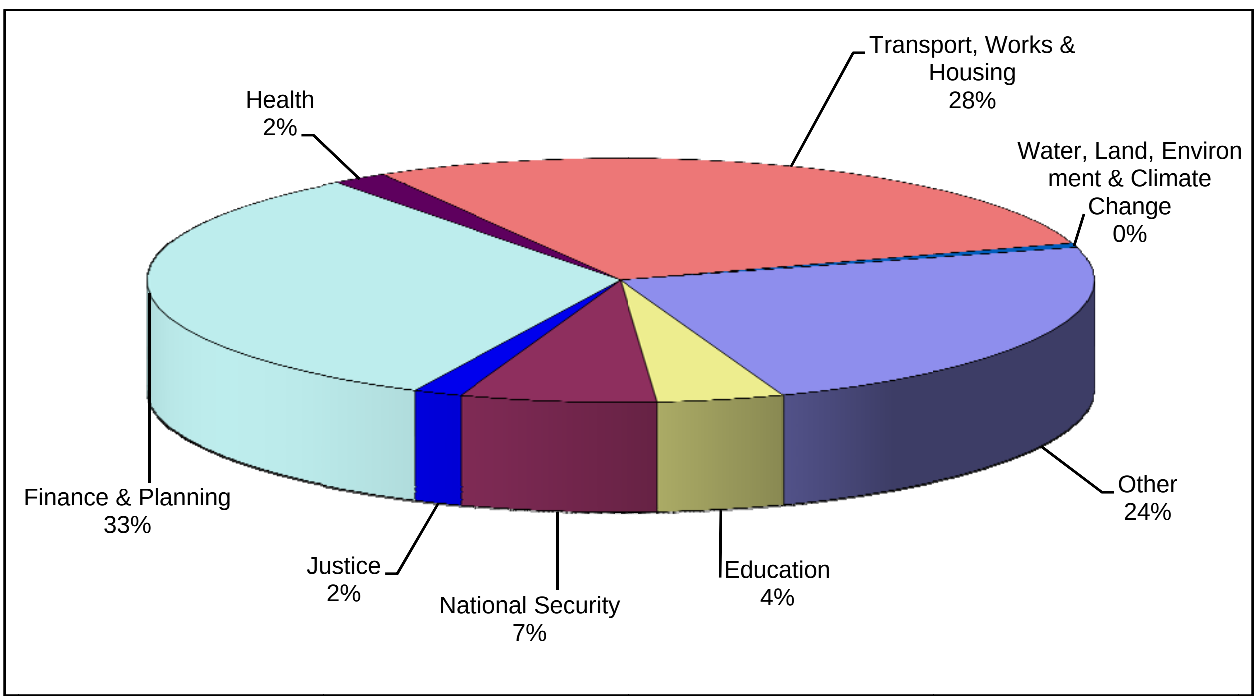
Ministry of Finance and Planning

2014/2015 Jamaica Budget
Estimates (Net of Debt and Appropriations-in-Aid) by Selected Ministry Groups

Distribution of Net Recurrent Expenditure



Distribution of Net Capital Expenditure



Ministry of Finance and Planning

Appendix II

Improved Financial Management

Summary Report on the Status of Public Financial Management Reform Programme

The GOJ continues to implement a number of reforms, as outlined in the Public Financial Management Reform Action Plan (PFM RAP)[7]. The implementation of reform activities have been sequenced to address weaknesses in core Public Financial Management (PFM) functions as well as to support the structural economic reforms being undertaken within the context of the Extended Fund Facility (EFF) agreed with the International Monetary Fund (IMF).

In order to strengthen the basic function of Accounting and Reporting, the Government has successfully implemented an interim Central Treasury Management System (CTMS). The CTMS project encompasses: (i) an upgrade of the existing accounting package (FinMan) utilized throughout all 30 Ministries, Departments and Agencies (MDAs); and (ii) the development of a Treasury Management Module (TMM) for the Accountant General's Department (AGD).

The TMM has enabled centralized Cash Management under the purview of the AGD, which is to be transitioned into a modern Treasury Department over the medium term. The central release payments by the AGD – facilitated by the establishment of a Treasury Single Account (TSA) at the Bank of Jamaica (BOJ) - have already brought greater efficiency in the execution of the budget.

In the last quarter of FY 2013/14 the implementation team prioritized enhancements to the interim CTMS by piloting a Commitment and Purchase Order Module in the Ministry of Finance and Planning and designing and implementing a number of reports to enable improved internal control and to support administration of the fiscal rules.

Predictability and control in budget execution is a major sub-objective of the PFM reform programme. The main strategy to achieve this objective involves strengthening the MOFP's institutional capacity to: (i) improve customs and inland tax collections; and (ii) manage debt and government payment operations. Significant progress has been made with:

1. Conversion of the Jamaica Customs Department and Tax Administration Jamaica into an Executive Agency and a Semi-autonomous Revenue Authority respectively.

2. Ongoing modernization of physical and technological infrastructure, including the upgrade of training facilitates & office spaces and the provision of e-filing and third parties payment options to taxpayers.

3. Approval processes for the acquisition of the major administration systems for TAJ (ITAS) and JCA (Asycuda) have been completed. Implementation of the Asycuda World system will commence in April, 2014.

[7] Cabinet had approved the PFM RAP along with relevant institutional arrangement – including a PFM Secretariat, to guide the implementation process.

The budget planning and preparation process is another area of focus; and progress was made in establishing an Interim Budget Calendar for FY 2014/15. This Interim Budget Calendar precedes a permanent, legally binding budget calendar to be effective as of FY 2015/16, subject to Cabinet's approval.

Procurement is a key area for reform, to ensure competition, value for money and effective control. The establishment of a single, comprehensive Public Procurement Law (PPL) and consequent Procurement Manual is a key activity. Additionally, implementation of an Electronic Tendering System will support the administration of the PPL. During FY 2013/14, a Public Procurement Page was established to communicate procurement opportunities to the public and public procurement officers underwent significant training.

The Internal Audit function is being strengthened through capacity building for the Internal Audit Unit (IAU) and the Internal Audit Directorate (IAD) in the MoFP. The acquisition and installation of a Working Paper Tool complemented by relevant training were the main reform activities completed during FY 2013/14.

The Debt Management Branch (DMB) has been re-organized into a front, middle and back office model in an effort to improve efficiency and quality of service delivery and the recruitment of staff has been substantially completed.

Finally, during the last quarter of FY 2013/14 the GOJ signed off on two agreements with its international development partners (IDPs)[8] which will support the implementation of reforms related to PFM with respect to:

- Parliamentary oversight & accountability;
- Human resources management and payroll systems;
- Information & Communication Technologies Management;
- Public Investment Management Systems (PIMS);
- Budget Preparation Process and Results based budgeting; and
- Industrial growth and trade facilitation.

In summary, implementation of the PFM reform programme is on track and progressing well. All PFM related benchmarks and conditions required by the IDPs were met during FY 2013/14.

[8] Public Sector Efficiency Program supported by the EU, China and the IDB; and the Strategic Public Sector Transformation Program supported by the World Bank.

Appendix III

DEVELOPMENTS IN THE FINANCIAL SECTOR

Introduction

There were significant achievements made during FY 2013/14, with the passage of three key pieces of legislation. Other critical pieces of legislation have advanced and are at different stages of development, in keeping with the government's commitment to maintain stability in the financial sector. The Financial Investigations Division (FID) continued to carry out its mandate of dealing with matters relating to financial crimes, including money laundering, while the Financial Institutions Services (FIS) continued winding down operations on behalf of the Financial Sector Adjustment Company (FINSAC).

Financial Investigations Division (Amendment) Act

Amendments to the Financial Investigations Division (FID) Act were passed in Parliament in July 2013. The amendments are expected to, among other things, improve Jamaica's prospects to gain membership in the Egmont Group, as well as greatly enhance its reputation in the fight against money laundering and terrorism financing in the international community. The Egmont Group provides a forum for financial intelligence units around the world to improve cooperation in the fight against money laundering and terrorism financing.

Private Pensions Legislation

The Private Pensions Bill was tabled and passed in Parliament in November 2013. It was later assented to by the Governor General on December 17, 2013. The amendments to the Pensions (Superannuation Funds and Retirement Schemes) Act sought to clarify the imposition of licence fees for Investment Managers as uncertainty had arisen regarding the fees and the law was open to different interpretations. The amendment explicitly stated that license fees for Investment Managers are payable on initial grant of the licence and annually on or before the anniversary of the initial grant of the licence. The amendments also sought to deal with conditional registration and harmonization of contribution limits with the provisions of the Income Tax Act.

Securities (Amendment) Act

The Securities Bill was tabled and passed in Parliament in December 2013. On December 30, 2013, the Governor General assented to the passing of the Bill. The amendment to the Securities Act sought to enhance the framework for the regulation of the securities industry in order to combat the establishment and proliferation of unregulated financial organizations, modernize the framework for the regulation of Collective Investment Schemes and correct other deficiencies in the regulatory framework of the securities industry.

Insurance (Amendment) Act

Drafting instructions were issued to the Chief Parliamentary Counsel in March 2013 to prepare the Bill to enable amendment of the Insurance Act. Subsequently, several draft Bills were prepared based on comments from the relevant stakeholders. The Bill is still being redrafted. The proposal to amend the Insurance Act seeks to provide for the harmonization of certain procedures for hearings, appeals, and treatment of unclaimed balances with other financial sector legislation and the strengthening of the legislative framework of the insurance industry.

Bank of Jamaica (Amendment) Act

Following review of the Draft Bill by the Ministry of Finance & Planning (MOFP) and BOJ, further drafting instructions were issued to the Chief Parliamentary Counsel to have the Bill revised. The proposed amendments seek to give the BOJ institutional responsibility for stability of Jamaica's financial system.

Omnibus Legislation

The Omnibus Banking Bill was tabled in Parliament in March 2014. The Bill seeks to merge the provisions of the Banking Act, Financial Institutions Act and the Bank of Jamaica (Building Societies) Regulations into one piece of legislation to enhance the supervision of deposit taking institutions (DTIs) through amendments to existing provisions. It also seeks to give the BOJ more supervisory authority.

Proposed Micro Credit Act

The Micro Credit Bill is being prepared by the Chief Parliamentary Counsel. The proposed new Act will provide for the registration and regulation of micro-financing institutions in an effort to address the deficiencies inherent in the operations of the industry. It will also promote greater transparency, protection of consumers and reduction in risks or elimination of the industry being used as a vehicle to facilitate money laundering.

Activities of the Financial Investigations Division

During FY 2013/14, the FID continued to pursue its mandate and provided support to law enforcement agencies including the Major Organised Crime Anti-Corruption Task Force (MOCA) in its effort to "take the profit out of crime" and build confidence in the financial sector.

The FID continued to work with the Jamaica Constabulary Force (JCF), Jamaica Customs Agency, Office of the Director of Public Prosecution and other local entities, as well as international counterparts. The FID also signed several MOUs with local and international law enforcement agencies.

The FID continues to build partnerships with financial institutions, as well as engage in training persons in anti-money laundering matters. One such highlight was the inaugural Anti Money Laundering Conference for financial institutions in Jamaica, which was held in November 2013 under the theme: 'Taking the Profit out of Crime: A Collaborative Approach'.

It should also be noted that FID's membership in the Egmont group is confirmed for June 2014 with the passage of the amendments to the FID Act, which aided the FID in meeting the Egmont Group standards.

Activities of the Financial Institutions Services (FIS) Limited

During FY 2013/14, the FIS Ltd continued with the winding up of residual activities on behalf of FINSAC, including selling remaining properties and sundry assets under its control. The following are some key achievements:

1. FINSAC received net proceeds of US$4.1m for its share from the collections of loans sold to the Jamaican Redevelopment Foundation (JRF).

2. The hearing of the appeal of Dr. Paul Chen Young regarding judgment against him was completed in October 2013 and the judge's decision is pending. Other litigation matters continued in the Courts.

3. A settlement for a property in St. Lucia which is jointly owned by Superclubs and Mutual Life was reached with the Government of St. Lucia in January 2013. It was agreed that the Government of St. Lucia would pay US$8.0mn at 6% p.a. amortized over 5 years. The related agreement was executed and the first payment of US$400,000.0 plus interest was received in December 2013.

Proposed Areas of Focus for FY 2014/15

For FY 2014/15, efforts will concentrate on the following:

- The passage of the Omnibus Legislation for the harmonization of provisions of the institutions supervised by the BOJ by May 2014;
- The amendment of the Bank of Jamaica Act to give institutional responsibility for stability of the financial sector to the BOJ;
- The amendment of the Insurance Act to enable the harmonization of certain provisions with other financial sector legislation and the strengthening of the legislative framework of the insurance industry;
- The enactment of the Micro Credit Act to provide for the registration and regulation of micro-financing institutions;
- The FID gaining membership to the Egmont Group;
- The implementation of the Case Management System (CMS) for FID in FY 2014/15;
- Divestment of the remaining assets under FIS's control.

Appendix IV

STRATEGIC HUMAN RESOURCE MANAGEMENT

PUBLIC SECTOR REFORM

Establishment of the SHRMD

In keeping with the Government's commitment under the Extended Fund Facility (EFF) Arrangement with the IMF, the Public Service Establishment Division, Ministry of Finance & Planning (MOFP) and the Corporate Management Development Division, Cabinet Office, were merged with effect from May 1, 2013 to form the Strategic Human Resource Management Division (SHRMD). The new division resides within the Ministry of Finance & Planning. The finalization of the new structure and staffing of the SHRMD is well advanced in furtherance of the Government's commitment under the EFF.

Compensation Review

The IDB-funded GOJ compensation review consultancy commenced in October 2013 and is expected to be finalized by end-March 2014, in keeping with the structural benchmark under the EFF. The main objective of the Compensation review is to transform the GOJ Compensation system and to inform measures to reduce the Public Sector Wage Bill to 9% of GDP by 2016 as required under the Financial Administration and Audit Act (Fiscal Responsibility Framework).

Human Capital Management System

Funding for the procurement of the Human Resource Management software system was secured under the IDB/GOJ Public Sector Efficiency Programme (PSEP). The procurement process is progressing as planned and the contract is expected to be in place by the end of May 2014, with phased implementation slated to commence by the end of September 2014.

Public Sector Pension Reform

Reform of the public sector pension system represents a critical element in establishing sustainability of the fiscal operations. The White Paper on pension reform was approved by Cabinet in October 2013, and was tabled in Parliament in December 2013. The new pension system is scheduled for implementation in 2016. Evaluation of bids for establishment of the Earnings Database was completed, and the preferred bidder selected during the quarter ending 31 December 2013.

The table below summarizes the features of the pension system which will take effect as of April 1, 2016.

Parameter	Current System	Reformed System
Start Date		2016
Actuarial Rate	2.2%	Current workers 55 years and older: 2.2% Current workers 54 yrs and younger: 2% New Entrants: 1.8%
Retirement Age	60[1]	65
Indexation	Ad Hoc	Periodic reviews
Contribution	None[2]	Employees: 5%
Salary used in computation	Final	Average last 5 years
Widows & Orphans	4%[3]	Contributions cease
Beneficiaries	Provision available for all except teachers	Provision available for all
Lump Sum	Optional	Optional
Segregated Fund	None	Special fund segregated from the general funds of the Government of Jamaica

1 Special groups such as the police, soldiers, parliamentarians and judges have different retirement age

2 Except Police – 1.7%, Parliamentarians – 6%, Councilors – 6%

3 Only contributed by Civil Servants

ESTABLISHMENT CONTROL

Post Operations Committee (POC)

The POC continues to monitor the Public Service Establishment with the granting of approval for filling of vacant posts on a *needs* basis. This activity is integral to containment of the size of the public sector and the achievement of the Wage Bill target of 9% of GDP by March 2016.

Establishment General (G) Order

The abolition of 1,000 vacant posts from the Civil Service Establishment was completed during the quarter ended December 2013. The Civil Service Establishment (General) Order *2013*, and the Civil Service Establishment (General) (Amendment) Order *2013*, were printed and distributed during the Quarter.

SCHOLARSHIPS AND ASSISTANCE AWARDED UNDER GOJ AND DONOR PROGRAMMES

SCHOLARSHIP

During the period April to December 2013, scholarship offers were received from China, Cuba, Japan, Malaysia, Russia and Serbia, in addition to the Organization of American States (OAS) and the UK Commonwealth Scholarship. Advertisements were posted in the media and on the MoFP's website as well as to special interest groups. Candidates were interviewed, nominated and awarded accordingly. Approximately fifty (50) long and short term scholarships were accessed.

SKILLS TRAINING

The Skills Training Programme was implemented as a result of the 2004 Memorandum of Understanding (MOU) signed between the Government of Jamaica and the unions representing public sector workers. The aim of this agreement was to provide training opportunities to workers, especially those from the lower levels who would have been severely affected by the wage constraints imposed at that time. These workers were given the opportunity to acquire skills at Vocational and other Training institutions which would increase their earning power and supplement their incomes. In this regard, HEART TRUST/NTA and collaborating entities at the UWI were among the training institutions whose services were engaged to deliver this training. Over time, however, all levels and entities were included as the programme gained momentum with notable success. A total of four such agreements have been signed between the GOJ and the unions.

As at end-December 2013, twelve (12) programmes have been implemented under the Skills Training initiative, including: Air-conditioning and Refrigeration, Tiling, Motor Vehicle Repairs, Cake Baking and a variety of Information Technology (IT) programmes. Approximately 300 persons were trained between April 2013 and December 2013.

EMPLOYEE BENEFITS

Funeral Grants, **c**omputer, motor vehicle, miscellaneous and tertiary loans were processed and approved in accordance with the relevant guidelines. Approximately $350mn was paid out for loans and grants during the period April to December 2013.

INDUSTRIAL RELATIONS

Heads of Agreement 2012-2015

Implementation of Heads of Agreement for the 2012-2015 contract periods continued during FY 2013/14. This included the implementation of the Tertiary Grant for children of public sector workers during the fourth quarter of FY 2013/14. Work continues regarding other benefits such as the allocation of land/housing for public sector workers, day care centers for children of public sector workers, as well as canteen and gym facilities. The Police groups, Nurses, and Medical officers did not sign the 2012-2015 agreement; however, discussions with the police groups are ongoing with a view to arrive at a settlement. Although the police groups did not sign, the fiscal risk to the GOJ was minimal as the principle that applies to the groups who signed the general agreement is applicable across the public sector.

In the case of the Legal Officers, there was a relationship established between the pay of the Chief Justice and that of Legal Officers. The Government took the decision to delink the pay of the Legal Officers from that of the Judiciary. The Legal Officers in turn took the Government to Court on the matter. The matter was heard in Court and the Judge has reserved his ruling.

In the case of the Medical Officers, the Terms of Reference before the Industrial Disputes Tribunal (IDT) was in relation to the claim for the 2008-10 contract period and was as follows:

"*To determine and settle the dispute between the Ministries of Health and Finance and Planning and the University Hospital of the West Indies on the one hand and the Association of Government Medical Consultants employed to the Ministry of Health on the other hand, over the Association's claim for increased wages and improved conditions of employment*."

However since the parties agreed that there was consensus on some of the items of the 2008-10 claim, the IDT made its award on the following (3) items:

1. Emergency Duty Allowance - That the frequency used in the formulae for computing emergency duty allowance be increased to eleven nights per month instead of the existing frequency of nine nights;
2. Allowance in lieu of Private Practice - $547,512 per annum with effect from April 1, 2008 and $585,842 per annum with effect from April 1, 2009; and
3. Meal Allowance- Parity in the amount paid to Junior Doctors and Medical Consultants –an increase from 27,360 per annum. to 56,579 per annum;

Following the 2012-2015 agreement, it was agreed that a study would be done to determine the gap between the salaries of Police Officers on the one hand and Correctional Officers and Firemen on the other hand and an appropriate action prescribed. A Terms of Reference was agreed and signed into the 2012-15 agreement for implementation in 2014. The relativity study was carried out for the Firemen and the Correctional Officers. The study determined that the gap between the salaries of Police Officers and those of Correctional Officers and Firemen had widened. Consequently, revised salaries were implemented for the Firemen however implementation for the Correctional Officers is pending agreement between the GOJ and unions representing those officers.

Industrial Harmony

During FY 2013/14, industrial harmony was maintained for 99% of the public sector against a projected 95% target. This was achieved through continuous dialogue with the unions as well as timely and sound advice provided to Ministries' Departments and Agencies (MDAs) in the implementation of agreed benefits.

Appendix V

TAX ADMINISTRATION PROGRAMME

Tax Administration Jamaica

Tax Administration Jamaica (TAJ) began operating in its current form on May 1, 2011. The major goal of this Department of Government is to build an efficient and equitable tax system that will not only contribute to the development of a stable macro economy but will also ensure that the expenditures of the Government of Jamaica (GOJ) are adequately funded. Attainment of this goal required establishment of a new organisation structure with improved business processes, updated technology, appropriate culture and human resources.

Domestic tax revenue represents approximately 66.0% of total tax revenue collected by the GOJ and it is the mandate of the TAJ to collect these revenues. The ongoing reform of tax administration is aimed at ensuring that all domestic revenue is collected.

During FY 2013/14 significant steps were taken by TAJ to ensure its transformation into a modern, efficient and effective administration through legislative amendments, a restructured organisation and improved business processes.

SUMMARY OF FY 2013/14 OPERATIONS

Legislation

Amendments to the Income Tax Act & other pieces of tax legislation were prepared and submitted to Cabinet within the stipulated timeframes. These changes are expected to:

i. expand the tax base;
ii. reduce leakages;
iii. facilitate business operations; and
iv. allow for a simplification of tax administrative processes.

The legislative changes enacted were:

- *Tax Administration Jamaica Act*. This Act, introduced in 2013, establishes the legal framework for TAJ to become a Semi-Autonomous Revenue Authority (SARA).

- *Fiscal Incentives Regime*. Amendments were made to four (4) pieces of legislation in December 2013 to remove distortions created under the previous incentives regime. These amendments also streamlined the set of measures aimed at stimulating the business community and establishing coherence within the tax system as it relates to incentives.
- *Revenue Administration (Amendment) Act 2013.* This amendment has enhanced the information gathering powers of the Commissioner General as it gives legal authority to TAJ to obtain third party

information and to implement mandatory E-filing. In the first phase, mandatory E-filing by March 31, 2014 will be applicable to taxpayers who:

(i) are claiming GCT refunds;
(ii) have a turnover in excess of $500mn; or
(iii) employ over twenty employees.

- *Charities Bill*. This legislation is two-fold. There is:

  (b) the Harmonization Bill that provides for harmonized treatment of registered charities for all tax types; and
  (b) the Charities Act which provides for the registration and regulation of charities.

- *The Tax Collections (Write Off) Regulations*. This is a new Regulation that allows TAJ to remove arrears deemed uncollectable from its books.

Compliance

TAJ developed four major strategies aimed at improving voluntary compliance across the full spectrum of compliance, namely, registration, filing, payment and reporting. These are to:

1. Use and continue to improve the risk management system for selection of taxpayers for audit examinations, identifying & registering new taxpayers, prioritizing tax arrears for collection and identifying areas for taxpayer education intervention;

2. Review and update the arrears management framework aimed at increasing the collection of tax arrears and removing from the inventory those arrears which are confirmed as uncollectible based on the criteria set out in the regulations;

3. Develop specific initiatives based on taxpayer segment, including a focus on payroll examination; and

4. Improve service delivery and customer satisfaction and increase available service channels, inclusive of e-services.

In an attempt to widen the tax base and get more taxpayers to pay and file their legal obligations, TAJ continued to build on and strengthen initiatives which began in previous years, to improve compliance management. These initiatives focused on improving compliance of:

1. Persons not registered as taxpayers;
2. Taxpayers who are registered but are not filing regularly;
3. Taxpayers who file but do not pay; and
4. Taxpayers who are filing but are under-reporting income.

The risk assessment model was refined and utilized for prioritizing the selection of taxpayer entities for filing and payment compliance intervention. Taxpayers were appropriately segmented and programmes developed to target each group with specific actions. Focus was placed on stop filers and non-filers.

As at end-December 2013, there was a 75.0% success rate with targeted delinquent taxpayers resulting in the filing of returns valued at approximately $2,000.0mn. Additionally, as at end-December 2013, there were 13,430 new taxpayers. A number of factors contributed to the increased compliance as follows:

- Passage of the Utilization of Enhanced Access to Information Legislation during FY 2013/14 contributed to registration compliance, and widening of the tax base. The legislation also enhances the data mining capacity of TAJ by facilitating the provision of relevant data to identify individuals outside the tax net.

- Business relations with the Micro, Small and Medium-Sized Enterprises (MSME) sector were strengthened through partnerships with Jamaica Business Development Corporation (JBDC), MSME Alliance and other entities focusing on taxpayer education. Through partnership with other statutory agencies, TAJ negotiated with the umbrella transport associations for an arranged “flat tax” for transport operators.

- Phased implementation of mandatory e-filing is being introduced, starting with the large taxpayer segment.

- Introduction of an arrears management programme which focused on applying risk models to cases based on priority. At end-December, 6,601 arrears cases were closed and $6,700mn collected from these closures.

- Enhanced public education programmes and campaigns were rolled out in acknowledgement of the fact that non-compliance is sometimes due to ignorance. These programmes and campaigns support the various compliance mechanisms herein mentioned. There were constant reminders on taxpayer obligations and rights and how each tax type operates, in addition to island-wide stakeholder meetings focusing on requirements of the new raft of legislations.

- Auditing capabilities of the LTO were enhanced through the assignment of additional resources, human and otherwise, and the continued training of audit staff across all segments. The highest risk exposure for revenue loss from inaccurate reporting is in the large taxpayer segment and the strategy is to contain and minimize this risk.

- The Annual Audit Plan was formulated, taking into consideration performance achievements of the prior year while endeavouring to improve overall performance. As such, the overall goal of the audit programme focused on deterring the incidence of non-compliance among those taxpayers assessed as posing the greatest risk of non-reporting. The strategy envisioned both a direct and indirect impact through an improvement in revenue yield and a reduction in non-compliance. Generally, the small cases do not yield as much revenue as large cases, but the number of small cases is sufficiently large to necessitate a presence in this taxpayer segment to achieve a reasonable level of compliance. As at end January 2014, the tax returns audit plan was 85.0% completed.

- Lists of delinquent taxpayers with matters brought before the Court for failure to file and failure to pay tax obligations were published in the print media. This generally serves as a deterrence to non-compliance.

Improved Business Processes

TAJ continues to strengthen measures to: improve compliance; reduce the costs of compliance; and improve the overall business environment. There was an expansion of e-services to facilitate online filing and payment of all major tax types. E-filing and e-payment increased by 42.0% and 51.0%, respectively. The website was enhanced and re-launched and social media was used to communicate with a wider spectrum of taxpayers. Improvements to e-services make it easier for tax payers to honour their obligations. There was a 46% increase in in-bound calls to the Customer Care centre and a 45% increase in registration for e-filing.

Other service improvements include:

- Introduction of a single quarterly payment form (SO3) for self-employed individuals. This form was introduced on January 1, 2014, to replace four separate payment vouchers and forms that this group of taxpayers was previously required to complete and take to different locations in order to make payments. Provision for a single return for filing all taxes and statutory contributions will be available for use by self-employed individuals by March 2015 - the S04 form. Income Tax, Education Tax, NHT, and NIS will be captured on this single form.

- Collaboration with Companies Office of Jamaica to introduce a single form, the Super Form, which allows for a one-stop registration point, at one government agency, when registering new businesses.

- Sourcing of an Integrated Tax Administration System (ITAS), with phased implementation to take place over the next two fiscal years. This ITAS will provide a modern tax platform that will improve service delivery as well as general accountability between taxpayers and TAJ while facilitating easy electronic interface; that is, business to government and government to government. The ITAS project is being funded through a loan from the Inter-American Development Bank.

- Acquisition of an Enterprise Content Management system (ECM) to enhance the efficiency of the organisation. The acquisition process commenced during FY 2013/14 with the placement and analysis of tenders.

Modernisation of Organisation

The FY 2013/14 Strategic Plan outlined the following activities to modernise and strengthen TAJ's capacity:

- Implement a Semi-Autonomous Revenue Authority (SARA) structure and scheme of management;
- Strengthen TAJ's customer centric segmentation strategy and broaden its application;
- Strengthen compliance risk management models and institutionalise their applications;
- Monitor implementation of Enterprise Risk Management systems;
- Strengthen TAJ enforcement capabilities;
- Implement arrears write-off policy;
- Modernize ICT infrastructure.

During FY 2013/14, TAJ achieved the following:

- Completion of the SARA structure;
- Appointment of a Board of Management;
- Development of enterprise risk management systems for the department, its divisions and units;

- Implementation of the institutionalization of the compliance risk management models and applications; and
- Initiation of the process of modernizing the ICT infrastructure.

STRATEGIC DIRECTION FY 2014/15

The strategic direction remains focused primarily on two objectives: (1) improving voluntary compliance; and (2) modernization of TAJ.
These objectives will be accomplished through:
- the implementation of programmes specifically developed to improve compliance rates; and
- an increase in overall efficiency and effectiveness of TAJ's operations by way of improved business processes.

TAJs plans for FY 2014/15 and the medium term are outlined in the Operational Plan FY 2014/15 and Strategic Plan FY 2014/15 – FY 2016/17. The major thrust will be towards the implementation and monitoring of recently enacted legislation.

IMPROVING VOLUNTARY COMPLIANCE

A national compliance plan has been developed to ensure fiscal benchmarks agreed with international organisations such as the IMF are met. Taxpayers are grouped into large, medium, small, and micro segments for purposes of conducting all compliance activities.

- *Arrears:* The Tax Collections (write off) Regulations 2013 will be implemented to ensure that at all times the GOJ has a true and accurate picture of tax arrears. Case management will be enhanced as the number of cases where arrears are actually collectible will be reduced. Implementation of the enacted Policy and Regulations will result in the cleaning of the system to remove skewed or misleading statistics on potential recoverable amounts.

- *Refunds:* The TAJ will manage refund payments such that the amount of unpaid refunds at the end of each fiscal year over that at the start of that year is reduced in line with the four-year arrears elimination programme. This approach will be in keeping with the performance criterion under the EFF arrangement with the IMF.

- *Audits*: With respect to its audit programme, the coverage of taxpayers over all segments will be widened during FY 2014/15 to ensure filing of returns and payments of liabilities are timely and accurate. Availability of additional resources for use in these areas and improved skill sets are also expected to lead to improved audit coverage and collections.

- *Legal:* To augment the other compliance efforts, the TAJ will continue with strong enforcement activities, including utilizing experienced representation in the Courts of Jamaica.

RESTRUCTURED ORGANIZATION

In keeping with international tax administration operations, the TAJ ACT 2013 has provided for TAJ to operate as a semi-autonomous organisation governed by an appointed board with a redesigned organization chart.

TAJ's operations as a Semi-Autonomous Authority will commence during the first quarter of FY 2014/15. This Authority will operate as a taxpayer centric organisation over the short to medium term. This means that the services and product offerings of TAJ will mirror taxpayer segmentations and their taxpaying lifecycles.

The recruitment process for executive personnel has already started and all positions are expected to be filled by May 31, 2014. The recruitment process for senior personnel reporting directly to these executives and personnel for critical positions are slated to be completed by September 30, 2014. The Large Taxpayer Office (LTO) is expected to be fully staffed by December 31, 2014. All staff recruitment for positions within the new TAJ will continue throughout FY 2014/15 and are expected to be completed by October 2015. The recruitment process for executive, senior, LTO and critical personnel will be competitive. A non-competitive review process will be adopted for placement at other levels.

To minimise and reduce the negative impact on revenue collections and daily service provided to the public, operationalization of the new TAJ structure will be in accordance with the transition policy and transition plan approved by the Services Commission.

IMPROVED BUSINESS PROCESSES

- E-Service offerings will be further expanded during FY 2014/2015;

- The S03 payment form introduced on January 1, 2014 will facilitate improved service to the self-employed taxpayer group;

- Phased implementation of the Integrated Tax Accounting System (ITAS) will take place over the next two fiscal years. The ITAS will provide a modern tax platform that will improve service delivery as well as general accountability between taxpayers and TAJ while facilitating easy electronic interface for business-to-government and government-to-government transactions.

- The improved efficiency of the organisation will also be driven by the acquisition of an Enterprise Content Management (ECM) system for better management of documents and records and a Human Resource Management (HRM) system for better management of personnel within TAJ.

Jamaica Customs Agency

Introduction

On April 2, 2013, the Jamaica Customs Department was transformed into an Executive Agency under the provisions of the Executive Agencies Act, 2002 and is now known as the Jamaica Customs Agency (JCA). As an Executive Agency, the JCA is required to act in accordance with the Financial Instructions to Executive Agencies (FIEA). The FIEA specify the systems, policies, procedures and controls that must be in place for executive agencies. The JCA envisages that all requirements will be met by March 31, 2015.

As a major revenue collecting agencies, the JCA has a critical role to play in contributing to a stable economy by participating in policy development to ensure that the taxation system is simple, straightforward and facilitates a competitive business environment that will support economic growth and development.

The principal roles of the JCA are to process passenger goods and cargo in a timely manner, to ensure national safety and security, to optimize revenue, to protect the economy and to facilitate trade. In accordance with its revenue optimization role, the JCA collects approximately 35.0% of national tax revenue annually.

Operating Environment

The JCA operates within a worldwide system of trade and information interchange. To fulfill its principal roles successfully, the Agency needs a workforce that is both committed to its clients and to achieving the JCA's mission and vision as well as the social and economic objectives of the Jamaican Government. The Agency collects and protects the revenue, guards against smuggling and is responsible for the following:

- Assessing and collecting customs duties, fees and penalties due on imported merchandise;
- Interdicting and seizing contraband, including narcotics and illegal drugs;
- Processing persons, baggage, cargo and mail;
- Detecting and apprehending persons engaged in fraudulent practices designed to circumvent Customs-related laws;
- Protecting Jamaica's industries, labour and intellectual property rights by enforcing Jamaica's laws intended to prevent illegal trade practices, including provisions related to quotas; the Anti-Dumping Act; and by providing Customs records for copyrights, patents, and trademarks; and
- Protecting the general welfare and security of Jamaica by enforcing import and export restrictions and prohibitions, including money laundering.

In addition to its own laws, the JCA enforces over 125 other provisions of law for at least 20 agencies. A number of these statutes entail quality-of-life issues that relate to the environment, such as motor vehicle safety, emission controls and pesticide controls. Other laws safeguard Jamaica's agriculture, business, public health, and consumer safety.

The JCA faces many significant challenges, including:

- Hiring, training and retaining qualified employees in a highly competitive marketplace;
- Reducing the amount of illegal drugs entering and leaving Jamaica;

- Protecting the economic interest of Jamaica by facilitating the legitimate flow of commerce and travellers, fostering trade compliance with import and export laws and stopping predatory and unfair trade practices that threaten Jamaica's economic stability and market competitiveness;
- Combating crime by disrupting the flow of illegal guns and money derived from illegal international activity, preventing illicit trade in cultural and intellectual property, and preventing the exportation and importation of stolen property;
- Promoting public health and safety by reducing importation of potentially harmful, hazardous, or otherwise illegal commodities, and by preventing illegal importation of ammunitions and weapons.

These challenges pose risks to the sustainability of the organization and its ability to deliver on its mandate. The challenging environment within which the JCA operates also impacts on the organization's ability to adapt to changing conditions. The process of adopting appropriate strategies and action plans to deal with new threats is underway and will continue into the foreseeable future.

JCA Achievements FY 2013/14

During the period April 2013 to February 2014, the following initiatives were undertaken:

1. The Jamaica Customs Agency (JCA) became an Executive Agency with effect from April 2, 2013.

2. The CEO/Commissioner of Customs was appointed on November 1, 2013 and the instrument of delegated authority issued.

3. Parliament approved an amendment to the Customs Act in December 2013. The amendment included simplifying the tariff structure and reducing opportunities for misclassification. The tariff database was updated to reflect changes effected by both the Harmonized System (HS) 2012 and Customs Tariff (Amendment) Resolution, 2013. To reduce tariff dispersion, high rates were substantially reduced, generally converging to a standard maximum rate of 20% and subject to CARICOM requirements while maintaining compliance with the CARICOM Common External Tariff (CET) regime. Essential inputs for domestic producers are subject to a zero tariff rate. The process to minimize abuse is being strengthened through revised and newly established lists of eligible inputs, strong administrative controls, and appropriate penalties.

4. Cabinet approved the Advisory Board's appointments.
5. A Risk Management Policy has been developed and the resultant risk matrix will assist in the preparation of internal and external audit plans.

6. An Internal Review Policy has been developed to guide the administration of the Internal Review Committee. A procedures manual is also being prepared.

7. Laminated notices have been issued to all revenue collection, valuation and customer service areas to inform the public of the internal review procedure, the six (6) methods of valuation verification and penalties for breaches of the Customs Act.

8. The Valuation, Intelligence and Risk Management System (VIRMS) is being updated manually and a sub registry is being established in the Valuation Verification Unit to house files and product catalogues; however, this is pending the implementation of the Automated System for Customs Data (ASYCUDA) system.

9. A Memorandum of Understanding (MOU) has been established with the Financial Investigations Division (FID) and a draft MOU with TAJ is expected to be finalized before the end of FY 2013/14. These MOU's were developed to allow JCA to establish mutual agreements and understandings on various operations with the FID and TAJ.

10. A joint JCA/TAJ Post Audit team has been established and a Terms of Reference (TOR) is being developed to guide operations of the team.

11. A contract has been entered into for the supply and implementation of the ACCPAC Accounting Software to include asset and inventory modules. ASYCUDA World will be integrated with the ACCPAC Accounting system. Recruitment is in progress for the ASYCUDA Project Team. Phase I of the project commenced in April 2014 and the duration of the entire project is 24 months. This system will enhance the level of internal controls and support a risk based approach in transaction processing.

12. A transaction cash limit of $1.0mn was implemented on October 1, 2013.

13. The Customs Administration Fee (CAF) was successfully implemented to supplant the Customs User Fee (CUF). The CAF associated with small packages eases the cost burden on importers of small components and equipment. The CAF is a fixed-charge processing fee to these importers, which is relative less costly than the CUF which was levied as a 2% charge on the value of the imported good.

14. As at February 2014, there were 963 seizures of items resulting in revenue collection of $480.0mn.

Strategic Objectives for FY 2014-2015 and the Medium Term

The JCA's medium term strategic objectives and strategies for FY 2014/15 to FY 2016/17 are outlined below.

1. To assess and collect revenue due

The strategies to be employed include:

- Properly vetting entries;
- Increasing secondary examinations;
- Monitoring arrears records;
- Reducing the cost of collecting revenue;
- Developing systems to improve the detection and prevention of prohibited and restricted goods; and
- Utilizing joint TAJ/Customs Post Audit Teams to facilitate write-off of uncollectible debt and undertake other provisions in line with the GOJ's economic programme.

2. To reduce importation of illegal, prohibited and restricted goods

In undertaking this objective, the JCA will**:**

- Review and amend the Customs Act and Regulations in order to align legislation with current best practices;
- Review and amend legislation to curtail the importation of illegal and prohibited goods;
- Identify simple, fair and standardized procedures and legislation that will foster compliance and will not be arduous to travellers and businesses;
- Maintain newly implemented Risk, Case and Valuation Management programmes; and
- Utilize Intelligence and Investigation models.

3. To facilitate the movement of legitimate goods and persons across Jamaica's borders

The strategies to be employed will include:

- Continuing to communicate customer charter standards both internally and externally in order to promote compliance;
- Developing and acquiring systems that will improve the detection and prevention of prohibited and restricted goods;
- Conducting workshops in an effort to achieve high-quality customer service delivery; and
- Focusing on reducing the time it takes to clear goods and passengers.

4. To encourage voluntary compliance, through the simplification and standardization of systems and procedures and implementation of effective deterrents

The key strategies will involve**:**

- Updating, simplifying and standardizing systems, procedures and legislation;
- Monitoring and analyzing the number of finalized prosecutions (against number of prosecutions taken to court);
- Ongoing public education through the various media, such as workshops, meetings, public forum, expos, print and electronic media; and
- Broadcasting information through conducting client awareness surveys.

5. To streamline core business processes through the effective use of technology

The main strategies to achieve this objective are as follows**:**

- Maintain newly implemented E-Manifest system at private bonded warehouses;
- Plan, develop and implement ICT projects for core computerization and support activities;
- Implement the Automated System for Customs Data (ASYCUDA Customs Integrated System) throughout the Agency;
- Implement Real Time Gross Settlement (RTGS) as an alternative channel for payment of all duties and taxes on commercial imports for all entries. Phase I of RTGS was implemented on January 21, 2014 for travel tax and air passenger levy payments. Phase II will include duties and other taxes and is scheduled to begin March 2014; and
- Improve JCA accounting and financial systems through the implementation of cash and accrual basis ACCPAC Accounting System.

6. To develop and maintain a team of motivated, professional and competent staff

The strategies to be employed include**:**

- Filling of vacancies, especially for critical jobs;
- Developing and implementing Staff Satisfaction Surveys;
- Aligning of a Performance Management System with a Performance Recognition Scheme;
- Identifying and implementing training development intervention for each level of staff;
- Monitoring of performance management processes; and
- Strengthening internal affairs through the implementation of a Human Resource Management Information System.

7. To improve the system of internal control within the Agency

The key strategies will involve**:**

- Develop and utilize the Corporate/Operational Plans as a tool to guide the management decision making process;
- Use Internal Review Policy to guide the administration of the Internal Review Committee;
- Develop and implement Standardized Operating Procedures across the Agency; and
- Use the Risk Management Policy and risk matrix to assist in the preparation of internal and external audit plans.

Appendix VI

PUBLIC SECTOR INVESTMENT PROGRAMME
FY 2014/15 –FY 2018/19

Reform of Public Investment in Jamaica

The Government has committed to improving the Public Investment Management System (PIMS) and has prioritized the strengthening of the Public Sector Investment Program (PSIP) for attention in the Public Financial Management (PFM) Action Plan, currently being executed.

The reformed PIMS will provide a common framework for the preparation, appraisal, approval and management of all public investment in Jamaica, irrespective of source of funding, procurement or implementation modalities. This means that all investment projects funded through Capital A, Capital B, Self- Financing Public Bodies and Public Private Partnerships (PPPs) will be governed by the PIMS.

Under the PIMS, the PSIP is to be established as a rolling 5-year plan comprising Cabinet-approved, new and ongoing public investment projects. These projects will be reviewed on a regular basis against the strategic objectives of government, the fiscal and debt sustainability agenda, prevailing socio-economic and environmental conditions, the implementation status and technical capacity of executing agencies.

Key elements of the reform will include:

(a) The establishment of a Public Investment Information Management System;
(b) Improving public investment analytical capacity in the Planning Institute of Jamaica (PIOJ) and the Ministry of Finance and Planning (MOFP) to undertake new tasks to be carried out under the PIMS;
(c) Building capacity for public investment management through intensive training programs for current and future public sector employees in public investment management, monitoring and evaluation;
(d) Alignment of PIMS procedures with other administrative systems (Procurement, Human Resources, Budget);
(e) Strengthening monitoring and evaluation of public investments through citizens participation;
(f) Establishment of an Ex-ante and Ex-post Evaluation Fund to enhance the quality and effectiveness of major public investment projects to be included in the PSIP;

FY 2014/15 – FY 2018/19 Public Sector Investment Programme (PSIP)

The FY 2014/15 – FY 2018/19 PSIP presented in Table I below**,** incorporates investment projects funded by Government of Jamaica resources, revenues generated by the public bodies as well as loans and grants from multilateral/bilateral institutions.
The following represent some of the major development projects and programmes listed by sector which will be implemented by Central Government MDAs, with assistance from multilateral/bilateral financial institutions, through to FY 2018/19.

SOCIAL SECTOR

Support for the Social Safety Net

The Programme of Advancement Through Health and Education (PATH) offers assistance in the form of grants to two (2) categories of beneficiaries: (i) children/students ages 0 – 19 years; and (ii) adult poor including the disabled, elderly, pregnant and lactating mothers and the destitute. Another safety net component of the programme is the Steps-to-Work (StW) initiative, which targets working age members of PATH eligible households for referral to relevant support services to enable them to seek and retain employment.

The PATH cash grants are funded primarily from the Government of Jamaica resources with support from loan resources of the International Bank for Reconstruction and Development (IBRD) and the Inter-American Development Bank (IDB) across the life of the programme which commenced island wide in 2002.

During FY 2013/14 PATH was funded with the assistance of two (2) loans: (a) US$40.0mn from the World Bank; US$32.0mn of this, which supported cash transfers to beneficiaries, ended in October 2012; and (b) US$30.0mn from the IDB (agreement signed in December 2012); US$20.0mn of which was used to support the cash transfer component. Up to February 2014, payments were made to approximately 330,000 beneficiaries.

During the FY 2014/15 additional loan support of US$40.0mn is expected from the World Bank over a 4-year period (US$28.0mn of which is earmarked as payment for Cash grants) to further finance aspects of the programme. The GOJ's contribution to the programme for FY 2014/15 will be $3,571.0mn which includes a 15.0% increase in payments to be effected in October 2014.

Jamaica Social Investment Fund (JSIF)

JSIF was established in 1996 to spearhead a number of projects aimed at alleviating the social and economic needs at the community level. The entity was allocated a budget of $1,900mn in FY 2013/14 and one hundred and thirty-four (134) sub-projects were completed. Implemented were: infrastructural sub-projects in urban and rural communities, such as sanitation and water; construction/rehabilitation of community centres, basic and primary schools; rehabilitation of agricultural feeder roads; construction/rehabilitation of agro-processing and slaughter facilities to meet good agricultural practices and Hazard Analysis and Critical Control Point (HACCP) requirements, market upgrades; and provision of vocational skills training, market awareness, entrepreneurial skills, employment profiling, personal development and job preparation skills.

In FY 2014/15, $1,400mn was provided to continue implementation of the aforementioned programmes. The allocation is approximately 39.4% below that of FY 2013/14 and is due to the completion of the Inner-city Basic Services Project which was allocated $641.0mn for the fiscal year. Five major projects will continue implementation for a period of two to five years to support the programmes of the Jamaica Social Investment Fund (JSIF).

EDUCATION – Additional school places, training and reform

Two of the major projects being implemented within the Ministry of Education are:

(a) *Education System Transformation Programme (ESTP):* This supports the education transformation process, including institutional and policy changes to build the capacity of the key agencies established to support the National Education System Transformation Programme. – *National Education Inspectorate (NEI) – 801 school inspections conducted; Jamaica Teaching Council (JTC), National College for Educational Leadership (NCEL) and National Education Trust (NET) established*; *training of principals and education officers carried out.*

(b) *US Agency for International Development (USAID)/MOE Education Partnership for Improved Reading Outcome*: Special intervention for some schools to bring them up to standard grade levels – 90 reading coaches deployed to some schools in regions 2, 3 and 5 to assist in improving the grade levels of students at those schools.

In FY 2014/15, $1,500mn was allocated to: (i) continue the transformation process – NEI inspections, training of principals/teachers/education officers, purchase of inspection software, and complete the construction of Cedar Grove High; (ii) complete the construction of the School of Hotel and Tourism Management; and (iii) continue intervention in schools that need assistance in improving reading levels.

SECURITY and JUSTICE

Citizens Security and Justice Programme (CSJP)

The 5-year programme will be entering a third phase during FY 2014/15 and will be funded by a combination of loan/grant/GoJ funds. Negotiations with International Development Partners, (the Department for International Development (DFID), the Department of Foreign Affairs, Trade and Development Canada (DFATD) and the IDB) are expected to be concluded in time for the agreement to be signed in June 2014.

With an estimated budget of US$53.3mn, the programme is expected to expand its reach to include more than the 50 communities currently being served with a view to ensuring that inter-agency collaboration can be attained and services can be institutionalized after a three-year period.

In FY 2014/15, $1,054mn was provided under the third phase of the programme to continue the programmes aforementioned along with an increased focus on improving governance and promoting behaviour change especially as it relates to conflict resolution, social inclusion and safety, and an increased use of gender-responsive justice services through the operationalization of the legal aid council, victim support unit and the dispute resolution foundation.

IMPROVED REVENUE COLLECTION

Fiscal Administration Modernization Programme (FAMP)

The general objective of the Programme is to support the GOJ in achieving a sustainable fiscal position by strengthening the MOFP's institutional capacity to effectively improve customs and inland tax collections, and manage debt and government payment operations.

The programme is being supported by a US$65.0mn loan from the IDB over a 5-year period.

Major Achievements since the project began in 2012 include (i) the commencement of Implementation of the new Automated Operations Management System (ASYCUDA) at the Jamaica Customs Agency (JCA) and the Integrated Tax Administration System (ITAS) at Tax Administration Jamaica (TAJ) ; (ii) enhancement and upgrading of MDAs Accounting System (FINMAN)- first phase implementation of centralized disbursements – 33 MDAs, approximately 60 bank accounts closed and folded into the Treasury Single Account (TSA).

With a budget of $1,000mn in FY 2014/15, implementation will continue to reform, improve and strengthen the systems and processes of Tax Administration Jamaica (TAJ), the Customs Agency of Jamaica, the Debt Management Branch (DMB) of the MOFP and the Government's Central Treasury Management System (CTMS).

ENHANCING COMPETITIVENESS AND GROWTH

Jamaica: Foundations for Competitiveness and Growth

The objective of this project is to strengthen the enabling environment for private sector competitiveness to help Jamaica unleash productivity and growth. This will be done by enhancing competition in the business environment, facilitating large scale private investment and supporting Small and Medium Enterprises (SMEs) capabilities and finance.

This is a new project and will be financed from a loan of US$50.0mn from the World Bank over a 6-year period. In FY 2014/15, the development of the Logistics Hub Initiative Master Plan**,** an environmental baseline study and the development of regulatory framework for design of Special Economic Zones will commence.

Economic Partnership II (EPA II) Capacity Building Project – European Union (EU) grant of €5.0mn to implement Phase II over a 3-year period to support the GOJ in addressing the trade deficit, accelerating exports, enhancing competitiveness and integrating the economy into global markets. This Phase commences in FY 2014/15 and will provide technical assistance to Micro, Small, and Medium-size Enterprises (MSMEs) to attain HAACCP/ISO certification, and will commence the ISO 17025 accreditation of laboratories through training, and procurement of modern equipment.

HEALTH

In FY 2014/15 in addition to the implementation of National HIV/AIDS Prevention and Control Programmes, a programme aimed at reducing child mortality and improving maternal health will be implemented. An allocation of $1.1bn will be provided to three projects that will support these programmes. These include:**(i)** Transitional Funding Mechanism (TFM) (Global Fund); (ii) HIV Prevalence in Most-At-Risk Population reduced (USAID); and (iii) Programme for Reduction of Maternal and Child Mortality (PROMAC) in Jamaica (EU)

ENERGY EFFICIENCY and SECURITY

In an effort to curtail the country's increasing energy bill, the GOJ secured two loans for improving energy efficiency and security: (i) US$20.0mn from the IDB; and (ii) US$15.0mn from the IBRD. The two projects in implementation to achieve this are:

Energy Efficiency and Conservation Programme (IDB) (Targeting the Public Sector)

In FY 2013/14, the major achievement included: (i) retrofitting of approximately 161,700 square ft solar control film and 15,600 square ft of cool roof solution in 11 state owned entities; (ii) commencement of a contract valuing US$2.6m to upgrade the air-conditioning systems at the Kingston Public Hospital (KPH), Donald Sangster Building – TAJ, Montego Bay Revenue Centre and the Jamaica Information Service (JIS) head office. In FY 2014/15, the project will continue replacing inefficient air-conditioning systems, implementing building envelope solutions and commence the replacement of inefficient lighting systems.

Energy Security and Efficiency Enhancement Project (IBRD) (Targeting the Private Sector)

Major Achievements in FY 2013/14**,** include (i) development of the Electric Power Sector Policy and Modernization of the Lighting Act- the legal and regulatory framework for the gas sector and a Smart Grid Roadmap for Jamaica; and (ii) loans totaling $36.5mn and US$340,000.00 disbursed by the Development Bank of Jamaica (DBJ) to SMEs for energy efficiency, energy conservation and renewable energy activities.

Among the activities programmed for FY 2014/15 are: (i) completion of five studies for potential hydro sites and start of another six; and (ii) disbursement of approximately **$100.0mn** to the DBJ for on-lending to SMEs for energy efficient and renewable activities

AGRICULTURE

Sugar Transformation Project

The objectives of this project are to develop a sustainable private sector-led sugar cane industry and coordinate the smooth and effective implementation of the Jamaica Country Strategy (JCS) for the adaptation of the Sugar Industry - 2006-2020. The programme began in 2007 and will end in 2017.

A budgetary provision of $2,100mn was made to the Project in FY 2013/14. Major achievements included: (i) rehabilitation of over 40 km of cane roads in the sugar dependent areas (SDAs); (ii) construction of over 84 houses under the barracks relocation programme; and (iii) increase in the Cane Expansion Fund (CEF) to $1.8 billion for on-lending to cane farmers and equipment contractors.

There is an allocation of $1,900mn for FY 2014/15. Activities to be undertaken during FY 2014/15 include: (i) continued lending from the CEF and cleaning of drains/rivers in St Thomas; and (ii) completion of construction of 350 houses in Clarendon and St Thomas under the barracks relocation programme.

INFRASTRUCTURE

In FY 2013/14, the Ministry of Transport, Works and Housing was allocated a budget of $8,282mn to implement major projects aimed at fulfilling its mandate to provide a safe and efficient transport system and the construction and maintenance of quality roads and attendant structures. Some of the major projects which contributed to this were:

(a) *Transportation Infrastructure Rehabilitation Programme* - Major achievements include: (i) rehabilitation of roadways - resurfacing of Scotts Cove to Ferris Cross section, Red Hills to Santa Maria, Sligoville to Bog Walk (80% complete), Santa Maria to Sligoville (40% complete); and (ii) completion of Hope River Bridge.

For FY 2014/15, $689.7mn is allocated for the completion of the Sligoville to Bog Walk and Santa Maria to the Sligoville corridors along with the commencement and completion of the rehabilitation of the Stellar Road intersection (St. Andrew),

(b) *Jamaica Economical Housing Project - The overall objective of this project* is to provide affordable housing solutions to low income earners and workers in the tourism industry. Construction commenced in FY 2012/13. Major Achievements include: (i) completion of 1,320 service lots in Belle Air I & II and Mt. Edgecombe IV in the St. Ann Cluster; and (ii) completion of 130 service lots in Belle Air III. A budget of $2,300mn was provided in FY 2013/14 towards the completion of these lots.

In FY 2014/15, $1,700mn is allocated to complete approximately 634 service lots in Bell Air III (new) and commence infrastructural development for 200 service lots in Luana Gardens, St. Elizabeth.

(c) *Major Infrastructure Development Programme (MIDP) - The MIDP was conceptualized as a follow-on to the* Jamaica Development Infrastructure Programme (JDIP), with its main focus on upgrading key arterial roads, secondary roads, tertiary roads, bridges, drainage structures and implementation of the third phase of the Jamaica Emergency Employment Programme (JEEP). The total cost of the project is US$352.9mn (US$300.0mn - CHINA EXIM Bank; US$52.9m GOJ) and will be implemented over a period of 54 months.

In FY 2013/14, the appropriate processes were executed to meet the conditions precedent to first disbursement.

A total of $4,000mn is allocated in FY 2014/15 to (i) commence rehabilitation of prioritized main roads in St. Catherine; (ii) construct bridges; and (iii) commence JEEP related works (rehabilitation of community roads, drainage structures, construction of retaining walls and river training) in 63 constituencies.

ENVIRONMENT PROTECTION/ DISASTER MITIGATION

Tropical Storm Nicole – (Kingston Metropolitan Area (KMA) Drainage Project)

Under the KMA drainage project which commenced in June 2011, the most critical sections of gullies are being rehabilitated. The Project is being financed from a loan of US$29.0mn from the Caribbean Development Bank (CDB) and a total of US$22.0m has been expended from this amount.

Up to the end of FY 2013/14, fourteen of the eighteen packages (groupings of sections of the gully) let were completed and four were in progress.

In FY 2014/15 with a budgetary allocation of $883.5mn, four new packages are projected to be completed along with the 5.0% of outstanding works on the existing packages.

PUBLIC BODIES

National Housing Trust (NHT) - The NHT will be pursuing activities to stimulate growth in the housing sector. NHT will be spending $22,371.3mn on housing during FY 2014/15. This expenditure includes General Projects of $889.2mn pertaining to housing built by NHT.

Airports Authority of Jamaica (AAJ) - The implementation of the 20-year Capital Development Programme (CDP) at Norman Manley International Airport will continue to be the primary capital expenditure for AAJ. Of the total approximately 83.0% is earmarked for continued execution of works related to Phase 1B of the CDP. The main areas of expenditure include the upgrade of the airport's electrical system, upgrade of the fire suppression system, the implementation of improved mechanical system including the upgrade and expansion of the chilled water air condition system.

Jamaica Civil Aviation Authority - The capital expenditure budget of the Authority includes the completion of the control towers at the two international airports, the reconstruction of a building at 2 Winchester Road and the execution of several equipment and system upgrades. Expenditure on the control tower is required in order to ensure compliance with international safety requirements as well as to enhance visibility at the expanding airports.

Port Authority of Jamaica (PAJ) - PAJ will continue to implement capital investments geared towards maintaining the efficient operations at the Terminal. In this regard, capital expenditure is earmarked for the acquisition of container handling equipment for use at Kingston Container Terminal (KCT). Equipment acquired will be sold to the new operator upon transfer of operations during the year. Other major capital works include planned renovations/improvements at the Ocho Rios Pier ($176.8mn) and the Montego Bay Freeport ($175.9mn).

National Water Commission (NWC) - Capital projects valued at $6,252.9mn are expected to be implemented by NWC during the year. This includes $1,824.0mn and $1,869.0mn that are forecast to be expended on the Rural Water Supply and the Jamaica Water Supply Improvement Projects, respectively.

Urban Development Corporation (UDC) - UDC has programmed capital expenditure of $531.8mn for FY 2014/15 to carry out GOJ/UDC infrastructural works and acquire fixed assets. The selected projects are scheduled to be undertaken primarily in Downtown Kingston and Ocho Rios.

Factories Corporation of Jamaica Limited (FCJ)- The major projects to be undertaken by FCJ over the next three (3) years are as follows:

I. The development of the Caymanas Economic Zone (CEZ) under two phases;
II. Naggo Head ICT Informatics Centre – the design and construction of 750,000 square feet of building space. The first phase, which comprises the construction of 150,000 square feet of building space, is targeted to commence by the end of the third quarter of 2014/15;and
III. Redevelopment of Garmex Free Zone.

Wigton Wind Farm Limited - Wigton plans to expand its wind-farm by 24 megawatts, construction of which will commence in August 2014 to be commissioned by August 2015. The expansion project will be 80.0% financed via a US$45.0mn loan from the PetroCaribe Development Fund. The remaining 20.0% of the project will be equity financed by Wigton and its parent company, Petroleum Corporation of Jamaica.

Housing Agency of Jamaica (HAJ) - For FY 2014/15, the HAJ projected total capital expenditure of $1,276.3mn for Greenfield projects. With the exception of Whitehall Phase 3, the Greenfield Projects will consist of infrastructure construction and sewerage. The NHT will provide funding of $373.0mn. A joint venture partnership is being pursued with respect to the financing of Vernon Drive.

Public Sector Investment Programmes
2014/15 – 2018/19
$'000

PROJECTS	*Funding Agency*	Revised Estimates 2013/14	Estimates of Expenditure 2014/15	Projection 2015/16	Projection 2016/17	Projection 2017/18	Projection 2018/19
OFFICE OF THE PRIME MINISTER							
Development of a National Identification System (Korea Poverty Reduction Fund)	KPRF	11,315	39,627	15,787	**0**	**0**	**0**
Elimination of Doping in Sports	UNESCO		3,880	2,451	**0**	**0**	**0**
Jamaican Women's Economic and Political Empowerment (The Way out Project)	UN WOMEN	0	14,364	0	**0**	**0**	**0**
Sabina Park Lighting Project	GOI/GOJ /TEF	0	302,810	0	0	0	0
Jamaica Social Investment Fund:							
Inner City Basic Services	GOJ/IBRD	641,030	23,801	0	0	0	0
Rural Economic Development Initiative	GOJ/IBRD	216,232	350,000	356,994	243,759	**0**	
Poverty Reduction Project II	EU	238,768	9,299	0	0	0	0
Poverty Reduction Project III	EU	66,593	92,967	308,500	373,500	**0**	**0**
Poverty Reduction Project IV	EU		0	200,000	527,825	527,825	555,650
Community Investment Project	GOJ/CDB	225,189	327,468	0	**0**	**0**	**0**
Basic Needs Trust Fund (BNTF6)	GOJ/CDB	183,758	22,476	0	0	0	0
Basic Needs Trust Fund (BNTF7)	GOJ/CDB	1,000	231,558	200,000	105,758	**0**	**0**
Community Crime & Violence Prevention	JAPAN/ IBRD	30,285	0	0	**0**	**0**	**0**
School Sanitation Programme	PDF	0	19,281	0	**0**	**0**	**0**
Integrated Community Development Project	IBRD	0	20,000	450,000	690,000	890,000	980,000
JSIF Project/ Administration Cost	GOJ	302,475	270,000	250,000	250,000	150,000	150,000
TOTAL OFFICE OF THE PRIME MINISTER		**1,916,645**	**1,727,531**	**1,783,732**	**2,190,842**	**1,567,825**	**1,685,650**
OFFICE OF THE CABINET							
TOTAL OFFICE OF THE CABINET		**142,189**	**278,928**	**550,000**	**586,460**	**872,373**	**901,575**
MINISTRY OF TOURISM & ENTERTAINMENT					**0**	**0**	**0**
Enhancing the Resilience of the Agri- Sector and Coastal Areas	Ad/ Fund	5,530	14,392	20,552	**0**	**0**	**0**
TOTAL MINISTRY OF TOURISM & ENTERTAINMENT		**5,530**	**14,392**	**20,552**	**0**	**0**	**0**

Public Sector Investment Programmes
2014/15 – 2018/19
$'000

PROJECTS	*Funding Agency*	Revised Estimates 2013/14	Estimates of Expenditure 2014/15	Projection 2015/16	Projection 2016/17	Projection 2017/18	Projection 2018/19
Ministry of Finance and Planning							
Jamaica Competitiveness Enhancement Programme	IDB	10,000	**0**	0	0	0	0
Fiscal Administration Modernization Programme(FAMP)	IDB	650,000	1,013,000	1,205,973	1,271,000	650,000	600,000
Electronic Government Procurement in Jamaica	GOJ/IDB	11,928	75,000	28,000	**0**	**0**	**0**
Understanding Social Effects of Financial Crisis	IDB	0	15,000	10,000	**0**	**0**	**0**
Strategic Statistical Development Project	IBRD	0	21,571	0	**0**	**0**	
Planning Model Development and National Dev. Plan "T21"	GOJ/CDB	39,800	0	0	0	0	0
Civil Registration & Vital Statistic Systems Modernization Programme	GOJ/IDB	6,728	0	0	**0**	**0**	**0**
Strategic Flexible Funding Facility	GOJ/UNDP	6,455	0	0	**0**	**0**	**0**
Support to National Devp. Planning Goals (MGDs) & Human Development	GOJ/UNDP	14,675	8,376	10,000	**0**	**0**	**0**
Institutional Strengthening of the NAO (formerly Institutional Strengthening of the PIOJ III)	EU	19,680	41,730	35,625	25,000	0	0
Development of National Policy and Plan Action on International Migration and Development	GOJ/ IOM	13,920	14,624	38,915	38,915	**0**	**0**
Pilot Programme for Climate Resilience	CIF	7,170	0	0	**0**	**0**	**0**
PPCR II - Programme Preparation Grant	CIF/IBRD	10,161	17,273	0	**0**	**0**	0
PPCR II - Improving Climate Data & Information Management	CIF/IBRD	0	8,000	150,000	240,000	180,000	172,000
PPCR II - Mainstreaming Climate Change Adaptation	CIF/IDB	0	0	130,000	280,140	410,000	283,000
PPCR II - Climate Financing	CIF/IDB		0	90,000	220,000	220,000	174,000
Strategic Statistical Development Project	IBRD	3,250	0	0	**0**	**0**	**0**
Climate Change Adaptation & Disaster Risk Reduction	EU/UNEP	24,323	0	0	**0**	**0**	**0**
Economic Partnership (EPA) Capacity Building Project for Public Sector Food Laboratories	EU	214,331	155,420	46,000	0	**0**	**0**
Economic Partnership II (EPA II) Capacity Building Project	EU	0	152,500	320,000	282,000	**0**	**0**
Enhancing the Resilience of the Agri Sector and Coastal Areas	Ad Fund	17,315	18,435	36,900	**0**	**0**	**0**
FID/Caribbean Criminal Asset Recovery Programme (CCARP)	DFID	52,000	51,909	47,392	**0**	**0**	**0**

Public Sector Investment Programmes
2014/15 – 2018/19
$'000

PROJECTS	*Funding Agency*	Revised Estimates 2013/14	Estimates of Expenditure 2014/15	Projection 2015/16	Projection 2016/17	Projection 2017/18	Projection 2018/19
Jamaica Foundation for Competitiveness and Growth	IBRD	0	40,000	500,000	1,000,000	**1,200,000**	2,000,000
Jamaica Business Taxation Reform (JAMTAX)	GOJ/IFC	0	40,000	38,232	28,155	**0**	0
Strategic Public Sector Transformation	IBRD	0	10,000	400,000	913,700	1,100,000	1,300,000
TOTAL MINISTRY OF FINANCE & PLANNING		**1,237,428**	**1,747,838**	**3,087,037**	**4,298,910**	**3,760,000**	**4,529,000**
MINISTRY OF NATIONAL SECURITY							
Monitoring of High Risk Criminal Deportees in Jamaica		30,000	0	0	**0**	**0**	**0**
Justice, Security Accountability and Transparency Project (JSAT)	EU	0	26,357	289,858	334,858	288,468	243,468
Poverty Reduction Programme II - Programme Estimates III	EU	49,018	0	0	**0**	**0**	**0**
Caribbean Basin Security Initiative	INL	50,000	0	0	**0**	**0**	**0**
Rehabilitation & Reintegration of Local Offenders & Deported Persons Programme	FCD/ DFID	15,000	14,000	0	**0**	**0**	**0**
Construction and Improvement of Correctional Facilities	GOJ	0	200,000	0	**0**	**0**	**0**
Rehabilitation of Port Royal Jetty	GOJ	33,000	100,000	20,000	**0**	**0**	**0**
Support to Metcalfe Project	UNDP	6,807	0	0	**0**	**0**	**0**
Jamaica National Crime Victimisation Survey	DFID	6,000	0	0	**0**	**0**	**0**
Construction of JDF Barracks	GOJ	90,000	308,000	343,790	314,800	388,730	212,596
Jamaica Constabulary Reform Programme	DFID	140,410	60,000	0	**0**	**0**	**0**
Acquisition of Security Vehicles	GOJ	269,179	783,000	834,650	52,293	52,293	51,540
Upgrade of Telecommunications and Vehicle Tracking System	GOJ	70,430	464,000	0	0	0	0
Upgrade of Automated Palm and Fingerprint Identification System (APHIS)	GOJ	249,553	167,245	0	0	0	0
Purchase and Overhaul of Aircraft	GOJ	372,000	150,000	0	**0**	**0**	**0**
Citizens Security and Justice Programme III	GOJ/DFATD/ IDB	1,032,458	939,000	1,078,000	1,087,357	1,060,311	500,000
TOTAL MINISTRY OF NATIONAL SECURITY		**2,413,855**	**3,211,602**	**2,566,298**	**1,789,308**	**1,789,802**	**1,007,604**
Ministry of Justice							
Construction and Improvement of Courthouses	GOJ	191,675	345,000	100,000	150,000	250,000	0
Refurbishing of Hagley Park Road Complex	GOJ	0	100,000	75,000	0	0	0
Citizens Security and Justice Programme III	GOJ/DFA	55,000	115,000	200,000	265,000	295,000	200,000

Public Sector Investment Programmes
2014/15 – 2018/19
$'000

PROJECTS	*Funding Agency*	Revised Estimates 2013/14	Estimates of Expenditure 2014/15	Projection 2015/16	Projection 2016/17	Projection 2017/18	Projection 2018/19
Justice, Security Accountability and Transparency Project (JSAT):	EU	**0**	24,903	276,696	253,363	98,363	78,363
National Child Diversion Program (formerly Child Protection Programme)	UNICEF	16,000	18,000	0	0	0	0
Justice Undertakings for Social Transformation (JUST)	CIDA	58,000	100,000	282,568	0	0	0
JCF Accountability Programme (Support to INDECOM)	DFID	72,406	129,000	55,650	0	0	0
TOTAL MINISTRY OF JUSTICE		**393,081**	**831,903**	**989,914**	**668,363**	**643,363**	**278,363**
MINISTRY OF FOREIGN AFFAIRS & FOREIGN TRADE							
Construction of Head Office	GOJ/PRC	42,082	75,000	350,000	400,000	**0**	**0**
TOTAL MINISTRY OF FOREIGN AFFAIRS & FOREIGN TRADE		**42,082**	**75,000**	**350,000**	**400,000**	**0**	**0**
MINISTRY OF LABOUR & SOCIAL SECURITY							
Integrated Social Protection and Labour Programme	GOJ	4,108,628	154,281	457,109	457,109	0	0
Social Protection Project	G0J/IDB	497,028	0	0	0	0	0
Social Protection Project II	G0J/IDB	0	5,300,223	5,405,663	6,389,950	6,619,845	7,021,612
Social Protection Support to Food Price Crisis	G0J/IDB	6,000	0	0	**0**	**0**	**0**
Support to Improve the Lives of Persons with Disabilities	IDB	21,426	30,000	0	**0**	**0**	**0**
Jamaica PATH Conditional Transfer Programme	IBRD/ JSDF	39,500	0	0	**0**	**0**	**0**
Developing an Energy Services Company Industry in Jamaica	GOJ/EU	7,691	20,000	25,710	15,000	16,500	**0**
Social and Economic Inclusion of Persons with Disabilities	JICA/IBRD	14,339	40,000	105,823	85,000	0	0
Advancing Decent Work for Domestic Employees	UNDP	1,441	0	0	**0**	**0**	**0**
TOTAL MINISTRY OF LABOUR & SOCIAL SECURITY		**4,696,053**	**5,544,504**	**5,994,305**	**6,947,059**	**6,636,345**	**7,021,612**
MINISTRY OF EDUCATION							
Establishment of Diagnostic Centres (Special Education)	GOJ	0	60,000	10,000	0	0	0
Renovation/Refurbishing of Primary Schools	GOJ	10,000	100,000	0	0	0	0
Education System Transformation Programme	IBRD/IDB/ GOJ	842,218	940,213	0	0		0
Early Childhood Development Project	IBRD	32,000	15,000	35,000	30,000	30,000	**0**
University of Technology Enhancement Project	CDB	227,600	177,121	347,849	233,307	**0**	**0**
Primary Education Support Project	IDB	119,950	60,000	0	**0**	**0**	**0**
Enhancement of Basic Schools	CDB	15,000	0	0	**0**	**0**	**0**

Public Sector Investment Programmes
2014/15 – 2018/19
$'000

PROJECTS	*Funding Agency*	Revised Estimates 2013/14	Estimates of Expenditure 2014/15	Projection 2015/16	Projection 2016/17	Projection 2017/18	Projection 2018/19
School Feeding modernizing Programme	GOJ/IDB	18,100	6,625	0	**0**	**0**	**0**
USAID/Jamaica Basic Education Project	GOJ/USAID	125,645	0	0	**0**	**0**	**0**
USAID/MOE Education Partnership for Improved Reading Outcomes	GOJ/USAID	82,866	205,365	90,000	**0**	**0**	**0**
Promoting Quality Education and Advancing the reality of a Child Friendly Environment	UNICEF	11,243	27,045	50,000	100,000	68,059	0
Parent-School Partnership for Improved Literacy Outcomes	USAID	31,696	0	0	**0**	**0**	**0**
Technology to Empower Individuals & Communities for Development	GOJ /B& M Gates Found.	4,200	26,000	102,146	98,000	**0**	**0**
Establishment of Confucius Centre, UWI	China	0	0	100,000	470,000	**0**	**0**
Construction of Early Childhood Institutions	GOJ/ China	0	0	120,000	180,000	**0**	**0**
Education Transformation Programme I	GOJ	135,970	388,470	250,000	350,000	450,000	**0**
Renovation/Refurbishing of Infant Schools	GOJ	51,530	66,530	60,000	50,000	**0**	**0**
Education Transformation Programme II	GOJ	0	0	250,000	357,615	297,000	0
TOTAL MINISTRY OF EDUCATION		**1,698,018**	**2,072,369**	**1,414,995**	**1,868,922**	**845,059**	**0**
MINISTRY OF HEALTH							
Health Facilities Improvement Programme	GOJ/ NHF	1,876,900	1,273,500	0	0	0	0
Scaling Up to provide Universal Access for HIV Treatment, Care and Prevention Service (Global Fund Round 7)	Global Fund	67,811	0	1,200,000	**0**	**0**	**0**
Transformational Fund Mechanism - Jamaica HIV	Global Fund	211,234	506,343	681,140	**0**	**0**	**0**
HIV Prevalence in most-at-risk population reduced	USAID	269,160	294,160	0	**0**	**0**	**0**
Programme for Reduction of Maternal and Child Mortality (PROMAC)	EU	0	302,920	505,000	850,000	850,000	275,000
Establishing Nuclear Medicine Capacity	IAEA	0	0	4,600	4,600	4,600	4,600
Building Capacity in Drinking Water Quality Management	IAEA	0	0	3,600	3,600	3,600	0
TOTAL MINISTRY OF HEALTH		**2,425,105**	**2,376,923**	**2,394,340**	**858,200**	**858,200**	**279,600**
MINISTRY OF YOUTH & CULTURE							
Japanese Cultural Grant	JICA	0	0	12,000	22,000	**0**	**0**
Youth Development Programme	IDB	201,905	173,678	31,000	**0**	**0**	**0**
Youthalization' Potential- Support for Life Skills-Based Education among Most-At-Risk Youth Population (MARYP)	UNICEF	2,000	0	0	**0**	**0**	**0**
TOTAL MINISTRY OF YOUTH & CULTURE		**203,905**	**173,678**	**43,000**	**22,000**	**0**	**0**

Public Sector Investment Programmes
2014/15 – 2018/19
$'000

PROJECTS	*Funding Agency*	Revised Estimates 2013/14	Estimates of Expenditure 2014/15	Projection 2015/16	Projection 2016/17	Projection 2017/18	Projection 2018/19
Sugar Transformation Programme	GOJ	1,851,405	1,863,450	1,500,000	2,000,000	850,000	250,000
Diversification of the Caribbean Livestock Sector through the Production of Small Ruminants	GOJ/CFC	31,540	29,166	77,495	38,748	**0**	**0**
Input Supplies Project (SP)/ALBA Food Initiative Project (AFIP)	BRV (Venezuela)	1,500	0	0	**0**	**0**	**0**
Jamaica Rural Economy and Ecosystems Adapting to Climate Change(JAREEACH)	USAID	7,568	0		**0**	**0**	**0**
Agricultural Competitiveness Programme	GOJ/IDB	142,211	313,700	321,543	0	0	0
Chinese Gardens Project - Hope Botanic Gardens	CHINA	110,239	0		**0**	**0**	**0**
Competitive Coffee Enterprises Programme	CFC	10,102	0	0	**0**	**0**	**0**
Banana Accompanying Measures (BAMS)	GOJ/EU	18,247	156,000	100,000	197,000	264,000	0
Banana Support Project	EU	28,964	0	0	**0**	**0**	**0**
National Irrigation Dev. Project	IDB	130,505	0	0	**0**	**0**	**0**
Agricultural Support Project	CDB	60,800	0	0	**0**	**0**	**0**
Enhancing the Resilience of the Agricultural Sector and Coastal Areas	Ad Fund	27,840	64,910	223,385	**0**	**0**	**0**
TOTAL MINISTRY OF AGRICULTURE		**2,420,921**	**2,427,226**	**2,222,423**	**2,235,748**	**1,114,000**	**250,000**
MINISTRY OF INDUSTRY, INVESTMENT & COMMERCE							
Implementation of Business Climate Reforms in Jamaica	C'bean/ IDB	49,350	3,800	0	**0**	0	0
TOTAL MINISTRY OF INDUSTRY INVESTMENT & COMMERCE		**49,350**	**3,800**	**0**	**0**	**0**	**0**
MINISTRY OF SCIENCE, TECHNOLOGY,ENERGY & MINING							
E-Learning Project	**GOJ /USF**	332,599	1,571,470	0	**0**	**0**	**0**
Rural Electrification Project	**GOJ**	143,293	156,320	0	**0**	**0**	
Energy Security Efficiency Enhancement Project:	GOJ/ IBRD	307,876	388,701	414,000	214,000	0	0
Energy Efficiency & Conservation Programme	GOJ/IDB	178,401	337,858	445,000	555,000	0	0
Low-Carbon Energy Roadmaps for Small Island States in the Caribbean	Germany	2,813	0	0	**0**	**0**	**0**
Wind Powered Irrigation Feasibility Assessment	OAS	2,364	3,137	0	**0**	**0**	**0**
Caribbean Hotel Energy & Action Project	GOJ/IDB	11,367	14,968	0	**0**	**0**	**0**
Capacity Development for Energy Efficiency & Security in Jamaica	UNDP	4,447	0	0	**0**	**0**	**0**
Establishment of Latin America and the Caribbean Organisation's (OLADE)	OLADE	6,000	7,499	0	**0**	**0**	**0**

Public Sector Investment Programmes
2014/15 – 2018/19
$'000

PROJECTS	*Funding Agency*	Revised Estimates 2013/14	Estimates of Expenditure 2014/15	Projection 2015/16	Projection 2016/17	Projection 2017/18	Projection 2018/19
Establishment of Government Network Infrastructure (GovNet)	IDB	1,079	0	0	**0**	**0**	**0**
Enhancing the ICT Regulatory Environment	IDB	0	15,000	20,000	**0**	**0**	**0**
Improving Innovation Capacities in the Caribbean	GOJ/ ACP Group	0	28,135	40,273	40,273	**0**	**0**
Youth Empowerment in Digital and Creative Industries	IBRD	0	5,000	150,000	400,000	900,000	923,000
TOTAL MINISTRY OF SCIENCE, TECHNOLOGY, ENERGY & COMMERCE		**990,239**	**2,528,088**	**1,069,273**	**1,209,273**	**900,000**	**923,000**
MINISTRY OF TRANSPORT, WORKS & HOUSING							
Acquisition of Buses for the Jamaica Urban Transportation Company (JUTC)	**GOJ**	1,835,175	3,100,000	3,826,625	380,088	0	0
Northern Jamaica Development Project	GOJ	2,301,723	2,455,000	50,000	**0**	**0**	**0**
Pallisadoes Shoreline Protection & Rehabilitation Works Project	GOJ/ CEXIM	1,194,055	50,000	96,000	0	0	0
Washington Boulevard Corridor Widening	CDB	42,584	0	0	0	0	0
Road Rehabilitation Project II	GOJ/ OPEC	79,335	494,085	500,000	878,451	835,634	728,387
Road Rehabilitation Project II (Kuwaiti Fund for Arab Economic Development)	GOJ/Kuwait	18	33,000	0	0	0	0
Jamaica Economical Housing Project	EX-IM (China)	2,300,424	1,700,000	1,722,426	0	0	0
Tropical Storm Nicole Rehabilitation (Natural Disaster Management ; KMA Drainage Project)	GOJ/CDB	935,822	883,496	0	0	0	0
Road Improvement Programme	GOJ/IDB	273,149	273,946	0	0	0	0
Support for the Design of Decentralized Road Maintenance Programme	GOJ/IDB	41,700	0	0	0	0	0
Transportation Infrastructure Rehabilitation Programme	GOJ/IDB	690,963	689,737	0	0	0	0
Major Infrastructure Development Programme	GOJ/CHINA EXIM	422,250	4,000,000	7,669,463	14,000,000	11,054,428	6,954,460
TOTAL MINISTRY OF TRANSPORT,WORKS & HOUSING		**10,117,198**	**13,679,264**	**13,864,514**	**15,258,539**	**11,890,062**	**7,682,847**
MINISTRY OF WATER, LAND, ENVIRONMENT & CLIMATE CHANGE							
Water Sector Policy Review and Rural Master Plan	IDB	14,662	18,155	0	**0**	0	0
Kingston Metropolitan Area (KMA) Water Supply Project	JBIC	465,157	0	0	**0**	0	0
Climate Change Adaptation & Disaster Risk Management	EU/UNEP	146,820	0	0	**0**	0	**0**
National Spatial Plan Project	CDB	8,366	0	0	**0**	**0**	**0**
Mitigating Threats of Invasive Alien Species in the Insular Caribbean	GEF	37,359	2,480	0	**0**	**0**	**0**
Strengthening the Operational and Financial Sustainability of the National Protected Area System	GOJ/GEF/ UNEP	42,042	46,640	150,420	**0**	**0**	**0**

Public Sector Investment Programmes
2014/15 – 2018/19
$'000

PROJECTS	*Funding Agency*	Revised Estimates 2013/14	Estimates of Expenditure 2014/15	Projection 2015/16	Projection 2016/17	Projection 2017/18	Projection 2018/19
National Quick Start Programme Trust Fund (Formerly Globally Harmonised System of the Classification and Labelling of Chemicals)	UNEP	8,444	7,520	20,000	**0**	**0**	**0**
Montreal Protocol for the Phasing out of Ozone Depleting	UNEP	5,717	0	0	**0**	**0**	**0**
Regional GHS Project	Quick Start Trust	8,200	0	0	**0**	**0**	**0**
National Biodiversity Planning Project	UNDP		0	10,000	**16,000**	**0**	**0**
National GHS Project	UNITAR	4,000	0	0	**0**	**0**	**0**
GEF Focal Point Support	GEF	873	0	0	**0**	**0**	**0**
Cadastral Mapping & Land Registration in Jamaica	KOICA	141,440	0	0	**0**	**0**	**0**
Evaluating Groundwater Recharge in the Upper Rio Cobre Basin	IAEA	3,421	0	0	**0**	**0**	**0**
Enhancing the Resilience of the Agriculture Sector & Coastal Areas	GOJ/Ad Fund	29,374	143,000	278,172	**0**	**0**	**0**
Hydrochloro Fluoro Carbon (HCFC) Phase-out Mgmt Plan	UNDP/ MLF	12,095	6,000	0	**0**	**0**	**0**
Jamaica Rural Economy and Eco systems Adapted to Climate Change (Ja Reach)	GOJ/USAID	7,500	30,373	0	**0**	**0**	**0**
Integrated Management of Yallahs/Hope River Watershed Management Area	GOJ/GEF	0	12,405	109,397	128,043	114,246	76,016
3rd National Communication & Biennial Report to the UN Framework Convention on Climate Change (UNFCCC)	GOJ/GEF UNDP	0	13,400	90,220	**0**	**0**	**0**
Second Global Conference on Land-Ocean Connections	UNEP	2,769	0	0	**0**	**0**	**0**
TOTALMINISTRY OF LAND, ENVIRONMENT, WATER & CLIMATE CHANGE		**938,239**	**279,973**	**658,209**	**144,043**	**114,246**	**76,016**
MINISTRY LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT							
Community Based Landslide Risk Reduction	GOJ/IBRD	52,328	72,987	91,867	0	**0**	**0**
Enhancing Civil Society Participation in Local Govt. for Community Safety	UNDP	9,550	0	0	**0**	**0**	**0**
Caribbean Local Economic Development (CARILED)	CIDA	1,680	0	0	0	0	0
Riverton Landfill Access Road Concrete Pavement	MEXICAN	0	20,000	55,000	0	0	0
Fire Hydrant Repairs and Maintenance	Japan	0	13,256	0	0	0	0
Disaster Risk Management Project	JICA	0	0	0		250,000	94,400
Kingston Urban Renewal	IDB	0	0	20,000	50,000	32,000	0
Emerging and Sustainable Cities Initiative	IDB	0	25,000	41,987	20,993	0	0
Hurricane Sandy Recovery Project		12,059	0	0	0	0	0
Disaster Vulnerability Reduction Project	IBRD	0	0	108,854	400,000	700,000	1,000,000
TOTAL MINISTRY LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT		**75,617**	**131,243**	**317,708**	**470,993**	**982,000**	**1,094,400**
TOTAL		**29,765,455**	**37,104,262**	**7,326,300**	**8,948,660**	**31,973,275**	**25,729,667**
LESS Appropriations-In-Aid			**(2,476,100)**				
Total Central Government		**29,765,455**	**34,628,162**	**37,326,300**	**38,948,660**	**31,973,275**	**25,729,667**

Public Sector Investment Programmes
2014/15 – 2018/19
$'000

Projects	*Funding Agency*	*Provisional 2013/14*	Budget 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19
Airport Authority of Jamaica							
Norman Manley International Airport Phase 1 B Capital Development Programme	PCDF	983,745	711,769	367,918	169,495	-	-
Norman Manley International Airport Phase 2 Capital Development Programme	Loan Funding	-	-	-	-	-	-
Norman Manley International Airport Investment Under the PPP Model	PPP	-	-	1,325,440	1,723,072	272,500	272,500
SubTotal		**983,745**	**711,769**	**1,693,358**	**1,892,567**	**272,500**	**272,500**
Civil Aviation Authority		-	-	-	-	-	-
ATC Simulator	JCAA	-	-	54,250	-	-	-
Automated Air Traffic Management System	JCAA	-	-	108,500	108,500	-	-
AIM Automation	JCAA	-	65,100	65,100	-	-	-
Construction of Control Towers at SIA	JCAA	534,235	504,621	-	-	-	-
Surveillance Data Sharing	JCAA	-	-	10,416	10,416	10,416	-
Radar/Air Nav. & Communication Automation System	JCAA	-	-	43,627	103,684	52,229	-
Replacement of Mount Denham and NMIA Radar	JCAA	-	-	787,118	787,118	-	-
Microwave Link	JCAA	48,825	21,917	-	-	-	-
SIA ILS Montego Bay	JCAA	-	85,800	-	-	-	-
Installation of Fire Alarm System - Winchester	JCAA	-	9,500	-	-	-	-
DVOR Replacement	JCAA	-	-	-	39,060	-	-
NMIA - Hardware, SIA - Software	JCAA	-	-	97,350	-	-	-
High Voltage Transformer - Winchester Road	JCAA	-	12,000	-	-	-	-
Sustainable Energy (Wind Turbine MT. Denham, Solar Panels - Ayr. Hill and other sites	JCAA	-	2,466	2,930	2,387	2,387	-
Utilization of Dark fibre to create alternative communication underground path	JCAA	-	2,387	2,000	-	-	-
Upgrade of A/C at Norwood and other remote areas	JCAA	-	-	-	10,920	-	-
Replacement of High Energy Central A/C Systems with Inverter type A/C - Accounts & KATCC	JCAA	-	83,624	55,729	-	-	-
Demolish and reconstruct building at 2 Winchester Road	JCAA	-	250,000	-	-	-	-
Purchase of adjacent/NHT property on Ruthven Road	JCAA	-	-	-	400,000	300,000	-
Implementation of Occupational Safety Program	JCAA	-	-	1,800	-	-	-
Sub total	JCAA	**583,060**	**1,037,415**	**1,228,820**	**1,462,085**	**365,032**	-
Port Authority of Jamaica:							
Ocho Rios Rehabilitation project	PAJ	491	176,800	-	-	-	-
Montego Bay Rehabilitation infrastructure	PAJ	-	170,938	-	-	-	-
Falmouth Development Project	PAJ	96,135	29,223	-	-	-	-
Procurement of Container handling equipment	PAJ	861,636	789,129	-	-	-	-
Port Antonio Civil Works	PAJ	6,600	10,000	-	-	-	-
Harbour Acquisition of Equipment	PAJ	27,481	29,466	-	-	-	-
KCT Expansion	Private Investment	-	-	18,857,000	19,947,000	-	-
Sub-Total		**992,343**	**1,205,556**	**18,857,000**	**19,947,000**	-	-

Public Sector Investment Programmes
2014/15 – 2018/19
$'000

Projects	*Funding Agency*	*Provisional 2013/14*	Budget 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19
National Water Commission							
KMA Water Supply Project	IDB Syndicated	509,890	1,516,230	-	-	-	-
Jamaica Water Supply Improvement Proj. (Category B)	Loan/K factor	1,443,440	1,677,330	-	-	-	
Portmore Sewerage	K FACTOR	288,500	541,780	-	-	-	-
Rural Water Supply Programme	K FACTOR	252,770	1,234,650	-	-	-	-
Tanks and Pumps Programme	K FACTOR	-	676,900	-	-	-	-
Rehabilitation of Harbour View Treatment Plant	K FACTOR	338,310	164,360	-	-	-	-
KSA Sewage Expansion	K FACTOR	-	270,080	-	-	-	-
Kingston Water Supply	K FACTOR	299,190	-	-	-	-	-
KMA and JICA Water Supply Projects	IDB/K FACTOR	2,376,040	-	-	-	-	-
Sub-Total		**5,508,140**	**6,081,330**	-	-	-	-
Urban Development Corporation -		-	-	-	-	-	-
Infrastructural Works	UDC	-	260,847	-	-	-	-
UDC/GOJ Capital Projects	UDC	109,710	231,000	-	-	-	-
Sub-Total		**109,710**	**491,847**				
National Housing Trust - Building Projects/Schemes	NHT	782,760	**889,210**	**1,708,500**	**2,117,000**	**6,375,800**	**6,003,800**
Wigton - Generation Expansion	Wigton/ PCJ/ PetroCaribe	-	**3,270,680**	**1,634,320**	-	-	-
Housing Agency of Jamaica -Greenfield Projects	HAJ/ Joint Venture/ NHT	389,130	**1,276,340**	-	-	-	
Factories Corporation of Jamaica		-	-	-	-	-	-
Caymanas Economic Zone(land Acq.)	FCJ	-	610,000	200,000	-	-	-
Naggo Head Park	FCJ	-	-	200,000	-	-	-
Naggo Head ICT 2	FCJ	-	41,000	-	-	-	-
Garmex Building	FCJ	-	-	375,000	-	-	-
Sub-Total		-	**651,000**	**775,000**	-	-	
Total Public Bodies		**9,348,888**	**15,615,146**	**25,896,998**	**25,418,652**	**7,013,332**	**6,276,300**
GRAND TOTAL GOJ PSIP		**39,114,343**	**50,243,308**	**63,223,298**	**64,367,312**	**38,986,607**	**32,005,967**

GLOSSARY FOR FUNDING AGENCIES
PSIP ABBREVIATION

Ad/ Fund	Adaptation Fund
ACP Group	African, Caribbean and Pacific Group of States
AIA	Appropriations in Aid
B& M Gates Found.	Bill and Melinda Gates Foundations
BRV (Venezuela)	Bolivarian Republic of Venezuela
Cuban/ IDB	Compete Caribbean
CDB	Caribbean Development Bank
CEXIM	China Export/ Import (EXIM) Bank
CFC	Common Fund for Commodities
CIDA	Canadian International Development Agency
CIF	Climate Investment Fund
DFATD	Department of Foreign Affair Trade and Development
DFID	Department for International Development
EC	European Commission
EU	European Union
EX-IM (China)	China Export/ Import (EXIM) Bank
FCD	British Foreign and Commonwealth Office
FCJ	Factories Corporation of Jamaica
GEF	Global Environmental Facility
GOI	Government of India
GOJ	Government of Jamaica
HAJ	Housing Agency of Jamaica
IAEA	International Atomic Energy Agency
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
IFC	International Finance Corporation
INL	Bureau of International Narcotics and Law Enforcement Affairs
IOM	International Organization for Migration
JBIC	Japan Bank for International Corporation
JCAA	Jamaica Civil Aviation Authority
JICA	Japan International Cooperation Agency
JSDF	Japan Social Development Fund
KOICA	Korean International Corporation Agency
KPRF	Korean International Corporation Agency
Kuwait	Kuwait Fund for Arab Economic Development
MLF	Multi-lateral Fund
NHF	National Health Fund
NHT	National Housing Trust
OAS	Organisation of American States
OLADE	Latin America and Caribbean Energy Organisation
OPEC	Organization of Petroleum Exporting Countries
PAJ	Port Authority of Jamaica
PDF	PetroCaribe Development Fund
PCJ	Petroleum Corporation of Jamaica
PRC	Government of the People's Republic of China
TEF	Tourism Enhancement Fund
UDC	Urban Development Corporation
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children's Educational Fund
UNITAR	United Nations Institute for Training & Research
UN WOMEN	United Nations Women
USAID	United States Agency for International Development
USF	Universal Service Fund

Appendix VII

ENHANCED FISCAL RULES

Introduction

The Fiscal Responsibility Framework (FRF) came into effect on October 1, 2010 through the enactment of legislation. Rather than introducing a new statute, the FRF was appropriately integrated, via amendments, into the Financial Administration and Audit (FAA) Act, by the insertion of a new Part VII and Section 48, and the Public Bodies Management and Accountability (PBMA) Act.

In 2010, when Jamaica started on this process of legislating fiscal rules, the three main fiscal rules legislated comprised:

- a nil fiscal balance by March 2016 (balance rule);
- a debt to GDP ratio of 100% or better by March 2016 (debt rule); and
- a wage to GDP ratio of no more than 9% of GDP by March 2016 (expenditure rule).

The FRF is an encompassing framework which has, at its centre, fiscal rules that are designed to achieve desired fiscal outcomes, most notably, a reduction in, and maintenance of, a sustainable level of debt. The requirement for review of the Fiscal Policy Paper and subsequent reporting of such review to Parliament by the Auditor General is a significant part of the governance structure that the FRF established in 2010.

The FRF was further enhanced in 2011 through additional legislative amendments. Attendant regulations for both the FAA Act and the PBMA Act were approved by Parliament both in 2011 and in 2012.

The most recent slate of legislative reforms (fiscal rules) goes further in enhancing Jamaica's FRF. This enhanced fiscal governance framework seeks to, among other things, generate levels of fiscal savings that will allow the debt sustainability threshold to be gradually attained. A sustainable level of debt is the main premise of the fiscal rules. Under this enhanced fiscal framework, the fiscal balance is the policy instrument to achieve the desired fiscal outcome, namely, a debt to GDP ceiling of 60%, or less, by the end of FY 2025/26.

The reforms also seek to enhance the role of both the Auditor General and Parliament. The Auditor General's independence and integrity make it the institution best placed to certify that certain conditions of the fiscal rules have been met. In addition, the Auditor General will provide the assessments that Parliament needs to better evaluate its decisions, given that Parliament will be more accountable under the enhanced framework.

As in 2010 and 2011, the FAA and PBMA Acts have been amended. The Public Debt Management Act (PDMA) will also be amended in FY 2014/15 when Regulations are promulgated, to ensure consistency with the FAA Act with respect to the definition of public debt, among other things.

FAA ACT

The amendments to the FAA Act:

1. Define coverage for the purposes of the enhanced fiscal rules as the ***specified public sector***, meaning the public sector excluding public bodies that have been certified by the Auditor General as carrying out functions of a purely commercial nature that satisfy criteria, which will be prescribed in the FAA (Fiscal Responsibility Framework) Regulations 2014.

2. Define ***public debt*** consistent with the definition of the specific public sector to be the consolidated debt of the specified public sector, including its Government-guaranteed debt after netting out the cross-holdings of debt of entities within the specified public sector, other than holdings by the Bank of Jamaica.

3. Enhance the role of both the Auditor General (AUDGEN) and the Parliament: the Auditor General's independence and integrity make it the institution best placed to certify that certain conditions of the fiscal rules have been met and provide the assessments that Parliament needs to better evaluate its decisions, given that Parliament will be more accountable within this framework.

4. Seek to generate levels of fiscal savings that will support attainment of debt sustainability. This is the main premise of the fiscal rules. The fiscal balance is the policy instrument and the debt target of 60%, or less, of GDP by the end of FY 2025/26 is the desired outcome.

5. Establish an automatic correction mechanism that will allow for deviations to be addressed in a systematic manner with specified adjustment levels relative to whether the deviations exceed either the lower threshold of 1.5% of GDP or the upper threshold of 3.5% of GDP.

6. Establish a notional account for depositing deviations in annual fiscal balances from the targeted levels.

7. Re-introduce the escape clause that was first introduced in the FAA 2010 and revised in the PDMA 2012. The escape clause is structured to recognize that Jamaica is a small-island developing economy open to, *inter ali*a, economic and weather-related shocks, outside of its control that will impact the achievement of fiscal sustainability. The escape clause has to be triggered by one of four events with a fiscal impact of at least 1.5% of GDP – a public (natural) disaster; a severe economic contraction, a public emergency or a financial sector crisis and results in suspension of the programmed targets for at least one year but no more than two years, subject to Parliamentary approval of an Order.

8. Ensure regular recalibration at the end of every 3-year period or at the end of an escape clause to determine the adjustments that will be needed to achieve the debt target.

9. Introduce a legislative framework for the Public Investment Management System to ensure alignment with the country's strategic and fiscal imperatives as well as value for money on public investments and full capture of project costs – both recurrent and capital.

The FAA and the PBMA Acts are mutually reinforcing and of profound significance with respect to the way that fiscal policy will be executed in Jamaica in the medium to long term. Certain provisions of the PBMA are captured in the amendments to the FAA.

PBMA ACT

The amendments to the PBMA Act:

1. Enshrine the legal framework for the treatment of public private partnerships and contingent liabilities.

2. Prescribe a cumulative ceiling for user-pay PPPs at the level of 3 per cent of GDP between the period April 1, 2014 and March 31, 2017. Thereafter, the ceiling could rise to 8% of GDP. If the level of debt is reduced below 60% of GDP, then there would be scope to use any additional space to augment the 8% of GDP ceiling for user-pays PPPs after March 31, 2017. PPPs with contingencies, which are already in operation, for example Sangster International Airport (SIA) and Trans Jamaican Highway are not included within this user-pay ceiling or any other ceiling.

3. Establish that Government-pays PPPs fall under the public debt to GDP ceiling. Once an entity receives a guarantee from Parliament, that guarantee forms part of the public debt. The Public Debt Management Act already limits the accumulation of guarantees so the extent to which Government-pays PPPs can occur is dependent on the reduction in the debt to GDP ratio.

4. Require the Auditor General to certify that a PPP has minimal contingent liabilities, where this is affirmed, such that this particular PPP can be excluded from both the user-pay PPP ceiling and the public debt ceiling.

FISCAL RULES EXPLAINED

The specific details of the amendments are outlined below.

Aim of the FAA Amendments

The FAA was used to enhance the fiscal governance framework through amendments to:

- Section 2 (Interpretations);
- Section 48b;
- The Third Schedule;
- Section 48C (repeal and replacement); and
- Section 48E.

New Sections 48CA and 48J and new Fourth and Fifth Schedules were also introduced with respect to the automatic adjustment and the public sector investment programme and the fiscal balance required to achieve the debt to GDP target.

Objectives of the FAA Amendments

The FAA was amended to meet specific fiscal policy imperatives, namely:

1. Strengthen the fiscal governance framework by way of enhancing the fiscal rules governing public financial management through the revision of existing quantitative ceilings and introduction of new quantitative ceilings;

2. Achieve as wide a public sector and public debt coverage as possible;

3. Institutionalize and standardize the treatment of pubic investment in Jamaica;

4. Ensure consistency with similar amendments under the PBMA;

5. Support public financial management reforms including improved budgeting practices;

6. Enhance transparency, accountability and oversight of fiscal policy in Jamaica by augmenting the roles of the Auditor General and the Parliament;

7. Reduce debt to gross domestic product (GDP) to 60 percent or less by the end of FY 2025/26.

Section 48A

In addition to defining public debt and specified public sector, the following are some key definitions inserted into Section 2 of the Principal Act in support of the enhanced fiscal governance framework. *Notional account* means an account in which the cumulative deviations (whether negative or positive) from targeted fiscal balances are recorded;

Recalibration means the process of periodically resetting the minimum fiscal balance required to achieve the debt sustainability target of no more than 60% of GDP by the end of FY 2025/26 and continuing thereafter;

Severe economic contraction means a decline in gross domestic product over four consecutive quarters involving a cumulative reduction that is equal to or greater than three per cent of gross domestic product, or a one-time quarterly reduction in gross domestic product equal to or greater than two per cent relative to the corresponding quarter of the preceding financial year.

Section 48B, Clauses 1, 2, 3 and 4

Clause 1: New sub-sections 1A and 1B were inserted to provide for:

- ✓ Simultaneous tabling of the Estimates of Revenue and Expenditure in a timely manner to effect approval no later than March 31, commencing with the FY 2015/16 Budget; and

- ✓ The issuance of the Budget Call before September 30 of each year.

Clause 2: Subsection 2 was replaced by a new sub-section which requires that both the Fiscal Policy Paper and the PSIP be tabled with the Estimates of Revenue and Expenditure.

Clause 3: Total debt was deleted and replaced with public debt, as defined in the Interpretations section.

Clause 4: The Auditor General’s role was expanded and the timeline for reporting on the Fiscal Policy Paper was reduced to allow Parliament to benefit from the AUDGEN’s review during the parliamentary debate and budget approval exercise. As such, the following are applicable:

- ✓ AUDGEN must report on the FPP within one week of it being tabled in Parliament, effective as of the FY 2015/16 Budget;

- ✓ AUDGEN must identify which public bodies are commercial and, as such, do not comprise the specified public sector; and

- ✓ AUDGEN must opine on whether or not a PPP involves only minimal contingent liabilities.

Section 48C – Repealed Completely and Replaced

Subsection 48C(1):

1. Beginning with the fiscal year ending March 31, 2018, a fiscal balance target that allows for the debt to GDP ratio of 60% or less by March 31, 2026 must be achieved.

2. The fiscal balance target is to be computed according to the formula set out in the Fifth Schedule of the FAA Act.

3. Wages to GDP must be reduced to 9 percent of GDP by March 31, 2016 and the ratio maintained or improved thereafter - This rule has not changed.

4. The Appropriation Act and any Supplementary Estimates must be developed to meet the annual fiscal balance consistent with achieving the debt to GDP target of 60% or less.

5. No deviation is to be recorded in the notional account until the end of the fiscal year when the fiscal accounts have been finalized.

Subsection 48C(2)

Sub-Section 48C(2) establishes the escape clause namely: the events that could trigger it; the criteria for suspension of the fiscal rules; the responsibilities of the primary stakeholders; and the procedures for and duration of the suspension of the fiscal rule.

There are four criteria outlined in Subsection 2, any one of which must occur for suspension to be considered, namely:

- ➢ A period of public [natural] disaster (as per Article 20 of the Constitution)
- ➢ A severe economic contraction
- ➢ A public emergency (as per Article 20 of the Constitution)
- ➢ A financial sector crisis

Subsections 48C(3) - (6)

Subsection 3 establishes the necessary validation that one of the events in subsection 2 has occurred and that the event is of at least the minimum fiscal impact required to trigger the escape clause:

1. AUDGEN has to validate that the fiscal impact of the event is greater than or equal to 1.5% of GDP.

2. The Minister, pursuant to the AUDGEN's validation has to make an order, subject to affirmative resolution, seeking a suspension of the programmed targets for a year, in the first instance.

Subsection 4 establishes a minimum and maximum period for suspension. The initial suspension expires at the end of one year and if the AUDGEN validates that the impact is still significant enough to warrant the continued suspension, the suspension cannot exceed one additional year.

Subsection 5 establishes the procedures and reporting relationships. Both the PIOJ and the BOJ would need to report to the AUDGEN and the Minister, at the same time, on: event 1 - natural disaster and event 2 - severe economic contraction, in the case of the PIOJ; and event 4 - financial sector crisis in the case of the BOJ, respectively.

Subsection 6 prescribes what the Minister needs to do as the first step in getting back on the public debt path towards 60 percent or less of GDP.

At the end of the period of suspension, the Minister must table recommendations in both Houses for recalibration of the fiscal balance.

New Section 48CA(1)

This new section explains the automatic adjustments that must occur if the cumulative deviations in the notional account exceed the lower threshold of 1.5 percent of GDP or the upper threshold of 3.5 percent of GDP.

Subsection 1 outlines the procedures to be followed.

1. The first step is to use the Fiscal Policy Paper tabled in February to inform Parliament and the public what the projected notional account balance is (for year-end).

2. The second step (to be stated in the FPP) is to provide the measures that will need to be taken to achieve the required fiscal balance target.

3. The third step is to implement the measures that have to be affected within the coming fiscal year.

In addition to these procedures, the following are also required:

1. The AUDGEN is to report to the Parliament for necessary action to be taken to achieve a cut in primary spending of at least 1.5% of GDP: (a) if the measures are not adequate to achieve the desired outcome; or (b) if the measures are not being implemented within the required timeframe to achieve the desired outcome.
2. The Public Administration and Appropriations Committee (PAAC) of Parliament is required, on receipt of the AUDGEN's report, to: (a) consider the report; and (b) recommend measures to be taken to achieve a cut in primary expenditure during that fiscal year.

3. Cumulative deviations, whether at the lower or upper threshold, have to be redressed in no more than two financial years.

Subsections 48CA (2), (3) & (4)

These sub-sections relate to recalibration. Recalibration occurs every three years or at the end of an escape clause (suspension of fiscal rules). When recalibration occurs, the notional account balance is reset to nil and whatever was in the account is factored into the formula used in the Fifth Schedule to arrive at the fiscal balance requirements going forward.

AUDGEN has to review the classification of public bodies to determine if there has been a change regarding which entities fall under the specified public sector since this could impact the fiscal balance that is needed to achieve the debt target.

Section 48E

Sub-section 1 basically sets out the tabling and timing of tabling of the FPP – twice per year – as well as additional requirements set out in the amendments to the Third Schedule.

Sub-section 2 requires that Accounting Officers provide the Minister, subsequent to the Budget Call, and in the time prescribed: a Business Plan, Budgets and projects approved for inclusion in the PSIP. These documents should have a trajectory of not less than three years.

New Section 48J

Section 48J institutionalizes the Public Investment Management System (PIMS) of which the Public Sector Investment Program is the centrepiece. The PIMS is the common governance framework for public investment with provisions outlined in the Fourth Schedule. Guidelines will be promulgated by the Minister early in the new financial year (2014/15), for the operation of this system. Public investment policy will balance economic and social development and environmental resilience with fiscal prudence.

Third Schedule

New paragraphs 3, 4, 5 and 6 were inserted in the Schedule to augment what the FPP will report on:

1. Information on public investment, as a portion of GDP, to be spent as well as the medium term trajectory.

2. A provision for weather-related events to be kept in the Contingencies Fund.

3. Full disclosure on all contingent liabilities arising from non-guaranteed borrowings, whether for PPPs or otherwise.

4. Full disclosure on the number of public bodies validated by the AUDGEN as not being part of the specified public sector.

New Fourth Schedule

This new schedule complements Section 48J. It outlines and defines, inter alia, the Public Investment Management System (PIMS) and its key components:

Public Investment Management System (PIMS) means the common framework for the preparation, appraisal, approval and management of public investments in Jamaica of all public investments in Jamaica, irrespective of the source of funding or procurement and implementation modalities;

Public Sector Investment Programme (PSIP) means the rolling five year plan of Cabinet-approved, new and ongoing prioritized public investment projects, reviewed on a regular basis against (i) the strategic objectives of government; (ii) the fiscal and debt sustainability agenda; (iii) prevailing socio-economic and environmental conditions; and (iv) the implementation status and technical capacity of executing agencies.

Public Investment Management Guidelines means the rules, procedures, requirements and guidelines which shall be prescribed for the governance of all public investments (irrespective of source of funding and origin), in ministries, departments, public bodies and public private partnerships.

New Fifth Schedule

The new Fifth Schedule sets out the formula for calculating the fiscal balance required to meet the debt to GDP target.

PBMA Amendments

The PBMA was enhanced through amendments to Section 2 (Interpretations), Section 2A and Section 7 and the introduction of new Sections 6B and 6C.

Objectives of the PBMA Amendments

The PBMA was amended to meet specific fiscal policy imperatives, namely:

1. Ensure consistency with similar amendments to the FAA;
2. Enshrine the fiscal treatment of public private partnerships in law;
3. Strengthen the fiscal rules governing investment activities of public bodies;
4. Establish ceilings for contingent liabilities that are fiscally prudent and in keeping with the outcome of fiscal sustainability; and
5. Strengthen the budget reform process and align it with the similar trends in central government to have an institutionalized budget calendar.

The following are some key definitions inserted into Section 2 of the Principal Act to support the enshrinement of PPPs, public investment and contingent liabilities within the fiscal governance framework.

Contingent Liability means – (a) a possible obligation that arises from past events and whose existence will have to be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; (b) an existing obligation that arises from past events but is not recognised because (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability, and includes debt guarantees, demand or price guarantees, and termination clauses or any other default provisions that could imply a transfer of liabilities to the Government.

Public private partnership means an arrangement governed by a long-term procurement contract between one or more public bodies and one or more private entities, involving the designing, financing, building and operating of an infrastructure project or the provision of a service, through the appropriate sharing of resources, risks and rewards.

Government-pays public private partnership means a public private partnership (PPP) under which the Government has an obligation to pay for an asset or the use thereof, or for a service supplied in connection therewith, without which payments the project undertaken by the public private partnership is not likely to be economically viable.

User-pays public private partnership refers to any public private partnership that is not a Government–pays public private partnership.

Section 2A

There were amendments to Section 2A to achieve the following:

1. Require public bodies to comply with the institutionalization of the PSIP by providing information on their public investment programme.
2. Establish a pivotal budgetary reform which is the timely tabling of the Estimates, on the one hand, and the approval, on the other, no later than March 31 of the financial year immediately proceeding the new budget year.
3. Define the Public Sector Investment Programme (PSIP) and outline the parameters to be used to review and update the PSIP on an annual basis.

New Section 6B

The most substantive of the changes to the PBMA was the insertion of the new section 6B, which seeks to achieve the following:

1. Ensure continuous assessment of contingent liabilities, full disclosure and regular reporting through the medium of the Fiscal Policy Paper.
2. Integrate PPPs into the PSIP to ensure standardization (rules-based framework) as well as a mechanism for entry of PPPs into the PSIP.
3. Differentiate between Government-pays and user-pays PPPs. Government-pays PPPs comprise part of the public debt while user-pays PPPs do not comprise part of the public debt.
4. Establish an interim aggregate ceiling of 3 percent of GDP for the period April 1, 2014 to March 31, 2017 for user-pays PPPs and a subsequent aggregate ceiling of 8 percent through to March 31, 2026.
5. Ensure that additional room is provided for PPP projects after the interim period (2017) if the public debt to GDP ratio falls below 60 percent of GDP.

Section 6B allows for a number of exclusions as follows:

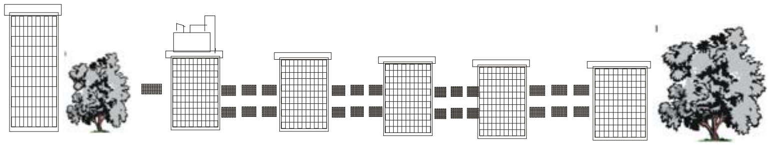
- ✓ Where a user-pay PPP is already in existence, as at March 31, 2014, the user-pay ceiling does not apply to this PPP.
- ✓ Where, under the FAA Section 48B(6)(d), the Auditor General has certified that a PPP involves only minimal contingent liabilities to the Government, such a PPP would be exempt from both the user-pay and public debt ceilings.

Section 6B is also explicit on how user-pays PPP-related debt is to be treated with as follows:

1. Only when the contingent liability (CL) becomes “probable” will it become part of the public debt.
2. The International Accounting Standard (IAS 37) definition of contingent liabilities is the definition of contingent liabilities that will be used to determine when a CL becomes probable.
3. Notwithstanding the IAS (37) definition that is outlined in the PBMA, there is recognition that there are other means through which liabilities can be transferred to the Government. For this reason, the definition is enhanced to include debt guarantees, demand or price guarantees and termination clauses or any default provisions that could imply a transfer of liabilities to the Government. This specific clause is in the definition to ensure that there is broad capture of all liabilities, either as debt or contingencies.

Section 6C
The new section 6C reinforces the new Section 48J and Fourth Schedule of the FAA to make it clear that the Public Investment Management System must be complied with by not only Ministries, Departments and Agencies but also by public bodies.

Section 7
Section 7 is amended to require or place the onus on the Boards of Directors of public bodies to submit Draft Corporate Plans to the Minister of Finance and their portfolio Ministers no later than November 30 of each financial year to inform the budget preparation process.



Ministry of Finance and Planning
30 National Heroes Circle, Kingston 4, Jamaica W.I. Tel (876) 922-8600, website: www.mof.gov.jm
Printed by the Ministry of Finance and Planning