GOVERNMENT OF JAMAICA

FISCAL POLICY PAPER
FY 2015/16

19th February 2015

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PART 1

FISCAL RESPONSIBILITY STATEMENT

Introduction

The Government of Jamaica (GOJ), through amendments to the Financial Administration and Audit (FAA) and Public Bodies Management and Accountability (PBMA) Acts in March 2014, adopted enhanced fiscal rules. The enhanced fiscal rules, among other things, require that within six months of the passage of the Appropriation Act for the financial year to which the relevant Estimates of Revenue and Expenditure relate, the Minister shall cause to be tabled in both Houses of Parliament, a Fiscal Policy Paper (FPP). On October 14, 2014, the Minister duly complied with the requirements of the FAA Act by laying an FPP Interim Report in Parliament. In adherence with the requirements of the FAA Act, the FPP provided information on:

(a) The economic outturn of the previous financial year;

(b) The performance of the first quarter of the financial year;

(c) Projections to the end of the current financial year; and

(d) Projections for the succeeding financial year and the medium term.

The FAA Act also establishes a budget calendar, which requires that the annual Estimates of Revenue and Expenditure, and the accompanying FPP be tabled simultaneously in February of each year, to allow for passage of the budget prior to the start of the fiscal year to which those estimates relate. FY 2015/16 marks the inaugural simultaneous tabling of the Estimates of Revenue and Expenditure. This profound change in the budget preparation and approval process will provide Parliamentarians with more information to aid decision-making. This approach is also expected to enrich the quality of the Parliamentary deliberations and debate on the GOJ's budget.

Over a number of years Jamaica has experienced anaemic economic growth (average of about 1% over the last generation), large current account deficits, persistent fiscal deficits, long-standing structural impediments to competitiveness and low resilience to macroeconomic shocks and natural hazards. The accumulation of large fiscal deficits and low economic growth has led to unsustainably high levels of public debt. In an effort to reverse this situation the GOJ has been implementing an Economic Reform Programme (ERP) to break the low-growth high-debt cycle.

Debt sustainability through fiscal consolidation and the creation of enabling conditions to generate meaningful economic growth is a key objective of Jamaica's medium term ERP. The FY 2014/15 FPP enunciated the GOJ's strong commitment to fiscal responsibility. The GOJ has remained unwavering in this commitment as demonstrated by the six successful reviews of Jamaica's Extended Fund Facility (EFF) arrangement by the Executive Board of the IMF.

Notable Economic Reforms

The various reforms being undertaken by the GOJ will continue to contribute toward creating a more efficient and transparent fiscal administration, improving Jamaica's competitiveness and pilot the economy onto a path of sustainable growth.

In FY 2014/15, the GOJ, in collaboration with development partners, developed an action plan for public sector transformation that encompasses:

(i) the introduction of shared corporate services;
(ii) the reallocation, merger, abolition and divestment/privatization of departments and agencies;
(iii) outsourcing of services;
(iv) strengthening control systems and accountability; and
(v) aligning remuneration with job requirements.

Implementation of this action plan is expected to positively impact the fiscal accounts over the medium term by containing GOJ expenditure.

The GOJ recognizes that fiscal consolidation that seeks to reduce the debt burden is necessary. However, it is not sufficient to overcome the economic challenges that the country faces. To address these challenges the GOJ has implemented a menu of wide-ranging structural reforms. These include:

- Enhanced Fiscal Rules;
- Tax Reform;
- Public Financial Management Reform;
- Public Sector Reform;
- Financial Sector Reform; and
- Growth Enhancing Reform

Further details on the reforms are provided in Part III Fiscal Management Strategy and the accompanying Appendices.

Economic Performance and Outlook

Jamaica remains largely on track to achieve the established medium term economic and financial goals. The country continues to show improvement with positive growth in the last two years in key sectors of the economy. The current account of the Balance of Payments and the Net International Reserves (NIR) have shown considerable improvements and there has been a downward year-on-year trend in unemployment. On the other hand, though revenue has increased over the previous year, collections are behind target thereby requiring further expenditure restraint to achieve overall fiscal targets. Nonetheless the commitment to social spending and reducing arrears has been maintained. Down-side risks, such as exogenous factors related to world economic outlook and climatic conditions remain which necessitate continuous vigilance and fiscal prudence.

There is evidence that the economy is on the right path and despite the challenges, the GOJ will remain steadfast in building a solid foundation for sustainable growth and development. A Growth Agenda that provides the framework to systematically attack binding structural constraints and achieve sustainable economic growth with social equity consistent with the goals of Vision 2030 Jamaica has been developed and will be tabled in Parliament in March 2015. The key components of the Growth Agenda are provided in Part II, Macroeconomic Framework.

Real Sector

Real GDP growth of 0.3% is projected for FY 2014/15 compared to the 1.4% projected at the time of the budget. A 0.6% expansion in the Services Industry is expected to outweigh a 0.8% contraction by the Goods Producing industry. This economic performance is expected to occur within the context of: (i) an expansion in non-residential construction activities; and (ii) improved domestic demand and external demand for some exports. Further growth was stymied by the impact of drought conditions and plant downtime which hampered production.

Within the Goods Producing Industry, all industries, with the exception of Construction, are expected to record lower value-added. The Agriculture, Forestry & Fishing industry is projected to decline by 3.6%, based largely on expected lower output of Domestic Crops reflecting the impact of drought conditions on the industry during the second quarter of the fiscal year.

Stronger economic growth of 1.6% is projected for FY 2015/16. The growth momentum is expected to accelerate and baseline economic growth is forecast at an annual average rate of just over 2.0% over the medium term. The Jamaican economy is expected to benefit from strategic investments, improved competitiveness and enhanced efficiency resulting from inter-sectoral linkages, in addition to increased consumer and business confidence. Accordingly, the prospects for stronger economic growth over the medium to long term are quite good. A number of significant projects will bolster the growth momentum, once these investments get underway. These private sector led, growth enhancing opportunities, are mainly in the areas of Integrated Resort Development, Logistics, Energy, Information, Communication, Technology/Business Process Outsourcing (ICT/BPO), as well as Public Private Partnership (PPP) infrastructure arrangements.

Labour Market

The October 2014 Labour Force Survey indicated that the unemployment rate fell to 14.2% compared to the October 2013 unemployment rate of 14.9%. Both the labour force and employment rate increased in October 2014 over October 2013.

The average unemployment rate for 2014 was 13.7%, which was 1.5 percentage points lower than the average for 2013. The average female unemployment rate stood at 18.1% (down 1.9 percentage points) while the average male unemployment rate was 10.1% (down 1.1 percentage points) compared with 2013. The average Employed Labour Force during 2014 stood at 1,128,050 persons, an increase of 19,125 persons compared with 2013. Of note, increased employment levels were recorded for all the age groups, with the '25-34' (up 5,175 persons) age group registering the largest increase.

In terms of the Employed Labour Force by Industry Group for 2014, 12 of the 16 industries recorded increased average employment relative to 2013, with the largest increases registered in '*Agriculture, Hunting, Forestry & Fishing'* (up 5,500 persons); '*Wholesale & Retail, Repair of Motor Vehicle & Equipment*' (up 4,900 persons); and '*Hotels & Restaurant Services'* (up 4,750 persons). The industry that recorded the largest decline was '*Construction*' (down 2,100 persons).

Inflation

The 2014 calendar year inflation outturn was 6.4%, reflecting a decline of 3.3 percentage points when compared to the 9.7% outturn for the 2013 calendar year. Inflation for the fiscal year to December 2014 was 4.6%, which was 2.0 percentage points less than the 6.6% outturn for the corresponding period of FY 2013/14. The inflation rate during the April to December 2014 period was mainly driven by the two most heavily weighted divisions: 'Food and Non-Alcoholic Beverages' and 'Transport'. The protracted drought conditions which prevailed during the first and second quarters of FY 2014/15 negatively impacted the general price level for vegetables and starchy foods while the increase in the index for the 'Transport' division largely reflected the increase in bus fares administered by the Jamaica Urban Transit Company (JUTC) during the second quarter of FY 2014/15.

Inflation has fallen sharply in recent months with disinflation recorded for November and December, due largely to falling oil prices. Consequently, FY 2014/15 inflation is currently projected at 5.3%, which is well below the originally budgeted rate of 8.5%. The trend towards lower inflation is expected to continue over the medium term, contingent on low energy prices and continued decline in other commodity prices. Accordingly, inflation is projected at 6.3% for FY 2015/16 and between 6.0% and 6.5% over the medium term.

External Sector

For the first half of FY 2014/15, the current account of the Balance of Payments (BOP) recorded a deficit of US$649.6mn, compared to the US$564.0mn deficit recorded for the corresponding period of FY 2013/14.

It should be noted, however, that the external sector has improved significantly with a current account deficit of 8.4% of GDP for FY 2013/14, compared to 10.6% in FY 2012/13. The current account deficit is projected to fall further to 5.3% of GDP by March 2015, influenced by lower imports, in particular oil, the price of which has fallen by over 50% since the start of the fiscal year. The Net International Reserves (NIR) is expected to reach US$1,775.2mn by end-March 2015, up from US$1,303.6mn a year earlier while Gross Reserves are estimated at 16.8 weeks of goods and services imports by March 2015, compared to 15.2 weeks at March 2014.

Consequent on continued low oil prices and improvements in Jamaica's external competitiveness, the current account balance is expected to continue its downward trend over the medium-term with projections of a deficit of 2.3% of GDP for FY 2015/16 and a further decline to 2.1% of GDP by FY 2018/19. Consistent with the improving current account deficit, the NIR is projected to gradually increase over the medium term and Gross Reserves are projected to reach 19.3 weeks of goods and services imports at the end of FY 2018/19. The trend decline in the current account deficit, supported by the ongoing successes with fiscal consolidation, bodes well for greater stability in the foreign exchange market, increased investor and consumer confidence and improved prospects for sustainable economic growth in the medium to long term.

Fiscal Sector

Provisional data indicate that for Central Government operations to December 2014, there was better than targeted performance in both the fiscal deficit and the primary surplus. The fiscal deficit out-turn to December 2014 was $26,013.5mn, compared to the targeted deficit of $33,869.8mn while the primary surplus amounted to $66,825.8mn, which was 1.3% better than the $65,999.9mn targeted. The better fiscal performance was due to lower than budgeted expenditure which compensated for the shortfall in revenue and grants. Total expenditure at end-December 2014 was $17,730.9mn (5.4%) less than budgeted, due mainly to lower spending on Capital Programmes and Interest Payments. Revenue and grants fell short of budget by $9,874.6mn (3.3%) largely as a result of lower Tax Revenue and a delay in programmed grant receipts.

Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA) have stepped up their compliance activities to keep collections at least in line with budget for the remainder of the year. The GOJ will closely monitor the fiscal situation and has identified expenditure restraint measures to ensure that the primary surplus remains on track with the programmed 7.5% of GDP target in the EFF in the event that the yields from compliance activities are not sufficient to meet the fiscal targets.

The GOJ is confident of meeting the agreed primary surplus target for FY 2014/15 and the FY 2015/16 budget has also been designed to be consistent with this objective. In congruence with the programmed primary surplus path, the public debt stock is estimated to fall in FY 2014/15 and to continue on a declining path toward the agreed 96% of GDP by the end of FY 2019/20.

The GOJ has also commenced negotiations for a new wage agreement with unions representing public sector workers and is aiming to arrive at an amicable settlement before the start of FY 2015/16.

The Overall Balance for the group of 65 Self Financing Public Bodies (SFPBs) is currently estimated at a surplus of $3,200.0mn for FY 2014/15, compared to the budgeted surplus of $298.0mn. The Wigton Wind Farm, PetroCaribe Development Fund and Universal Service Fund (USF) are the most significant contributors to the estimated better than budgeted outturn. The group of 65 Self Financing Public Bodies (SFPBs) are expected to attain a surplus Overall Balance for FY 2015/16 of $7,875.0mn. This represents an appreciable improvement on the estimated surplus for FY 2014/15. Under the Medium Term Programme (MTP) that formed the basis of the EFF, the SFPBs are programmed to perform at least at a break-even position, that is, a zero Overall Balance.

Fiscal Risks and Responsibility

The GOJ remains resolute in its commitment to fiscal prudence. The path to economic recovery and the attendant resumption in growth in real incomes relies on stable economic conditions and sustainable debt. High debt service payments impose a stranglehold on the economy and reduce the level of public investments necessary to drive growth. . Over the past three years, the GOJ has taken strong and deliberate actions to spur the process of recovery and the results so far have been positive. The medium term economic programme embedded in the EFF has fiscal consolidation as one of its main pillars toward reducing the debt to sustainable levels, and the GOJ has been consistent in its implementation of comprehensive 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 that 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 that the GOJ takes now, will not only be reflective of the immediate impact but will have due regard to the financial implications or burden for future generations. The GOJ recognizes the unsustainability of the historical pattern, of high Central Government fiscal deficits and the continued assumption of the liabilities of public bodies which has been financed by public debt and an increasing tax burden. The Government's broad strategic priorities remain **economic growth and 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, comprehensive pension reform, public sector transformation and reduction in corruption and waste.

The pursuit of these strategic priorities are consistent with the commitment to reduce the debt to sustainable levels, generate adequate levels of national saving and create more fiscal space for the pursuit of public investment. This is supportive of 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 2014/15 Interim Report that was tabled in October 2014 highlighted a number of achievements during the fiscal year. It also provided a menu of notable economic, in particular, fiscal reforms that the GOJ is undertaking to bolster fiscal and debt sustainability and to transform the Jamaican economy. The GOJ will continue to implement these reforms as it strives 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 2015/16 - FY 2018/19. The fiscal accounts are compiled on a cash accounting basis. They are prepared to be consistent with the IMF Government Finance Statistics (GFS) guidelines and accordingly treat receipts from divestment of assets "below the line" (that is divestment receipts are not recorded as revenue, but rather as financing).

Against the backdrop of the GOJ's broad strategic priorities, the quantitative targets agreed under the EFF, the macroeconomic assumptions outlined in the Macroeconomic Framework and the revenue and expenditure measures being implemented through the FY 2015/16 budget, the MOFP developed the medium term fiscal and debt profile (Table 1A).

For FY 2015/16 expenditure requirements are forecast at $462,988.0mn. Juxtaposing the expenditure requirements against the FY 2015/16 forecasts for Revenue and Grants (including expectations from stronger compliance efforts), generates a primary surplus of $116,377.5mn. The primary surplus target of 7.5% of GDP is equivalent to $126,727.5mn, thereby leaving a gap of $10,350.0mn. Adherence to the programmed primary surplus of 7.5% of GDP is necessary to sustain the debt reduction trajectory. In that regard, revenue measures will be implemented in FY 2015/16. The new measures, with projected yield of $10,350.0mn will be provided in a Ministry Paper to be tabled in March 2015 during the opening of the budget debate.

In addition to these measures, it is important to note that The Public Bodies Regulations provide for the distribution of profit or surplus from public bodies to the Consolidated Fund to support the government's fiscal consolidation thrust. For FY 2014/15, an amount of $2,367.8mn is estimated to be 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 2015/16 amounts to $12,647.0mn, inclusive of the $11,400.0mn from the NHT.

The medium term fiscal profile includes a Wages to GDP ratio of 9.8% of GDP by FY 2015/16 and down to the 9% of GDP by March 2017. Given this scenario it is envisaged that there will be:

- no increase in Central Government employment levels except in the areas of health- care delivery, tax administration, administration of justice and areas in need of critical staffing;
- Payment of annual performance increments of 2.5%;
- payment of the third tranche of the health sector reclassification, in FY 2015/16;
- the final one-off annual payment of $25,000 to each public sector worker arising from the 2012 – 2015 Heads of Agreement;
- payment of arrears to various groups for previous settlements such as the Fire Fighters, Education Officers, Correctional Officers, and Medical Officers; and
- a proposed wage increase to be negotiated with trade unions to ensure that, any agreement reached will be consistent with meeting the 9% of Wage to GDP target in the final year of the two-year contract period, that is by FY 2016/17.

The negotiations with unions must take account of the increase in the income tax threshold on January 1, 2015, which has effectively increased the take home pay of workers. The significant reduction in inflation over the past year (FY 2014/15 is expected to record the lowest inflation in over a generation), which is expected to continue into the medium term, should also be an important factor in containing the level of wage increase to be agreed.

The FY 2015/16 budget will be tabled and could be passed by Parliament before wage negotiations are complete. While the GOJ has included a contingency provision for wage adjustments, the challenge will be to amicably conclude settlements to, as best as possible, fit within the contingency allocation. The GOJ however, considers this an important challenge that must be met through the contribution of all stakeholders.

The policy measures implemented over the last three fiscal years, and to be implemented in FY 2015/16 are expected to enable the GOJ 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. 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. 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.

Table 1A: Medium Term Fiscal & Debt Indicators

(J$mn)	Act. 2012/13	Act. 2013/14	Est. 2014/15	Proj. 2015/16	Proj. 2016/17	Proj. 2017/18	Proj. 2018/19
Revenue & Grants	344,677.7	396,979.4	417,826.3	458,101.1	479,286.7	509,542.1	547,987.2
of which Tax Revenue	*319,764.9*	343,836.1	377,877.2	411,882.3	434,037.5	473,717.4	512,212.6
Expenditure	**399,278.9**	**395,241.8**	**425,272.3**	**462,988.0**	**462,698.1**	**486,638.5**	**499,928.0**
of which Wages & Salaries	147,381.8	156,361.7	158,758.6	165,229.4	165,521.9	180,170.2	196,059.2
of which Interest	126,937.7	109,919.5	128,780.9	131,614.3	120,878.9	117,054.4	104,540.8
Cent Govt Fiscal Balance	**-54,601.2**	**1,737.6**	**-7,446.0**	**-4,886.9**	**16,588.6**	**22,903.6**	**48,059.2**
Cent Govt Primary Balance	**72,336.5**	**111,657.1**	**121,334.9**	**126,727.4**	**137,467.5**	**139,958.0**	**152,600.0**
Domestic Debt	1,008,348.7	1,024,515.2	1,054,513.4	1,033,838.8	1,069,243.6	1,041,829.0	1,108,771.1
External Debt	804,286.7	921,489.8	1,017,509.6	1,015,261.6	1,051,350.4	1,104,805.1	1,038,114.6
Total Debt	**1,812,635.4**	**1,946,005.0**	**2,072,023.0**	**2,049,100.4**	**2,120,594.0**	**2,146,634.1**	**2,146,885.7**
(% GDP)							
Revenue & Grants	25.7%	27.2%	26.5%	27.1%	26.1%	25.5%	25.1%
of which Tax Revenue	*23.9%*	*23.6%*	*24.0%*	*24.4%*	*23.7%*	*23.7%*	*23.5%*
Expenditure	29.8%	27.1%	27.0%	27.4%	25.2%	24.3%	22.9%
of which Wages & Salaries	11.0%	10.7%	10.1%	9.8%	9.0%	9.0%	9.0%
of which Interest	9.5%	7.5%	8.2%	7.8%	6.6%	5.9%	4.8%
Cent Govt Fiscal Balance	**-4.1%**	**0.1%**	**-0.5%**	**-0.3%**	**0.9%**	**1.1%**	**2.2%**
Cent Govt Primary Balance	**5.4%**	**7.7%**	**7.7%**	**7.5%**	**7.5%**	**7.0%**	**7.0%**
Domestic Debt	75.2%	70.2%	67.0%	61.2%	58.3%	52.1%	50.9%
External Debt	60.0%	63.1%	64.6%	60.1%	57.4%	55.3%	47.6%
Total Debt	**135.2%**	**133.3%**	**131.6%**	**121.3%**	**115.7%**	**107.4%**	**98.5%**

Source: MoFP

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 Central Government debt, Bank of Jamaica debt and Government guaranteed external debt. The stock of debt utilized for the EFF includes Central Government debt, Government guaranteed external debt, Government guaranteed domestic debt and net 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. As a result of the difference in coverage, the total debt/GDP at the end of FY 2014/15 as presented in this FPP is approximately 8.1 percentage points less than that reported in the EFF.

(ii) The Revenue and Grant figures for FY 2014/15 in this FPP represent actual/projected collections by revenue departments/agencies to December 2014. However, the revenue data contained in the Revenue Estimates represent transfers 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/projected revenue collections.

(iii) The estimated expenditure outturn for FY 2014/15 shown in Table 1A and upon which fiscal and primary balances are computed is based on actual cash expenditure to December 2014 and projections for the rest of the fiscal year. These differ from those shown in the Revenue Estimates and the Estimates of Expenditure, which reflect figures from the First Supplementary Estimates.

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 and accordingly must be properly managed.

The FY 2015/16 Central Government budget includes contingency provisions for:

(i) Interest payments on guaranteed loans of $8,372.0mn, consisting of $2,003.5mn for domestic and $6,368.5mn for external interest;
(ii) amortization (principal) payments on guaranteed loans of $19,917.0mn, with $19,068.6mn allocated for external and $848.4mn for domestic payments;
(iii) Liability management of the external debt - amortization (principal) payments of $9,756.0mn and interest payments of $1,219.5mn;
(iv) An amount to cover wage arrears, and, new rates to be settled for public sector workers for the contract period FY 2015/17; and
(v) An allocation to hedge against adverse movements in oil prices in the future.

On the revenue side, the GOJ intends to eliminate the stock of outstanding withholding tax refunds (over 90 days) over the next 3 years and as such the fiscal profile entails payment of withholding tax refunds at an average rate of $1,200.0mn monthly from FY 2015/16 (this amount includes outstanding refunds plus obligations that will arise during the course of the year). This strategy, apart from clearing the backlog of payables, represents good public financial management practice to which the GOJ remains strongly committed.

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.

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 the size of 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 influenced by world events (note the unexpectedly large fall in oil prices in 2014), 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

The enhanced fiscal rules are concerned with fiscal consolidation to achieve debt sustainability. However, it is desirable that they allow for flexibility for unforeseen 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 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, with authentication from the Auditor General and the approval of Parliament.

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. These are:

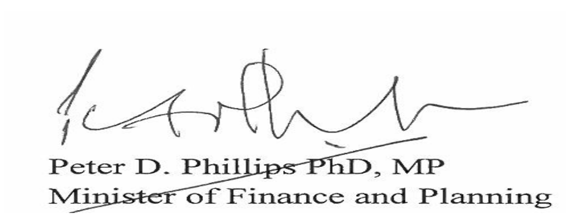
- prevention of high and recurrent fiscal deficits, by striking the balance between the citizen's aspirations towards public expenditures and the resources available for financing them;
- targeting of public debt at prudent levels, compatible with revenues and public assets, while providing a safety 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

The GOJ will continue to implement the requisite reforms to facilitate meaningful and sustainable economic growth. The upgrade of Jamaica's outlook from stable to positive by Standard and Poor's in September 2014 and the raising of US$800mn on the international capital market in July 2014 provide some positive indicators that confidence has returned to the economy. This was further enhanced by the most recent Survey of Consumer and Business Confidence which showed both indices increasing, as well as the World Bank's Doing Business Index which saw Jamaica's ranking rising from 89 to 58, out of 189 countries. The GOJ is encouraged by these developments and is convinced it is doing the right things as well as doing things right. Within this context the GOJ remains confident that the benefits of its strategy will become increasingly evident over time, as a more stable macroeconomic environment, a credible return to debt sustainability and an improved business climate will attract new investments and result in durable job creation and increased prosperity thereby allowing the citizens to realize the vision of making **Jamaica, the place of choice to live, work, raise family and do business.**

The enhanced fiscal rules which were passed in March 2014 were buttressed by further amendments and adoption of Regulations in February 2015. These changes will help to lock in the gains from the ongoing fiscal consolidation efforts from which the country has already seen notable benefits. These measures are important not just for meeting targets under the country's economic programme with the IMF but more importantly for moving the country toward sustained growth and development. 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.



February 19, 2015

Part 2

MACROECONOMIC FRAMEWORK

Overview of Macroeconomic Developments FY 2014/15

Background

The GOJ remains resolute in its commitment to achieve macroeconomic and fiscal stability, through its Fund-supported economic reform programme, by containing the country's economic and external vulnerabilities and addressing the impediments to sustained economic growth. Assessment of Jamaica's economic performance during FY 2014/15 will entail a review of the developments in the real, monetary and external sectors as well as in the labour market over the period. Table (2A) below provides a summary of the macroeconomic performance of Jamaica for FY 2012/13 - FY 2014/15, and highlights progress made since the start of the EFF.

Table 2A: Summary of Economic Performance

	Unit	FY 2012/13	FY 2013/14	FY 2014/15
Real GDP Growth Rate	%	-0.7	0.9	0.3
Inflation (Annual Pt to Pt)	%	9.1	8.3	5.3
Broad Money Growth	%	13.3	6.1	6.4
Unemployment Rate (Oct.)	%	14.0	14.9	14.2
Exchange Rate (weighted average)	J$=US$1	91.17	103.87	113.24
Treasury Bill (average 6-month)	%	6.6	7.9	7.8
Current Account/GDP	%	-9.9	-8.5	-5.3
Net International Reserves (NIR)	US$mn	884.3	1,303.6	1,775.2
Gross Reserves (Goods & Services Imports)	Weeks	12.2	15.2	16.8
Fiscal Accounts				
Central Gov't Fiscal Balance	%GDP	-4.1	0.1	-0.5
Central Gov't Primary Balance	%GDP	5.4	7.7	7.7
Public Sector Overall Balance	%GDP	-4.1	0.1	-0.3
Debt Stock	%GDP	135.2	133.3	131.6

Source: MOFP/BOJ/PIOJ

Jamaica continues to make progress toward overcoming the long-standing problems of low growth and high debt, through enhanced fiscal governance that prioritizes a reduction in the debt-to-GDP ratio to more sustainable levels and facilitates growth in the economy. These key objectives are anchored by structural reforms and supported by a strategic growth agenda. There have already been noticeable gains, as evidenced by improvements in the macroeconomic performance. Economic activity is slowly picking up with real growth recorded at 0.9% in FY 2013/14. Positive real growth of 0.3% is also expected for FY 2014/15. This is 1.1 percentage points below the 1.4% projected at the start of the fiscal year due largely to the impact of a protracted period of drought on agriculture production. Additionally, the debt-to-GDP ratio has been falling, with an expected decline of close to 4 percentage points from 135.2% in FY 2012/13 to 131.6% at the end of FY 2014/15.

Inflation outturn for FY 2014/15 is expected to be 5.3%, 3.2 percentage points lower than the 8.5% projected at the start of the fiscal year. This expected outturn reflects weak domestic demand and lower fuel prices. Inflation is expected to moderate over the medium term reflecting the impact of, inter alia, lower oil prices.

There was a 0.7 percentage point improvement in the October 2014 unemployment rate over the October 2013 rate. Similarly, the annual average unemployment rate for 2014 improved to 13.7%, 1.5 percentage points below the annual average of 15.2% reported for 2013. Improvements in unemployment rates are expected to continue as the new legislation to introduce flexible work arrangements take effect. It is expected that this will particularly improve female employment and labour force participation.

The improvement in the current account balance is expected to continue over the medium term with a deficit of 5.3% of GDP expected for FY 2014/15. The narrowing of the deficit for the fiscal year is supported by the combined effects of the fall in petroleum prices, fiscal consolidation and improvement in external competitiveness.

As part of the thrust to provide an enabling environment for sustained growth in the Jamaican economy and, ultimately, to realize the vision of making Jamaica the place of choice to live, work, raise family and do business, the government continued to undertake supporting structural reforms during FY 2014/15. These reforms targeted, among other things, enhancement of business-friendliness, improvement in access to credit and reduction in energy costs. Importantly, they were pivotal to Jamaica's leap in the World Bank's Doing Business 2015 rankings from 85 to 58 (June 2014). The country improved significantly in the indicators: Getting Credit (moving from a ranking of 125 to 12 out of 189) and Starting a Business (moving from 34 to 20). Jamaica is currently ranked highest in the English-speaking Caribbean and sixth within Latin America and the Caribbean (LAC) region overall.
Overall, the economic outlook is improving as economic stabilization and debt reduction are on track, and indicators show improvements in business confidence. In spite of the headwinds, staying the course of the Economic Reform Programme is an imperative to Jamaica achieving a sustained positive macroeconomic performance.

Real Sector Developments

FY 2014/15 Estimated Performance[1]

Real GDP growth of 0.3% is projected for FY 2014/15. A 0.6% expansion in the Services industry is expected to outweigh a 0.8% contraction in the Goods Producing industry. This economic performance is expected to occur within the context of: (i) an expansion in non-residential construction activities; and (ii) improved domestic demand and external demand for some exports. Further growth was stymied by the impact of drought conditions and plant downtime which hampered production.
Within the Goods Producing Industry, all industries, with the exception of Construction, are expected to record lower value-added. The Agriculture, Forestry & Fishing industry is projected to decline by

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

3.6%, based largely on expected lower output of Domestic Crops reflecting the impact of drought conditions on the industry during the second quarter. The Mining & Quarrying industry is anticipated to decline by 0.9%, brought about by an expected fall in the production of alumina due mainly to production challenges. Bauxite production is anticipated to have increased for the period. The projected contraction in the Manufacturing industry is based on anticipated declines in domestic and external demand for manufactured items as well as extended plant downtime in the petroleum industry. The forecast growth in the Construction industry will be facilitated by increased building construction and civil engineering activities. Building construction is expected to be influenced by an expansion in hotel construction and renovation projects. Increased civil engineering activities will be associated with work on the North-South leg of Highway 2000 and the expansion of the telecommunications network.

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

	FY 2013/14 Actual	FY 2014/15 Projection
GOODS PRODUCING INDUSTRY	**3.0**	**-0.8**
Agriculture, Forestry & Fishing	7.4	-3.6
Mining & Quarrying	7.6	-0.9
Manufacture	-0.6	-0.2
of which: Food, Beverages & Tobacco	*0.1*	2.0
Other Manufacturing	*-1.4*	-3.0
Construction	2.1	1.4
Services Industry	**0.2**	**0.6**
Electricity & Water Supply	-1.1	-1.4
Transport, Storage & Communication	0.4	1.3
Wholesale & Retail Trade; Repair and Installation of Machinery	-0.1	0.2
Finance & Insurance Services	0.3	0.3
Real Estate, Renting & Business Activities	0.4	0.5
Producers of Government Services	-0.3	-0.3
Hotels and Restaurants	1.8	3.9
Other Services	0.4	1.5
Less Financial Intermediation Services Indirectly Measured (FISIM)	0.1	-0.8
Total GDP At Basic Prices	**0.9**	**0.3**

Source: STATIN & PIOJ

The Hotels & Restaurants industry is projected to grow by 3.9%, the largest absolute increase within the Services Industry. This outturn will be influenced by growth in stopover arrivals facilitated by increased airline seats. Stemming from growth in recreational activities, Other Services is expected to increase by 1.5%. Increased real value-added in the Transport, Storage & Communication industry will be driven by growth in the Communication segment of the industry as well as increased activities at the island's seaports. Growth of 0.3% is expected for the Finance & Insurance Services industry, spurred by a rise in net interest income and higher revenue generated from fees and commissions.

Labour Market Developments

Calendar year 2014 marked the third consecutive year that Jamaica recorded an increase in the average level of employment, as the country continued to benefit from ongoing economic reforms geared towards improving the business environment and competitiveness. These reforms were instrumental in the advancement made by the country in moving up twenty-seven (27) places to fifty-eight (58) in the World Bank's **Doing Business 2015 Ranking**[2].

TABLE 2C: SELECTED LABOUR FORCE INDICATORS

BOTH SEXES	2013		2014		
	October	Annual Average	July	October	Annual Average
TOTAL POPULATION	**2,716,400**	**2,713,925**	**2,721,200**	**2,722,900**	**2,720,425**
Population 14 years and over	**2,078,600**	**2,076,725**	**2,082,300**	**2,083,600**	**2,081,675**
Labour Force	**1,304,500**	**1,308,475**	**1,304,000**	**1,310,700**	**1,307,725**
Employed Labour Force	**1,110,500**	**1,108,925**	**1,124,600**	**1,124,500**	**1,128,050**
Unemployed Labour Force	**194,000**	**199,550**	**179,400**	**186,200**	**179,675**
Outside The Labour Force	**774,100**	**768,250**	**778,300**	**772,900**	**773,950**
Employment Rate	**85.1**	**84.8**	**86.2**	**85.8**	**86.3**
Unemployment Rate	**14.9**	**15.2**	**13.8**	**14.2**	**13.7**
Job Seeking Rate	**9.9**	**9.8**	**8.4**	**9.3**	**9.0**
Percentage of Population under 14 years	**23.5**	**23.5**	**23.5**	**23.5**	**23.5**
Percentage of Population 14 years & over	**76.5**	**76.5**	**76.5**	**76.5**	**76.5**
Percentage of Population 14+ Outside LF	**37.2**	**37**	**37.4**	**37.1**	**37.2**
Labour Force as a % age of Total Population	**48**	**48.2**	**47.9**	**48.1**	**48.1**
Labour Force as a % age of Population 14+	**62.8**	**63**	**62.6**	**62.9**	**62.8**

Source: STATIN Labour Force Survey October 2014

The October 2014 Labour Force Survey undertaken by the Statistical Institute of Jamaica indicated that the unemployment rate was 14.2%, which was 0.7 percentage point lower than in October 2013, but 0.4 percentage point higher than in July 2014. The Female Unemployment Rate was 19.4% (down 0.6 percentage point) and the Male Unemployment Rate stood at 9.9% (down 0.7 percentage point) compared with October 2013. The Job Seeking Rate was 9.3%, representing a decline of 0.6 percentage points relative to October 2013.

[2] Information is based on data up to June 1, 2014.

Overall, the average unemployment rate for 2014 was 13.7%, which was 1.5 percentage points lower than the average for 2013 (see Table 2C). The Average Female unemployment rate stood at 18.1% (down 1.9 percentage points) and the Average Male Unemployment Rate was 10.1% (down 1.1 percentage points) compared with 2013. The youth unemployment rate fell 3.5 percentage points to 34.3%. The Job seeking rate was 9.0%, representing a decline of 0.8 percentage point relative to 2013. The average employment level increased by 19,125 persons to 1,128,050 persons. There was an increase of 0.3 percentage point to 24.8 per cent in the proportion of persons who have vocational and professional training with certificate. The Labour Force Participation rate declined by 0.2 percentage point to 62.8%, relative to 2013.

Labour Force

Jamaica's Labour Force as at October 2014 comprised 1,310,700 persons, representing an increase of 6,200 persons (0.5%) compared with October 2013. However, the average labour force for 2014 was reduced by 750 persons when compared to the 2013 average. This average reduction, along with the increase in the working age population, contributed to the decline in the Labour Force Participation rate by 0.2 percentage point to 62.8%. The decline in the labour force was due to an increase in the average number of persons outside the labour force. With respect to the decline in the labour force, the main contributors by age group were '14-19' and '20-24', which declined by 3,025 persons and 4,425 persons, respectively. This may partly be explained by the increase in the number of persons that cited they were outside of the labour force because they were at school (both part time and full time). The age groups that recorded the largest increase in labour force participation were '55-64', which increased by 2,750 persons; and '65 and over', which increased by 2,525 persons. Labour force disaggregated by sex revealed that males accounted for 54.7%, up 0.2 percentage point relative to 2013.

Employed Labour Force

The average Employed Labour Force during 2014 stood at 1,128,050 persons, an increase of 19,125 persons compared with 2013 (see Table 2C). With respect to the change in the Employed Labour Force by Age Group, increased employment levels were recorded for all the age groups. The age groups that recorded the largest increases in employment were the '25-34' (up 5,175 persons); '65 and over' (up 3,400 persons); and '55-64 (up 3,225 persons).

An examination of the *Employed Labour Force by Industry Group* for 2014 revealed that 12 of the 16 industries recorded increased employment relative to 2013 (see Table 2D). The largest increases in employment level were recorded in Agriculture, Hunting, Forestry & Fishing (up 5,500 persons); 'Wholesale & Retail, Repair of Motor Vehicle & Equipment' (up 4,900 persons); and 'Hotels & Restaurant Services' (up 4,750 persons). The industry that recorded the largest decline was 'Construction' (down 2,100 persons). The industries that employed the largest number of persons were 'Wholesale & Retail, Repair of Motor Vehicle & Equipment' and 'Agriculture, Hunting, Forestry & Fishing', which accounted for 20.1% and 18.4%, respectively.

TABLE 2D – EMPLOYED LABOUR FORCE BY INDUSTRY

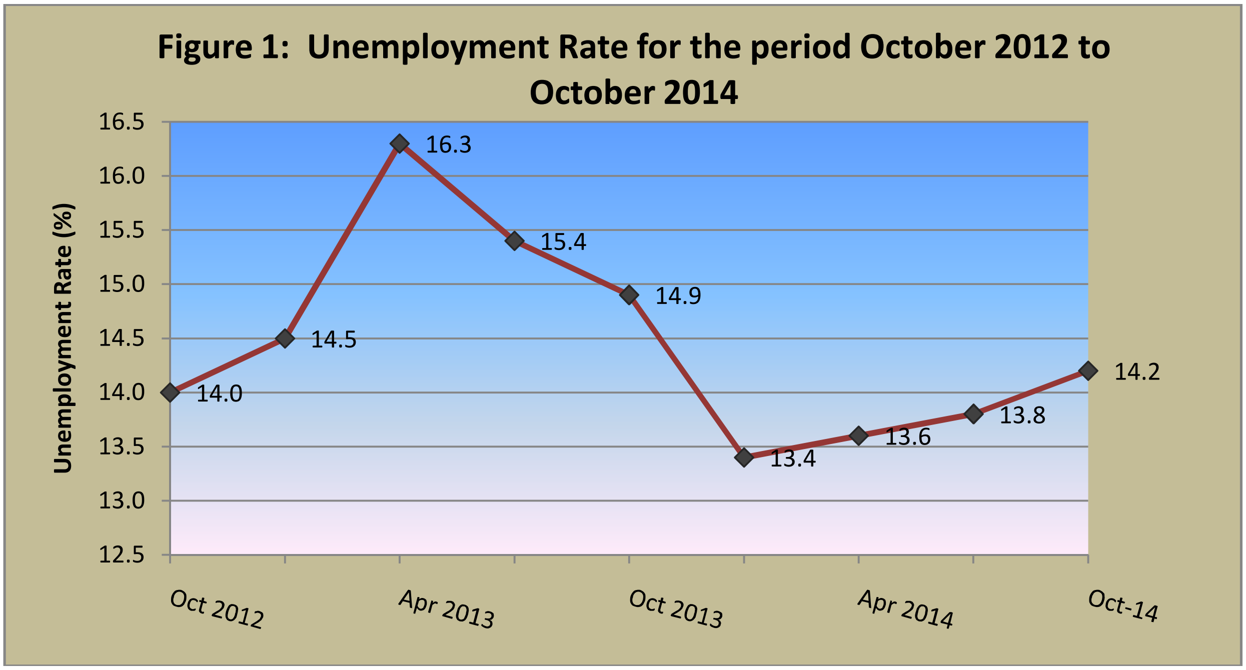
INDUSTRY GROUP	2013 October	2013 Annual Average	2014 October	2014 Annual Average	Absolute Change Oct-14 - Oct-13	Absolute Change Avg-14 - Avg-13
	BOTH SEXES					
Agriculture, Hunting, Forestry & Fishing	199,900	202,350	207,700	207,850	7,800	5,500
Mining & Quarrying	6,200	5,400	6,600	6,150	400	750
Manufacturing	73,600	71,850	72,300	72,900	-1,300	1,050
Electricity, Gas and Water Supply	9,000	8,450	7,800	8,500	-1,200	50
Construction	83,500	83,025	82,700	80,925	-800	-2,100
Wholesale & Retail, Repair of Motor Vehicle & Equipment	212,100	221,525	223,800	226,425	11,700	4,900
Hotels & Restaurants Services	80,300	75,750	81,400	80,500	1,100	4,750
Transport, Storage and Communication	73,600	72,650	76,000	75,250	2,400	2,600
Financial Intermediation	24,700	26,000	23,900	26,050	-800	50
Real Estate, Renting & Business Activities	66,600	65,875	64,500	67,350	-2,100	1,475
Public Administration &Defence; Compulsory Social Security	56,800	56,650	55,000	56,850	-1,800	200
Education	73,800	71,125	74,500	70,300	700	-825
Health & Social Work	34,600	32,625	31,100	31,925	-3,500	-700
Other Community, Social and Personal Service Activities	59,700	57,950	57,900	58,725	-1,800	775
Private Households with Employed Persons	53,400	54,825	56,900	55,550	3,500	725
Industry Not Specified (Incl. Extra-Territorial Bodies)	2,700	2,875	2,400	2,800	-300	-75
TOTAL EMPLOYED LABOUR FORCE	**1,110,500**	**1,108,925**	**1,124,500**	**1,128,050**	14,000	19,125

Source: STATIN Labour Force Survey October 2014

The average number of hours worked was estimated at 40.6 hours compared with an average of 40.9 hours in 2013. This decline reflected a reduction in the number of persons who worked between '*41 and 49 hours*' by 9,250 persons, and, '*49 hours and over*' by 17,350 persons. Disaggregated by sex, males were estimated to have worked 41.8 hours compared with 42.2 hours during 2013, while females were estimated to have worked 39.0 hours, which was 0.2 hour lower than in 2013. The proportion of persons who worked at least 35 hours averaged 87.8% compared with 87.5% in 2013.

Unemployed Labour Force

The average Unemployed Labour Force amounted to 179,675, which was 19,875 fewer persons than in 2013. This reflected the rise in the Employed labour force, and a decline in the labour force. Of the 16 industry groups, 13 recorded lower unemployment levels. The main contributors to the decline in the *Unemployed Labour Force by Industry Group* were 'Wholesale & Retail, Repair of Motor Vehicle & Equipment' (down 4,825 persons); Hotels & Restaurants Services (down 2,550 persons); and Manufacture (down 2,275 persons). Of the total unemployed persons, 24.6% had no previous occupation compared with 23.45 in 2013.



Monetary Developments

The Bank of Jamaica (BOJ) maintained the interest rate on its 30-day Certificate of Deposit (CD), the Bank's monetary policy signal rate, at 5.75% during FY 2014/15 within the context of an optimistic inflation outlook and a macroeconomic environment characterized by weak domestic demand. The signal rate has been unchanged since March 2013. Additionally, the local currency cash reserves and liquid assets requirements remained at 12.0% and 26.0% respectively. The rate on the Bank's overnight instrument was maintained at 0.25%.

Consistent with its efforts to improve liquidity in the financial system through the Enhanced Liquidity Management Framework (ELMF) introduced in 2013, the BOJ sustained the strategy to augment its liquidity management operations during FY 2014/15. Accordingly, the Bank continued its issuance of special Open Market Operations (OMO) securities as well as its provision of additional Repurchase Arrangements to complement the regular overnight repurchase instrument. The Standing Liquidity Facility (SLF) continues to provide deposit-taking institutions (DTIs) with automatic access to overnight liquidity, while the Six-Month Repurchase Operation (SMRO) provides Jamaica dollar liquidity to DTIs that make placements on BOJ's foreign currency CDs with a minimum tenor of two years. In addition, the Bi-Monthly Repurchase Operation (BMRO) which is conducted on a two-week cycle allows DTIs to place bids with the Central Bank to satisfy liquidity demands. As a result of the operations of the BOJ, there was a modest improvement in the liquidity condition within the financial system.

The enhanced liquidity condition fostered an expansion in the monetary base, which grew from $94,400mn at the start of FY 2014/15 to $108,900mn at the end of December 2014. This increase of $14,500mn (15.4%) reflects a $2,200mn (1.9 percentage point) difference compared to the $12,300mn (13.5%) expansion reported for the similar period of FY 2013/14. The change in the monetary base for the period resulted from the net effect of an increase of $74,300mn in the Net International Reserves (NIR) and a decline of $59,800mn in Net Domestic Assets. This constituted Net Currency Issue and

Commercial Banks' Statutory reserves increases of $13,800mn and $1,400mn respectively, and an offsetting reduction in Commercial Banks' Current Account of $800mn.

Inflation

The All Jamaica 'All Divisions' Consumer Price Index was 224.1 at the end of December 2014. Relative to the index of 210.7 reported for December 2013, there was a point-to-point inflation rate movement of 6.4%. The 2014 calendar year inflation outturn at 6.4%reflects a difference of 3.3 percentage points when compared to the 9.7% outturn for the 2013 calendar year. For the fiscal year to December 2014, there was a 4.6% increase in the general price level. This is 2.0 percentage points less than the 6.6% outturn for the corresponding period of FY 2013/14.

The index for all the divisions, with the exception of 'Housing, Water, Electricity, Gas and Other Fuels' and 'Communication', increased for the period April to December 2014. However, the inflation rate movement was mainly driven by the two most heavily weighted divisions: 'Food and Non-Alcoholic Beverages' and 'Transport'. The index for each of these two divisions rose by 8.9% and 3.5% respectively, with the former division being responsible for approximately 72.5% of the inflation for the period. Within the 'Food and Non-Alcoholic Beverages' division the group 'Food' increased by 9.1%, primarily due to the 18.5% rise in the general price level for vegetables and starchy foods. The price of these items was significantly impacted by the protracted drought conditions which prevailed during the first and second quarters of FY 2014/15. The increase in the index for the 'Transport' division largely reflected the increase in bus fares administered by the Jamaica Urban Transit Company (JUTC) during the second quarter of FY 2014/15.

The Division 'Housing, Water, Electricity, Gas and Other Fuels' declined by 5.6%, reflecting a fall in the index for the groups 'Water Supply and Miscellaneous Services Related to the Dwelling' and 'Electricity, Gas and Other Fuels' of 1.6% and 10.3% respectively. These declines stemmed from the impact of falling oil prices which also translated into lower rates for water and sewerage as well as a reduction in the cost of electricity. The index for the 'Communication' division was unchanged over the April-December 2014 period.

Exchange Rate

The weighted average selling rate of the US dollar with respect to the Jamaica dollar was US$1.00 = J$114.66 at the end of the December 2014 quarter. This represents a depreciation of 7.8% when compared to the selling rate of US$1.00 = J$106.38 at the end of December 2013. For the September 2014 and June 2014 quarters, the domestic currency depreciated 8.8% and 10.7% respectively, relative to the value of the currency at the end of the corresponding quarters of FY 2012/13. The trend decline in the pace of depreciation is expected to persist over the medium term, underpinned by continued improvement in the current account and ongoing strong fiscal consolidation efforts. The projection of a slower rate of depreciation is also informed by the revised outlook for inflation, which forecasts a narrowing of the inflation differential between Jamaica and its major trading partners, in particular the United States, and a consequent lowering of the pressure on the exchange rate.
At the end of January 2015, the weighted average selling rate of the US dollar was US$1.00 = J$115.81, reflecting a depreciation of 5.7% since the beginning of FY 2014/15. Over this period, Jamaica's external competiveness as measured by the real effective exchange rate (REER) improved.

External Sector Developments

For the first half of FY 2014/15, the Current Account recorded a deficit of US$649.6mn, which represented a deterioration of US$85.6mn relative to the US$564.0mn deficit recorded for the corresponding period of FY 2013/14. The deterioration in the Current Account balance was largely driven by increased deficits in the Goods and Services and Primary Income sub-accounts. The impact of these deficits was partly offset by the improvement in the Secondary Income sub-account.

The US$87.4mn widening of the Goods and Services sub-account balance largely resulted from activities in the Goods sub-account. Within the Goods sub-account, imports of goods increased by US$86.5mn, reflecting increases in imports of Chemicals, Machinery & Transport Manufactured goods, while exports of goods decreased by US$18.5mn reflecting a decline in Mineral Fuel exports. The improvement of US$17.7mn in the Services sub-account balance largely reflected an improvement in net travel flows for the period which was partly offset by reductions in flows from insurance & pension services, other business services and transportation services.

The Primary Income sub-account recorded a deficit of US$187.1mn, a deterioration of US$57.9mn relative to the deficit of the corresponding period of FY 2013/14, and largely reflected net investment income outflows primarily related to repatriation of profits from the mining and quarrying sector. Conversely, the Secondary Income sub-account balance amounted to US$1,147.7mn, representing an expansion of US$59.6mn. This improvement primarily resulted from increases in net private transfer flows to Financial Corporations, Non-financial Corporations, Households and Non-Profit Institutions Serving Households (NPISHs).

The Capital Account balance deteriorated by US$0.6mn to a deficit of US$2.9mn for the first two quarters of FY 2014/15, relative to the US$3.5mn outturn for the corresponding period of FY 2013/14. The combined balance on the Current and Capital Account yielded a net borrowing position of US$646.6, a reduction of US$86.2mn relative to the corresponding period of FY 2013/14.

The Financial Account recorded a net borrowing position of US$180.3mn, an improvement of US$1,029.1mn when compared to the corresponding period of FY 2013/14. This improvement was due to an increase of US$1,291.3mn in Other Investments.

Flows from official and private sources were more than sufficient to finance the net borrowing balance from the Current and Capital accounts. As a result, the NIR increased by US$666.7mn.

Following a revision of the trajectory for oil prices over the near term, against the backdrop of a major decline in the price of the commodity since August 2014, the current account balance is projected to improve significantly for the second half of FY 2014/15. The revised forecast is for a deficit of US$731.4mn (5.3% of GDP) for the fiscal year compared to US$1,200.4mn (8.5% of GDP) for FY 2013/14. Primarily through its impact on payments for fuel imports, the falling price of oil is expected to result in an improvement in the goods balance of US$332.6mn. The services balance is also expected to receive a boost through increases in Transportation and Travel inflows, thereby contributing an overall US$152.6mn to the improvement in the current account balance for FY 2014/15.

Table 2E: Balance of Payments for the First Half of FY 2014/15: April - September

Balance of Payments (US$MN)	FY 2013/14 April - September	FY 2014/15 April - September	Change
Current Account Balance	**-564.0**	**-649.6**	**-85.6**
Credits	3,432.0	3,526.7	94.7
Debits	3,996.0	4,176.3	180.3
Goods & Services	-1,522.9	-1,610.2	-87.4
Exports	2,007.0	2,073.0	66.0
Imports	3,529.9	3,683.3	153.4
Goods	-1,789.6	-1,894.6	-105.0
Exports	747.6	729.1	-18.5
Imports	2,537.1	2,623.7	86.5
Services	266.7	284.4	17.7
Exports	1,259.5	1,344.0	84.5
Imports	992.8	1,059.6	66.8
Primary Income	-129.2	-187.1	-57.9
Credits	213.5	184.5	-29.0
Debits	342.7	371.6	28.9
Secondary Income	1,088.1	1,147.7	59.6
Credits	1,211.4	1,269.2	57.8
Debits	123.3	121.4	-1.9
Capital Account	**3.5**	**2.9**	**-0.6**
Credits	3.5	2.9	-0.6
Debits	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	**-560.5**	**-646.6**	**-86.2**
Financial Account			
Net lending (+) / net borrowing (-) (balance from financial account)	**-1,209.4**	**-180.3**	**1,029.1**
Direct Investment	-399.2	-337.2	62.0
Net acquisition of financial assets	0.1	-2.7	-2.8
Net incurrence of liabilities	399.3	334.5	-64.8
Portfolio Investments	9.0	-741.9	-750.9
Net acquisition of financial assets	112.5	243.2	130.7
Net incurrence of liabilities	103.4	985.1	881.7
Financial derivatives	129.5	-115.3	-244.8
Net acquisition of financial assets	51.9	-141.5	-193.4
Net incurrence of liabilities	-77.6	-26.2	51.4
Other Investments	-943.9	347.5	1,291.3
Net acquisition of financial assets	-610.1	260.8	870.9
Net incurrence of liabilities	333.8	-86.7	-420.5
Reserve Assets	-4.9	666.7	
Net Errors and Omissions	**-649.0**	**466.3**	

Source: BOJ

The Commodities Market

The IMF's International Commodity Price Index fell by 7.5% over the review period, following a 0.7% fall over the corresponding period of FY 2013/14. This contraction resulted from declines in both Non-Fuel Price Index (down 3.8%) and Fuel (Energy) Price Index (down 9.4%), with reduction in energy prices being the biggest contributor as oil prices fell sharply over the period. The fall in the energy index for the review period reflects a large growth in crude oil supply, including higher OPEC output, exceeding the slow pace of growth in demand; while the fall in Non-Fuel Price Index largely reflects supply increases.

The IMF's projections for 2015 show oil prices declining 41.1% and non-fuel prices declining 9.3% over 2014 prices. Oil spot prices are expected to continue falling, while futures market expects oil prices to increase in light of an expected reduction in volatility as well as some curtailment in supply. Metal prices are expected to remain broadly unchanged while projections for agricultural commodities are mixed with expected increases in the prices of rice, corn and coffee, while soybean and soybean meal prices are expected to decline.

Box A: International Commodity Prices

Jamaica remains a price taker for a variety of internationally traded primary commodities (Table 2F) 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 exchange rate movements is added, it brings into sharp focus the need to sustain relative stability in the foreign exchange market.

Table 2F: International Commodity Prices

Commodity	Unit	Average Percentage Change	
		Apr-Dec	Apr-Dec

		2013/14	2014/15
All Commodity Price Index		-0.7	-7.5
Non-Fuel Price Index		-1.9	-3.8
Fuel (Energy) Price Index		0	-9.4
Select Commodities			
Cocoa	Cents per Kg.	5.3	23.2
Coffee, Arabica	Cents per Kg.	-22.4	55.2
Soybean meal	$/mt	-5	-4.8
Maize/Corn	$/mt	-50	-23.2
Wheat, US, HRW	$/mt	-4.8	-9.2
Sugar, EU, domestic	Cents per Kg.	-1.3	4.9
Sugar, World	Cents per Kg.	-15.2	-1.3
Crude Oil	US$ per Barrel	8.6	-7.9
Aluminum	US$/Tonne	-8.9	7

Source: IMF Primary Commodity Prices

Macroeconomic Outlook FY 2015/16 to 2018/19

The medium-term macroeconomic outlook for the Jamaican economy has improved, but remains relatively moderate. This is predicated on the expected positive impact of low oil prices on the performance of the economy as well as the effects of continued implementation of the growth agenda. The domestic economy is projected to benefit from strategic investments, improved competitiveness and enhanced efficiency resulting from inter-sectoral linkages; in addition to increased consumer and business confidence. Growth prospects, however, are expected to be tempered by the existing weak investment environment globally - conditions which are projected to remain at least for the near term. The Medium Term Macroeconomic Profile below (Table 2G) summarizes the key macroeconomic projections underlying the development of the estimates of revenue and expenditure over the medium term (FY 2015/16 – FY 2018/19). These projections also provide a guide to the path the country's debt will follow over the period. Given the indeterminate nature of the variables concerned, the macroeconomic profile is subject to change according to how the economic realities unfold.

Table 2G: Medium Term Macroeconomic Profile

Macroeconomic Variables	Fiscal Years						
	2012/13 Actual	2013/14 Actual	2014/15 Prov.	2015/16 Proj.	2016/17 Proj.	2017/18 Proj.	2018/19 Proj.
Nominal GDP (J$bn)	1,340.3	1,459.5	1,574.9	1,689.7	1,832.9	1,999.4	2,180.0
Nominal GDP growth rate (%)	6.2	8.9	7.9	7.3	8.5	9.1	9.0
Real GDP growth rate (%)	-0.7	0.9	0.3	1.6	2.0	2.9	1.9
Inflation: Annual Pt to Pt (%)	9.1	8.3	5.3	6.3	6.5	6.5	6.0
Interest Rates:							
30-day repo rate (end-of-period)	6.25	5.75	5.75				
180-day Treasury Bill (average)	6.6	7.87	7.83				
Average Exchange Rate (J$=US$1.00)	91.17	103.87	113.24				
Current Account (%GDP)	-9.9	-8.5	-5.3	-2.3	-2.4	-2.1	-2.1
Net International Reserves (NIR) US$mn	884.3	1303.6	1775.2	1541.5	2183.8	1970.5	2179.1
Gross NIR (weeks of Imports of goods & services)	12.2	15.2	16.8	15.8	21.3	19.0	19.3
Oil Prices (WTI) (average US$/barrel)	92.1	99.1	81.1	53.1	62.9	62.9	62.9

Source: BOJ/PIOJ

Based on the foregoing, real GDP is expected to grow by 1.6% for FY 2015/16 and 2.0% for FY 2016/17. For FY 2017/18 and FY 2018/19, the Jamaican economy is projected to grow by 2.9% and 1.9%, respectively.

The trend towards lower inflation is expected to continue over the medium term, contingent on low energy prices and continued decline in other commodity prices. Accordingly, inflation is projected at 6.3% for FY 2015/16 with forecast of 6.0% by FY 2018/19.

Consequent on improvements in Jamaica's external competitiveness and the impact of lower oil prices on the imports bill, the current account balance as a percentage of GDP is expected to continue its downward trend over the medium-term. The projection is for a deficit of 2.3% for FY 2015/16 and a further decline to 2.1% of GDP by FY 2018/19.

As the performance of the economy continues to improve and with the ongoing attainment of the primary balance targets, the total public debt as a percentage of GDP is expected to remain on its declining trend towards the targeted 96.0% by the end of FY 2019/20.

Medium Term Growth Prospects

The GOJ's Growth Agenda aims to re-orient economic policy towards a sharpened focus on enhancing growth as the necessary basis for realizing sustained improvements in the social well-being of citizens. The Agenda provides the framework to systematically attack binding structural constraints and achieve sustainable economic growth with social equity consistent with the goals of Vision 2030 Jamaica. The Guiding Principles of the Growth Agenda are as follows:

- To unleash entrepreneurial dynamism by unlocking latent wealth tied up in idle assets;
- To pursue infrastructure investments as catalysts for job creation through strengthening resilience of the built environment;
- To build an innovative & competitive modern economy of large and small firms by strengthening business networks and minimizing supply-side constraints;
- To modernize and improve the efficiency of government;
- To foster social inclusion through community renewal, expanded self-agency and equity; and
- To facilitate proactive partnership between government and private sector.

The Growth Agenda is summarized in Table 2H.

Table 2H: Main Components of the Government of Jamaica's Growth Strategy		
Component	Role	Specific Reforms
1. Fiscal Consolidation	Provide Macroeconomic Stability	Deficit Reduction; Debt Management; Tax Reform; Fiscal Accountability; Public Sector Transformation; Pension Reform; Financial Sector Stability; Inflation Control
2. Business Environment Competitiveness Reforms	Address Constraints in the Business Environment	Business Registration Process; Development Application Review Process; Collateral Reform; Insolvency Legislation; MSME Financing, Energy Sector Reform
3. Strategic Investment Projects	Provide Catalytic Capital Investments and Employment; Improve Business Environment	Global Logistics Hub Initiative; Agro-Parks; ICT Parks; Road Infrastructure Projects; Integrated Resort Development; Energy Diversification Projects; Urban Renewal Projects
4. Human Capital Development, Social Protection, Security and Resilience	Build Labour Productivity; Provide Social Protection; Address Crime and Violence Constraints; Enhance Economic Resilience at Individual and Community levels; Enhance Environmental Resilience and reduce the impact of disasters and of climate change	Social Protection; Education and Skills Training; Primary Health Care; Youth Employment; Labour Market Reform; Citizens Security; Community Renewal; Hazard Risk Reduction; Climate Change Adaptation and Mitigation
Source: PIOJ		

Growth Sectors

Agriculture

- The Agriculture, Forestry & Fishing Industry is the second largest employer, accounting for approximately 16.0% of the labour force and has linkages with other industries, particularly Tourism and Manufacturing; and has the potential to generate substantial foreign exchange earnings. Consequently, the GOJ is committed to the development of a modern, efficient and competitive industry. To facilitate this, on-going initiatives include:
    - **The Agro Parks Initiative which aims to stabilise the agricultural supply chain, deepen inter-industry linkages, increase competitive import substitution and activate unutilised rural land and labour, complemented by improved inputs including irrigation and road infrastructure.** Currently, a total of eight Agro Parks have been successfully implemented. Another is being developed, with implementation expected to be completed in FY 2014/15. With these parks implemented, the overall impact is expected to be: over 5,000 people benefiting directly and indirectly, spanning investors/farmers and employees; and 2,711 hectares of under-utilized lands brought into agricultural production.
    - **Tourism-Agriculture Linkages Technical Working Group, formed in 2013, was established to formulate strategies which will promote and strengthen linkages between the two industries.** Among the main functions of the Working Group are:

identifying and tackling major obstacles to strengthening tourism linkages; identifying appropriate strategies to effectively bring buyers and sellers together; and addressing issues affecting trade as they arise.

Hotels & Restaurants

- Initiatives geared towards enriching the tourism product include:
    - **Integrated Resort Development Orders and Casino Gaming** – Subsequent to the passage of the Casino Gaming Act (2010), work is ongoing to prepare regulations to operationalize this legislation. Four regulations are to be tabled in Parliament.
    - **Timeshare Legislation** – The Senate on November 28th 2014 approved the Timeshare Vacations Legislation Bill. This facilitates Jamaica's entrance into the tourism timeshare market.

Energy

- **Within the Energy sector, several projects and initiatives to achieve fuel-source diversification, facilitate energy conservation, liberalize the electricity market and reduce the cost of energy are underway.** This is of importance as the high cost of energy represents a constraint to the development of key industries. The projects and initiatives being undertaken include generation capacity expansion; the renewable generation project; net billing; power wheeling; the energy security and efficiency enhancement project; as well as fuel diversification in the mining and agriculture industries. It is anticipated that the implementation of these initiatives will have a positive impact on key productive industries, thereby leading to higher output from increased activities. Initiatives underway to replace existing equipment with more efficient equipment will result in a fuel price reduction of approximately 40%. Other initiatives include bagasse being converted to energy and a total of 80 MW of electricity will be added to the national grid.

ICT/BPOs

The Business Process Outsourcing (BPOs) sub-industry is identified as an area which will drive significant economic growth and employment generation. Already there are ongoing efforts to expand the industry and it is projected that an additional 2,500 jobs will be created during FY 2014/15. New developments in the BPO sub-industry will be supported by the creation of 415,000 sq. ft. of space in St. James, St. Catherine and Kingston & St. Andrew.

Global Logistics Hub Initiative (GLHI)

- **The GLHI seeks to position Jamaica as the fourth node in the global logistics chain along with Rotterdam (Netherlands), Dubai, and Singapore.** Specifically, Jamaica is positioning itself to exploit its geographic position to take advantage of the expected increase in shipping activities associated with the expansion of the Panama Canal. The logistics hub is envisioned to integrate the ports with (i) facilities to enable warehousing, distribution, assembling and manufacturing; and (ii) several modes of transportation.

- **The GLHI is to be rolled out on a phased basis, of which ongoing components include:**
    - **the privatization of the Kingston Container Terminal (KCT)** – work continues to conclude this project which includes the dredging of the Kingston Harbour access channel.

- **the privatization and upgrading of the Norman Manley International Airport (NMIA)** – efforts continue to conclude selection of the preferred bidder by June 2015.
- **the establishment of a Transhipment Port** – work is ongoing to conclude negotiations of the Concession Agreement for the Portland Bight Development Project subject to: (i) successful completion of detailed technical and feasibility studies; (ii) submission to and approval by NEPA and all other relevant agencies of Government; and (iii) the Parties agreeing and executing the Definitive Agreements.
- **the development of Special Economic Zones (SEZ)** – the SEZ White Paper is to be issued by February 2015 and the SEZ Act is anticipated to be passed by October 2015, compatible with WTO requirements.

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

	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
	PIOJ's Estimates			
GOODS PRODUCING INDUSTRY	**2.5**	**3.6**	**6.7**	**2.5**
Agriculture, Forestry & Fishing	5.0	4.9	4.0	4.0
Mining & Quarrying	4.5	15.0	43.0	2.0
Manufacture	1.0	1.2	1.9	2.2
of which: Food, Beverages & Tobacco	0.8	1.0	1.5	2.0
Other Manufacturing	1.2	1.4	2.4	2.5
Construction	1.4	1.5	1.6	1.7
SERVICES INDUSTRY	**1.2**	**1.4**	**1.5**	**1.6**
Electricity & Water Supply	1.0	1.5	2.0	2.5
Transport, Storage & Communication	2.0	2.8	3.0	2.5
Wholesale & Retail Trade; Repair and Installation of Machinery	1.0	1.2	1.0	1.0
Finance & Insurance Services	1.7	1.8	1.7	1.7
Real Estate, Renting & Business Activities	1.2	1.3	1.5	1.7
Producers of Government Services	-0.5	-0.8	-0.5	-0.2
Hotels and Restaurants	2.3	3.3	3.6	4.0
Other Services	2.0	2.0	2.0	2.0
Less Financial Intermediation Services Indirectly Measured (FISIM)	-0.5	0.5	0.5	1.0
TOTAL GDP AT BASIC PRICES	**1.6**	**2.0**	**2.9**	**1.9**

Source: PIOJ

FY 2015/16 Projected Performance

For FY 2015/16, the Jamaican economy is expected to record a 1.6% increase in real GDP. This performance is based on projected increases of 2.5% and 1.2% 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 depreciation of the Jamaica dollar.

Growth in the Goods Producing Sector is expected to be supported by improved performances of all industries. Increased agricultural output of 5.0% will be due mainly to increased capacity utilisation at

Agro Parks, hence more acres under production relative to the previous fiscal year. These parks are geared towards stabilizing the supply chain, thereby facilitating import substitution. Real value added for the Mining & Quarrying industry is expected to increase by 4.5% due to the limited reopening of the Alpart plant as well as higher global industrial production and the associated increased demand for alumina and bauxite. In the case of the Construction industry, 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 1.4% increase in real value added.

For the Services Sector, all industries with the exception of Producers of Government Services are expected to record increases. Significant increases are expected for: Hotels & Restaurants (2.3%) and Other Services (2.0%). Higher value added in the Hotels & Restaurants industry is expected to be boosted by increased visitor arrivals consequent on continued marketing, particularly in new markets, and an increase in room stock. Growth of 2.0% 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. Increased activity in the Business Process Outsourcing sector is the main driver of the 1.2% growth estimated for the Real Estate, Renting & Business Activities industry. The Producers of Government Services industry is expected to contract in keeping with the movement toward the programmed 9.0% of GDP for the wage bill by the end of FY 2015/16.

FY 2016/17 Projected Performance

Economic growth of 2.0% is projected for FY 2016/17. It is anticipated that this performance will reflect continued strengthening of most industries. Robust global economic activity and increased competitiveness are expected to result in a rise in the demand for Jamaican products and result in increased activities mainly in the:

- Mining & Quarrying Industry which is expected to grow by 15.0%. This is projected to be pushed mainly by the planned reopening of Jamaica's largest Alumina refinery plant (Alpart) in December 2016 and increased capacity utilization at the other refinery plants;
- Hotels & Restaurants is projected to grow by 3.3%, facilitated by an increase in the room stock and frequency of flights into Jamaica;
- Agriculture, Forestry & Fishing industry is expected to grow by 4.9%. This is predicated on an increase in linkages between Agriculture and other industries (especially Hotels & Restaurants and Manufacture industries) and will be facilitated by increased output from Agro Parks and other GOJ initiatives to increase production and stabilize the production chain (Storage houses); and
- Construction Industry which is projected to grow by 1.5%, pushed mainly by a sound macroeconomic environment, which is expected to lead to relatively lower interest rate and increase predictability in the market. This will promote private sector supported construction projects in Tourism, Manufacture, Logistics, Energy and ICT.

FY 2017/18 Projected Performance

The Jamaican economy is projected to grow by 2.9% for FY2017/18. All productive industries are expected to benefit from increased competitiveness associated with a more competitive exchange rate and structural reforms undertaken to improve the business environment and the quality of the labour force. It is anticipated that growth will be driven mainly by the tradable industries, which should benefit from an increase in global output and trade. Higher growth is expected from Mining & Quarrying (up 43.0%), Hotels & Restaurants, (up 3.6%), Transport, Storage & Communication (3.0%) and Agriculture, Forestry & Fishing (4.0%). The increase in Mining & Quarrying is expected to be driven by the reopening of Jamaica's largest Alumina refinery in December 2016. Growth in the Hotels & Restaurants industry is expected to be facilitated by increased room stock as well as, airline seats into Jamaica. Higher value added in the Transport, Storage & Communication industry is expected to be spurred mainly by increases in Transport & Storage activities. This increase is expected to be driven by higher air, sea and land transport activities associated with increased production and trade within the economy in general, especially within the Mining & Quarrying and Hotels & Restaurants industries as well as the full roll out of the Port Community System[3] to support increased trade.

FY 2018/19 Projected Performance

Real GDP is expected to grow by 1.9% for FY 2018/19. 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:

- *Hotels & Restaurants*: The industry is expected to benefit from higher global economic growth which is expected to lead to increases in arrivals and expenditure by visitors. These increases will also be facilitated by a more diversified tourism product and increased room stock.

- *Agriculture, Forestry & Fishing*: The industry is expected to be spurred by increased demand locally and externally. The larger demand locally is expected to be driven by increased linkages between the Agriculture Industry and the Hotels & Restaurants and Manufacture industries in particular. This should be facilitated by the strengthening of the supply chain (e.g. storage houses and larger markets) and a more competitive price (partly through a more competitive exchange rate), leading to import displacements. Higher external demand is projected based on an expected increase in global output and increased diversification of production processes globally.

The International Environment

The January 2015 issue of the World Economic Outlook (WEO) Update published by the International Monetary Fund reported a 3.3% growth in world output for 2014. This out-turn is consistent with the 0.4 percentage point downward revision (stated in the October 2014 WEO Report) of the 3.7% expansion in global activity forecast in the January 2014 WEO Update. World output growth was bolstered by the decline in oil prices during the second half of 2014, following the offsetting weaker-than-expected global activity in the first half of the year. Among the *advanced economies*, the United States showed the strongest recovery, joined only by Canada in achieving greater than expected growth in 2014. All other major economies recorded lower than projected growth rates, with Japan performing weakest relative to projections. Growth in *emerging and developing economies* was also less than forecast, with the performance of economies in Latin America and the Caribbean falling 0.8

[3]The Port Community System will electronically integrate and streamline export and import procedures.

percentage point below the projected 2.0%. Global output growth for 2014, which equaled that of 2013, was curtailed by adverse factors which include investment weakness arising from diminished expectations regarding medium-term growth in many advanced and emerging market economies.

The medium-term outlook for global economic activities has been moderated. The world's growth rates for 2015 and 2016 have been revised downwards by 0.3%, relative to the October 2014 WEO forecasts, to 3.5% and 3.7% respectively. These revisions are predicated on downside risks which include: further adjustments to the diminishing expectations about medium-term growth, weakened currencies in some advanced and emerging market economies as well as elevated expectations about interest rates and risk spreads. On the upside, an expansion in world output hinges on continuation of a supply driven fall in oil prices for at least another two years.

PART 3

FISCAL MANAGEMENT STRATEGY

Central Government Operations FY 2014/15

Background

The FY 2014/15 Budget was developed in harmony with the objectives of the medium term economic programme. The focus, therefore, was on strategies geared at maintaining the primary surplus at 7.5% of GDP, equivalent to $121,275.0mn, as an operational instrument for achieving the objective of reducing the debt and maintaining it at sustainable levels. The fiscal deficit was 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. Ministries, Departments and Agencies (MDAs) were thus apprised of the need to further improve efficiencies in their operations.

Expenditure

The Central Government expenditure for FY 2014/15 (excluding Amortization) was 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.

The Non-debt (primary) expenditure budget totaled $306,613.5mn, comprising Wages and Salaries of $161,704.3mn, Recurrent Programmes of $110,281.1mn and Capital Programmes of $34,628.1mn. This provision for primary expenditure represented a nominal increase of 7.4% over the outturn for FY 2013/14. However primary expenditure was budgeted to fall to 19.0% of GDP in FY 2014/15, down from 19.3% in the previous fiscal year.

Notwithstanding the tightening of primary expenditure, the GOJ in crafting the FY 2014/15 budget, kept its commitment to:

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

On the issue of social protection, an allocation of $22,563.0mn was made for the menu of social programmes, consistent with the established floor to maintain the real level of social spending.

The allocation for Wages and Salaries of $161,704.3mn represented 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 amounted to 10.0% of GDP, down from 10.6% of GDP in FY 2013/14. In addition to the usual adjustments for performance increments, the budget for Wages and Salaries included a contingency provision of $13,000.0mn to cover agreements and commitments to various public sector groups.

The budgetary allocation for Recurrent Programmes amounted to $110,281.1mn, representing an increase of 17.4% over the outturn for FY 2013/14. Included in the allocation were, inter alia:

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

Excluding the $6,000.0mn allocation for the payment of GCT by the Central Government, the budgeted allocation maintained Recurrent Programmes at the 6.4% of GDP as obtained in FY 2013/14.

The provision for Capital Programmes of $34,628.1mn represented a marked reduction in the capital budget due in part to the transfer of recurring maintenance, non-capital and one-off type expenditure to the Recurrent Budget of the respective MDAs. This transfer contributed to overall Capital Programmes for FY 2014/15 falling to 2.1% of GDP, compared to the outturn of 2.4% of GDP for FY 2013/14.

Interest payments were budgeted to increase by 20.7% over FY 2013/14 to $132,669.1mn (8.1% of GDP), with Domestic and External interest costs 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 were the factors mainly responsible for the budgeted increase. With respect to Domestic Interest payments, higher domestic interest rates, increased provision for guaranteed loans and the depreciation in the value of the Jamaica dollar were largely behind the projected rise in costs.

Revenue and Grants

The budgeted Revenue and Grants for FY 2014/15 of $427,888.5mn (26.5% of GDP) represented a 0.4 percentage point reduction from the 26.9% in FY 2013/14.

Tax revenue was budgeted to increase by 11.8% ($40,449.8mn) over collections in FY 2013/14. This forecast included an amount of $6,652mn (0.4% of GDP) attributable to new revenue measures being implemented in FY 2014/15 as part of the policy thrust to bolster fiscal consolidation. Excluding the new revenue measures, tax revenue was projected to grow by 9.8%, compared to the 7.5% growth in FY 2013/14. A breakout of the budgeted revenue and grants for FY 2014/15 is depicted in Table 3A.

The tax revenue collections in FY 2014/15 were projected to be positively impacted by stepped up compliance activities by TAJ and JCA. These compliance activities were forecast to bolster tax revenue flows by $6,892.8mn, or 0.4% of GDP. The budgeted increase in tax revenue was also predicated on a projected 9.6% growth in nominal income in FY 2014/15, as well as adjustments in other macroeconomic variables.

Table 3A: FY 2014/15 Revenue Forecast

	2013/14	2014/15	% Change
Revenue & Grants	**396,979.4**	**427,888.5**	**7.8**
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	10,428.5	8,644.9	-17.1

Source: MOFP

Non-tax revenue was projected at $34,186.4mn, or 2.1% of GDP, compared to 2.8% of GDP in FY 2013/14. The decline stemmed from the fact that there were one-off flows in FY 2013/14, particularly the earlier renewal of licenses by two telecommunication companies. The projected Non-tax revenue for FY 2014/15 also included: Programmed transfer of $11,400.0mn from the NHT to the Consolidated Fund; Payment from the telecommunication companies toward the renewed licenses and dividend distributions from public bodies of $891.2mn.

With respect to the Bauxite Levy, transfers to the Consolidated Fund were forecast to decline to $17.9mn in FY 2014/15 due to the Jamaica Bauxite Mining Limited/WINDALCO Settlement Agreement, wherein proceeds from the bauxite levy will be used to clear the GOJ's (CAP's) obligations, to WINDALCO, over a period of 2 1/2 years. The budgeted transfer to the Consolidated Fund of $17.9mn represented the expected balance of Bauxite Levy flows after covering the obligations to WINDALCO.

Capital revenue for FY 2014/15 was forecast to increase by 14.5% over collections in FY 2013/14, partly due to increased royalties from bauxite mining.

The forecast for Grants of $8,644.9mn represented a 17.1% reduction relative to receipts in FY 2013/14 due mainly to the fact that the FY 2013/14 inflow represented more than one year's amount

FISCAL OUTTURN

Central Government Operations: April-December 2014

Over the period April – December 2014, Central Government operations generated a primary surplus of $66,825.8mn (Table 3B), compared to a target of $66,000.0mn. This outturn for the primary surplus represented an improvement of 8.3% over the comparable period of 2013. The fiscal balance returned a deficit of $26,013.5mn, which was significantly lower than the budgeted deficit of $33,869.8mn. The fiscal deficit for the fiscal year to December 2014 was $6,395.7mn (32.6%) higher than for the corresponding period of 2013, due mainly to increased spending on Interest Payments and Recurrent Programmes.

Table 3B: CENTRAL GOVERNMENT SUMMARY ACCOUNTS

FY 2014/15

(in millions of Jamaica dollars)

Item	Prov Apr - Dec	Budget Apr - Dec	Diff	Diff %	FY 13/14 Apr - Dec	Diff	Diff %
Revenue & Grants	**287,181.7**	**297,056.4**	**-9,874.7**	**-3.3%**	**274,617.4**	**12,564.3**	**4.6%**
Tax Revenue	258,610.9	268,316.5	-9,705.6	-3.6%	242,651.2	15,959.7	6.6%
Non-Tax Revenue	23,585.3	21,329.7	2,255.5	10.6%	22,264.7	1,320.6	5.9%
Bauxite Levy	0.0	0.0	0.0	0.0	884.3	-884.3	-100.0%
Capital Revenue	1,074.4	519.0	555.4	107.0%	529.3	545.1	103.0%
Grants	3,911.1	6,891.1	-2,980.0	-43.2%	8,287.9	-4,376.8	-52.8%
Expenditure	**313,195.2**	**330,926.1**	**-17,731.0**	**-5.4%**	**294,235.1**	**18,960.1**	**6.4%**
Recurrent Expenditure	294,907.6	304,371.8	-9,464.2	-3.1%	270,252.8	24,654.7	9.1%
Programmes	81,189.2	81,860.4	-671.1	-0.8%	69,160.9	12,028.4	17.4%
Wages & Salaries	120,879.1	122,641.7	-1,762.6	-1.4%	119,786.8	1,092.4	0.9%
Interest	92,839.2	99,869.7	-7,030.5	-7.0%	81,305.2	11,534.0	14.2%
Domestic	54,904.6	59,235.4	-4,330.7	-7.3%	46,980.0	7,924.6	16.9%
External	37,934.6	40,634.4	-2,699.8	-6.6%	34,325.2	3,609.4	10.5%
Capital Expenditure	18,287.6	26,554.3	-8,266.7	-31.1%	23,982.3	-5,694.7	-23.7%
Fiscal Bal (Surp+/Def-)	**-26,013.5**	**-33,869.8**	**7,856.3**	**-23.2%**	**-19,617.7**	**-6,395.7**	**32.6%**
Loan Receipts	**139,211.3**	**83,493.1**	**55,718.2**	**66.7%**	**54,555.2**	**84,656.1**	**155.2%**
Domestic	25,540.6	35,744.9	-10,204.3	-28.5%	17,851.0	7,689.6	43.1%
External	113,670.6	47,748.2	65,922.4	138.1%	36,704.2	76,966.5	209.7%
Project Loans	5,816.1	10,529.2	-4,713.1	-44.8%	7,960.7	-2,144.6	-26.9%
Other	107,854.5	37,219.0	70,635.5	189.8%	28,743.5	79,111.1	275.2%
Amortization	**71,404.0**	**64,303.8**	**7,100.2**	**11.0%**	**35,487.0**	**35,917.0**	**101.2%**
Domestic	19,195.9	15,408.2	3,787.6	24.6%	13,192.2	6,003.6	45.5%
External	52,208.2	48,895.6	3,312.6	6.8%	22,294.7	29,913.4	134.2%
Overall Bal (Surp+/Def-)	**41,793.8**	**-14,680.5**	**56,474.2**	**-384.7%**	**-549.5**	**42,343.3**	**-7705.4%**
Primary Bal (Surp+/Def-)	**66,825.8**	**66,000.0**	**825.8**	**1.3%**	**61,687.5**	**5,138.3**	**8.3%**

Source: MoFP

Revenue and Grants

Revenue and Grants for the April – December 2014 period amounted to $287,181.7mn, which was $9,874.6mn (3.3%) less than targeted. Tax Revenue and Grants were the categories contributing to the shortfall, by 3.6% and 43.2%, respectively, as Non-tax (10.6%) and Capital revenue (107.0%) both surpassed target. Despite falling short of target, Revenue and Grants increased by $12,564.4mn (4.6%) over receipts in the corresponding period of FY 2013/14. Tax Revenue (6.6%), Non-tax Revenue (5.9%) and Capital Revenue (103.0%) registered increases over the April – December period in 2013, while Grants declined by 52.8%.

Tax Revenue

Receipts from Tax Revenue during April –December 2014 totalled $258,610.9mn, which was $9,705.6mn or 3.6% short of target (Table 3D). Lower than expected collections from Production &

Consumption and Income & Profit taxes greatly impacted tax revenue outturn for the period, while collections from International Trade taxes were slightly ahead of target. The main tax types that contributed to the shortfall in absolute terms were: Other Companies/Corporate Income Tax ($6,569.3mn), GCT Local ($5,380.8mn), SCT Local ($1,680.1mn), GCT Imports ($1,329.0mn) and Customs Duty ($1,323.2mn). The shortfalls arose largely from:

- lower than budgeted collections from administrative/compliance activities;
- larger than programmed decline in imports (Table 3C);
- increased payment of refunds;
- lower than programmed inflation;
- less than programmed economic growth; and
- reduced revenue intake from some of the new initiatives implemented, including the fiscal incentive regime.

Table 3C: Performance of Selected Economic Indicators

FY 2014/15	Budget	Prov. Outturn
Inflation (%) point to point	8.5	5.3
Core Imports (% change)	-2.8	-5.9
Oil Price (WTI) (avg. US$/barrel)	93.0	81.1
Real GDP (% change)	1.4	0.3
Nominal GDP (% change)	9.6	7.9

Source: BOJ/PIOJ

Of note, collections from PAYE, SCT (Imports), Tax on Interest and Stamp Duty (Local) surpassed the target for the review period.

Table 3D: DETAILS OF REVENUE

FY 2014/15

(in millions of Jamaica dollars)

Item	Prov. Apr - Dec	Budget Apr - Dec	Diff	Diff %	FY 13/14 Apr - Dec	Diff	Diff %
Revenue & Grants	**287,181.7**	**297,056.4**	**-9,874.7**	**-3.3%**	**274,617.4**	**12,564.3**	**4.6%**
Tax Revenue	**258,610.9**	**268,316.5**	**-9,705.6**	**-3.6%**	**242,651.2**	**15,959.7**	**6.6%**
Income and profits	73,501.9	76,855.4	-3,353.5	-4.4%	71,283.7	2,218.2	3.1%
Bauxite/Alumina	0.0	0.0	0.0	0.0	0.0	0.0	-
Other companies	15,280.1	21,849.4	-6,569.3	-30.1%	18,443.7	-3,163.6	-17.2%
PAYE	49,883.6	47,897.3	1,986.3	4.1%	46,049.6	3,834.0	8.3%
Tax on dividend	1,244.0	1,286.7	-42.8	-3.3%	1,027.8	216.2	21.0%
Other individuals	1,750.5	1,974.7	-224.2	-11.4%	1,689.9	60.6	3.6%
Tax on interest	5,343.6	3,847.3	1,496.3	38.9%	4,072.8	1,270.9	31.2%
Environmental Levy	1,793.7	1,708.5	85.2	5.0%	1,560.2	233.6	15.0%
Production and consumption	87,051.8	93,659.1	-6,607.3	-7.1%	84,282.7	2,769.0	3.3%
Min Business Tax	614.8	940.0	-325.2	-34.6%	0.0	614.8	-
SCT	7,110.7	8,790.8	-1,680.1	-19.1%	8,433.3	-1,322.6	-15.7%
Motor Vehicle Licenses	1,979.3	1,945.6	33.7	1.7%	1,908.6	70.7	3.7%
Other Licenses	247.1	278.0	-30.9	-11.1%	257.0	-9.9	-3.8%
Betting, Gaming and Lottery	1,931.9	2,601.0	-669.1	-25.7%	1,726.2	205.7	11.9%
Accommodation Tax	1,473.6	1,333.3	140.2	10.5%	1,290.9	182.7	14.2%
Education Tax	14,194.2	13,676.4	517.8	3.8%	13,080.7	1,113.5	8.5%
Telephone Call Tax	5,071.1	5,132.0	-60.9	-1.2%	4,924.2	146.9	3.0%
Contractors levy	669.7	791.9	-122.2	-15.4%	752.3	-82.6	-11.0%
GCT (Local)	45,492.3	50,873.1	-5,380.8	-10.6%	44,734.4	757.8	1.7%
Stamp Duty (Local)	8,267.1	7,296.8	970.3	13.3%	7,175.1	1,092.0	15.2%
International Trade	96,263.5	96,093.5	170.0	0.2%	85,524.6	10,738.9	12.6%
Custom Duty	20,301.0	21,624.2	-1,323.2	-6.1%	19,571.3	729.7	3.7%
Stamp Duty	1,449.6	1,578.4	-128.8	-8.2%	1,485.6	-36.0	-2.4%
Travel Tax	7,126.1	6,809.7	316.4	4.6%	6,969.6	156.5	2.2%
GCT (Imports)	44,259.6	45,588.5	-1,329.0	-2.9%	38,764.5	5,495.1	14.2%
SCT (imports)	23,127.3	20,492.7	2,634.6	12.9%	18,733.6	4,393.7	23.5%
Non-Tax Revenue	**23,585.3**	**21,329.7**	**2,255.6**	**10.6%**	**22,264.7**	**1,320.6**	**5.9%**
Bauxite Levy	**0.0**	**0.0**	**0.0**	**0.0**	**884.3**	**-884.3**	**-100.0%**
Capital Revenue	**1,074.4**	**519.0**	**555.4**	**107.0%**	**529.3**	**545.1**	**103.0%**
Grants	**3,911.1**	**6,891.1**	**-2,980.0**	**-43.2%**	**8,287.9**	**-4,376.8**	**-52.8%**

Source: MoFP

Income and Profits

Collections from Income and Profit taxes for the April – December 2014 period amounted to $73,501.9mn, representing 28.4% of total tax receipts. These collections were $3,353.5mn, or 4.4% below the amount budgeted, as shortfalls in Other Companies/Corporate and Other Individuals/Self-Employed outweighed over-performance in PAYE and Withholding Tax on Interest.

PAYE receipts totalled $49,883.6mn, which were $1,986.3mn or 4.1% more than budgeted and $3,834.0mn (8.3%) above collections during the April – December 2013 period. Increased employment in some sectors of the economy (unemployment fell to 14.2% at October 2014 compared to 14.9% at October 2013, while the employed labour force increased by 14,000 over the same period) and improved compliance, contributed to the robust PAYE performance. Based on the Labour Force Survey for October 2014, major sectors that reported increased employment relative to October 2013 were *Distribution (11,700), Agriculture, Hunting, Forestry & Fishing (7,800), Transport, Storage &Communication (2,400)* and *Hotels& Restaurants (1,100).*

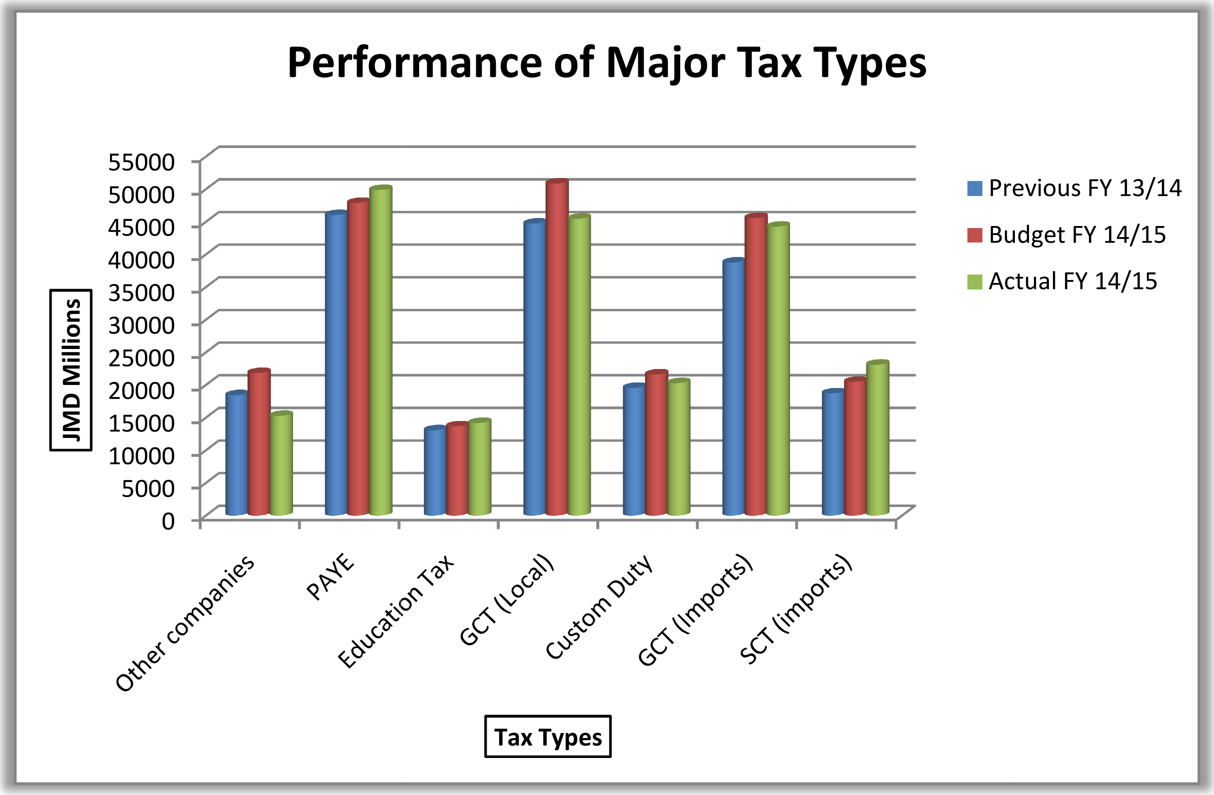
PAYE receipts from the Central Government increased by $2,300.0mn over 2013, representing approximately 60% of the overall $3,834.0mn increase in PAYE over last year. The higher payments by the Central Government was mainly due to the decision of the MOFP to have the Accountant General's Department pay statutory deductions directly to the TAJ for those MDAs that were previously provided with gross salary payments. This decision has had the effect of halting the late or non-payment of statutory deductions by those MDAs, resulting in improved compliance and increased PAYE revenue. The amalgamation of statutory deduction forms and payments have also contributed to the improved PAYE performance. Of note, since the amalgamation, other statutory deductions have also experienced improved performance.

The performance of PAYE during the review period represents a significant turnaround from what obtained over the last two years. In FY 2012/13, PAYE was 7.6% short of budget and increased by a marginal 1.2% over the previous fiscal year. FY 2013/14 also experienced a shortfall against budget of 4.9%, with a 3.2% increase over the prior year. With PAYE being one of the largest tax types (Figure 3i), accounting for close to 20% of Tax Revenue, the GOJ recognized that strong performance by PAYE would be important to buoy overall revenue performance. Against that backdrop, significant administrative and compliance strategies were employed to increase PAYE collections. Going forward, the GOJ through the TAJ will work assiduously to improve these administrative measures and apply similar strategies, where feasible, to other tax types in order to achieve better overall revenue performance and a fairer spread of the tax burden.

With respect to Withholding Tax on Interest, collections totalled $5,343.6mn, an increase of $1,496.3mn (38.9%) over the amount budgeted. This increase was due partly to lower than budgeted payment of refunds in this tax category during the review period. In addition, withholding tax on insurance premium, a new measure introduced in May 2014, was budgeted to be a part of Other Companies but have been included in the figures for Withholding Tax on Interest. This new tax measure, alongside higher interest costs, contributed to Withholding Tax on Interest increasing by $1,270.9mn (31.2%) above the corresponding period of 2013.

Collections from Other Companies during the review period of $15,280.1mn was $6,569.3mn or 30.1% less than budget, due to, among other things, lower quarterly declarations by several companies likely due to anticipated benefits from the Fiscal Incentive Regime introduced in January 2014. Less than targeted flows from administrative efforts, as well as lower than programmed growth in nominal income (nominal GDP is estimated to grow by 7.9% compared to the budgeted 9.6%) also negatively impacted the performance of Other Companies.

Figure (3i): Performance of Major Tax Types



Source: MoFP

Receipts from Other Individuals/Self-Employed totalled $1,750.5mn, a shortfall of $224.2mn (11.4%). Similar to Corporate taxes, the underperformance of Other Individuals resulted largely from less than budgeted collections from administrative efforts and lower than programmed growth in nominal income.

Despite falling short of budget, Income and Profit taxes were $2,218.2mn (3.1%) above collections during the April-December period in FY 2013/14. This increase occurred as significantly higher receipts from PAYE (up $3,834.0mn), Withholding Tax on Interest (up $1,270.9mn) and Tax on Dividends (up $216.2mn or 21.0%) outweighed reduced collections from Other Companies (down $3,163.6mn). The FPP FY 2014/15 had noted that companies had declared dividends earlier than anticipated during FY 2012/13 to avoid the increase in the rate from 5% to 15% in April 2013. As a result of this, collections in FY 2012/13 soared while the FY 2013/14 base was lowered. The increase in the current fiscal year thus represents a normalization of the returns.

Production and Consumption

Production and Consumption taxes registered a shortfall against target of $6,607.3mn (7.1%) to total $87,051.8mn. While a number of items surpassed budget, these were outweighed by shortfalls in other tax types, most notably GCT, SCT, Betting, Gaming & Lottery (BGL) and the Minimum Business Tax (MBT).

Collections from the GCT amounted to $45,492.3mn, which were $5,380.8mn or 10.6% less than budgeted. The shortfall in GCT collections, relative to budget, was mainly attributable to:

(i) higher than usual pay-out of GCT refunds ($5,773.6mn from Apr-Dec 2014 compared to $4,250.8mn during Apr-Dec 2013, an increase of $1,522.8mn) resulting in lower than budgeted net revenue outturn - the higher payout however reduces the interest liability of the GOJ;

(ii) lower than expected GCT revenue from government purchases due to (a) implementation lags related to the state of readiness of several MDAs and key suppliers, and (b) expenditure containment measures. GCT collections from GOJ purchases amounted to $1,071.3mn, a shortfall of $1,088.7mn against the budgeted $2,160.0mn; and

(iii) Lower than expected increase in nominal income (nominal GDP is currently estimated to grow by 7.9% for FY 2014/15, compared to the budgeted increase of 9.6%).

During the April-December 2014 period, SCT receipts totalled $7,110.7mn, a shortfall of $1,680.1mn (19.1%) against budget. Collections were below the corresponding period of 2013 by $1,322.6mn (15.7%). The revenue outturn for SCT (Local) was negatively impacted by the suspension of refining operations at the state-owned PETROJAM oil refinery for maintenance work for approximately two months. SCT (Local) receipts from petroleum and petroleum products totaled $3,229.8mn, a 44.3% reduction from the $4,659.6mn collected over the comparable period in 2013. The temporary closure of the oil refinery contributed in part to the real economic contraction in the September 2014 quarter. The reduced SCT receipts from local petroleum refining were however offset by increased collections from importation of finished products. Consequently overall SCT receipts (Local and Imports) of $30,238.0mn surpassed budget by $954.5mn (3.3%), with collections from petroleum and petroleum products totaling $18,913.7mn, a 5.4% increase over the comparable period of 2013.

Of note, the lower oil prices do not appear to have had any direct adverse effect on the SCT revenue during the April to December 2014 period, as indicated in the preceding paragraph. The SCT on petroleum consists of a fixed portion and an advalorem portion, with the fixed portion contributing about 62% of the total revenue from SCT on petroleum. This structure of the SCT helps to preserve some stability in the revenue stream from petroleum as the fixed portion of the tax is less subject to the vagaries of volatile price movements. Nevertheless, over time, the GOJ expects the lower oil prices to negatively impact SCT receipts during the March 2015 quarter and into FY 2015/16 due to projections of continuing low prices. There are, however, some indirect effects of lower oil prices for which the impact on GOJ revenue is not easily quantified, particularly in the short term. Lower oil prices would translate into reduced energy and transportation costs thereby contributing to improved profitability, which over time should result in higher revenue flows to the GOJ.

With respect to BGL, collections of $1,931.9mn were $669.1mn (25.7%) less than budgeted. The shortfall emanated largely from lower than expected receipts arising from legislative changes for the sector.

Contractors Levy totalled $669.7mn, a shortfall of $122.2mn (15.4%) against budget. The shortfall emanated largely from the slower than anticipated construction activity during FY 2014/15.

Education Tax, which increased over budget by $517.8mn (3.8%), was impacted by the same factors that resulted in higher PAYE collections (increased employment and compliance).

Collections from the Stamp Duty and Transfer Tax of $8,267.1mn increased over budget by $970.3mn (13.3%). The sale of two large hotels during the fiscal year was primarily responsible for the over-performance. Stamp Duty surpassed receipts in the similar period in 2013 by $1,092.0mn or 15.2%.

The Accommodation Tax totalled $1,473.6mn thereby exceeding budget by $140.2mn (10.5%) and increasing over the April-December period of 2013 by 14.2%. Increased stopover arrivals during the review period contributed largely to the improved collections.

In comparison to collections during the corresponding period of the previous fiscal year, receipts from Production and Consumption taxes increased by $2,769.0mn (3.3%), with Education Tax, Stamp Duty, GCT and the newly implemented MBT being the principal contributors to the increase.

International Trade

Receipts from International Trade taxes of $96,263.5mn were ahead of target by $170.0mn (0.2%). This performance was driven by higher than budgeted collections from SCT and Travel Tax offsetting shortfalls on Customs Duty, GCT and Stamp Duty.

SCT collections of $23,127.3mn surpassed budget by $2,634.6mn, or 12.9%. A significant contributor to the increase was collection of $1,100.0mn from the Jamaica Urban Transit Company (JUTC) related to the importation of buses and spare parts. Also contributing to the better than programmed performance, was the increase in importation of refined petroleum and petroleum products, consequent on the closure of the PETROJAM refinery for maintenance activity during August and September. These two factors outweighed lower than programmed imports, including motor vehicles, particularly new motor vehicles.

Travel Tax receipts totalled $7,126.1mn, an increase of 4.6% over budget and 2.2% over the comparable period of 2013. The increase was the result of continued vigilance on the part of the JCA to ensure that airlines remit the requisite taxes due to the GOJ in a timely manner.

GCT and Customs Duty collections fell below budget by $1,329.0mn (2.9%) and $1,323.2mn (6.1%), respectively. In addition to the sharper than budgeted reduction in imports, GCT and Customs Duty were also impacted by lower than programmed collections from compliance/administrative improvements.The reduction of certain duty rates, including on motor vehicles, led to a larger than expected narrowing of the tax base as the lower duty rates were not accompanied by the expected increases in import volumes. Lower than budgeted GCT collections from purchases by MDAs was also a significant factor behind the shortfall.

International Trade taxes increased $10,738.9mn (12.6%) over the corresponding period of the previous fiscal year. The increased collections stemmed largely from new revenue measures implemented during the course of the year, administrative improvements, higher collections from importation of refined petroleum consequent on the temporary closer of the PETROJAM refinery, as well as depreciation in the value of the Jamaica dollar.

Environmental Levy

The Environmental Levy performed above expectations with collections of $1,793.7mnexceeding budget by $85.2mn (5.0%). In comparison to the previous fiscal year, collections increased by $233.6mn (15.0%) in part due to the depreciation in the value of the Jamaica dollar and administrative improvements.

Other Revenue

Non-tax Revenue

Non-tax Revenue from April to December 2014 totalled $23,585.3mn, which was $2,255.6mn (10.6%) above the amount budgeted. The Customs Administration Fee (CAF) accounted for approximately 40.0% of the Non-tax Revenue inflows during the review period while the programmed transfer from the NHT contributed approximately 37%.

Collections from the CAF totalled $9,230.7mn, an increase of $384.3mn (4.3%) over the amount budgeted. Since supplanting the Customs User Fee (CUF) on April 1, 2013, the CAF has performed quite well thereby contributing to buoyant Non-tax revenue inflows.

Also contributing to the increased Non-tax Revenue intake were unprogrammed special distributions of approximately $350.0mn from public bodies in support of the National Health Emergency Response Programme for the Chikungunya and Ebola Viruses, as well as higher than programmed miscellaneous receipts from MDAs. The GOJ also benefited from increased interest income from its financial assets, including interest earned on the investment from the additional loan inflows from the international capital market in July 2014.

Capital Revenue

Collections from Capital Revenue amounted to$1,074.4mn, which was $555.4mn (107.0%) above budget. Increased loan repayments and higher than budgeted royalties from mining operations, contributed most significantly to the better Capital Revenue performance. These royalties and loan repayment inflows resulted in Capital Revenue increasing by $545.1mn (103.0%) over the corresponding period of 2013.

Grants

Grant receipts of $3,911.1mn for the April-December 2014 period fell below the budgeted amount by $2,980.0mn (43.2%). The shortfall in Grants was due mainly to delay in programmed budget support inflows from the EU, as well as lower disbursement for investment projects arising from the slower than planned execution of capital spending. The lower grant intake for investment projects has not affected the primary surplus as there were corresponding reductions in capital spending. The delayed budget support inflows from the EU are expected in FY 2015/16.

Expenditure

During the April – December 2014 period, the Central Government spent $313,195.2mn, which was $17,730.9mn, or 5.4% below the level budgeted. Recurrent and Capital expenditure were $9,464.2mn (3.1%) and $8,266.7mn (31.1%), respectively, lower than budgeted.

The lower spending during the review period resulted mainly from, inter alia, a combination of slower than planned execution of some investment projects, significant saving on interest costs, and lower than programmed recurrent demands from MDAs for housekeeping expenses and wages and salaries. Expenditure was also strategically contained to satisfy the primary surplus requirement, in light of the shortfall in Revenue and Grants.

Non-debt (primary) expenditure of $220,355.9mn was $10,700.5mn (4.6%) less than the amount originally budgeted. 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 the April to December period totalled $18,162.4mn, which was well ahead of the EFF indicative floor of $14,800mn.Additionally, the GOJ has also complied with the performance criterion under the EFF of no accumulation in expenditure arrears (over 90-days) of the Central Government. The expenditure (over 90-days) arrears declined by $112.5mn during the April – December 2014 period.

Recurrent Expenditure

Recurrent Expenditure totalled $294,907.6mn, which was $9,464.2mn (3.1%) less than budget, with all the main categories being below budget. Compared to the corresponding period of last fiscal year, Recurrent Expenditure increased by $24,654.8mn (9.1%), with Recurrent Programmes and Domestic Interest payments being the main contributors to the increase.

Recurrent Programmes

Spending on Recurrent Programmes amounted to $81,189.2mn which was broadly in line with budget, declining by only 0.8%. This occurred as higher spending in some areas was effectively offset by reduction and containment in other areas. There were additional costs that emanated from:

- payments associated with reducing arrears, notably for electricity and water;
- emergency response to the drought that affected the island earlier in the fiscal year;
- the emergency response to the Chikungunya outbreak; and
- support to the JUTC to cover international trade taxes and charges on imported buses and spare parts.

The latter two, while adding to the Recurrent Programmes, did not impact the Central Government primary balance as the corresponding amounts were also added as revenue (discussed under Revenue and Grants). These areas of additional spending were however countered by lower than programmed payment of GCT on purchases by GOJ, as well as below programmed requests from MDAs which is indicative of the continuing fiscal consolidation efforts that have served to contain housekeeping expenses.

Compared to the similar period in FY 2013/14, Recurrent Programmes rose by $12,028.4mn (17.4%) arising largely from:

- the $2,489.5mn provision to the JUTC;
- spending on specified social programmes;
- payment of GCT by MDAs;
- the transfer of some activities that were previously reported as Capital Expenditure including recurring maintenance and non-investment type spending; and
- higher costs for pension, utilities and purchase of goods and services.

Wages and Salaries

Wages and Salaries for April – December 2014 totalled $120,879.1mn, which was $1,762.6mn (1.4%) less than the amount budgeted. Contributing to the lower spending is the fact that actual payments from some settlements were less than the amount budgeted for payment during the review period. The pay-out for the one-off payment of $25,000.00 to public sector workers was $2,368.5mn compared to the budgeted $2,781mn, while the fiscal year cost for implementing the second phase of the health sector reclassification amounts to $1,020.2mn, compared to the $2,333.3mn that was budgeted. The delay in concluding some settlements have also resulted in the shifting of the programmed payments to later in the fiscal year as well as into FY 2015/16.

Compared to the corresponding period of last fiscal year, spending on Wages and Salaries during FY 2014/15increased by $1,092.4mn (0.9%) due mainly to implementation of the second phase of the health sector reclassification as well as payment of performance increments, arrears associated with implementation of a relativity study for the firefighters, and holiday hours worked by the police. These costs were partly offset by significantly lower payment of arrears (backpay), which amounted to $7,230.4mn compared to $12,516.2mn in 2013.

Interest Payments

During the April – December 2014 period, Interest payments totalled $92,839.3mn, which was $7,030.5mnor 7.0%less than the amount budgeted with saving reflected on both the domestic and external side. Domestic Interest payments of $54,904.6mn were $4,330.7mn or 7.3% less than budget while External Interest payments of $37,934.6mn fell $2,699.7mn (6.6%) below budget.

The lower than budgeted Domestic Interest payments were due mainly to shifting of a payment of $2,353.5mn for maturity of instruments issued to the Bank of Jamaica from Interest to Amortization, as well as lower than expected contingency payments and depreciation in the value of the Jamaica dollar.

With respect to External Interest costs, the lower payments resulted mainly from a combination of:

- slower than anticipated depreciation of the value of the Jamaica dollar;
- lower than budgeted expenditure against a contingency provision for guaranteed loans; and
- the GOJ executing liability management through debt buybacks of external debt.

Capital Expenditure

Total Capital Expenditure for April to December 2014 was $18,287.6mn, a reduction of $8,266.7mn (31.1%) against the budget. This reduction reflected a slower pace of project implementation and restraint in government spending against the backdrop of lower than budgeted revenue. Some projects have been executed in line with budget but overall there was significant underperformance in the case of several projects. Among the projects experiencing under-execution relative to budget are the Major Infrastructure Development Project (MIDP), Rural Road Rehabilitation Project and the KMR Drainage Project.

The expenditure on Capital Programmes declined by $5,694.7mn (23.7%) relative to the corresponding period of 2013 due largely to delays in project execution, as well as the fact that the Capital Expenditure in FY 2013/14 included some activities that are now being captured as Recurrent Programmes.

Financing

Although the lower than programmed fiscal deficit led to a reduction in the Central Government's borrowing requirement during the April-December 2014 period, Loan Receipts for the period totalled $139,211.3mn, which was $55,718.2mn more than budgeted.

Loans from external sources amounted to $113,670.6mn, an increase of $65,922.4mn over budget due largely to:

- US$800mn raised on the international capital market in July 2014, compared to the budgeted US$250mn, as the GOJ took advantage of the very favourable response from the market to pre-finance obligations due later this fiscal year as well as next fiscal year; and
- unprogrammed receipt of US$140mn from the IMF for budgetary support.

The additional amount raised on the international capital market also substituted for delays in the disbursement of programmed policy loans from multilateral institutions. It is important to note that while the GOJ will incur holding (interest) costs for the excess external receipts, there is the benefit of:

- earning interest income on the resources (noted earlier under Non-Tax Revenue);
- securing financing for future obligations;
- allowing the GOJ to reduce its demand from the domestic market thereby providing for a greater pool of funds for private sector activity and to also assist in containing domestic interest rates; and
- bolstering the NIR and associated market confidence.

Loans from bilateral/multilateral agencies for capital programmes were $ 5,816.1mn (44.8%) less than budgeted due to the slower pace of project execution.

Domestic Loan Receipts of $25,540.6mn were $10,204.3mn below budget, as with the better than programmed fiscal deficit, and, additional external receipts, the GOJ borrowing needs from the domestic market were less than initially planned.

Amortization payments totalled $71,404.0mn, an increase over budget of $7,100.2mn (11.0%). Domestic Amortization of $19,195.9mn exceeded budget by $3,787.6mn (24.6%) and External payments were higher by $3,312.6mn (6.8%). Associated with the higher Domestic Amortization was the shifting of a payment of $2,353.5mn for maturity of instruments issued to the Bank of Jamaica from Interest to Amortization, as well as additional requirements to execute the buyback of securities (liability management).

Central Government Operations: Estimates to March 2015

The FPP FY 2014/15 Interim Report tabled in Parliament on October 14, 2014 stated that Revenue and Grants were behind target by $5,426.8mn (1.3%) up to July 2014, with a further shortfall expected in August 2014. The revenue shortfall thereby necessitating further expenditure containment, which was reflected in the First Supplementary Estimates tabled on November 25, 2014 and passed in Parliament in December 2014. The First Supplementary Estimates entailed a $2,827.3mn reduction in Expenditure ($1,763.8mn reduction in Primary/non-debt expenditure) as Revenue and Grants were programmed to recover in the second half of the fiscal year and only fall behind target for FY 2014/15 by $1,740.8mn (0.4%).

Lower than anticipated real economic activity, inflation and imports, lower quarterly declarations by corporations, among other things, weakened the revenue base resulting in further fallout between September and December 2014. In addition, the disbursement of budget support Grant inflows from the EU did not occur in December 2014 as programmed and is now expected in FY 2015/16.

In light of the further Revenue fallout to December 2014, the TAJ and JCA have revved up their administrative machinery in an effort to boost collections for the remainder of the year, as well as to bolster the prospects for improved revenue performance in FY 2015/16 and the medium term. These efforts have so far yielded positive results with preliminary figures showing that Tax Revenue collections in January 2015 were on track with target. The GOJ thus remains positive that the strong performance in January will continue throughout the rest of the fiscal year. To this end, the TAJ will strategically be concentrating its effort on those tax types which have been running behind target, most notably GCT and Corporate taxes. Nevertheless if Revenue and Grants were to fall below expectations in the final fiscal quarter, the GOJ will make the requisite strategic adjustments to Expenditure to ensure that the key fiscal target, the primary surplus target of 7.5% of GDP, is achieved.

Revenue and Grants

Current estimates to the end of FY 2014/15 are for Revenue and Grants to total $417,826.3mn, a shortfall of $10,062.3mn (2.4%) against target (Table 3E). Tax revenue is projected at $377,877.2mn representing a $6,408.8mn (1.7%) shortfall against the amount originally budgeted. The main tax items that are expected to fall short of budget are GCT (Local), Other Companies/Corporate Taxes, GCT (Imports) and Customs Duty. Simultaneously, PAYE, Withholding Tax on Interest, SCT (Imports) and Stamp Duty (Local) are projected to exceed target.

Grants, which have been running behind target due to delayed budget support disbursements and slower execution of capital projects, are estimated to end FY 2014/15 below the budgeted levels by $4,099.7mn (47.4%). On the other hand, Non-tax Revenue is expected to be in line with target while Capital Revenue is projected to surpass target by $425.6 (56.5%).

The estimate for Revenue & Grants is $20,846.9mn (5.3%) above collections in FY 2013/14. This estimated performance is predicated on a $34,041.1mn (9.9%) increase in tax revenue outweighing programmed and expected declines in Non-tax Revenue, Grants and Bauxite Levy.

Expenditure

Based on actual spending to December 2014 and projections for the final fiscal quarter, FY 2014/15 Expenditure (excluding amortization) is currently estimated at $425,272.3mn, which is $14,010.4mn less than the originally budgeted amount. The lower estimated Expenditure is primarily due to a reduction in Capital expenditure in light of the projected revenue shortfall and slower than expected execution of some projects, as well as reduced spending on Wages and Salaries and Domestic Interest costs.

Table 3E: Central Government Summary Accounts

FY 2014/15

(in millions of Jamaica dollars)

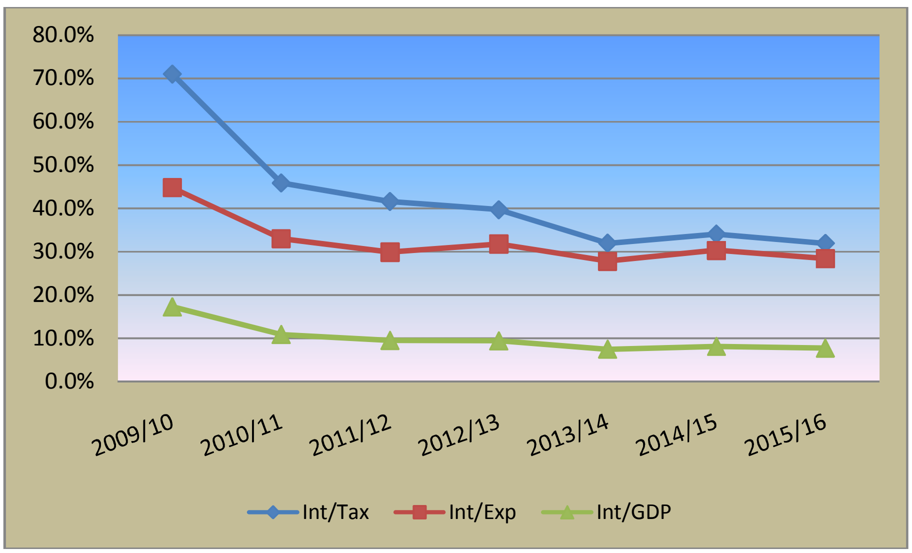
Item	Prov Apr - Mar	Budget Apr - Mar	Diff	Diff %	FY 13/14 Apr - Mar	Diff	Diff %
Revenue & Grants	**417,826.3**	**427,888.6**	**-10,062.3**	**-2.4%**	**396,979.3**	**20,847.0**	**5.3%**
Tax Revenue	377,877.2	384,286.0	-6,408.8	-1.7%	343,836.1	34,041.1	9.9%
Non-Tax Revenue	34,207.0	34,186.5	20.5	0.1%	41,047.1	-6,840.1	-16.7%
Bauxite Levy	17.9	17.9	0.0	0.0%	1,009.5	-991.6	-98.2%
Capital Revenue	1,178.9	753.3	425.6	56.5%	658.1	520.8	79.1%
Grants	4,545.2	8,644.9	-4,099.7	-47.4%	10,428.5	-5,883.3	-56.4%
Expenditure	**425,272.3**	**439,282.7**	**-14,010.4**	**-3.2%**	**395,241.7**	**30,030.6**	**7.6%**
Recurrent Expenditure	399,464.4	404,654.5	-5,190.1	-1.3%	358,252.9	41,211.5	11.5%
Programmes	111,924.9	110,281.1	1,643.8	1.5%	91,971.7	19,953.2	21.7%
Wages & Salaries	158,758.6	161,704.3	-2,945.7	-1.8%	156,361.7	2,396.9	1.5%
Interest	128,780.9	132,669.1	-3,888.2	-2.9%	109,919.5	18,861.4	17.2%
Domestic	76,712.2	81,242.6	-4,530.4	-5.6%	68,728.9	7,983.3	11.6%
External	52,068.7	51,426.5	642.2	1.2%	41,190.6	10,878.1	26.4%
Capital Expenditure	25,807.9	34,628.2	-8,820.3	-25.5%	36,988.8	-11,180.9	-30.2%
Fiscal Bal (Surp+/ Def-)	**-7,446.0**	**-11,394.1**	**3,948.1**	**-34.7%**	**1,737.6**	**-9,183.6**	**-528.5%**
Loan Receipts	**163,423.2**	**110,894.5**	**52,528.7**	**47.4%**	**93,527.5**	**69,895.7**	**74.7%**
Domestic	42,604.1	56,280.6	-13,676.5	-24.3%	40,119.9	2,484.2	6.2%
External	120,819.1	54,613.9	66,205.2	121.2%	53,407.6	67,411.5	126.2%
Project Loans	12,964.6	12,814.1	150.5	1.2%	9,614.1	3,350.5	34.8%
Other	107,854.5	41,799.8	66,054.7	158.0%	43,793.5	64,061.0	0.0%
Amortization	**101,440.9**	**100,775.3**	**665.6**	**0.7%**	**106,640.2**	**-5,199.3**	**-4.9%**
Domestic	28,325.4	24,234.7	4,090.7	16.9%	76,604.4	-48,279.0	-63.0%
External	73,115.5	76,540.6	-3,425.1	-4.5%	30,035.8	43,079.7	143.4%
Overall Bal (Surp+/Def-)	**54,536.3**	**-1,274.9**	**55,811.2**	**-4377.7%**	**-11,375.1**	**65,911.4**	**-579.4%**
Primary Bal (Surp+/Def-)	**121,334.9**	**121,275.0**	**59.9**	**0.0%**	**111,657.1**	**9,677.8**	**8.7%**

Source: MOFP

Non-debt (primary) expenditure is expected to be lower than budget by $10,122.3mn relative to the amount originally programmed. Higher than budgeted spending on Recurrent Programmes ($1,643.8mn or 1.5%), largely due to a $2,927.1mn support to JUTC that was not initially programmed, is expected to be offset by lower than programmed Wages and Salaries ($2,945.8mn or 1.8%) and Capital Expenditure ($8,820.3mn or 25.5%).

Interest payments are currently estimated at $128,780.9mn, a reduction of $3,888.1mn (2.9%) below budget, influenced by lower Domestic Interest costs. For FY 2014/15, Interest Payments as a proportion of GDP are projected to increase to 8.2% up from 7.5% in FY 2013/14, with both Domestic and External payments estimated to increase. Despite this increase, the Interest to GDP ratio is significantly less than the annual average of 11.0% over the last five years and the 17.3% in FY 2009/10 (Figure 3ii) prior to the first debt exchange. As a share of total expenditure (excluding Amortization), Interest Payments are estimated at 30.3% in FY 2014/15 compared to the annual average of 33.5% over the last 5 years. In FY 2014/15 Interest Payments are projected to consume 34.1% of Tax Revenue, which is considerably below (over 50%) the

Figure 3(ii): Interest Ratios



71% consumed in FY 2009/10. The favourable reduction in the referenced interest ratios was primarily due to the effect of the debt exchanges and the overall improved fiscal performance and accordingly these ratios are expected to remain benign over the medium term.

Public Debt Stock

Jamaica's total public debt stood at $2,039,650.8mn at the end of December 2014 (Table 3F). This represented a 4.8% increase over the $1,946,005.0mn at March 2014. The increase in the stock over the nine-month period was mainly attributable to:

- capital market debt raising (US$800mn);
- depreciation of the Jamaica dollar vis-à-vis the US dollar and other currencies;
- financing of the fiscal deficit; and
- budget support inflows from the IMF (US$140mn).

Table 3F: Total Debt Stock

	Mar 2014	Dec. 2014
(J$mn)		
Domestic	1,024,515.2	1,046,850.2
External	921,489.8	992,800.5
TOTAL	**1,946,005.0**	**2,039,650.8**

Source: MOFP

The domestic debt stood at $1,046,850.2mn at the end of December 2014, which was 2.2% higher than the $1,024,515.2mn registered at the end of March 2014.

With respect to the stock of public and publicly-guaranteed external debt this rose to $992,800.5mn (US$8,658.6mn) at the end of December 2014, representing an increase of 7.7% over the stock at the end of March 2014. The depreciation in the value of the Jamaica dollar against the US dollar and other currencies over the April to December 2014 period was a notable contributor to this increase as the US dollar value of the debt increased by 6.5% relative to the level at end-March 2014. The depreciation in the value of the Jamaica dollar accounted for about 58% of the increase in the debt stock.Also contributing significantly to the increase was the issuance of a global bond in July 2014 with face value of US$800.0mn to assist with financing the budget in FY 2014/15 and pre-financing for FY 2015/16.

1. At end December 2014, domestic debt accounted for 51.3% of the total debt, down from 52.6% at December 2013. Domestic and external bonds are estimated to account for 42.7% and 23.2% of total debt, respectively (Table 3G).

Table 3G: Stock of Debt at end Dec 2014 by Creditor Category

Domestic Debt	J$mn	% Total Debt
Bonds	870,382.5	42.7
Treasury bills	4,000.0	0.2
Loans	172,467.7	8.5
Total Domestic	***1,046,850.2***	***51.3***
External Debt		
Bonds	472,609.7	23.2
Bilateral	94,778.0	4.6
Multilateral	383,521.0	18.8
IMF	*76,269.6*	*3.7*
IDB	*162,122.2*	*7.9*
IBRD	*86,432.8*	*4.2*
Other	*58,696.4*	*2.9*
Private creditors	41,891.9	2.1
Total External	***992,800.6***	***48.7***
Total Debt	**2,039,650.8**	**100.0**

Source: MoFP

The stock of public debt is projected to end FY 2014/15 at $2,072,023.0mn or 131.6% of GDP (Table 3H). This would represent a 6.5% increase over the $1,946,005.0mn or 133.3% of GDP at the end of FY 2013/14.

Table 3H: Total Debt Stock

	2013/14 act.	2014/15 est.
(J$mn)		
Domestic	1,024,515.2	1,054,513.4
External	921,489.8	1,017,509.6
TOTAL	**1,946,005.0**	**2,072,023.0**
(% GDP)		
Domestic	70.2	67.0
External	63.1	64.6
TOTAL	**133.3**	**131.6**

Source: MoFP

The domestic debt is projected at $1,054,513.4mn or 67.0% of GDP at the end of FY 2014/15, 2.9% more than the $1,024,515.2mn registered at the end of FY 2013/14. In addition, explicit domestic guarantees are estimated at $38,515.7mn (2.5% of GDP) at end-March 2015, compared with $36,064.3mn (2.5% of GDP) at the end of March 2014.

With respect to the stock of public and publicly-guaranteed external debt, this is projected to increase to$1,017,509.6mn or 64.6% of GDP at the end of FY 2014/15, representing an increase of 10.4% over the stock at the end of FY 2013/14. The depreciation in the value of the Jamaica dollar is expected to be the most significant contributor to this increase. In US dollar terms, the stock is forecast to increase by 3.0% from US$8,409.7mn to US$8,664.8mn. The stock of publicly-guaranteed external debt at the end of March 2015is estimated at $143,335.3mn (9.1% of GDP), compared to $140,882.9mn or 9.7% of GDP at end-March 2014.

2. Self-Financing Public Bodies Operations - FY 2014/15

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 microeconomic levels has over the years been significant. There are approximately 190 active Public Bodies currently on register, with 80 or 42% classified as self-financing.

The Overall Balance of sixty-five Self-financing Public Bodies as approved by Parliament at the beginning of FY 2014/15 was a surplus of $298.0mn. The two sub-groups that constitute this total are the Selected Public Bodies (SPBs) and the Other Public Bodies (OPBs), which had budgeted a deficit of $10,000.0mn and a surplus of $10,298.0mn respectively. Budgeted revenues of the group of Public Bodies totaled $437,675.0mn from which a surplus on operations of $35,492.0mn was expected.

While 73% of the OPBs reported positive variances on the Overall Balance, the most significant contributors to the net position were Wigton Windfarm Limited, Petrocaribe Development Fund (PDF) and the Universal Service Fund (USF). Delays in implementation affected both Wigton and USF. In the case of Wigton, its capital programme was behind schedule and for USF, its Tablets in Schools programme got off to a late start. PDF experienced better than budgeted inflows on its receivables.

Based on the estimates obtained to December 2014, the group of Public Bodies is expected to exceed the targeted surplus of $297.0mn for FY 2014/15 by posting a surplus of $3,285.7mn. Indications are that a shortfall on capital expenditure as well as a reduction on inventories will be the main contributors to the positive variance on the Overall Balance of the group. Of note, the net transfers to the Central Government, is estimated at $24,206.0mn. This consists of amounts transferred to the Central Government by way of corporate taxes, financial distributions (dividends) and programme support of $39,857.0mn against Central Government support to Public Bodies of $15,651.0mn. Net transfers reflect a shortfall of $3,385.0mn or 12% on the budgeted amount of $27,591.0mn. The estimated performance of the Self Financing Public Bodies is shown in the table below.

Public Bodies (Selected & Other) *Summary of Estimated Outturn for Financial Year 2014/15*

J$m

Statement 'A' Flow of Funds		SPBs Estimated 2014/15	OPBs Estimated 2014/15	TOTAL PBs 2014/15
1	Current Revenue	345,691.65	73,996.24	419,687.89
2	Current Expenses	(325,371.12)	(53,793.12)	(379,164.24)
3	Current Balance	20,320.53	20,203.13	40,523.66
4	Adjustments	4,975.77	271.52	5,247.29
	Change in Accounts	0.00	0.00	0.00
	Receivable/Payable	(12,347.09)	(5,006.68)	(17,353.76)
	Items not requiring outlay of cash:	0.00	0.00	0.00
	Depreciation	13,790.52	986.58	14,777.10
	Other Non-Cash Items	3,472.48	4,302.54	7,775.02
	Prior Year Adjustment	59.86	(10.93)	48.93
5	Operating Balance	25,296.29	20,474.65	45,770.94
6	Capital Account	(14,380.86)	(3,897.97)	(18,278.82)
	Revenue	20,200.73	0.00	20,200.73
	Expenditure	(42,991.34)	(3,994.20)	(46,985.53)
	Investment	(319.87)	(188.56)	(508.43)
	Change in Inventory	8,729.62	284.79	9,014.41
7	Transfers from Government	12,269.72	3,381.16	15,650.88
	Loans	0.00	0.00	0.00
	Equity	0.00	0.00	0.00
	On-Lending	0.00	0.00	0.00
	Other	12,269.72	3,381.16	15,650.88
8	Transfers to Government	(34,342.66)	(5,514.62)	(39,857.28)
	Dividend	(554.52)	(890.81)	(1,445.33)
	Loan Repayments	0.00	0.00	0.00
	Corporate Taxes	(43.75)	(130.74)	(174.49)
	Other	(33,744.39)	(4,493.07)	(38,237.46)
9	OVERALL BALANCE (5+6+7+8)	(11,157.50)	14,443.22	3,285.72
10	FINANCING (11+15)	11,157.50	(14,443.22)	(3,285.72)
* 10a	Total	78.56	217.67	296.23
	Capital Revenue	78.56	217.67	296.23
	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)	4,574.66	51,955.42	56,530.08
12	Government Guaranteed Loans	(2,011.74)	741.00	(1,270.74)
	Disbursement	2,303.00	741.00	3,044.00
	Amortization	(4,314.74)	0.00	(4,314.74)
13	Direct Loans	5,498.50	51,214.42	56,712.92
	Long Term:	7,167.74	51,166.45	58,334.19
	Disbursement	13,453.66	62,144.00	75,597.66
	Amortisation	(6,285.92)	(10,977.55)	(17,263.47)
	Short Term:	(1,669.24)	47.97	(1,621.27)
	Change in Trade Credits	(1,669.24)	47.97	(1,621.27)
14	Change in Deposits Abroad	1,087.90	0.00	1,087.90
15	Total Domestic (16+17+18)	6,504.28	(66,616.31)	(60,112.03)
16	Banking System	9,114.46	(5,260.34)	3,854.12
	Loans (Change)	(25.13)	(40.99)	(66.12)
	Overdraft (Change)	46.41	15.74	62.15
	Deposits (Change)	9,093.18	(5,235.09)	3,858.09
17	Non-Banks (Change)	(3,528.07)	(896.33)	(4,424.40)
18	Other (Change)	917.89	(60,459.65)	(59,541.76)

MEDIUM TERM FISCAL PROGRAMME

The GOJ has remained steadfast in implementing the economic reform programme (ERP), which has as its primary objectives: the reduction of public debt, macro-economic stability, improved productivity of the labour force and enhanced investor confidence as the major steps toward sustainable economic growth and development. Consistent with these objectives, the GOJ remains committed to reducing the Debt/GDP ratio to the agreed 96.0% by the end of FY 2019/20 under the EFF, and further, to the ceiling of 60% of GDP by end FY 2025/26 as legislated under the fiscal rules. To this end, the Central Government primary surplus has been programmed at 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 this medium term period.

Over the last three fiscal years, the GOJ has implemented a number of measures to raise to and maintain the Central Government primary surplus at the required 7.5% of GDP, which was achieved in both FY 2013/14 and FY 2014/15.The fiscal measures undertaken included structural fiscal reforms, revenue enhancement initiatives, wage restraint and other expenditure containment activities, which were complemented by the NDX.

In support of the over-arching objective of debt reduction and macroeconomic stability to bolster economic growth and development, the GOJ has formulated a robust medium term fiscal programme. The programme is anchored by prudent expenditure management practices and an aggressive revenue enhancement strategy geared to elastically generate adequate levels of revenue to enable the efficient provision of public goods by the State. Eliminating the fiscal deficit and concomitantly lowering debt service obligations, provide choices as well as increased fiscal space to better enable the country to respond to shocks and demand for improved public sector remuneration as well as for social and infrastructure development.

Against this backdrop, 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 robust medium term fiscal profile. The fiscal profile indicates a Central Government primary surplus equivalent to 6.8% of GDP in FY 2015/16 thereby indicating a gap of 0.7% of GDP. Given the GOJ's firm commitment to the primary surplus of 7.5% of GDP over the medium term, it recognizes that additional fiscal measures are required to deliver on this target. Accordingly, the GOJ has developed revenue measures of $10,350.0mn (0.7% of GDP) to be implemented in FY 2015/16. These measures, which are expected to contribute toward maintaining the 7.5% of GDP primary surplus over the medium term, will be detailed in a Ministry Paper to be tabled in Parliament on March 12, 2015 when the Minister of Finance and Planning opens the Budget Debate.

Revenue Strategy

The major goal of GOJ's revenue strategy is to continue 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, the GOJ will continue to work assiduously to implement some key policy, administrative and legislative reform actions to augment those various measures that have already been implemented.

Tax Policy Reform Package

In keeping with the GOJ's commitment to undertake profound tax reform to create a system that is efficient, fair and simple, as a key ingredient toward improved financial management, the GOJ has designed a reform package for implementation in FY 2015/16. Importantly, the reform package is also underpinned by the need to ensure revenue adequacy to allow for more efficient and effective provision of public goods by the State. The package includes measures which are forecast to yield incremental revenue of $10,350.0mn or 0.7% of GDP in FY 2015/16.

These measures are expected to eliminate the fiscal gap and contribute to achieving the primary surplus of 7.5% of GDP in FY 2015/16 and to maintaining that level through FY 2016/17 (Tables 3I and 3J). Buoyed by the anticipated revenue flows, the Central Government operations are projected at a deficit of 0.3% of GDP in FY 2015/16with surpluses from FY 2016/17 onward.

Tax Administration Reform

Implementation of the various tax administration activities will be spearheaded by the TAJ and JCA. These activities are summarised below with further details provided in Appendix V.

Tax Administration Jamaica (TAJ)

The TAJ's strategic initiatives will aim to build on and strengthen achievements from FY 2014/15. Accordingly, the strategies will remain focused primarily on two objectives: (i) improving voluntary compliance and (ii) modernization of TAJ. The TAJ will seek to accomplish these objectives through the implementation of programmes specifically developed to:

- improve compliance rates;
- create equity in the tax system through simplification; and
- increase overall efficiency and effectiveness of TAJ's operations by way of improved business processes.

TAJ will also strengthen its risk framework by ensuring that operational plans at the divisional level are subject to similar risk assessment as at the strategic level.

The compliance strategies for FY 2015/16 and the medium term will benefit from achievements made in the previous fiscal years. Within this context, TAJ's compliance focus areas are:

- registration compliance;
- filing compliance;
- payment compliance; and
- correct reporting compliance.

With respect to the strategic objective of modernizing the organization, the TAJ will focus on:

- organizational structure – implementation of phases two and three of the human resource transitional plan to effect Semi-Autonomous Revenue Agency (SARA) operations by October 2015;

- improved business processes – (a) implementation of the Revenue Administration Information System (RAiS) (b) enactment of legislation to support increased use of technology and the new business processes (c) phased introduction of the Enterprise Content Management System (ECM) to enable TAJ to better manage its documents and records and (d) strengthening of the web based service offerings; and

- Performance management - reviewing/strengthening performance indicators to ensure alignment throughout TAJ to strategic objectives.

Jamaica Customs Agency (JCA)

To support the GOJ's broad revenue strategy, as enunciated in the FPP FY 2014/15, the JCA achieved a number of milestones during the current fiscal year. Notable among the achievements were:

- use of an Inter-Bank Transfer as an additional payment method to facilitate payment from importers through (Direct Banking/RTGS);
- full implementation of ACCPAC accounting system; and
- piloting of the Export Module of the JCA new computer system and software, ASYCUDA World at the Kingston port.

Following on its achievements in FY 2014/15, the JCA's strategies to be pursued over the medium term are as follows:

- assessing and collecting revenue due to the GOJ;
- reducing importation of illegal, prohibited and restricted goods;
- facilitating the movement of legitimate goods and persons across Jamaica's borders;
- encouraging voluntary compliance through simplifying and standardizing systems and procedures and implementing effective deterrents;
- streamlining core business processes through the effective use of technology;
- developing and maintaining a team of motivated, professional and competent staff;
- improving the system of internal control within the Agency; and
- attaining full Executive Agency status by April 2015.

Revenue Profile

Underpinned by the strategies outlined above and the macroeconomic assumptions specified in Part II Macroeconomic Framework, Revenue and Grants are forecast to increase from the estimated 26.5% of GDP in FY 2014/15 to 27.1% in FY 2015/16 and to decline to 25.1% in FY 2018/19, as depicted in the medium term fiscal profile in Tables 3I and 3J. The items projected to contribute to the decline over the medium term are Non-tax and Tax Revenue.

Tax Revenue is passively forecast to fall slightly over the medium term, from 24.0% of GDP estimated for FY 2014/15 to 23.5% of GDP in FY 2018/19. The following are key factors behind the projected fall in the Tax/GDP ratio over the medium term:

- Reduced PAYE and Education Tax from the contraction of the wage bill from the estimated 10.1% of GDP in FY2014/15toward the legislated 9.0% ceiling;
- Reduction in PAYE due to the increase in the personal income tax threshold effective January 1, 2015;

- Lower Withholding Tax due to reduced interest costs and continuing the policy of paying down the outstanding refunds which will result in reduced net inflow from Tax on Interest;
- Some of the tax types, including a significant portion of the SCT, are fixed rates (not advalorem) and accordingly will not grow in line with nominal GDP, with the result that these taxes will show a declining ratio in proportion to GDP;

The new revenue measures to be implemented in FY 2015/16 will help to bolster the revenue over the medium term. The Tax/GDP is expected to average about 23.8% over the medium term.

Non-tax Revenue is projected to decline over the medium term, from the estimated 2.2% of GDP for FY 2014/15 to 0.9% of GDP by FY 2017/18. The last tranche of the $11,400.0mn transfer from the NHT to the Consolidated Fund will be in FY 2016/17, thereby contributing to the significant reduction in expected Non-tax Revenue from FY 2017/18 onwards.

Grants are projected to remain at about 0.3% of GDP over the medium term. With respect to Bauxite Levy, a significant rebound to about 0.5% of GDP by FY 2016/17 is projected, arising from: the expiration of the 2009-2014 Interim Fiscal Regime thereby allowing for the full levy to again come into effect; the anticipated resurgence of the sector with the re-opening of mining operations at Alumina Partners (ALPART); expected moderate increase in bauxite and alumina prices; and adjustment in the levy rate.

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 over 2 percentage points of GDP, from 20.4% in FY 2012/13 to 18.2% by FY 2018/19 (Table 3G). Total expenditure by Central Government is programmed to decline by over 6 percentage points of GDP to 22.9% in FY 2018/19, compared to 29.8% in FY 2012/13, with about half the reduction expected to come from lower interest payments, following the success of the NDX in generating significant saving for the budget.

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 it 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 3I: CENTRAL GOVERNMENT SUMMARY ACCOUNTS (% GDP)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Revenue & Grants	**25.7%**	**27.2%**	**26.5%**	**27.1%**	**26.1%**	**25.5%**	**25.1%**
Tax Revenue	23.9%	23.6%	24.0%	24.4%	23.7%	23.7%	23.5%
Non-Tax Revenue	1.4%	2.8%	2.2%	1.8%	1.6%	0.9%	0.9%
Bauxite Levy	0.1%	0.1%	0.0%	0.3%	0.5%	0.5%	0.5%
Capital Revenue	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Grants	0.3%	0.7%	0.3%	0.6%	0.3%	0.3%	0.3%
Expenditure	**29.8%**	**27.0%**	**27.0%**	**27.4%**	**25.2%**	**24.4%**	**22.9%**
Recurrent Expenditure	27.0%	24.5%	25.4%	25.6%	23.4%	22.6%	21.1%
Programmes	6.5%	6.3%	7.1%	8.0%	7.8%	7.7%	7.4%
Wages & Salaries	11.0%	10.7%	10.1%	9.8%	9.0%	9.0%	9.0%
Interest	9.4%	7.5%	8.2%	7.8%	6.6%	5.9%	4.8%
Domestic	6.5%	4.7%	4.9%	4.5%	4.0%	3.5%	2.9%
External	2.9%	2.8%	3.3%	3.3%	2.6%	2.3%	1.9%
Capital Expenditure	2.8%	2.5%	1.6%	1.8%	1.8%	1.8%	1.8%
Fiscal Balance (Surp+/Def-)	**-4.1%**	**0.1%**	**-0.5%**	**-0.3%**	**0.9%**	**1.1%**	**2.2%**
Loan Receipts	**10.8%**	**6.4%**	**10.4%**	**7.6%**	**2.8%**	**11.1%**	**5.5%**
Domestic	10.0%	2.7%	2.7%	3.3%	1.7%	4.6%	3.3%
External	0.8%	3.7%	7.7%	4.3%	1.1%	6.4%	2.2%
Divestment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortization	**6.6%**	**7.3%**	**6.4%**	**10.5%**	**3.7%**	**12.2%**	**7.7%**
Domestic	2.8%	5.2%	1.8%	4.9%	1.7%	5.6%	4.0%
External	3.8%	2.1%	4.6%	5.6%	2.0%	6.6%	3.7%
Overall Balance (Surp+/Def-)	**0.1%**	**-0.8%**	**3.5%**	**-3.2%**	**0.0%**	**0.0%**	**0.0%**
Primary Balance(Surp+/Def-)	**5.3%**	**7.6%**	**7.7%**	**7.5%**	**7.5%**	**7.0%**	**6.9%**
GDP	**1,340,300.0**	**1,459,500.0**	**1,574,900.0**	**1,689,700.0**	**1,832,900.0**	**1,999,400.0**	**2,180,000.0**

Source: MoFP

TABLE 3J: CENTRAL GOVERNMENT SUMMARY ACCOUNTS (J$mn)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Revenue & Grants	**344,677.8**	**396,979.3**	**417,826.3**	**458,101.1**	**479,286.7**	**509,542.1**	**547,987.2**
Tax Revenue	319,764.9	343,836.1	377,877.2	411,882.3	434,037.5	473,717.4	512,212.6
Non-Tax Revenue	18,765.1	41,047.1	34,207.0	30,961.3	29,313.2	18,872.5	19,903.7
Bauxite Levy	1,163.7	1,009.5	17.9	4,779.7	8,774.5	9,295.2	9,827.6
Capital Revenue	1,015.8	658.1	1,178.9	938.8	945.9	1,031.8	1,125.0
Grants	3,968.3	10,428.5	4,545.2	9,539.0	6,215.7	6,625.2	4,918.4
Expenditure	**399,278.9**	**395,241.7**	**425,272.3**	**462,988.0**	**462,698.1**	**486,638.6**	**499,928.0**
Recurrent Expenditure	361,521.0	358,252.9	399,464.4	432,579.0	430,303.1	451,300.2	462,068.2
Programmes	87,201.5	91,971.7	111,924.9	135,735.3	143,902.3	154,075.6	161,468.2
Wages & Salaries	147,381.8	156,361.7	158,758.6	165,229.4	165,521.9	180,170.2	196,059.2
Interest	126,937.7	109,919.5	128,780.9	131,614.4	120,878.9	117,054.4	104,540.8
Domestic	87,729.1	68,728.9	76,712.2	75,234.3	72,626.6	70,907.9	64,117.4
External	39,208.6	41,190.6	52,068.7	56,380.1	48,252.3	46,146.5	40,423.4
Capital Expenditure	37,757.9	36,988.8	25,807.9	30,409.0	32,395.0	35,338.4	37,859.8
Fiscal Balance (Surp+/Def-)	**-54,601.1**	**1,737.6**	**-7,446.0**	**-4,886.9**	**16,588.6**	**22,903.5**	**48,059.2**
Loan Receipts	**144,347.1**	**93,527.5**	**163,423.2**	**128,930.1**	**50,980.1**	**221,505.6**	**119,708.0**
Domestic	134,070.2	40,119.9	42,604.1	56,337.9	31,025.6	92,632.2	72,522.2
External	10,276.9	53,407.6	120,819.1	72,592.2	19,954.5	128,873.4	47,185.8
Divestment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	**88,329.8**	**106,640.2**	**101,440.9**	**178,579.5**	**67,568.7**	**244,409.1**	**167,767.2**
Domestic	37,094.8	76,604.4	28,325.4	83,443.3	31,274.7	112,939.1	87,344.6
External	51,235.0	30,035.8	73,115.5	95,136.3	36,294.0	131,470.0	80,422.6
Overall Balance (Surp+/Def-)	**1,416.2**	**-11,375.1**	**54,536.3**	**-54,536.3**	**0.0**	**0.0**	**0.0**
Primary Balance(Surp+/Def-)	**72,336.6**	**111,657.1**	**121,334.9**	**126,727.5**	**137,467.5**	**139,957.9**	**152,600.0**

Source: MoFP

FY 2015/16 BUDGET – CENTRAL GOVERNMENT

The GOJ is currently at the mid-way stage of implementing its medium term economic programme under the EFF. FY 2015/16 will mark the third year of the four-year EFF arrangement between the GOJ and the IMF. The FY 2015/16 fiscal programme is designed to be consistent with the objectives of the economic reform programme. The focus therefore continues to be on strategies geared toward maintaining the primary surplus at 7.5% of GDP, equivalent to $126,727.5mn, as an operational instrument to achieving the objective of reducing the public debt to 96% of GDP by the end of FY 2019/20. The fiscal deficit is programmed at $4,886.9m, or 0.3% of GDP.

While the GOJ has being successfully satisfying key quantitative performance criteria and structural benchmarks under the programme, it remains cognizant of the fact that it will be challenging to meet the March 2015 and FY 2015/16 fiscal targets. The on-going tax reforms and volatility or uncertainty in the movement of world oil prices in particular, will continue to pose a formidable challenge to revenue forecasting.

In addition, the current Heads of Agreement with unions representing public sector workers will come to an end on March 31, 2015. The FY 2015/16 budget will be tabled and passed in Parliament by March 31, 2015. By that time, the GOJ may still be negotiating with unions for a new wage settlement for the 2015/17 contract period. However the GOJ has included a contingency provision in the budget for the anticipated wage adjustment. The fiscal profile envisages a Wage to GDP ratio of 9.8% of GDP by FY 2015/16 and down to 9% of GDP by March 2017. The GOJ will work harmoniously with unions to ensure that any agreement reached will be consistent with meeting the 9% Wage to GDP ratio in the final year of the two-year contract period - that is, by FY 2016/17.

Against the backdrop of these challenges to crafting the FY 2015/16 budget, MDAs will be required to become even more efficient in their operations, by inter alia, reducing waste and achieving higher levels of productivity. To support these efforts, the GOJ in determining the Capital budget as presented in the PSIP (Appendix VI), was much more strategic in allocating budgetary resources to facilitate effective implementation of investment projects.

Expenditure

Non-Debt Expenditure

The Gross Non-Debt Expenditure for FY 2015/16 is projected at $355,290.1mn, comprising total recurrent expenditure of $322,381.2mn and Capital of $32,909.0mn. Approximately $23,916.5mn or 7% of total expenditure is programmed to be funded by Appropriations-in-Aid, that is, financing from user charges, fees and grants from public bodies while $331,373.6mn by revenues, loans and grants.

Net Recurrent Expenditure

Total Non-Debt Recurrent Expenditure, net of Appropriations-in-Aid, is projected at $300,964.7mnn, reflecting an increase of 11% above the FY 2014/15 Original Approved Estimates of $271,900.0mn. For FY 2015/16, Wages and Salaries as a share of non-debt recurrent expenditure, is projected at $165,229.4mn or 55% and Recurrent Programmes, $135,735.3mn or 45%.

Prioritization of the Ministry of Health

The FY 2015/16 Recurrent Estimates incorporates an increase of $13,000.0mn of additional budgetary allocation to the Ministry of Health (MOH) compared with the FY 2014/15 Original Approved budget. This will move the Ministry's recurrent budget from the $34,800mn approved at the start of FY 2014/15, to $47,800.0mn, an increase of 37%. An additional $1,800.0mn in back pay and new rates arising from the health sector reclassification and outstanding settlements for medical doctors will increase the MOH's share of the Recurrent Budget in FY 2015/16 to 17%, up from the 13% the ministry received at the beginning of FY 2014/15. This intervention is designed to strengthen the ministry's ability to address the many challenges being encountered in the health care delivery system and, importantly, to stem the persistent build-up in expenditure arrears within the Regional Health Authorities (RHAs). During FY 2015/16, the MOFP and the MOH will continue to collaborate in resolving several longstanding human resources issues in the RHAs.

Social Spending

Social programmes continue to receive priority with respect to the allocation of resources in order to ensure that overall spending in these areas is not eroded by inflation. Included are programmes for youth employment, drugs and medical supplies for the public health system, poor relief, children homes and places of safety, school feeding and the PATH programme targeting the elderly, pregnant and lactating women and children attending school. For FY 2015/16, total allocation to support social spending will be in the region of $27,000.0mn, an increase of approximately 24%, reflecting the significant increases in allocations to the Regional Health Authorities for drugs and medical supplies.

Wages and Salaries

The $165,229.4mn allocated for wages and salaries in FY 2015/16, includes amounts for back-pay primarily to Correctional Officers, Firemen and Health Sector workers as well as the final tranche of the $25,000 One-Off Payment due to public sector workers. Provision is also made for the payment of new rates to groups, such as Medical Officers, Consultants and Correctional Officers, which settled outstanding wage issues during FY 2014/15, as well as an amount for wage adjustment from the negotiations that are currently underway with unions.

Recurrent Programmes

Compared with the FY 2014/15 Original Approved budget, the FY 2015/16 non-wage recurrent expenditure reflect an overall increase of approximately $25,700.0mn or 25%. Included in this is an $8,600.0mn increase in the non-wage budget of the MOH of which the additional provision for goods and services amounts to $7,200.0mn with the increase in drugs and medical supplies accounting for $4,000.0mn (60%) and public utilities just under $1,000.0mn. Additional provision to the JUTC, above the normal subvention, amounts to $1,760.0mn and will go towards the payment of outstanding and current statutory deductions as well as taxes and duties associated with the 27 buses due to arrive in the island in 2015 (purchased under the 2011 contract). Approximately $2,200.0mn of the increase in recurrent spending is: (i) to facilitate the start of a voter re-verification exercise ($1,000.0mn); and (ii) a provision of $1,200.0mn related to the Local Government Elections which are constitutionally due in 2015. Provisions for public sector pension payments and government's contribution to employee's health insurance have increased by $1,700.0mn and $1,100.0mn, respectively.

Also included in recurrent programmes are amounts allocated under MOFP's Contingency Provision inclusive of arrears payments, General Consumption Tax payable on purchases by MDAs and transfers to public bodies. The FY 2015/16 budget also includes a contingency provision of $3,400.0mn related to: (i) $100mn set aside for weather-related risk mitigation; and (ii) $3,300.0mn to mitigate the risk of adverse movements in petroleum prices. The creation of this contingency for weather related risks is a statutory requirement under the Financial Administration and Audit (Amendment) Act 2014, Third Schedule, Section 4. The amount will be transferred to the Contingencies Fund held by the Accountant General as required under the law.

Non-Debt Capital Expenditure

Capital Expenditure, net of Appropriations-in-Aid for FY 2015/16, is projected at $30,409.0mn, reflecting a marginal reduction of about $450mn compared with the FY 2014/15 Revised Estimates. It should be noted that the Northern Jamaica Project and several sub-projects implemented by the Jamaica Social Investment Fund (JSIF) were completed during FY 2014/15.

Capital A

A total of $8,100.0mn has been allocated to projects being implemented under the Capital A Heads of Estimates. These include:

- $3,100.0mn representing the value of the final twenty seven (27) of the 210 buses purchased for the JUTC under the 2011 contract, and which are scheduled to arrive in the island in April 2015;
- $2,400.0mn for the Sugar Transformation Programme;
- $1,600.0mn for the Ministry of National Security, inclusive of $872mn for security vehicles and $308mn towards the construction of the Lathbury Barracks; and
- $477mn for the Ministry of Education to, among other things, continue the upgrading and expansion of schools to provide additional school places and refurbishing and renovation works in Infant and Primary Schools.

Capital B

A total of $22,400.0mn has been allocated to projects funded with support from multilateral/bilateral agencies. Of this, funding of $5,300.0mn is supported from external grant resources, $6,400.0mn from GOJ counterpart funds and $10,700.0mn from loans. The largest allocations have been made to the following MDAs:

- $5,700.0mnn to the Ministry of Labour and Social Security of which $5,500.0mn is for the PATH programme;
- $5,100.0mn to the Ministry of Transport, Water and Housing with the Major Development Project (MIDP) and the Jamaica Economical Housing Project combined, accounting for more than $4,000.0mn of the total provision to the Head;
- $2,400.0mn to the MOFP with the Fiscal Administration Modernization Programme (FAMP) being allocated $1,400.0mn and the Foundation for Competitiveness and Growth Project $450mn;
- $1,500.0mn to the Ministry of Education with the University of Technology (UTECH) Enhancement Project and the Education System Transformation combined, receiving a total of $1,000.0mn from the allocation.

Debt Servicing

Total debt service for FY 2015/16 is projected at $310,193.9mn, or 48.4% of the budget, about 4.7 percentage points higher than the estimated outturn for FY 2014/15. Interest payments are budgeted to increase by 2.2% over the estimated outturn for FY 2014/15 to $131,614.3mn (7.8% of GDP). Domestic interest costs are budgeted to fall to $75,234.3mn (1.9%), while External interest costs are budgeted to rise to $56,380.1 (8.3%).

On the external side, the costs from existing and maturing global bonds are mainly responsible for the budgeted increase. With respect to Domestic Interest payments, although marginally lower than the estimated outturn for FY 2014/15, is still relatively significant (7.8% GDP). Maturing Benchmark Investment Notes is the main factor behind the projected costs.

Total Amortization payments are budgeted to increase by 76.0% to $178,579.6mn. Domestic Amortization is budgeted to increase to $83,443.3n (194.6%) from $28,325.4mn in the FY 2014/15 due to maturing Benchmark Investment Notes which account for most (75%) of these repayments. On the other hand, a US 300mn bond that matures in FY 2015/16, will contribute to an increase (30.1%) in External Amortization to $95,136.3mn, up from $73,115.5mn in FY 2014/15.

Revenue and Grants

The Revenue and Grants forecast for FY 2015/16 amounts to $458,101.1mn, or 27.1% of GDP, compared to the estimate of 26.5% of GDP for FY 2014/15. The forecast for FY 2015/16 represents a 9.6% increase over the estimate for FY 2014/15, which is ahead of expected inflation and above the average annual increase of 7% over the last 5 years.

Tax Revenue is budgeted at $411,882.3mn (24.4% of GDP)and is expected to accountfor89.9% of total Revenue and Grants, broadly in line with the 90.4% estimated in FY 2014/15.This forecast for Tax Revenue represents an increase of 9.0% ($34,005.1mn) over estimated collections in FY 2014/15 (Table 3K).The forecast also includes an amount of $10,350.0mn (0.7% of GDP) to be gained from implementation of new revenue measures in FY 2015/16 to support the agreed fiscal policy stance of maintaining the primary surplus at 7.5% of GDP as a means toward reducing the public debt to a sustainable levels.

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 $8,023.4mn (0.5% of GDP). The budgeted increase in tax revenue is also predicated on a projected 7.3% growth in nominal income in FY 2015/16, as well as movements in other macroeconomic variables. Nevertheless, excluding the new revenue measures, tax revenue is projected to grow by 6.3%, compared to the estimated 9.9% growth in FY 2014/15.

Table 3K: FY 2015/16 Revenue Forecast

	2014/15	2015/16	% Change
Revenue & Grants	**417,826.3**	**458,101.1**	**9.6**
Tax Revenue	377,877.2	411,882.3	9.0
Non-tax Revenue	34,207.0	30,961.3	-9.5
Bauxite Levy	17.9	4,779.7	26,597.7
Capital Revenue:	1,178.9	938.8	-20.4
Grants	4,545.2	9,539.0	109.9

Source: MoFP

However as already mentioned, a number of factors will contribute to the lower baseline tax revenue growth in FY 2015/16, notably:

1. contraction of the Central Government wage bill in FY2015/16 which will reduce PAYE and Education Tax - a 1% of GDP reduction in the wage bill would reduce PAYE and Education Tax by an estimated 0.3% of GDP;

2. increase in the personal income tax threshold effective January 1, 2015 which is estimated to lower PAYE by 0.2% of GDP;

3. the policy that seeks to eliminate the outstanding Withholding Tax refunds over the next three (3) fiscal years is estimated to reduce net Tax on Interest receipts by about 0.4% of GDP;

4. lower interest cost is expected to reduce the interest income of the GOJ;

5. oil price reduction is projected to reduce the advalorem portion of the SCT by just over 0.1% of GDP; and

6. the structure of some of the tax types, including a significant portion of the SCT, are fixed rates (not advalorem) and accordingly will not grow in line with nominal GDP, with the result that these taxes will show a declining ratio in proportion to GDP.

Non-tax Revenue for FY 2015/16 is projected at $30,961.3mn,a reduction of 9.5% from the estimated outturn for FY 2014/15. This forecast amounts to 1.8% of GDP, down from the estimated 2.2% of GDP in FY 2014/15. The projected decline is primarily due to two factors, as follows:

- with JCA set to become a full-fledged executive agency by April 1, 2015, it will retain $5,160.0mn of the CAF to cover its operating expenses, with the result that the net flows to the Consolidated Fund will be reduced by that amount; and
- a reduction in programmed distribution/dividends from self-financing public bodies from$2,366.0mn in FY 2014/15 to $1,247.0mn in FY 2015/16.

The projected Non-tax Revenue for FY 2015/16 includes:

- Programmed transfer of $11,400.0mn from the NHT to the Consolidated Fund;
- $7,219.8mn from the CAF;
- Expected receipts from the telecommunications sector; and
- Dividend distribution from public bodies of $1,247.0mn.

With respect to the Bauxite Levy, transfers to the Consolidated Fund for FY 2015/16are forecast at $4,761.5mn. This significant inflow arises largely from the expiration of the Interim Fiscal Regime, which will allow for full levy payment, as well as favourable price increases. The forecast of $4,761.5mn also accounts for US$12.0mn to clear the GOJ's (Clarendon Alumina Productions) obligations, to WINDALCO and represents the balance of Bauxite Levy flows after covering the obligations to WINDALCO, as well as budgetary provisions for the Jamaica Bauxite Institute (JBI).

Capital revenue forecasts of $938.8.1mn for FY 2015/16 are 20.4% less than collections in FY 2014/15, due mainly to lower expected loan repayments. The Capital Revenue forecast for FY 2015/16 includes royalties from bauxite mining of $733.8mn, a 37.9% increase over the estimated amount in FY 2014/15 due to the anticipated increase in mining operations.

The forecast for Grants amounts to $9,539.0mn, which is an increase of 109.9% over the estimated receipts in FY 2014/15. Higher budget support flows from the European Union (EU), from Euro18.2mn to Euro29.2mn is the primary factor behind the budgeted increase in this flow.

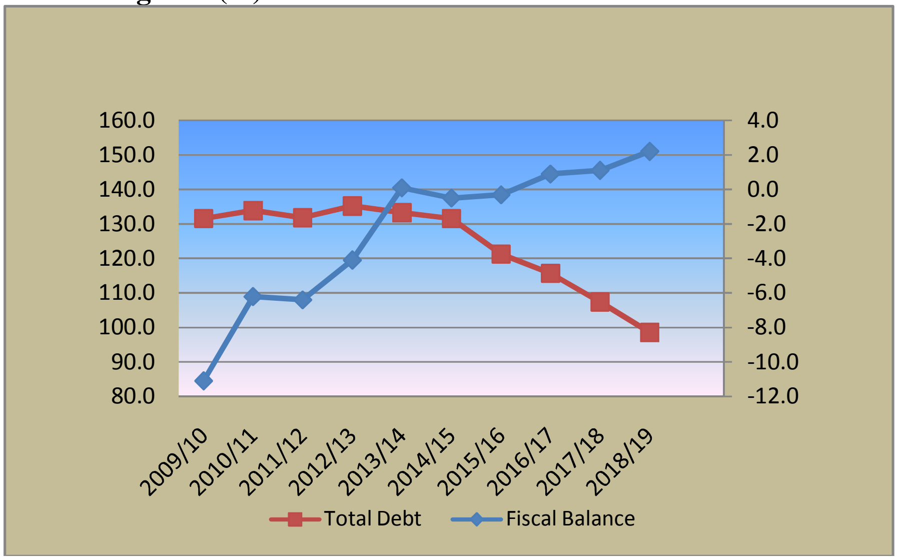
Financing

The Central Government's borrowing requirement for FY 2015/16 amounts to $128,930.1mn, which is required to finance the deficit of $4,886.9mn and cover amortization payments of $178,579.6mn. Of the budgeted loan receipts, $56,337.9mn is programmed to be raised from domestic sources and $72,592.2mn is to be raised from external sources, in the form of policy based/development policy loans from international financial institutions, project loans ($10,917.9mn) and from the international capital market. The borrowing need for FY 2015/16 represents a21.1%decline in gross loan receipts compared to FY 2014/15. The reduced financing requirement is due chiefly to the lower fiscal deficit as well as the fact that the GOJ had pre-financed a significant portion of its obligations due in FY 2015/16 from resources raised in the FY 2014/15.

PUBLIC DEBT TRAJECTORY

The stock of public debt is projected to continue the trend decline over the medium term from the estimated 131.2% of GDP at the end of FY 2014/15 to 120.4% of GDP by the end of FY 2015/16 and to 102.8% of GDP by the end of FY 2018/19 (Figure 3(iii)). Reducing Jamaica's public debt burden is critical to creating fiscal space for greater public investment and 'crowding in' the private sector through more affordable financing costs, which will be supportive of stronger economic growth within the economy.

Figure 3(iii): Public Debt and Fiscal Balance Trends



The on-going fiscal consolidation effort has seen the Central Government deficit falling from 11.1% of GDP in FY 2009/10 to a surplus of 0.1% of GDP at the end of FY 2013/14 and a relatively small deficit, estimated at 0.3% of GDP for FY 2014/15. This effort is programmed to strengthen over the medium term and thereby remain a key contributor to the projected decline in the debt stock.

Critical to reducing the public debt burden over the medium term will be the management of contingent liabilities 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 9.7% of GDP at the end of March 2014 to 9.1% of GDP by the end of FY 2015/16. Domestic guarantees by end-March 2015 of 2.5% of GDP are projected to be broadly in line with the level at end-March 2014 (2.5% of GDP).

FY 2015/16 Budget – Self -Financing Public Bodies

The Overall Balance of the group of sixty-five Self-financing Public Bodies is projected at a surplus of $7,875.3mn for FY 2015/16. Current revenues are forecast at $404,621.3mn from which a current balance surplus of $52,973.6mn is expected. The group is projecting expenditure on infrastructure/investments of $58,557.0mn in comparison to the estimated $47,493.9mn for FY 2014/15. Net flows from Public Bodies to GOJ are projected at $18,884.6mn, as $39,414.6mn is budgeted as Transfers to GOJ while Transfers from GOJ reflects $20,530.0mn. The flows from Public Bodies to GOJ include SCT from Petrojam, corporate taxes, grants to support special programmes as well as financial distributions (dividends). Public Bodies benefitting from GOJ transfers include NROCC and RMF - loan repayments; Students Loan Bureau (SLB) – support from Education Tax; and JUTC for which the amount represents the cost of buses, spare parts and fare subsidy. The Table below outlines the financial forecast of the group of Public Bodies for FY 2015/16. Projections are that the group will return positive Overall Balances for the medium-term.

Of note is the fact that the $4,231.0mn improvement in the group's Overall Balance projection compared with FY 2014/15 is attributable to the performance of the SPBs as the OPBs reflect no significant change. The movement on the SPBs is driven mainly by Clarendon Alumina

Production (CAP), whose Overall Balance is forecast to improve from an estimated deficit of $3,915.0mn to a surplus of $309.0mn on account of movement in economic indicators namely oil price, caustic and foreign exchange rate.

Public Bodies in three sectors of the economy will account for 73% of the capital expenditure/investment of the group, with housing (NHT & HAJ) accounting for $24,808.0mn or 42%, energy (Petrojam, CAP and Wigton) with $9,880.0mn or 17% and water (NWC) with $8,199.0mn or 14%. Highlights of the programmes/projects to be undertaken by these entities are outlined below. It is noteworthy that ten (10) of the sixty-five Public Bodies, including the six entities just mentioned, will account for $49,989.0mn or 85% of capital expenditure outlay, with these entities budgeting over $1,000.0mn each. The remaining 4 entities are the Airports Authority of Jamaica, Port Authority of Jamaica, Civil Aviation Authority of Jamaica and the JUTC. These Public Bodies have a vital role to play in the development of the physical and social infrastructure of the country by the capital and investment programmes they undertake.

National Housing Trust

In its continued effort to support the housing sector, the NHT plans to expend $22,352.1mn on housing activities by March 31, 2016. This will result in the creation of approximately 6,000 mortgages and will include the commencement of 2,376 housing solutions and the completion of 1,686 of these. The planned level of capital expenditure will result in disbursement of loans of approximately $18,087.68 million under different programmes; including Build-on Own Land, open market, construction, joint mortgage finance and house lot loans.

Housing Agency of Jamaica

During FY 2015/16 the HAJ will seek to deliver housing solutions, comprised of service lots, housing starts and/or completed houses as under:

- Delivery of 2,212 housing solutions by March 2018, with 320 expected to be completed by March 2016;
- Completion of 1,249 housing starts by March 2016.

The solutions are projected to cost $1,088.0mn and the projects will be in the following locations:

- Penwood Road, St. Andrew
- Hague Cave Island, Trelawny
- Frontier 2, St. Mary
- Luana, St. Elizabeth
- Belle Air, St. Ann
- Mount Edgecombe, St. Ann.

Petroleum Corporation of Jamaica

Planned capital projects aimed at improving and maintaining refinery capabilities are estimated to cost US$20mn. This will include continued major maintenance of storage facilities, improved wastewater treatment plant, dock rehabilitation, improvement in laboratory facilities to align with international standard and a range of expenditures to improve/sustain reliability of the refinery.

These include work on the fire detection system, a reliability improvement project, tower replacement and projects in respect of logistics-asphalt export.

Clarendon Alumina Production

Capital expenditure of US$24.2mn will finance (a) the activities necessary to sustain the plant (b) the continued construction of a new residue lake to equip the plant with a dry stacking methodology of residue disposal, that will make the plant more efficient and environmentally friendly and (c) mining infrastructure development works connected with migration to new mining areas and gaining access to required ore.

Wigton Windfarm Limited

Wigton will continue to pursue its contribution to the diversification of Jamaica's energy mix through expansion of its windfarm by 24MW. The expansion will augment the existing 38.7MW capacity which has produced on average 100 GWh of electricity over the last three years. The company was selected in October 2013 by the Office of Utilities Regulation as one of three preferred bidders for the 115MW Electricity Generation Capacity from Renewable Energy Based Power Generation Facilities. The focus for FY 2015/16 will therefore be the construction and subsequent commissioning of the extended windfarm at a total cost of $5,175.0mn. Expenditure during the year is projected at $4,549.0mn. The PetroCaribe Development Fund will provide 80% financing for the project, consistent with its mandate to support the diversification of Jamaica's energy mix.

National Water Commission

Capital projects valued at $8,199.0mn are expected to be implemented during FY 2015/16. This includes $3,496.3mn and $1,207.8mn that are forecast to be expended on the KMA Water Supply Improvement and the Caribbean Regional Fund for Wastewater Management Projects (rehabilitation of wastewater treatment facilities) respectively.

Public Bodies (Selected & Other)		***Summary of Financial Forecasts for Financial Year 2015/16***		
		J$m		
		SPBs Projected 2015/16	**OPBs Projected 2015/16**	**TOTAL PBs 2015/16**
Statement 'A' Flow of Funds				
1	Current Revenue	325,423.83	79,197.49	404,621.32
2	Current Expenses	(293,650.14)	(57,997.62)	(351,647.75)
3	Current Balance	31,773.69	21,199.87	52,973.56
4	Adjustments	10,590.95	2,424.04	13,014.99
	Change in Accounts	0.00	0.00	0.00
	Receivable/Payable	(9,703.13)	(842.64)	(10,545.77)
	Items not requiring outlay of cash:	0.00	0.00	0.00
	Depreciation	14,867.30	1,176.82	16,044.11
	Other Non-Cash Items	5,426.79	2,089.86	7,516.65
	Prior Year Adjustment	0.00	(0.00)	(0.00)
5	Operating Balance	42,364.65	23,623.91	65,988.56
6	Capital Account	(26,886.28)	(12,342.36)	(39,228.64)
	Revenue	20,492.61	0.00	20,492.61
	Expenditure	(45,364.07)	(11,211.70)	(56,575.77)
	Investment	(1,284.89)	(696.31)	(1,981.20)
	Change in Inventory	(729.93)	(434.35)	(1,164.28)
7	Transfers from Government	12,334.31	8,195.73	20,530.04
	Loans	0.00	0.00	0.00
	Equity	0.00	0.00	0.00
	On-Lending	0.00	0.00	0.00
	Other	12,334.31	8,195.73	20,530.04
8	Transfers to Government	(33,706.26)	(5,708.37)	(39,414.63)
	Dividend	(321.75)	(925.57)	(1,247.32)
	Loan Repayments	0.00	0.00	0.00
	Corporate Taxes	(1,477.91)	(158.62)	(1,636.53)
	Other	(31,906.60)	(4,624.18)	(36,530.78)
9	OVERALL BALANCE (5+6+7+8)	(5,893.58)	13,768.90	7,875.33
10	FINANCING (10a +11+15)	5,893.58	(13,768.90)	(7,875.33)
10a	Total	4,216.16	1,010.73	5,226.89
	Capital Revenue	4,216.16	243.50	4,459.66
	Loans	0.00	(297.77)	(297.77)
	Equity	0.00	1,065.00	1,065.00
	On-Lending	0.00	0.00	0.00
	Loan Repayments	0.00	0.00	0.00
11	Total Foreign (12+13+14)	9,172.20	55,086.45	64,258.65
12	Government Guaranteed Loans	(2,737.46)	(3,274.00)	(6,011.46)
	Disbursement	1,689.00	568.00	2,257.00
	Amortization	(4,426.46)	(3,842.00)	(8,268.46)
13	Direct Loans	11,951.96	58,360.45	70,312.41
	Long Term:	161.64	58,351.35	58,512.99
	Disbursement	6,144.54	73,174.55	79,319.09
	Amortisation	(5,982.90)	(14,823.20)	(20,806.10)
	Short Term:	563.00	9.10	572.10
	Change in Trade Credits	11,227.32	9.10	11,236.42
14	Change in Deposits Abroad	(42.30)	0.00	(42.30)
15	Total Domestic (16+17+18)	(7,494.78)	(69,866.08)	(77,360.87)
16	Banking System	(7,572.38)	167.14	(7,405.24)
	Loans (Change)	(451.70)	(31.05)	(482.75)
	Overdraft (Change)	0.00	16.14	16.14
	Deposits (Change)	(7,120.68)	182.05	(6,938.63)
17	Non-Banks (Change)	(1,944.28)	52.02	(1,892.26)
18	Other (Change)	2,021.88	(70,085.24)	(68,063.36)

FISCAL DISCIPLINE, RISKS AND CHALLENGES

In small, open, developing economies, sustained fiscal discipline supports macroeconomic stability and underpins growth. Oftentimes, debates surround what constitutes an optimal fiscal stance in the long run. These debates do not often focus on the importance of ensuring a sustainable fiscal stance persists. There are varying factors which may adversely affect the sustainability of any fiscal stance in a given country, referred to as fiscal risks. 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.

Similar to other developing countries, Jamaica faces a number of fiscal risks on a yearly basis that may adversely impact the execution of the budget. However any additional increase in the GOJ's expenditure while revenue remains unchanged will amplify the fiscal risks and affects the GOJ's ability to achieve its key fiscal and debt target. The same is true for any reduction in GOJ's revenue while maintaining the spending plans.

The task of identifying and quantifying material risks and mitigating or managing them in a cost-effective manner represents a multi-faceted and ongoing challenge. This challenge must be met if "surprises" and shocks, which put the fiscal frame and fiscal sustainability at risk, are to be avoided. Invariably, the process of identifying the risks and quantifying them is informed by Jamaica's own experience and that of other countries.

There is a range of tools that can be used to mitigate these risks. Sharing risks and taking proactive action to avoid and minimize them are clearly among the most cost-effective risk management tools. To this end, the GOJ has been taking profound actions to mitigate risks. The legal framework and institutional arrangements for public financial management have been reviewed and strengthened (Appendix 2). Institutional reforms have strengthened the oversight mandate of the MOFP and clarified responsibilities. These actions are important for ensuring sustained fiscal discipline to support macroeconomic stability and growth.

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.

Fiscal risks can emanate from a wide range of sources, some of which have been encapsulated in Box 3(a). These fiscal risks have the potential to derail the economic reform programme and accordingly the GOJ will continue to be proactive in managing these fiscal risks.

Key Fiscal Risks & Strategies to Mitigate Them

Wage Settlements

Labour is the GOJ's principal input. Wages and salaries have constituted an average of 52% of Central Government's primary expenditure over the last 5 years. A 1% increase in the wage bill represents an added expenditure of 0.1% of GDP (FY 2014/15). The FAA Act establishes a ceiling of 9% of GDP on the wage bill as at March 31, 2016. The Wages/GDP ratio is currently estimated at 10.1% for FY 2014/15 and is projected to fall to 9% by March 2017.

A major element of risk with respect to wages relates to negotiations and disputes where the outcome is uncertain. The 2012/15 Heads of Agreement (HOA) with unions representing public sector workers will come to an end on March 31, 2015. This agreement had reduced the risk element associated with wages by enhancing the predictability of the wage bill up to FY 2014/15.

Negotiations for a new agreement between the GOJ and the unions for the 2015/17 contract period have commenced. The FY 2015/16 budget will be tabled and could be passed by Parliament before the negotiations are complete. The outcome of the negotiations is uncertain at this time thereby introducing an element of risk to the wage bill and the wider fiscal programme. To help mitigate this risk, the GOJ has included a contingency provision for wage adjustments in the FY 2015/16 budget. The challenge however will be to amicably conclude settlements to, as best as possible, fit within the contingency allocation. The increase in the income tax threshold on January 1, 2015 (which has effectively increased the take home pay of workers) and the significant reduction in inflation over the past year, which is expected to continue into the medium term, should be important factors to temper the demands of workers and thereby reduce the risk of an unfavourable wage settlement for the GOJ.

In developing the medium term fiscal profile, the GOJ took account of outstanding settlements that are awaiting judicial and other decisions, which are expected to impact the wage bill. This is done by way of estimating the cost of the settlements and establishing a proposed payment schedule over the medium term.

The GOJ recognizes that in the long run, strong economic growth and a viable fiscal position which permits it to negotiate wage increases that at least maintain the real value of wages, is perhaps the most important factor to mitigate the risk associated with wage negotiations and settlements. Against that backdrop the GOJ will continue to remain resolute in implementing its economic reform programme.

Natural Disasters

Natural disasters cause significant damage to public and private infrastructure and consequently unanticipated costs to the budget. The economic impacts of disasters arise from the need to quickly allocate resources to emergency response and rehabilitation in the short-term and significant capital expenditure in the medium to long-term to reconstruct damaged public infrastructure. These events directly impact a country's expenditure and revenue streams, and by extension economic growth.

Given its location, Jamaica is quite susceptible to natural disasters especially hurricanes, excess rainfall and drought. Jamaica experienced a major setback during the summer of 2014 with an extensive drought that severely affected domestic crop production and contributed toward a reversal of the economic growth trend. While the GOJ does not earn significant direct revenue from agriculture, falling income in the sector would lead to lower consumption and investment, which would thereby adversely affect GOJ revenue intake. The GOJ also provided budgetary support to the agriculture sector in an effort to alleviate the effects of the drought. Any recurrence of the severe drought conditions in FY 2015/16 would also have fiscal implication.

One of the main fiscal risks to the budget (climatic risks) materialized in October 2012 when Hurricane Sandy caused loss of lives and significant damage to the agricultural sector, 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.

Box 3(a): Sources of Fiscal Risks

- Judicial Awards
- Wage settlements and anomalies
- Un-Budgeted Obligatory Expenditures
- Assumption of Public Bodies' Debt
- 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
- Adverse macroeconomic developments
- Commodity price movements, eg. oil, bauxite
- Natural Disasters
- Government Policy Changes
- Monetary Policy

Source: MoFP

An existing mechanism to manage losses from catastrophic events is the insurance policy Jamaica has through the Caribbean Catastrophe Risk Insurance Facility (CCRIF). The CCRIF is an insurance facility that would provide immediate liquidity in the event of natural disasters such as hurricanes and earthquakes of a predefined magnitude. However Hurricane Sandy did not reach the required threshold to trigger a payout from CCRIF.

In order to actively enhance Jamaica's fiscal resilience to disasters, a project is being developed between the MOFP and the World Bank to prepare a national disaster risk financing and insurance (DRFI) strategy. To accomplish this, the project aims, in the short-term, to strengthen the GOJ's understanding of its fiscal exposure to disaster losses and the country's overall financial disaster risk profile. The project will encompass: a detailed review of existing funds; an assessment of the fiscal rule; a post-disaster budget appropriation; and a historical fiscal loss calculation. The strategy itself would therefore be informed by an analysis of post-disaster expenditure and a review of government explicit contingent liability (both direct and indirect) to disasters, to allow estimation of additional short-term financial expenditure by the GOJ. The analytical outputs of these activities will collectively contribute to the definition of a cost-effective sovereign DRFI strategy for Jamaica.

Additionally, 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 2015/16 Budget allocates $100.0mn for weather-related events. However, a number of projects targeting disaster mitigation are included in the FY 2015/16 Budget. The allocation to these projects amounts to $570.2mn. This allocation is less than that for the previous fiscal year as a number of projects, including mitigation work on the Palisadoes Road and Sandy Gully Bridge has been completed.

Adverse Movements in Key Macro-economic Variables

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).

GDP

Most of the tax revenue items are linked to nominal GDP growth, which combines the real growth and inflation effects. However, a deviation in nominal GDP growth from forecast may reflect either variation in real growth or inflation from that projected, or a combination thereof. For most tax revenue variables there is a "one-for-one" impact with GDP changes, that is, unitary elasticity. Thus if the growth in nominal GDP varies from forecast by 1 percentage point, growth in those tax items will also vary by 1 percentage point. There are some indirect taxes, namely specific taxes, which are likely to be impacted only by deviations in the actual real GDP from forecast.

As a first step in sound fiscal management and in the GOJ's risk mitigation strategy, prudent projections for real GDP growth and inflation are utilized for the fiscal projections. For example, the range of potential projects noted in the Growth Agenda is not factored into the real GDP forecasts presented in the Macroeconomic Framework. The GOJ's mitigating strategy encompasses three elements: (i) a fairly conservative approach to the forecast of real growth and inflation; (ii) the aforementioned one-for-one relationship between GDP growth and revenue used in forecasting and impact analysis represents a prudent valuation of the linkage between the real and fiscal sectors, and (iii) prudent management of GOJ's cash resources, which involves proactive action to constrain expenditures if revenue performs below expectations.

Oil Prices

The impact of changes in oil price is felt in various ways through numerous transmission mechanisms which work their way through the economy. Changes in oil prices are expected to affect both the government's revenue and expenditure. Oil prices fell drastically in 2014. However, the lower oil prices do not appear to have had any direct adverse effect on the SCT revenue during the April to December 2014 period, as SCT from petroleum and petroleum products increased by 5.4% over the corresponding period in 2013. The risk of sharply reduced revenue is somewhat mitigated by the structure of the tax on petroleum. The SCT on petroleum consists of a fixed portion and an advalorem portion, with the fixed portion contributing about 62% of the total revenue. This structure helps to preserve some stability in the revenue stream from petroleum as the fixed portion of the tax is less subject to the vagaries of volatile price movements.

Over time however the GOJ expects the lower oil prices, once they persist, to negatively impact SCT and the forecast for FY 2015/16 reflects this expectation. There are, however, some indirect effects of lower oil prices for which the impact on GOJ revenue is not easily quantified, particularly in the short term. Lower oil prices would translate into reduced energy and transportation costs thereby contributing to improved profitability for firms and increased purchasing power for consumers, which over time should result in higher revenue flows to the GOJ. The reduced energy and transportation costs from lower oil prices would also be positive for the expenditure side of the GOJ budget.

It must be noted however that given the current low levels of oil prices, the expected medium to long term trajectory of geopolitical and economic supply conditions in world oil markets and the volatile nature of oil price movements, there is a material risk that Jamaica could be affected by upward movements in oil prices over the medium term. While oil price increase could result in increased SCT it would also have the negative economy-wide effect on the BOP, increasing costs to the GOJ, to consumers and to firms thereby reducing profitability and purchasing power which would then influence a reduction in GOJ revenue from other areas of the economy. Within this context, it is important that the GOJ has a strategy to mitigate the risk of higher oil prices. To this end, the GOJ will implement a hedge programme on crude oil imports to insure the BOP against significant oil price increases. The FY 2015/16 includes a provision of $3,300mn toward the hedge programme.

Bauxite/Alumina Prices
The price of bauxite, the ore used in the production of aluminum, as is the case for most primary commodities, has come under pressure in recent years. Lower prices and demand could combine to result in reduced collections from the bauxite levy. However, as the world economy continues to show moderate improvement, it is expected that the demand for bauxite, alumina and aluminium should strengthen. Thus the outlook for improved prices and the consequent beneficial positive impact on the Jamaican economy is positive. However, like other commodities, world events can change the prospects and thereby impose a risk to economic and fiscal outcomes.

***Tax Expenditure* (*discretionary*)** has been 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 2013. The GOJ, as part of its tax reform programme, instituted legislative and administrative measures in FY 2013/14 to significantly curtail discretionary waivers.

Public Bodies Debt Assumptions can and do present a "clear and present danger" to the goals of the fiscal programme. 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.

Arrears are being 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 three years. Within this context, the medium-term fiscal profile entails payment of withholding tax refunds at an average of $1,200.0mn monthly from FY 2015/16. The EFF establishes that there is to be no accumulation in Domestic, External and Tax Refund Arrears over 90 days. Of note, the GOJ has been satisfying these performance criteria, and, as at end-December 2014, there was actually a reduction in the stock of arrears.

Changes in Government policy

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.

Changes in government's 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 fiscal programme maintains its integrity.

Public Private Partnership

A Public Private Partnership (PPP) refers to "an arrangement governed by a long-term procurement contract between one or more public entities and one or more non-public 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." PPP projects have the potential to impose significant fiscal risks on the government if not appropriately designed and financed. In light of this, and, given the fact that the GOJ has been exploring possibilities for investment through PPP, it is very important that the risks associated with PPPs be recognized and monitored. The enhanced fiscal rules that were adopted through amendments to the FAA and PBM Acts in March 2014, have put in place institutional changes to strengthen financial and risk analysis of projects, risk sharing arrangements and project assessments. In particular, the fiscal rules require that all PPPs be continually assessed by the MOFP and that they be included in the PSIP and subject to the standards set out in the Public Investment Management System. To facilitate this process, a PPP Unit (Node), which works in tandem with the Development Bank of Jamaica, has been established in the MOFP.

Currently there are three PPP transactions in progress, with respect to the operations of the:

- Norman Manley International Airport;
- Kingston Container Terminal; and
- Jamaica Railway Corporation.

There are also other projects being assessed for development as PPPs as follows:

- Solar power in schools;
- Installation of LED Streetlights;
- Development of the Caymanas Special Economic Zone;
- Expansion of the Soapberry Wastewater Treatment Plant.

Monetary Policy

Under the Bank of Jamaica Act, losses or profits of the Central Bank are transferrable to the Central Government. The medium term fiscal profile presented in this FPP, assumes that the BOJ will be in balance and accordingly no transfer of profits/losses are incorporated. Any unanticipated losses however may have to be picked up by the Central Government, which inherently poses a risk to the fiscal accounts. Going forward however with improving economic conditions it is anticipated that the fiscal risks associated with the prudent conduct of monetary policy will be minimal.

Conclusion

The GOJ will continue to manage fiscal risks appropriately and has been putting in place the necessary safeguards to ensure this objective is met. To this end, the GOJ has been reviewing the sanction regime with a view to strengthen it. Regulations to this effect are being developed and are due to come into effect in FY 2015/16. In addition, the IDB-supported "*Consultancy for the evaluation of and quantification of main fiscal risks and strengthening of the fiscal responsibility framework*" has been extended to September 2015. The objective of the consultancy remains 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.

Appendix I

Appendix I - Medium Term Expenditure Profile

Table IA - Non-Debt Recurrent Expenditure 2013/2014 - 2018/2019

$'000

Heads	Actual 2013/2014	Provisional 2014/2015	Estimates of Expenditure 2015/2016	Projected 2016/2017	Projected 2017/2018	Projected 2018/2019
His Excellency the Governor-General	176,422	183,358	182,817	190,495	207,640	224,251
Houses of Parliament	743,941	780,088	790,874	824,091	898,259	970,120
Office of the Public Defender	73,113	86,964	80,810	84,204	91,782	99,125
Office of the Contractor-General	232,723	240,422	236,713	246,655	268,854	290,362
Auditor General	352,528	467,020	529,748	551,997	601,677	649,811
Office of the Services Commissions	171,697	185,007	186,842	194,689	212,211	229,188
Office of the Children's Advocate	97,686	120,538	135,914	141,622	154,368	166,718
INDECOM	312,986	338,407	342,587	356,976	389,103	420,232
Office of the Prime Minister	1,792,713	3,015,355	3,381,924	3,523,965	3,841,122	4,148,411
Office of the Cabinet	551,529	503,837	545,505	568,416	619,574	669,140
Ministry of Tourism and Entertainment	1,488,507	1,586,358	1,701,993	1,773,477	1,933,090	2,087,737
Ministry of Finance and Planning	33,330,227	36,196,323	42,163,577	44,090,090	47,809,547	52,422,930
Tax Administration Department	4,769,130	5,191,641	5,286,178	5,508,197	6,003,935	6,484,250
Ministry of National Security	48,360,768	50,008,592	49,141,341	51,205,277	55,813,752	60,278,852
Ministry of Justice	4,307,292	5,140,785	6,067,659	6,322,501	6,891,526	7,442,848
Ministry of Foreign Affairs and Foreign Trade	2,898,965	3,019,596	3,775,141	3,933,697	4,287,730	4,630,748
Ministry of Labour and Social Security	2,414,695	2,462,503	2,512,328	2,617,846	2,853,452	3,081,728
Ministry of Education	84,011,316	81,859,742	79,300,000	82,630,600	90,067,354	97,272,742
Ministry of Health	37,614,361	41,664,333	49,094,150	51,156,104	55,760,154	60,220,966
Ministry of Youth and Culture	3,530,258	3,902,967	4,117,257	4,290,182	4,676,298	5,050,402
Ministry of Agriculture and Fisheries	3,377,738	3,981,051	4,263,539	4,442,608	4,842,442	5,229,838
Ministry of Industry, Investment and Commerce	1,653,665	1,917,989	1,965,656	2,048,214	2,232,553	2,411,157
Ministry of Science, Technology, Energy and Mining	3,557,848	4,872,089	7,529,705	7,845,953	8,552,088	9,236,255
Ministry of Transport, Works and Housing	2,650,374	7,181,468	3,656,390	3,809,958	4,152,855	4,485,083
Ministry of Water, Land, Environment and Climate Change	2,345,010	2,769,745	3,026,401	3,153,510	3,437,326	3,712,312
Ministry of Local Government and Community Development	7,517,949	9,907,369	9,614,464	10,018,271	10,919,916	11,793,509
Contingencies		3,100,000	21,335,169	17,894,634	16,727,244	13,818,717
GRAND TOTAL RECURRENT	**248,333,441**	**270,683,547**	**300,964,682**	**309,424,229**	**334,245,852**	**357,527,433**

Table IB - Economic Classification
Non-Debt Recurrent Expenditure 2013/2014 - 2018/2019
$'000

Object Classification	Actual 2013/2014	Provisional 2014/2015	Estimates of Expenditure 2015/2016	Projected 2016/2017	Projected 2017/2018	Projected 2018/2019
Compensation of Employees	**156,361,729**	**157,758,632**	**165,229,426**	**165,521,915**	**180,170,241**	**196,059,221**
Recurrent Programmes (of which)	**91,985,212**	**112,400,111**	**135,735,256**	**143,842,314**	**154,077,611**	**161,468,212**
Travel Expenses and Subsistence	10,593,245	12,439,155	13,558,679	14,778,960	16,109,066	17,317,246
Retirement Benefits	23,524,418	26,483,000	27,920,169	30,464,452	33,206,253	35,696,722
Rental of Property and Machinery	2,688,936	3,211,795	3,500,857	3,815,934	4,159,368	4,471,320
Utilities and Communication Services	8,053,338	8,622,732	8,942,064	10,244,668	11,166,688	12,004,190
Use of Goods and Services	20,083,208	24,680,937	23,639,884	28,323,421	30,872,529	33,187,969
Grants and Contributions	20,629,495	31,568,835	33,307,176	34,489,667	37,593,748	40,413,279
Capital Goods	761,088	901,028	944,081	1,010,493	1,168,838	1,254,351
Others	5,637,984	4,017,433	23,922,346	20,714,719	19,801,121	17,123,135
TOTAL RECURRENT	**248,346,941**	**270,158, 743**	**300,964,682**	**309,364,229**	**334,247,852**	**357,527,433**

Table IC - Medium Term Capital Profile 2013/2014 - 2018/2019
$'000

PROJECTS	Actual 2013/2014	Revised 2014/2015	Estimates of Expenditure 2015/2016	Projected 2016/2017	Projected 2017/2018	Projected 2018/2019
Office of the Prime Minister	3,104,982	2,079,889	1,811,489	2,325,151	2,580,790	2,494,963
Office of the Cabinet	192,189	193,136	370,225	569,460	724,373	802,674
Ministry of Tourism and Entertainment	45,530	24,392	27,800	23,147		
Ministry of Finance and Planning	2,537,974	1,464,481	2,375,789	3,126,580	3,652,200	4,001,127
Ministry of National Security	3,121,865	2,447,432	2,660,440	2,563,982	2,538,663	2,059,335
Ministry of Justice	323,081	590,010	711,636	1,164,259	1,190,004	884,013
Ministry of Foreign Affairs and Foreign Trade		10,000	195,463	651,813	640,000	720,000
Ministry of Labour and Social Security	5,696,053	5,516,433	5,705,636	6,296,389	6,486,551	7,085,043
Ministry of Education	1,726,518	1,943,814	1,976,764	2,048,000	1,614,366	439,350
Ministry of Health	754,705	906,243	1,163,653	1,305,846	1,509,221	1,350,760
Ministry of Youth and Culture	488,905	173,678	156,249			
Ministry of Agriculture and Fisheries	2,632,239	2,795,752	3,457,971	2,766,001	1,357,000	444,000
Ministry of Industry, Investment and Commerce	136,271	3,800				
Ministry of Science, Technology, Energy and Mining	1,031,572	1,264,754	1,101,703	1,413,366	920,000	850,000
Ministry of Transport, Works and Housing	13,215,610	11,096,349	8,232,829	7,436,480	11,107,890	16,042,109
Ministry of Water, Land, Environment and Climate Change	1,329,106	200,703	288,456	486,679	727,342	592,016
Ministry of Local Government and Community Development	652,200	154,153	172,923	217,847	290,000	94,400
TOTAL CAPITAL	**36,988,800**	**30,865,019**	**30,409,026**	**32,395,000**	**35,338,400**	**37,859,790**

TABLE ID - FUNCTIONAL CLASSIFICATION OF EXPENDITURE

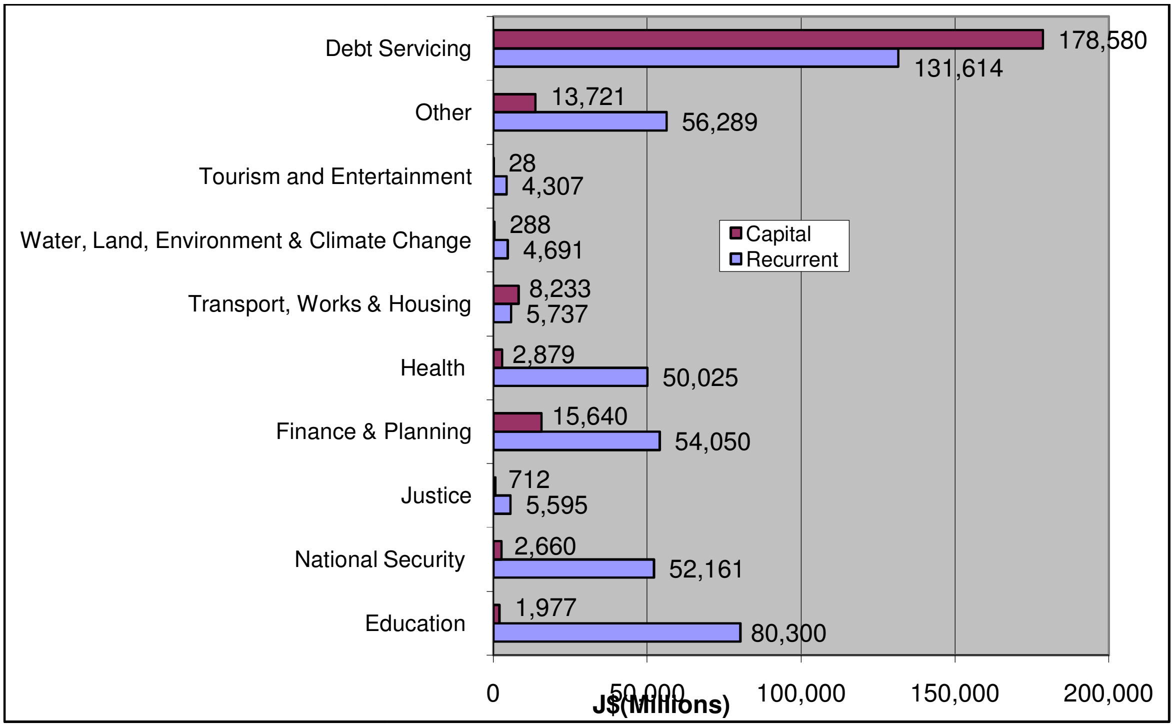
TOTAL RECURRENT AND CAPITAL

		Actual Estimates 2013-14	Approved Estimates 2014-2015	Revised Estimates 2014-2015	Estimates 2015-2016
1	**General Public Services**				
1	Executive and Legislative Services	1,972,870.0	2,068,299.0	2,106,529.0	2,194,928.0
2	Economic and Fiscal Policies and Management	15,831,502.0	15,337,529.0	15,398,412.0	18,016,337.0
3	Personnel Management	4,178,841.0	4,328,475.0	4,346,748.0	5,562,907.0
4	Foreign Affairs	3,082,873.0	3,212,002.0	3,186,249.0	4,063,426.0
5	Economic Planning and Statistical Services	1,590,005.0	1,680,915.0	1,624,510.0	2,098,022.0
6	Public Works	1,078,420.0	892,347.0	918,518.0	810,928.0
7	Public Debt Management, Internal Debt	142,899,653.0	105,477,298.0	108,910,761.0	158,677,686.0
8	Public Debt Management, External Debt	69,850,298.0	127,967,168.0	125,571,688.0	151,516,318.0
9	Local Government Administration	2,819,037.0	2,611,309.0	2,763,708.0	2,773,959.0
99	Other General Public Services	28,062,685.0	29,954,247.0	30,315,856.0	36,010,779.0
	Total General Public Services	**271,366,184.0**	**293,529,589.0**	**295,142,979.0**	**381,725,290.0**
2	**Defence Affairs and Services**				
	Total Defence Affairs and Services	**13,061,456.0**	**13,376,269.0**	**13,589,534.0**	**13,904,609.0**
3	**Public Order and Safety**				
1	Police Services	33,972,348.0	33,644,889.0	35,615,160.0	35,537,635.0
2	Fire Protection Services	-	-	-	-
3	Law Courts	4,875,642.0	5,642,308.0	6,021,673.0	7,082,986.0
4	Correctional Services	5,211,092.0	5,131,859.0	5,498,861.0	5,379,224.0
	Total Public Order and Safety	**44,059,082.0**	**44,419,056.0**	**47,135,694.0**	**47,999,845.0**
4	**Economic Affairs**				
1	Industry and Commerce	2,109,715.0	2,148,551.0	2,266,254.0	2,378,502.0
2	Labour Relations and Employment Services	1,305,799.0	1,159,659.0	1,325,433.0	1,335,325.0
3	Agriculture, Forestry and Fishing	7,563,927.0	9,285,964.0	10,317,151.0	11,149,483.0
4	Fuel and Energy	814,191.0	1,087,489.0	1,039,488.0	1,318,119.0
5	Mining, Manufacturing and Construction	150,975.0	151,471.0	178,904.0	183,171.0
6	Road Construction and Repairs	11,278,060.0	10,672,971.0	8,781,373.0	6,084,309.0
7	Road Transport	2,916,954.0	4,390,636.0	7,293,374.0	4,198,348.0
8	Rail Transport	175,583.0	185,835.0	185,835.0	178,835.0
9	Shipping, Ports and Lighthouses	916,482.0	895,549.0	926,966.0	1,060,421.0
11	Postal Services	2,034,610.0	1,924,256.0	2,044,947.0	2,190,363.0
12	Telecommunication Services	422,859.0	1,653,618.0	1,656,275.0	1,031,938.0
13	Tourism	3,798,656.0	3,778,514.0	4,098,947.0	4,334,646.0
14	Physical Planning and Development	219,086.0	493,053.0	547,096.0	485,512.0
15	Scientific and Technological Services	644,764.0	678,329.0	675,880.0	797,704.0
99	Other Economic Services	-	-	-	31,924.0
	Total Economic Affairs	**34,351,661.0**	**38,505,895.0**	**41,337,923.0**	**36,758,600.0**
5	**Environmental Protection and Conservation**				
1	Solid Waste Management	818,749.0	830,014.0	1,025,266.0	845,180.0
2	Waste Water Management	-	-	-	-
3	Pollution Abatement	9,500.0	15,307.0	24,384.0	19,589.0
4	Protection of Biodiversity and Landscape	1,170,533.0	979,583.0	1,075,175.0	1,300,127.0
	Total Environmental Protection and Conservation	**1,998,782.0**	**1,824,904.0**	**2,124,825.0**	**2,164,896.0**

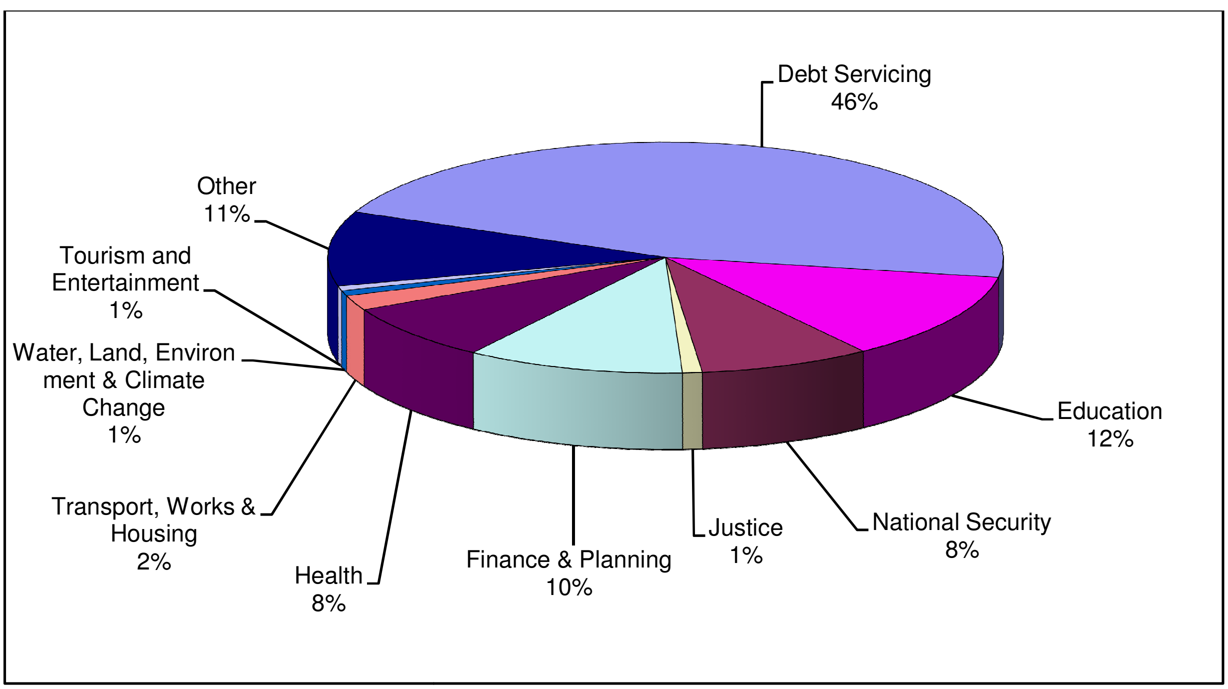
		Actual Estimates 2013-14	Approved Estimates 2014-2015	Revised Estimates 2014-2015	Estimates 2015-2016
6	**Housing and Community Amenities**	**2013-14**	**2014-2015**	**2014-2015**	
1	Housing Development	2,549,305.0	2,038,190.0	2,027,637.0	1,483,915.0
2	Community Development	4,833,960.0	5,973,402.0	6,984,122.0	6,511,544.0
3	Water Supply Services	1,196,221.0	757,009.0	785,085.0	836,111.0
	Total Housing and Community Amenities	**8,579,486.0**	**8,768,601.0**	**9,796,844.0**	**8,831,570.0**
7	**Health Affairs and Services**				
	Total Health Affairs and Services	**41,013,041.0**	**39,213,890.0**	**44,923,794.0**	**52,790,643.0**
8	**Recreation, Culture and Religion**				
1	Recreational and Sporting Services	576,237.0	629,516.0	655,706.0	618,516.0
2	Art and Cultural Services	975,486.0	991,998.0	1,165,839.0	1,282,338.0
3	Broadcasting and Publishing Services	728,255.0	874,595.0	899,560.0	1,070,801.0
4	Religious and Other Community Services	202,385.0	215,000.0	215,000.0	427,500.0
5	Youth Development Services	947,256.0	910,551.0	933,018.0	868,518.0
	Total Recreation, Culture and Religion	**3,429,619.0**	**3,621,660.0**	**3,869,123.0**	**4,267,673.0**
9	**Education Affairs and Services**				
	Total Education Affairs and Services	**86,857,255.0**	**82,382,087.0**	**85,786,389.0**	**84,583,358.0**
10	**Social Security and Welfare Services**				
	Total Social Security and Welfare Services	**8,713,464.0**	**9,509,724.0**	**9,628,566.0**	**10,099,313.0**
99	**Unallocated**				
	Total Unallocated	**1,023,382.0**	**21,270,827.0**	**4,123,382.0**	**22,358,451.0**
	Gross Total	**514,453,412.0**	**556,422,502.0**	**557,459,053.0**	**665,484,248.0**
	Less Appropriations-in-Aid	*13,743,585.0*	*16,364,508.0*	*18,133,306.0*	*23,916,536.0*
	Net Total	**500,709,827.0**	**540,057,994.0**	**539,325,747.0**	**641,567,712.0**

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

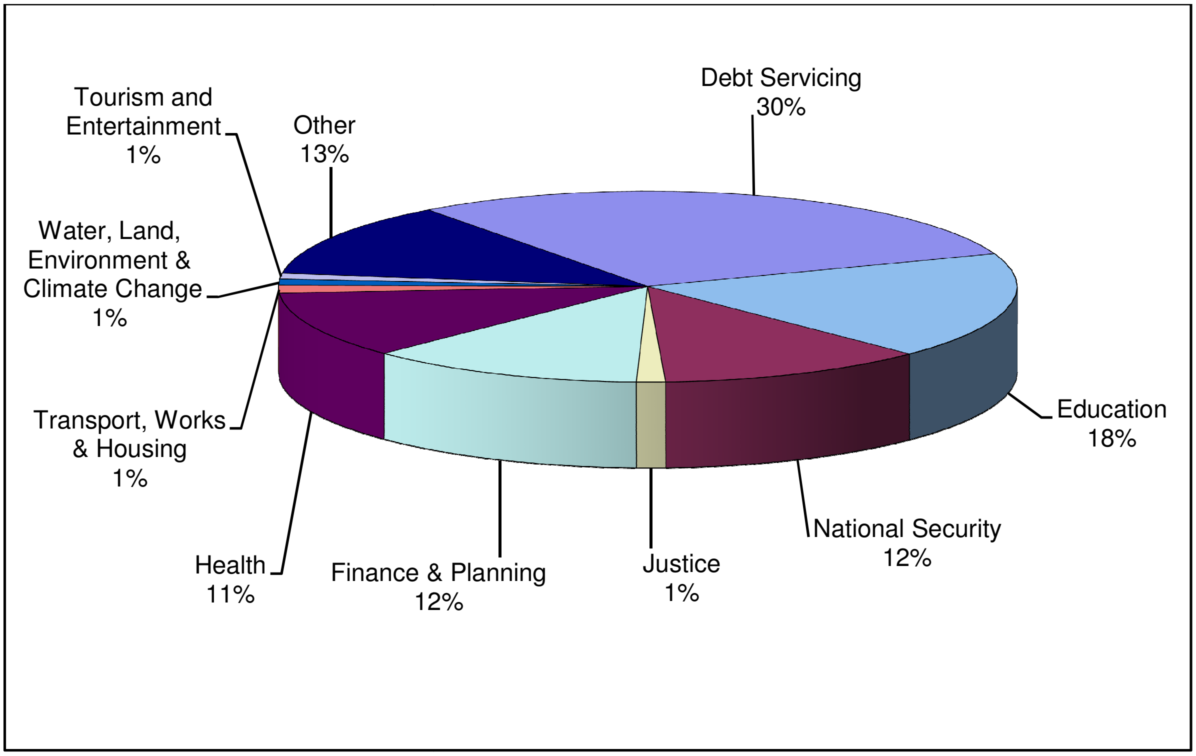
Gross Expenditure Recurrent & Capital



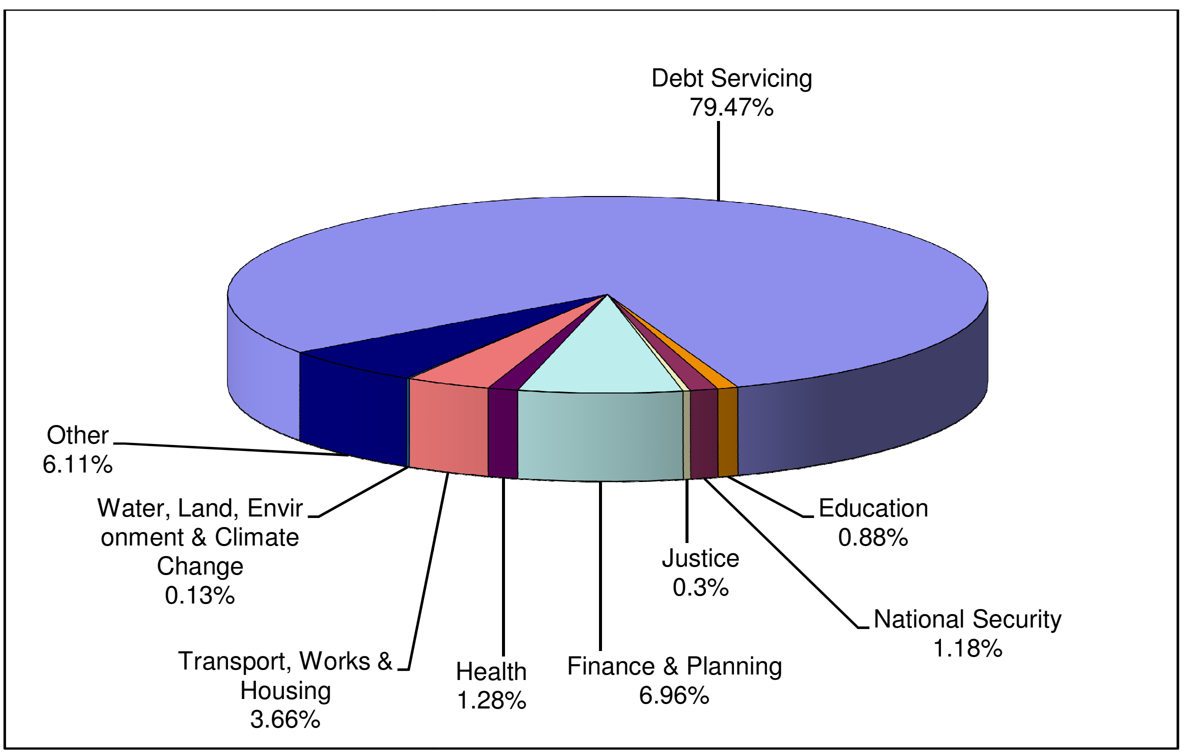
Distribution of Gross Recurrent & Capital Expenditure



Distribution of Gross Recurrent Expenditure

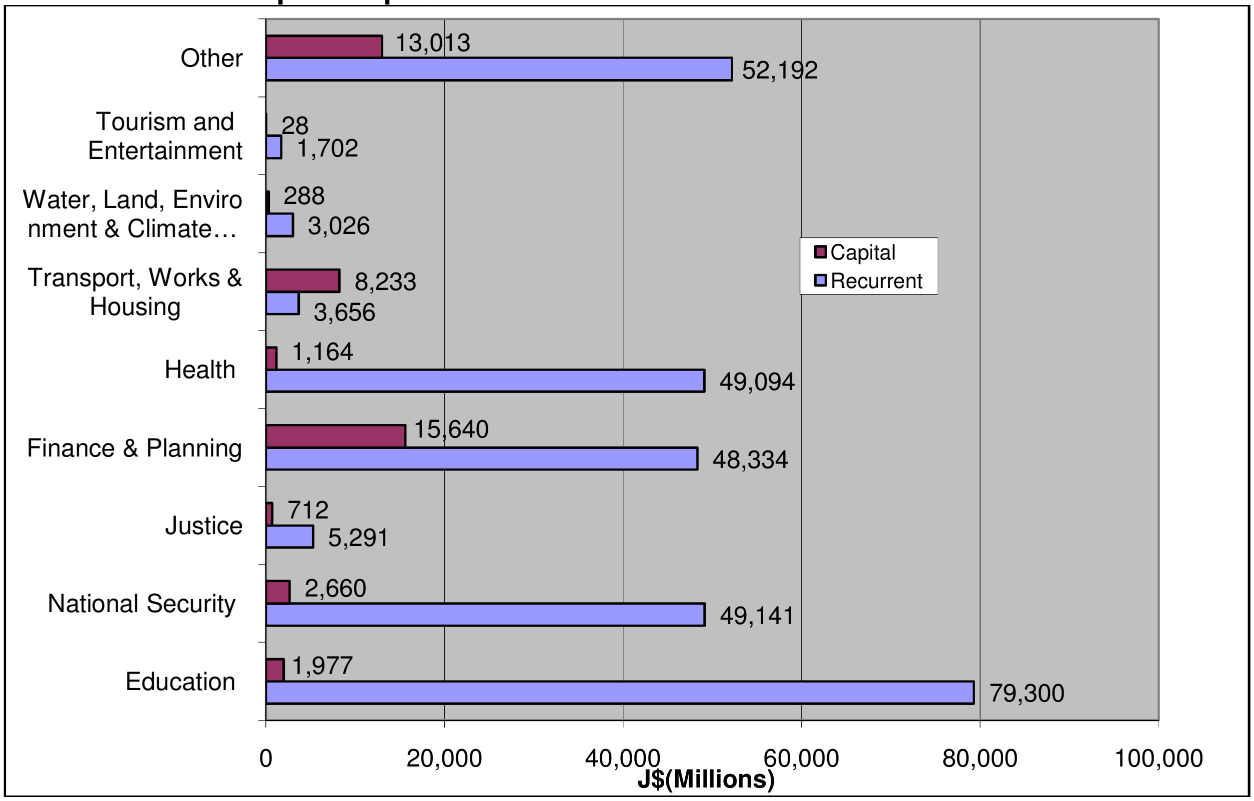


Distribution of Gross Capital Expenditure

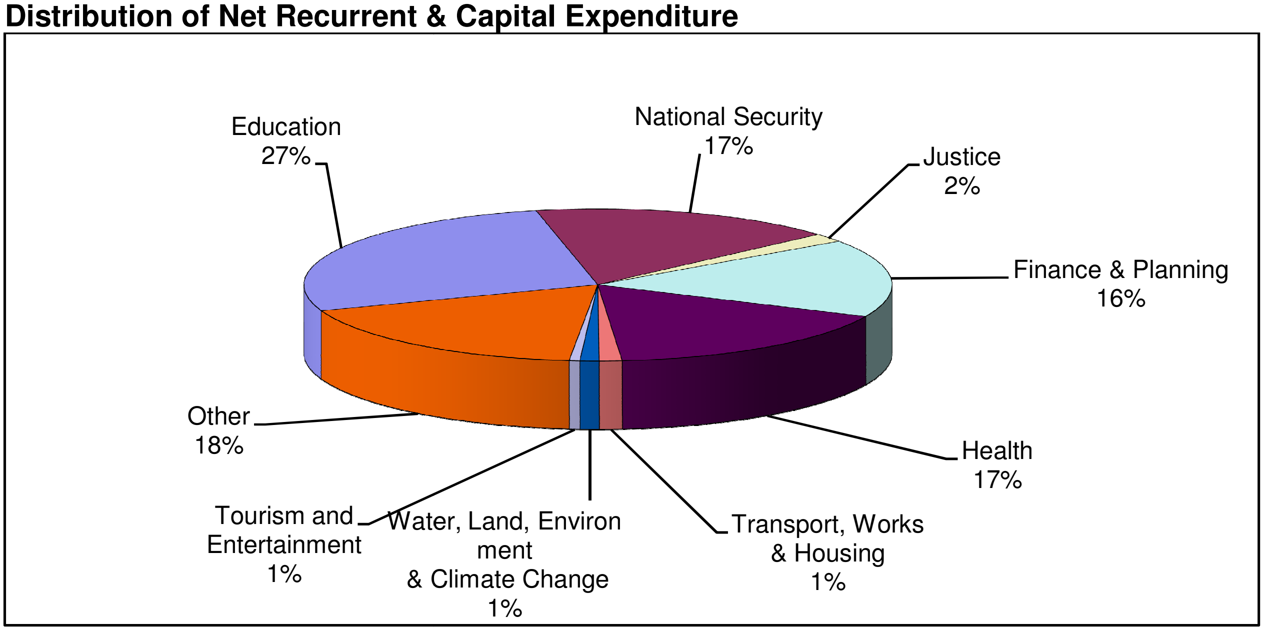


Estimates (Net of Debt and Appropriations-in-Aid) by Selected Ministry Groups

Net Recurrent & Capital Expenditure

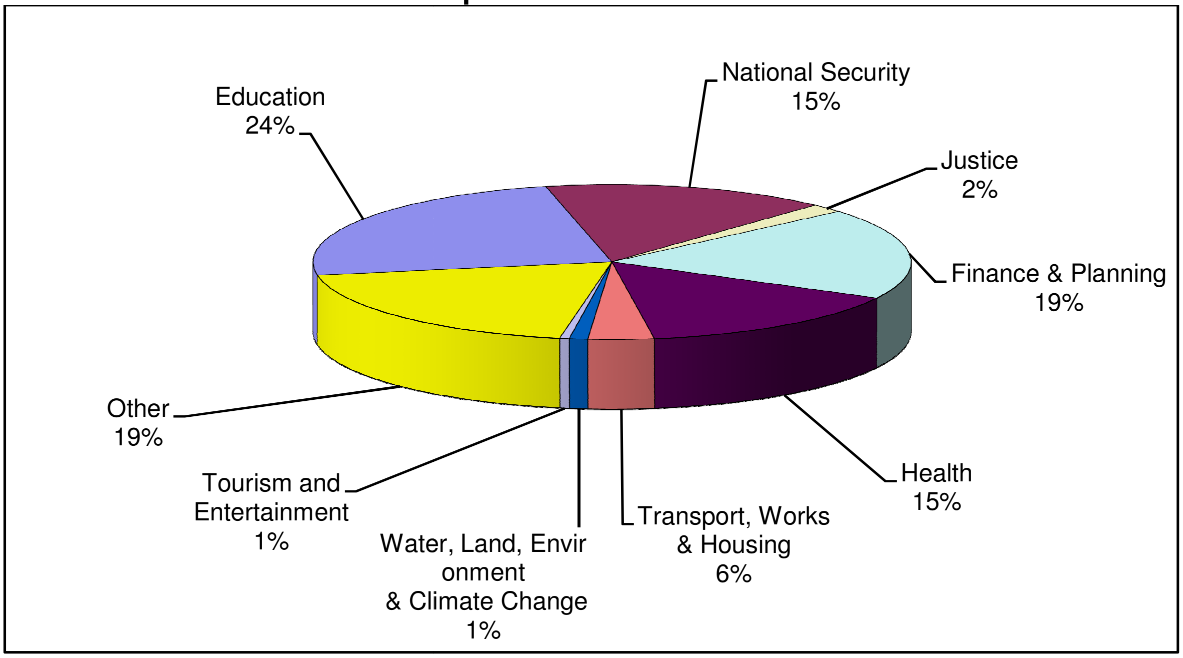


Distribution of Net Recurrent & Capital Expenditure

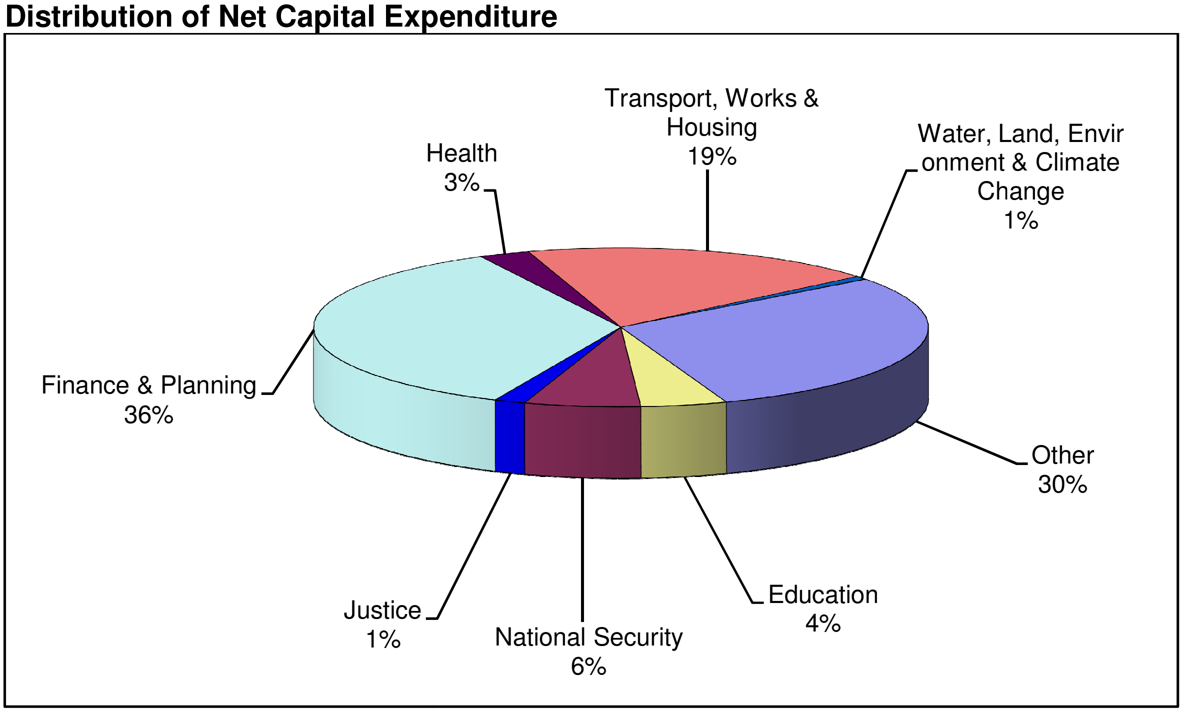


Estimates (Net of Debt and Appropriations-in-Aid) by Selected Ministry Groups

Distribution of Net Recurrent Expenditure



Distribution of Net Capital Expenditure



Appendix II

Improved Public Financial Management

Summary Report on the Status of the Public Financial Management (PFM) Reform Programme

During FY 2014/15, the GOJ, through the Ministry of Finance and Planning (MOFP), continued to implement a number of reforms, as outlined in the Public Financial Management Reform Action Plan (PFM RAP). Despite the challenge of resources, notable progress has been made, including:

(i) institutional strengthening of the main revenue agencies;

(ii) enhancements to the recently implemented Central Treasury Management System (CTMS); and

(iii) significant changes to the budget planning and preparation process, highlighted by the new permanently binding Budget Calendar and the piloting of Medium-Term Results Based Budgeting (MTRB) for FY 2015/16.

The implementation process has not been without its obstacles but, as international evidence indicates, it requires strong coordination and monitoring, adopting lessons learnt along the way and demonstrating patience and persistence. Continued successful reforms will also require ongoing and significant investments in staff and organizational capacity, as well as information & communication technology (ICT). Along this line, with the continued technical assistance and funding support from International Development Partners (IDPs), a key strategy is to institutionalize technical assistance and adopt best practice in public financial management.

For FY 2014/15, significant progress has been made in strengthening Jamaica's financial management information system (FMIS) and ICT Infrastructure. The most notable achievements are outlined below:

Financial Management Information Systems (FMIS)

Revenue Administration Systems:

The Jamaica Customs Agency (JCA) acquired and operationalised a new customs management system (ASYCUDA) with the *Export Module* of the system commissioned in December 2014. Much of the activities during FY 2014/15 included: securing relevant approvals; procurement of supporting software and hardware required for the testing; trailing and eventual commissioning of ASYCUDA; and strengthening ICT infrastructure. Tax Administration Jamaica (TAJ) will launch its Revenue Administration information System (RAiS) in February 2015. A part of the e-Services feature is to enable taxpayers to file returns and make payments from any computer with internet connection.

The systems at both the TAJ and JCA are in the first phase of implementation and tangible benefits are expected with respect to the impact on customs control and security, revenue collection, taxpayer services and trade facilitation.

Central Treasury Management System

The GOJ, through the MOFP, launched a new treasury-linked accounting and reporting system in FY 2012/13, the Central Treasury Management System (CTMS).The CTMS project encompasses: (i) an upgrade of the existing accounting package (FinMan) throughout all Ministries, Departments and Agencies (MDAs); and (ii) the development of a Treasury Management Module (TMM) for the Accountant General's Department (AGD). The CTMS underwent a number of enhancements throughout FY 2014/15, namely:

(i) a Purchase Order Module was added;

(ii) the Revenue Module for the TMM was coded and is being tested;

(iii) an alternate Site has been established;

(iv) Back-up and Recovery Procedures have been established; and

(v) a Payroll Module has been added to further facilitate central release of salaries.

Budget Management System

GOJ is in the process of acquiring a new automation solution for the preparation, execution and monitoring of the budget, starting in FY 2016/17. Evaluation of bids has been completed and the relevant approvals are now being sought for the acquisition of the system during the first quarter of FY 2015/16.

Procurement System

Work continued to implement an Electronic Tendering System to support administration of the Public Procurement Law (PPL) and increase transparency. During FY 2013/14, a system was acquired and work is far advanced in configuring and testing the system.

Legislative Framework

The GOJ has been making significant legislative changes in the area of tax and revenue administration including the following amendments:

- Betting Gaming and Lotteries (Amendment) Act, 2014 - provided for the introduction of new fees and fines, telephone/text betting and sports betting regime;
- Tax Penalties (Harmonization) Act - provided for synergy between the penalties in the Education Tax and the Income Tax regimes;
- The General Consumption Tax (Amendment) Act, 2014 - provided for changes to the GCT regime, namely the revamping of the treatment of manufacturers as per the deferral scheme;
- Tax Collection (Miscellaneous) Provisions Act, 2014 - provided for increased powers of the Commissioner General, TAJ including but not limited to garnishment provisions and tax liens.
- The Customs (Amendment) Act, 2014 - provided for the introduction of the customs electronic system ASYCUDA.

Organizational and Process Re-engineering

In order to effectively and efficiently carry out reforms, there is a need for changes in the structure and processes within the organizations. As set out in the PFM RAP, centralization of the Cash Management function within the Accountant General's Department (AGD) requires that the organization be transformed into a modern Treasury over time. In the short term, focus will be on the establishment of a Treasury Unit with technical assistance from IDPs.

With respect to the Ministry of Finance and Planning, a review was completed in FY 2014/15 and a Resource Management Team established to consider the recommendation for implementation. To support this initiative, the MOFP is implementing a detailed Strategic Review which is aimed at the development of a high performing, resilient organization.

Capacity Building and Change Management

During FY 2014/15, a Transformational Learning Initiative was launched with the aim of building staff capacity and ensuring ongoing learning. In this regard, a number of PFM related courses have been delivered to staff through the Management Institute for National Development (MIND).

In terms of change management, focus will be on communication (including the objectives of reforms and about the successes) and the adaptation of a behavioral approach to management.

In summary, the planned PFM reforms have been progressing steadily. Notable reform activities have been completed to establish and strengthen the existing financial management information system.

Appendix III

Developments in the Financial Sector

Introduction

In collaboration with the regulatory authorities, the Ministry of Finance and Planning (MOFP) upheld the Government's commitment to maintain stability in the financial sector. The MOFP continued its efforts to ensure effective regulation of financial institutions during FY 2014/15 through advances made with respect to key pieces of legislation. In addition, the Financial Investigations Division (FID) continued to actively pursue its mandate of addressing matters relating to financial crimes, including money laundering, while the Financial Institutions Services (FIS) continued its winding down operations on behalf of the Financial Sector Adjustment Company (FINSAC).

Banking Services Act (formerly Omnibus Legislation)

The Banking Services Act (formerly Omnibus Legislation) was passed in the Houses of Parliament in June 2014 and assented to by the Governor General on July 8, 2014. The Act merges the provisions of the Banking Act, Financial Institutions Act, Bank of Jamaica Regulations and some provisions of the Building Societies Act into one piece of legislation. Additionally, the new enactment enhances the supervision of deposit-taking institutions (DTIs) in accordance with international principles and increases the supervisory independence of the Bank of Jamaica (BOJ). Currently, Regulations to accompany the Act are being developed and the Act will not be brought into effect until these accompanying Regulations are approved.

Securities (Amendment) Act

The Securities Act was amended to enhance the legal and regulatory framework for Retail Repurchase Agreements in Jamaica. It includes providing additional protection for the interests of repurchase clients prior to and in the event of a dealer's insolvency or bankruptcy. The Bill to amend the Securities Act was tabled and passed in the Houses of Parliament in December 2014 and assented to by the Governor General on December 23, 2014. In addition to the amendment to the Securities Act, the Securities (Retail Repurchase Agreements) Regulations and the Securities (Prudential) Regulations were drafted and gazetted, effective December 30, 2014. Both Regulations are in keeping with the reform of the securities dealer sector, the latter seeking to tighten the prudential standards for securities dealers in line with international best practice.

Private Pensions Legislation

A Cabinet Submission with regard to the second phase of private sector pension reform to address issues such as vesting, portability and indexation has been prepared and will be submitted to Cabinet for approval in the final quarter of FY 2014/15.

Insurance (Amendment) Act

Cabinet approved tabling, of the Bill to enable amendments to the Insurance Act, in the Houses of Parliament where it will be debated. The amendment to the Insurance Act seeks to enable the harmonization of certain provisions with other financial sector legislations, thereby, strengthening the legislative framework of the insurance industry.

Bank of Jamaica (Amendment) Act

The Chief Parliamentary Counsel (CPC) drafted a Bill to amend the Bank of Jamaica Act. The draft Bill is currently being revised by the CPC to incorporate the most recent comments of stakeholders. The proposed amendments seek to give the BOJ institutional responsibility for the stability of Jamaica's financial system.

Proposed Micro Credit Act

The Micro Credit Bill is being drafted by the CPC. The proposed Act will provide for the registration and regulation of small, privately-owned money lending institutions in an effort to address deficiencies inherent in the operations of the industry. It will also promote greater transparency, protection of consumers, reduction in risks and elimination of the potential for the industry to be used as a vehicle to facilitate money laundering.

Financial Investigations Division

During FY 2014/15, the FID continued to actively pursue its mandate to reduce the incidence of financial crime in Jamaica and, in particular, provide important data to law enforcement authorities as well as conduct its own investigatory activities. The following are some of its key achievements:-

- ✓ With the passage of the recent amendments to the Financial Investigations Division Act, the FID achieved full membership in the Egmont Group of Financial Intelligence Units in June 2014. This has paved the way for the FID to share information with its international counterparts and also attests to the standards and strength of Jamaica's legal and institutional framework in this area.

- ✓ The FID entered into eight (8) information sharing Memoranda of Understanding (MOUs) with regional counterparts during 2014.

- ✓ The FID continued to work closely with law enforcement agencies such as the Major Organized Crimes and Anti-Corruption Agency (MOCA) to combat organized crime.

- ✓ The FID in carrying out investigative activity during FY2014/15 completed the following number of orders:-

Type of Investigative Activity	Number of Orders
Production Orders	89
Disclosures to law enforcement	90
Responses to overseas requests for assistance	22
Responses to requests for financial profiles (solely for law enforcement authorities)	221

- ✓ The FID also achieved the following successes in completing cases in civil recoveries and cash seizures for the period April to December 2014:-

Type of seizure	Value of Asset
Cash Forfeited	$96.6mn
Civil Recovery Orders	$40.9mn
Property Restrained	$185.7mn
Cash Seizures	$169.8mn

Financial Institutions Services (FIS) Limited

The FIS Ltd continued to wind up residual activities on behalf of FINSAC, including selling remaining properties and shareholdings held by companies under its control. The following are some of its key achievements:-

- ✓ The remaining FINSAC interest in the loan portfolio was sold to the Jamaican Redevelopment Foundation (JRF). The US$6.5mn proceeds from this sale was received in March 2014 and distributed to the Accountant General.

- ✓ Over the period January 2002 to February 2014 FINSAC received total inflows of US$87mn from the sale of the loan portfolio to JRF, comprised of: the initial deposit of US$23mn, remaining interest sale price of US$6.5mn and collections of US$57.4mn.

- ✓ In December 2014, FINSAC received a total of $26mn from the sale of shares held by a number of FINSAC-controlled entities with shareholding in other companies. Another $35mn is anticipated from remaining holdings.

- ✓ Following the settlement relating to a property in St. Lucia, owned by International Hotels (St. Lucia) Limited (IHSL), payments totalling approximately US$1.5mn was received.

- ✓ A number of litigation matters are being pursued in the Courts by or against FINSAC and its affiliated entities, each at different stages of the litigation process.

- ✓ The audited financial statements for the year ended March 2014 for FIS and FINSAC were completed and submitted to the MOFP.

- ✓ FINSAC continued to interface with Guardian Life Limited (GLL) and the actuaries (Eckler) with a view to resolving the following outstanding pension-related matters:-
  - o Jamaica Mutual Life Staff Superannuation Fund;
  - o Eagle Merchant Bank Pension Scheme; and
  - o Scheme for the Jamaica Mutual Properties Limited

Proposed Areas of Focus for FY2015/16

For FY 2015/16, efforts will concentrate on the following:

- ✓ Amendment of the Bank of Jamaica Act to give institutional responsibility for stability of the financial sector to the BOJ;
- ✓ The second phase of private sector pension reform to address issues such as vesting, portability and indexation;
- ✓ Facilitating the enactment of legislation to provide for the registration and regulation of small privately-owned money lending institutions;
- ✓ Continued divestment of the remaining assets under FIS's control;
- ✓ Completing the audit for both FINSAC and FIS for year ending March 2015;
- ✓ Finalizing and resolving outstanding pensions and litigation matters;
- ✓ Ensuring the full implementation of goAML[4] to enable greater access and analysis of key financial data to strengthen investigations and prosecutions;
- ✓ Deepening relations with other agencies involved in the fight to detect and reduce financial crimes through more structured relations such as Memoranda of Understanding;
- ✓ Building FID's capacity to investigate cyber-crime as well as ensuring the security of the data-bases maintained by the FID;
- ✓ Providing support for the Caribbean Financial Action Task Forces (CFATF) Mutual Evaluation of Jamaica scheduled for June 2015. This Evaluation will test Jamaica's compliance with the international standards in the area of money laundering and the financing of terrorism; and
- ✓ The sensitization of the public to section 101A of the POCA, which deals with prohibitions against cash transaction exceeding J$1mn.

[4]goAML is an IT based information, collection management and analysis software package.

Appendix IV

Strategic Human Resource Management

PUBLIC SECTOR REFORM

Establishment of the SHRMD

In keeping with the Economic Reform Programme and 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 and the finalization of the new structure and staffing of the SHRMD is well advanced.

Compensation Review

The IDB-funded GOJ compensation review which commenced in October 2013 was completed in February 2014 in keeping with the structural benchmark under the EFF. The main objective of the compensation review is to inform transformation of the GOJ Compensation system and to recommend measures to reduce the Public Sector Wage Bill to nine percent (9%) of GDP by March 2016, as required under the Financial Administration and Audit Act (Fiscal Responsibility Framework).

Human Capital Management Enterprise System (HCMES)

Stage two of the procurement process and the evaluation of the bids for the HCMES was completed in January 2015 in keeping with revised timelines. A preferred bidder has been identified based on the evaluation scores, and the report is currently being finalised. It is expected that a contract will be in place by April 2015 with phased implementation set to begin during that month.

Public Sector Pension Reform

Reform of the public sector pension system represents a critical element in establishing sustainability of the fiscal operations. Accordingly, during FY 2014/15, work was advanced as indicated below:

- Consultants to undertake project management and organizational development activities relating to re-engineering of the pensions administration process were engaged;
- Drafting instructions to CPC in respect of the omnibus pension legislation were prepared and are being reviewed;
- Cabinet approved award of the contract for development of an Application System for the Re-engineered Pension Administration (Earnings Database); and

- Sensitization sessions on the reformed pensions system were held island-wide with critical stakeholders.

Activities will continue in FY 2015/16, to facilitate implementation of the reformed system in FY 2016/17.

The reformed system will, inter *alia*:

- result in a change in the variables that are used to determine benefits;
- require all government employees to contribute towards their pension;
- increase the general retirement age from 60 to 65; and
- extend the survivor benefit to teachers.

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 achievement of the Wage Bill target of nine percent (9%) of GDP by March 2016.

Establishment General (G) Order

During FY 2014/15, the Parish Council Establishment and the Civil Service Establishment (General) Orders, 2014, were printed and distributed.

SCHOLARSHIPS AND ASSISTANCE AWARDED UNDER GOJ AND DONOR PROGRAMMES

Scholarship

During the period April to December 2014, scholarship offers were received from China, Cuba, Japan, Russia, Serbia, The Caribbean Catastrophe Risk Insurance Facility (CCRIF), the Organization of American States (OAS), Mexico, New Zealand and the UK Commonwealth Scholarship. Advertisements were posted in the media and on the MOFP's website while circulars were sent to special interest groups. Where applicable, candidates were interviewed, nominated and awarded, accordingly. Approximately fifty-five (55) long and short term scholarships were accessed.

Skills Training

The Skills Training Programme implemented under the 2004 Memorandum of Understanding (MOU) Agreement between the Government and Unions representing Public Sector Workers, continues to create opportunities for Public Sector workers at various levels of the economic strata to acquire technical and vocational skills to augment their earning potential.
The programme, delivered in partnership with the HEART Trust/NTA, UWI and vocational training institutions, has yielded significant success since its inception. However, during the period April to December 2014, the programme was significantly impacted by organizational changes

being implemented by the major training partner, HEART Trust/NTA. The *Air-conditioning and Refrigeration, Tiling, Motor Vehicle Repairs, Cake Baking* and a variety of *Information Technology* (IT) programmes were directly affected. As at the end of December 2014, only one (1) programme was implemented in collaboration with the UWI School of Continuing Studies. A total of thirty (30) participants were trained.

EMPLOYEE BENEFITS

Funeral Grants, computer, motor vehicle, miscellaneous and tertiary loans were processed and approved in accordance with the relevant guidelines. During the April to December 2014 period, total disbursement to Public Sector workers for Loans and Grants was $185mn, a forty-seven percent (47%) decline from the corresponding period last year.

INDUSTRIAL RELATIONS

The SHRMD continues to accept and process claims for the contract period 2012/15. Currently, eight (8) outstanding claims are to be concluded for the period – five (5) from Parastatal organizations and three (3) from Central Government.

The implementation of the general Heads of Agreement for the 2012-2015 contract periods continues, and the following were achieved during the period:

- ***Tertiary Grant for Children of Public Sector Workers*:** One hundred and four (104) beneficiaries were granted awards during the second quarter of FY 2014/15, totaling **$15.0mn**.

- ***Land/Housing for Public Sector Workers*:** The Sub-Committee continues to advance discussions on making lands for housing or agricultural pursuits available to Public Sector workers. Arising out of these discussions, a Memorandum of Understanding is to be signed between the Sugar Company of Jamaica Holdings Limited and the MOFP regarding the delivery of additional housing solutions for Public Sector workers. Additionally, Possession Letters are being prepared by the National Land Agency to hand over land for agricultural and residential use.

- ***A Relativity Study (Correctional Officers)*** was carried out to determine and correct the gap between the salaries of Fire Fighters and Correctional Officers resulting in recommendations being implemented for Correctional Officers, with effect from December 2014, at a cost of $398mn per annum**.**

Of the groups which were not signatories to the (Omnibus) Heads of Agreement, the GOJ was able to arrive at a settlement with the five (5) Police groups, with an agreement signed on April 29, 2014.

The GOJ will negotiate a two-year wage contract for the period 2015/16-2017/18. At end-December 2014, six (6) claims were received – three (3) from Parastatal organizations and three (3) from Central Government. Included among the claims are the Jamaica Teachers Association (JTA), United District Constables (UDC) and the Jamaica Federation of Corrections (JAFEDCO). The GOJ has commenced discussions with these groups.

Industrial Harmony

A "*…dispute between the Ministry of Health, the Ministry of Finance and Planning and the Association of Government Medical Consultants employed to the Ministry of Health over the Association's claim for payment of Emergency Duty Allowance and Incentive Allowance for the full duration of leave*" is currently before the Industrial Disputes Tribunal.

Industrial harmony was, however, maintained during the period for ninety-nine percent (99%) of the Public Sector Groups, against a ninety-five percent (95%) target. This was achieved through continuous dialogue with the Unions, the provision of timely and sound advice to Ministries, Departments and Agencies (MDAs) in the implementation of agreed benefits, as well as directed efforts to resolve grievances presented for intervention.

Appendix V

Tax Administration Programme

The mandate of Tax Administration Jamaica (TAJ) is to effectively administer and contribute to building 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 expenditure of the Government of Jamaica (GOJ) is adequately funded. In order to attain this goal, the GOJ has embarked on a reform of its existing tax administration machinery through the establishment of a new organisation structure, business processes, technology, culture and human resources. Reform of the tax administration machinery started during FY 2013/14 and is ongoing. The following were undertaken in support of the reform agenda to ensure TAJ becomes a modern, efficient and effective Tax Administration:

- Profound changes were made to various pieces of tax legislation;
- Significant organisational restructuring was undertaken; and
- Notable improvements were made to business processes.

In FY 2014/15, the organisation achieved Semi-Autonomous Revenue Authority (SARA) status with the passage of the Tax Administration Jamaica (TAJ) Act. As a SARA, the core functions, power and responsibility of TAJ remain unchanged but will be managed through the leadership of the Commissioner General, the designated head of the organization. What will change for TAJ is its governance model which calls for a Board of Management. This board has been appointed and is responsible for overseeing the general administration of the authority including reviewing, evaluating and approving the financial statements and expenditure proposal of the Authority.

Strategic Direction FY 2014/15

In keeping with the policy objectives of the MOFP and its own reform agenda, TAJs FY 2014/15 strategic direction centred on two objectives:

1. continuously improving voluntary compliance through balanced programmes in service, education and enforcement (as per the compliance model);and
2. modernization of the organization through focusing on its people, processes, technology and physical infrastructure.

The TAJ designed strategies and activities based on a risk assessment. Improved voluntary compliance strategies focused on strengthening programmes developed in risk management models, arrears management framework and continuously reviewing and redesigning service offerings. Key modernization strategies focused on the re-engineering of business processes and ICT systems.

Compliance

To improve voluntary compliance, TAJ applied aspects of its compliance model by implementing activities aimed at strengthening its service, educational and enforcement programmes across the full spectrum of compliance; namely, registration, filing, payment and reporting as follows:

1. *Improving registration compliance*. This was done by harnessing and risk appraising data gathered from the health, distribution, utilities and health insurance sectors. This is an ongoing strategy as additional sectors will be asked to provide data over time by completing the Information Returns in accordance with the third party information legislation. TAJ has engaged the parties who have supplied information to ensure that records will be kept for subsequent years given that the first data set was inadequate.

2a. Improving filing and payment compliance. TAJ's plan for FY 2014/15 was to focus on five tax types to improve the levels of filing compliance. The department succeeded in meeting the target for four of these tax types.

2b. *Expansion of e-filing requirements.* Mandatory e-filing which commenced in FY 2013/14 was expanded in FY 2014/15 to include all GCT and Payroll (SO2) Returns. E-filing facilitates improvements in risk assessment and data mining capabilities.

3. *Enhanced Public Education Campaign*. Focused on educating the public on all aspects of inland taxation, TAJ embarked on a comprehensive public education campaign. The campaign covered areas such as the introduction of penalties for non-filing where none previously existed (legislative amendment), sustained court action for non-filing and non-payment, and the need for all businesses registered with the Companies Office of Jamaica to file an Income Tax Return, regardless of their trading status. At end December, approximately 86% of planned taxpayer contact had been made through, among other methods, utilization of courtesy calls by the Customer Care Centre (CCC).

4. *Tax Arrears and Tax Arrears Write-Off Regulations*. At least 5,206 arrears cases were closed with collections exceeding $16,500.0mn, an increase of approximately 16% over the same period in FY 2013/14.

   In FY 2014/15, the new Tax Arrears Write-Off legislation was implemented with the establishment of a committee to review and approve arrears for write off. The Committee approved $153,600.0mn of tax arrears for write off.

5. *Audit Programme:* The highest risk for revenue loss from inaccurate reporting is in the large taxpayer segment. To this end, focus was placed on enhancing the auditing capabilities of the Large Taxpayer Office (LTO) through the assignment of additional resources, including human, and the continued training of audit staff across all segments. This was supported by improved access to information on taxpayers through third party legislation. Audits of Small and Medium-Sized Enterprises (SMEs), which are conducted by the Revenue Service Centres (RSCs), were complemented with an effective taxpayer education programme as it was recognized that some non-compliance is due to poor record keeping and lack of knowledge regarding tax requirements. Although targeted results were not achieved, at end- December 2014, 453 (10.7%) more taxpayers were audited when compared to the same period last year.

Legislation

Legislative changes intended to increase the tax base, reduce leakages, address business facilitation and allow for a simplification in current administrative processes were undertaken. The amendments made were not confined to any one tax type but spanned various Acts and are as follows:

- General Consumption Tax Act – provision for the valuation and collection of tax on imported services;
- Income Tax Act - withholding tax on insurance premiums;
- Tax Collection (Miscellaneous Provisions) Act – a new suite of collection/enforcement mechanisms;
- Tax Penalties (Harmonization) Act – modernization and harmonization of penalties across tax statutes;
- Customs Act - provision for the introduction of ASYCUDA World; and
- Revenue Appeals Act – establishment of the Revenue Appeals Department, with its attendant powers and duties as a department of the MOFP.

Other legislative matters that remained as works-in-progress relate to:

- Transfer Pricing Bill to amend the Income Tax Act to introduce transfer pricing rules;
- A Bill to amend the Income Tax Act to facilitate the introduction of the measures required by the Foreign Account Tax Compliance Act (FATCA). This is an important amendment as Jamaica has to ensure it meets its international tax compliance obligations; and
- Establishment of Special Economic Zones (SEZs).

Work was started on establishing new double taxation treaties with Nigeria and Ukraine whilst there was ratification of the Curacao and Mexico treaties. Tax Information Exchange Agreements (TIEAs) were created with Argentina, India, South Africa and South Korea.

Modernization of the Organization

Improved Business Processes

Phased implementation of the new Revenue Administration Information System [formerly Integrated Tax Administration System (ITAS)] started in FY 2014/15. Phase one of the system was rolled out on February 9, 2015. This first phase focuses on registration, General Consumption Tax and Special Consumption Tax. The Revenue Administration information System (RAiS) will provide a modern tax platform that will improve service delivery as well as general accountability between taxpayers and TAJ while facilitating an easy electronic interface, that is, business to government and government to government. The RAiS project is being funded through a loan from the Inter-American Development Bank.

The improved efficiency of the organisation will also be driven by the acquisition of an Enterprise Content Management System (ECM). The Cabinet approved the bidder recommended to supply the ECM system and contract negotiations for delivery of the system have started.
Of note, a new SO4 form was introduced for self-employed persons. This will make it easier for this group of persons to file all deductions on a single form rather than using multiple forms.

Organizational Structure

The new organisation structure under SARA and the associated job descriptions were completed and submitted to the MOFP. With respect to the SARA structure, a strategic human resource plan was developed to assist in the management of the transformation and pending changes to TAJ. This HR initiative is designed to directly impact and improve human resource management and readiness throughout TAJ. It consists of a three-phase implementation plan to be completed by October 2015.

Strategic Direction FY 2015/16

TAJ's tax reform continues in this fiscal year. The strategic direction remains focused primarily on two objectives: (1) improving voluntary compliance and (2) modernization of TAJ. Initiatives to be implemented will build on and strengthen achievements made during FY 2014/15 as TAJ strives to deliver on its mission statement. These objectives will be accomplished through the implementation of programmes specifically developed to: improve compliance rates; create equity in the tax system by simplification; and increase overall efficiency and effectiveness of TAJ's operations by way of improved business processes.

TAJ's risk framework will be strengthened by ensuring that, at the divisional level, operational plans are subjected to a similar risk assessment as at the strategic level.

Compliance

TAJ's compliance strategies for FY 2015/16 will benefit from achievements made in the previous fiscal year. The TAJ will continue to develop its compliance framework to better understand the factors influencing taxpayer behaviour and how this differs across taxpayer groups and tax types. This understanding will allow improved strategy design that will encompass TAJ's risk approach to the varying taxpayer behaviour to address the underlying drivers of compliant behaviour by applying the appropriate remedies for the enforcement of taxes with the aim of graduating those who "don't want to comply" to a state where they are "willing to do the right thing." This will be in addition to continuously "making it easier" for those who comply. The compliance focus areas for FY 2015/16 and FY 2016/17 which will guide TAJ's efforts to, at a minimum, maintain current revenue collection levels from compliant taxpayers while ensuring there is an overall improvement in taxpayer compliance, are outlined below. These focus areas are consistent with TAJ's strategic objectives of improving voluntary compliance and modernizing tax administration.

Registration Compliance

Proposed Treatment Strategies
During FY 2015/16, TAJ intends to significantly utilize third party information matching and data mining through harnessing and risk appraising of external data gathered from a variety of sectors.

As a result of the expected increase in its information matching and forensic data mining, TAJ expects to see a steady stream of non-registrants being identified during FY 2015/16 for subsequent follow up action by TAJ staff. The TAJ plans to use a combination of taxpayer education, taxpayer assistance and compliance enforcement initiatives to address the significant non-registration problem. In light of this, the TAJ will devise and implement innovative solutions such as desk checking, field checks, record keeping reviews, information visits, improved communication products (both paper and web), enhanced outreach programs, partnering with external organizations and when needed, enforcement and prosecution action.

The TAJ will also look to better collaborate with other Government agencies (e.g. Customs and Immigration) to follow-up on importers and others who are operating businesses while being incorrectly or not registered for tax purposes.

In support of the compliance approach, activities during FY 2015/16 will seek to simplify the registration requirements of the tax system.

By the end of FY 2015/16, the TAJ expects to better understand the level of registration non-compliance, which is consistent with its “know your taxpayer” initiative. The TAJ intends to make significant inroads into reducing the problem of non-compliance and initiatives toward this end will continue into FY 2016/17.

Filing Compliance

Proposed Treatment Strategies

During FY 2015/16, TAJ intends to make significant inroads into improving on-time filing compliance with the introduction of the new RAiS. The RAiS will provide compliance managers and staff with automated processes to help manage workloads, issue system-generated reminder letters, allow staff to track case actions including phone calls, referrals for personal visits and prosecution action, automate the calculation of non and late filing penalties and facilitate accurate management reporting against performance benchmarks.

TAJ’s filing compliance risk-based approach will be a mix of taxpayer education and assistance supported by appropriate enforcement and prosecution action. Efforts during FY 2015/16 to improve filing compliance will include activities to:

- increase the number of taxpayers using e-filing;
- firm up legislative filing requirements;
- identify inactive taxpayers, who are still trading, with a view to taking appropriate action to demonstrate that there are consequences for breaches such as not filing or filing incorrect returns; and
- cleanse the filing database of taxpayers who are no longer required to file returns.

Payment Compliance

Proposed Treatment Strategies
Payment treatment strategies will be segmented into three categories thus ensuring:

1. taxpayers pay current year amounts when due;
2. taxpayers either pay tax arrears in full or enter into payment arrangements to clear debts in a reasonable timeframe; and
3. irrecoverable amounts are written off in a timely manner consistent with recent legislative changes, with arrears management processes put in place to ensure the problem does not recur in the future.

During 2015/16, TAJ intends to significantly improve payment compliance by:

- implementing the RAiS.; and
- making better use of its enhanced information matching and data mining capability to help identify revenue that can be collected through the recently strengthened collection provisions to clear tax arrears via liens, garnishee action and other withholding at source arrangements.

TAJ’s filing payment compliance risk-based approach will be a mix of taxpayer education and assistance supported by appropriate enforcement and prosecution action. Efforts during FY 2015/16 to improve payment compliance will include options to:

- be reasonable in negotiating payment arrangements for clearing tax arrears with those taxpayers who are making a genuine attempt to move toward being payment compliant;
- increase the number of taxpayers using e-payment;
- extend mandatory e-payment to at-risk taxpayers and tax types;
- extend automated withholding at source arrangements through third parties;
- working with the banks to incorporate e-payment by taxpayers through their own bank's existing bill payment systems;
- make use of recent strengthening of legislation which provide for stronger penalties and collection of taxes through liens and garnishee action;
- work more closely with auditors so that payment arrangements become an integral component of the audit adjustment settlement process;
- take appropriate action against those taxpayers who close down one business without paying tax debts only to re-open again with similar management and ownership arrangements soon thereafter;
- seek more court time to prosecute offenders; and
- work with Court Bailiffs to enforce warrants.

(Correct) Reporting Compliance

Proposed Treatment Strategies

During FY 2015/16, TAJ intends to make significant inroads into improving correct reporting compliance by:

- implementing the RAiS.;
- making better use of its enhanced information matching and data mining capability to help identify high risk cases for audit and to provide ongoing analysis, checking and verification services throughout the course of the audit; and
- continuing to improve audit effectiveness through training, improved procedures and using the strengthened legislation provisions for accessing information and imposing penalties.

Initiatives to be undertaken during FY 2015/16 to improve correct reporting will include seeking to:

- better inform taxpayers, employers and third party information providers of TAJ's requirements;
- improve forms and filing options to make the reporting process as simple as possible;
- making good use of the RAiS to automate and case manage in-office checking and verification processes (desk audits), and to help improve the case auctioning and management of field audits;
- further extend the recent improvements in LTO audit approaches to the SME sector; and
- continue efforts to increase audit coverage by increasing auditor numbers via recruitment, enhancing auditor technical competence via training and mentoring by senior staff, and making more use of audit approaches such as specific issue audits to reduce the time spent on each audit.

By the end of FY 2015/16, the TAJ expects to make significant progress toward reducing the problem of incorrect reporting compliance with further gains anticipated in FY 2016/17.

Modernization of the Organizational Structure

Organizational Structure

Phases two and three of the HR transitional plan to effect SARA operations will be implemented by October 2015. This involves selection of staff for the next tier of the organization, following completion of the executive management selection in FY 2014/15. Areas to be staffed early in Phase three include LTO and Customer Care Centre due to their critical contribution to revenue collection and customer service.

To ensure a smooth flow into the operations of the restructured organisation, a change management plan has been developed and personnel assigned to manage the implementation of the approved transition policy and plan.

Improved Business Processes

Initiatives to improve the business processes within the TAJ in FY 2015/16 include:

- Implementation of Phase two of RAiS in the third quarter of FY 2015/16 and will focus on income tax. Work will continue in the fourth fiscal quarter on Phase three roll out due in early FY 2016/17;
- Pursuit of the enactment of legislation in support of improved use of technology and the new business processes;
- Introduction of the Enterprise Content Management System (ECM), which is expected to enable the organisation to better manage its documents and records, will be introduced in phases.
- Strengthening of web based service offerings.

Performance management

During FY 2015/16, TAJ will be reviewing/strengthening its performance indicators to ensure alignment throughout the organization with strategic objectives. This will provide more clarity (clear line of sight) within the performance management system as there will be new expectations from managers with regard to performance under the SARA.

Jamaica Customs Agency

Introduction

The Jamaica Customs Agency (JCA) commenced its transition into an Executive Agency on April 2, 2013, under the provisions of the Executive Agencies Act, 2002. As an Executive Agency, the JCA is required to act in accordance with the Financial Instructions to Executive Agencies (FIEA) which specifies the systems, policies, procedures and controls that must be in place for executive agencies. The JCA is set to achieve full Executive Agency status on April 1, 2015.

The Jamaica Customs Agency is a major revenue collecting agency, and has a critical role to play in contributing to a stable economy. This objective is achieved through participating in policy development to ensure that the taxation system is simple, efficient, fairand facilitates a competitive business environment that will support economic growth and development.
The main functions of the JCA are to:

- process cargo and passenger goods in a timely manner;
- foster compliance;
- contribute to national development;
- protect Jamaica's borders; and
- optimize revenue collection.

In accordance with its revenue optimization role, the JCA collects approximately 35.0% of the national tax revenue, annually.

Operating Environment

The JCA continues to operate and facilitate trade in a unique and dynamic environment. To efficiently and effectively carry out its role, the Agency aims to maintain a workforce that is committed to excellent delivery of high quality customer service. In achieving the JCA's mission, vision and 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 those related to money laundering.

In addition to its own laws, the JCA enforces over one hundred and twenty-five (125) other provisions of law for at least twenty (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;
- 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 2014/15

During the period April 2014 to December 2014, the following initiatives were undertaken and achieved:

1. April 2014: Inter-Bank Transfer introduced as an additional payment method to, *inter alia*, facilitate payment from importers, allowing for Direct Banking/Real Time Gross Settlement (RTGS);
2. May 2014: Kingston Wharves secured free zone and trans-shipment status;
3. July 28, 2014: JCA commenced revamping of the Authorized Economic Operator (AEO) Programme;
4. August 13, 2014: ASYCUA World system launched;
5. September 2014: Amendments to the Customs Act enacted to facilitate the ASYCUDA World system;
6. November 2014: Full Implementation of ACCPAC accounting system commenced;
7. November 2014: Kingston Logistic Center secured port status;
8. December 2014: Export Module of the JCA's new computer system and hardware, ASYCUDA World, piloted at the Kingston port;
9. December 2014: Transitioning of staff into the Executive Agency structure 80% completed.

Strategic Objectives for FY 2015/16 and the Medium Term

The JCA's medium term strategic objectives and strategies for FY 2015/16 to FY 2017/18 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; and
- Developing systems to improve the detection and prevention of prohibited and restricted goods.

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 modules.

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 prevent the trans-shipment 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);
- Promoting ongoing public education through the various media, eg. workshops, meetings, public forum, expos, print and electronic media; and
- Broadcasting information through 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 ASYCUDA throughout the Agency;

- Implement 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
- 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 posts;
- Developing and implementing Staff Satisfaction Surveys;
- Aligning 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 are to**:**

- 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 Standard 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.

8. To attain full Executive Agency status by April 2015

The key strategies to be implemented are**:**

- Upgrade and maintenance of the physical infrastructure to accommodate modernization; and
- Full transition of staff to the Executive Agency structure.

Appendix VI

Public Sector Investment Programme
FY 2015/16 – FY 2019/20

REFORM OF PUBLIC INVESTMENT IN JAMAICA

Under the strategy for improving fiscal operations, a concentrated transformation programme is now being pursued by the Ministry of Finance and Planning (MOFP) to ensure the achievement of key macro-economic targets. A critical risk mitigation programme is accompanying this transformation agenda which includes:

(a) The establishment of a Public Investment Management Information System (PIMS);
(b) Improving public investment analytical capacity in the Planning Institute of Jamaica (PIOJ) and the MOFP to undertake new tasks to be carried out under the PIMS;
(c) Building capacity for public investment management through intensive training programmes 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; and
(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.

As part of the Government's continued commitment to the reform of the Public Financial Management Reform Agenda, the MOFP successfully negotiated a loan for the implementation of the Strategic Public Sector Transformation Project. The Project, which was signed in September 2014 for US$35mn, has a five year implementation schedule and is expected to, inter alia, support the implementation of the PIMS in Jamaica.

In March 2014, Parliament approved amendments to the Financial Administration and Audit (FAA) Act to strengthen the legislative framework for the PFM reform, specifically the PIMS. The legislation was Gazetted in April 2014 and provides for the following institutional and administrative arrangements that will support this aspect of the reform:

- The establishment of the Public Investment Management Committee for the review of all Public Investments;
- The creation of a Public Investment Management Secretariat in the PIOJ to provide technical support to the aforementioned committee;
- The creation of the Public Sector Investment Programme (PSIP) Policy Paper which is the assessment of the portfolio of Public Investments; and
- The development of the PIMS guidelines to provide support to MDAs in development and implementation of Public Investments.

FY 2015/16 – FY 2019/20 PUBLIC SECTOR INVESTMENT PROGRAMME

The FY 2015/16 – FY 2019/20 PSIP presented in the table below**,** incorporates investment projects funded through GOJ resources, revenues generated by the public bodies as well as through 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 2019/20.

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 GOJ 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 a recertification exercise was undertaken to determine continued eligibility under the programme and a graduation strategy was subsequently developed and approved in April 2014. The additional loan support of US$40.0mn from the World Bank signed in March 2014 for a 4-yr period will help to further finance aspects of the programme, including payment of Cash grants (US$28.0mn), scaling up of the Steps-to-Work Program, implementation and operationalization of the public sector pension reform.

For FY 2015/16, $5,500mn is provisioned to support continued payment to 315,000 beneficiaries; sensitize families expected to transition from the programme via the PATH graduation policy, develop the Steps to Work Management Information System and develop the software for the pensions earning database.

Jamaica Social Investment Fund (JSIF)

JSIF continued 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 $1,774mn in FY 2014/15 and one hundred and fifty-five (155) sub-projects were completed. Among the projects implemented were:

- infrastructural sub-projects in urban and rural communities, such as sanitation and water; construction/rehabilitation of basic and primary schools;
- rehabilitation of agricultural feeder roads;

- construction/rehabilitation of agro-processing facilities to meet good agricultural practices requirements, market upgrades; and
- provision of vocational skills training, market awareness, entrepreneurial skills, employment profiling, personal development and job preparation skills.

In FY 2015/16, $1,762mn was provided to continue implementation of the aforementioned programmes. The Jamaica Social Investment Fund (JSIF) will achieve its mandate during FY 2015/16 by executing six major projects. These are the Rural Economic Development Initiative, Poverty Reduction Project III & IV, Basic Needs Trust Fund (BNTF7), Integrated Community Development Project and the School Sanitation Programme. These projects are being implemented over a period of two to five years.

Education (Additional school places, training and reform)

For FY 2015/16, $2,071mn is allocated to projects in the Ministry of Education, with the main ones being:

(i) *Education Systems Transformation* **-** to continue the transformation process: procurement of NEI inspection software, purchase of equipment and licence to support the implementation of a new Human Resource System, development of the Primary Exit Profile and Grade 2 & 9 diagnostic tests, development and pilot of the National Standard Curriculum, extension of classroom blocks in five (5) schools;

(ii) *The University of Technology Enhancement Project* - complete the construction of the School of Hotel and Tourism Management, construction of a Shared Facilities to provide additional classrooms and Laboratories upgrade;

(iii) *USAID/MOE Education for Partnership for Improved* Reading Outcome - continue intervention in schools that need assistance in improving reading levels; and

(iv) *Education Transformation Programme* - the provision of additional classroom blocks in 11 secondary schools to alleviate the shift system.

Security and Justice

Citizens Security and Justice Programme (CSJP)

The third phase of the five year programme commenced during FY 2014/15 and is being funded by a combination of loan/grant/GoJ funds, in the amount of US$53.3mn.

The programme is expected to expand its reach to include more than the fifty (50) communities served under CSJP II, with a view to ensuring that inter-agency collaboration can be attained and services can be institutionalized after the first three years.

In FY 2015/16, approximately J$1,000.0mn is allocated for the continuation of social intervention programmes 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 services and the dispute resolution foundation.

Improved Revenue Collection

Fiscal Administration Modernization Programme (FAMP)

The main objective of the Programme is to support the GOJ in achieving a sustainable fiscal position. This will be achieved by strengthening the institutional capacity of MOFP and its agencies which should result in improved customs and inland tax collections, and more effective management of 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 (Automated System for Customs Data - ASYCUDA) at the Jamaica Customs Agency (JCA) and the Integrated Tax Administration System (ITAS) at Tax Administration Jamaica (TAJ), and (ii) enhancement and upgrading of MDAs Accounting System (FINMAN) - thirty-seven (37) ministries and departments and agencies (MDAs) upgraded.

With a budget of $1,410mn in FY 2015/16, implementation will continue to reform, improve and strengthen the systems and processes of the TAJ, JCA, 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 implementation of this project is expected to enhance competition in the business environment, facilitate large scale private investment and support Small and Medium Enterprises (SMEs) capabilities and finance.

This project is being financed from a loan of US$50.0mn from the World Bank over a 6-year period. The loan agreement was signed in September 2014 and achieved effectiveness at the end of October 2014. The services of the core members of the Project Management Unit have since been acquired and draft Terms of References (TORs) for several consultancies prepared. The studies, including the development of regulatory framework for design of Special Economic Zones, which were expected to commence in the last quarter of FY 2014/15 will not commence due to delay in the start-up of project activities.

Major activities expected to be implemented in FY 2015/16 include:

- the disbursement of funds by Development Bank of Jamaica (DBJ) from a the line of credit to approved financial institutions (AFIs) for on-lending to SMEs;
- engagement of a private firm to implement a supply chain technical assistance programme and disbursement of matching grants to qualified SMEs;
- undertaking a study regarding establishment of the Caymanas Economic Zone; and
- commencement of development of the Logistic Hub Initiative (LHI) Master Plan.

Economic Partnership II (EPA II) Capacity Building Project

This European Union (EU) funded project will continue to provide technical assistance to Micro, Small, and Medium-size Enterprises (MSMEs) to attain HACCP/ISO certification which will enhance their competitiveness and allow these entities to be able to access export markets. The upgrading of several laboratories which started under EPA II will continue under phase II until ISO 17025 accreditation and JANAAC certification are attained.

Health

In FY 2015/16, in addition to the ongoing implementation of National HIV/AIDS Prevention and Control Programmes and the programme aimed at reducing child mortality and improving maternal health, the Ministry of Health will also seek to strengthen its capacity to respond to the spread of the Chikungunya virus and the threat of the Ebola virus. An allocation of $1,200mn will be provided to fund six (6) projects aimed at meeting the objectives stated above.

Energy Efficiency and Security

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

During FY 2014/15, the major achievements under this programme include: (i) installing approximately 10,850 square ft of solar control film in several state owned entities; and (ii) commencing implementation of a contract valued at US$2.6mn to upgrade the air-conditioning systems at four (4) public entities, including the Kingston Public Hospital (KPH).

In FY 2015/16, a second air conditioning upgrade contract valued at $68.7mn will be in place. Under this contract, inefficient window and mini-split units at several educational institutions will be replaced. A third air conditioning replacement contract valued at approximately US$2.9mn is expected to commence implementation. Four (4) organizations including the MOFP are expected to benefit from this contract.

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

The major achievements in FY 2014/15**,** include (i) Acquisition of a power system analysis software and training of staff; (ii) Completion of the first phase of pre-feasibility studies of five potential hydro electric sites and feasibility studies of four (4) of the five (5) sites; and (iii) Disbursement of loans totaling $54.3mn by the Development Bank of Jamaica (DBJ) to SMEs for energy efficiency, energy conservation and renewable energy activities.

Among the activities programmed for FY 2015/16 are: (i) Commencement of pre-feasibility and feasibility studies of six (6) potential hydropower sites (phase II); (ii) disbursement of approximately $80.0mn to the DBJ for on-lending to SMEs for energy efficient and renewable activities; and (iii) procurement of a new test chamber for the energy efficiency assessment of fridges, freezers and air condition units.

Agriculture

Sugar Transformation Project

A total of $2,077.0mn was provided in FY 2014/15 to continue the project's thrust of developing a sustainable private sector led sugar cane industry and strengthening the social resilience and environmental sustainability of the sugar-dependent areas.

The major achievements during FY 2014/15 include:

(i) Training of over 600 persons from the sugar dependent areas (SDAs) in various skills including business training;

(ii) Construction of 88 houses in Clarendon and 225 houses at various stages of completion in St Thomas (barracks relocation programme); and

(iii) Capitalisation of the Cane Expansion Fund (CEF) to $1,800mn, of which approximately $1,600mn has been borrowed since 2008 for cane planting/replanting and to procure equipment for sugar industry contractors.

For FY 2015/16, $2,400mn has been allocated to:

(i) Social development projects in approximately forty (40) SDAs;
(ii) Complete the construction of 225 houses in St Thomas under the barracks relocation programme;
(iii) Rehabilitate a minimum of 80 km of cane roads; and
(iv) Replant a minimum of 1300 hectares of sugar cane.

Agricultural Competitiveness Programme (ACP)

Implementation of the Agricultural Competitiveness Programme (ACP) continued in FY 2014/15 to primarily increase the competitiveness in the agricultural sector through activities that facilitate small and medium farmers' access to markets.

The main achievements in FY 2014/15 for which budgetary allocation of $470.8mn was provided, are: (i) Installation of pipes, fittings, pumps, switchgears and other appurtenances at the Spring Plains Agro Park and (ii) Practical completion of the construction of roads and drains at Spring Plains, Yallahs and New Forest agro parks.

For the FY 2015/16, $691.2mn has been allocated to:

(i) complete irrigation infrastructure at Spring Plains and a packing house at New Forrest;
(ii) commence infrastructure works at the Hill Run Agro Park and a fifth Agro Park, for which a location is not yet decided;
(iii) procure lab equipment and supplies for the Veterinary Services Division (VSD), Food Safety, Plant Health and MOH laboratories to attain JANAAC accreditation and ISO certification; and
(iv) construct canine holding area at Police Canine Division, St. Andrew and a contraband room in Montego Bay.

Infrastructure

The Ministry of Transport, Works and Housing (MTW&H) has been allocated $5,132mn in the FY 2015/16, to facilitate the continuation of implementation of four (4) major projects, which are geared towards fulfilling the MTW&H's mandate of providing a safe and efficient transport system and affordable housing solutions. The projects are:

(a) *Transportation Infrastructure Rehabilitation Programme - Major achievements include: (i) Rehabilitation of roadway*s - Sligoville to Bog Walk (complete), Santa Maria to Sligoville (complete), Stellar Road (complete), and Scotts Cove to Belmont (60% complete); (ii) *Revetment Works* – Roselle, St Thomas (complete); and *(iii) Feasibility Studies* – Southern Coastal Highway Corridor Study (complete).

It is expected that the Scotts Cove to Belmont rehabilitation will be completed during FY 2015/16.

(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. A budgetary provision of $1,700.0mn was provided in the FY 2014/15 which resulted in the completion of thirty-six (36) service lots and seventy (70) studio units in Luana Gardens, St Elizabeth.

In FY 2015/16, $1,100.0mn is allocated to: (i) commence and complete 120 (two- bedroom) units in Belle Air III, St Ann (ii) upgrade infrastructure and associated civil works (water, sewerage and roads) at Belle Air III (St Ann), in keeping with the proposed addition of the two-bedroom units; and (iii) upgrade infrastructure and associated civil works at Mount Edgecombe IV (St Ann).

(c) *Major Infrastructure Development Programme (MIDP)* – is designed to facilitate the upgrading of key arterial roads, secondary roads, bridges, drainage structures and the implementation of seven (7) additional phases of the Jamaica Emergency Employment Programme (JEEP).

The total cost of the project is US$352.9mn (US$300.0mn from the CHINA-EXIM Bank and US$52.9mn from GOJ) and is programmed to be implemented over a period of fifty-four (54) months.

During FY 2014/15, the programme was allocated a budget of $4,000.0mn, which was later reduced to $2,144.2mn during the First Supplementary Estimates, owing to delays associated with the procurement of the road and bridge works. Activities on the project during FY 2014/15 were concentrated on the completion of civil works under Phases 3 & 4 of the JEEP component and the commencement of procurement activities in relation to the five (5) roads and six (6) bridges which were targeted to be undertaken during FY 2014/15.

For FY 2015/16 a total of $3,346.0mn has been allocated to the project to: (i) commence rehabilitation of seven (7) prioritized main roads; (ii) commence the construction of five bridges; and (iii) commence and complete phases 5 & 6 of the JEEP component (rehabilitation of community roads, drainage structures, construction of retaining walls and river training) in sixty-three (63) constituencies.

(d) *Rural Road Rehabilitation Project II (OPEC)* - The major objective of this project is to facilitate socio-economic development and integration of four (4) parishes in Jamaica through the rehabilitation of road sections in the parishes of Trelawny, Manchester, Clarendon and St Catherine. Construction commenced in FY 2014/15.

Environment Protection/Disaster Mitigation

Strengthening the Operational and Financial Sustainability of National Protected Areas

The activities under this six (6) year project, which commenced in July 2010, will help to secure the long-term financial sustainability of Jamaica's protected area system by: (i) harmonizing management practices to secure cost-effective conservation, (ii) building capacity for strategic conservation and financial planning, (iii) creating new protected areas to serve as replicable models for improved practices, and, (iv) establishing additional income sources for protected area management.

Efforts have been made under this project to establish a Protected Area Trust Fund and some achievement was made in this regard with the registering of the Fund in December 2014. For FY 2015/16, the project will seek to finalize a draft report on the development of a Protected Area National Policy, Legislation and related regulations, in addition to completing business plans and identifying revenue generation mechanisms for funding Protected Areas.

Community-based Landslide Risk-Reduction Project

The Community-based Landslide Risk Reduction Project which commenced in May 2010 seeks to reduce the risk of natural disasters in vulnerable communities, and to provide an evidence-based toolkit for vulnerability reduction throughout the Caribbean. The project is being financed by a grant of US$2.4m from the World Bank. The major activities of the project are to design and construct small landslide drainage plan/micro mitigation for four (4) selected communities. During FY 2014/15, construction works commenced in Breastworks, Portland and Melbrook Heights, Kingston. Works in the other two (2) communities of Harbour Heights and Bedward Gardens are expected to commence before the end of FY 2014/15 and are scheduled to be completed in FY 2015/16.

PUBLIC BODIES

Public Bodies Contribution to Public Sector Investment - FY 2015/16

National Housing Trust (NHT)
The NHT will be pursuing activities to stimulate growth in the housing sector. This includes expenditure on general projects of $1,626.7mn pertaining to housing built by NHT**.** NHT will also support the Sugar Housing Programme ($29.2mn) and the Community Renewal Programme ($937.0mn). The rest of NHT's planned housing expenditure $22,352.1mn during FY 2015/16 relates to financing of contractors and individuals.

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. In this regard $973.7mn is budgeted to facilitate the continued execution of works related to Phase 1B of the CDP in FY 2015/16.

Jamaica Civil Aviation Authority (JCAA)
JCAA's capital programme is budgeted at $1,208.7mn and will be focused primarily on the modernization and upgrade of air navigation, air traffic management and communication systems. JCAA will also commence expansion works to provide additional office space for staff.

Port Authority of Jamaica (PAJ)
PAJ projects to expend a total of $1,063.1mn to undertake capital investments for FY 2015/16, of which $482.3mn is to facilitate improvements to the information and operating systems at the Kingston Container Terminal, as well as the rehabilitation of two cranes. Development works will also be undertaken in Falmouth at a cost of $270mn, while $65mn is earmarked to facilitate rehabilitation works at the Ocho Rios Cruise Ship Pier.

National Water Commission (NWC)
NWC will continue to implement capital investments geared towards providing more efficient water and wastewater services to the people of Jamaica. In this regard, capital projects valued at $8,199mn are expected to be implemented during the year. These include the Kingston Metropolitan Area Water Supply Improvement Programme ($3,496.3mn), the Caribbean Regional Fund for Wastewater Management Project ($1,207.8mn) and the Portmore Sewerage Project ($704.3mn).

Urban Development Corporation (UDC)
UDC's total capital programme is budgeted at $2,237.5mn for FY 2015/16. The Corporation will be undertaking a number of infrastructural development projects across several parishes. Among the major projects are the planned improvements to the sewage systems at the Caymanas Estate and Hellshire, as well as the redevelopment of the Ocho Rios Fisherman's Beach.

Wigton Windfarm Limited
Wigton plans to expand its wind-farm by 24 megawatts. Construction commenced in August 2014 and is expected to be completed by August 2015. The expansion project is 80% financed via a US$45mn loan from the PetroCaribe Development Fund. The remaining 20% of the project will be equity financed by Wigton and its parent, Petroleum Corporation of Jamaica.

Jamaica Deposit Insurance Corporation (JDIC)
The JDIC plans to develop and implement an information system to automate activities to compute and disburse deposit insurance payments to reimburse depositors of any failed JDIC Policyholder. In FY 2015/16 JDIC will only perform system analysis and documentation of the system.

Culture, Health, Arts, Sports and Education Fund (CHASE)
In FY 2014/15 CHASE purchased a building for $80mn, due to increasing rent and maintenance costs putting a strain on its administrative budget. A cost/benefit analysis indicating a positive net yield to the investment in the long term supported the purchase decision. In FY 2015/16 CHASE plans to spend $50mn to retrofit the building into a technologically-advanced high-performance working environment that is energy efficient, safe, healthy, comfortable, durable, aesthetically pleasing, and accessible.

Factories Corporation of Jamaica Limited (FCJ)
FCJ's capital expenditure of $705.0mn includes the construction of 120,000 square feet of additional space at Naggo Head, as well as the retrofitting of approximately 66,000 square feet of existing factory space at Montego Bay Free-zone for use in the Information Communication Technology/Business Process Outsourcing sectors. In addition, the upgrading of existing properties will also be undertaken.

Jamaica Bauxite Mining (JBM)
The JBM intends to undertake major repairs to its port located in Ocho Rios. The port, which was constructed in the 1950s, has undergone renovation from time to time. However, engineers now assess that the metal constructs have become corroded and pose severe risk of collapse, with the possibility of injury to tourists, other civilians and equipment. The project is therefore deemed to be a matter of urgency.

Montego Bay Free Zone (MBFZ)
The MBFZ plans to continue focusing on being the leading provider of space that supports the Business Process Outsourcing (BPO) sector in Jamaica, as such it intends to expand its operations through the construction of a 63,000 square feet building of rentable space. The projected development will partially satisfy the increased demand for space from existing and prospective operators in the BPO sector.

PROJECTS	Funding Agency	Revised 2014/2015	Recommende d 2015/2016	Projection 2016/2017	Projection 2017/2018		Projection 2018/2019	Projection 2019/2020
		Total	*Total Budget*	Total	GOJ	Total	Total	Total
OFFICE OF THE PRIME MINISTER								
Development of a National Identification System (Korea Poverty Reduction Fund)	**KPRF**	**39,627**	**24,916**	**0**		**0**	**0**	**0**
Elimination of Doping in Sports	UNESCO	3,880	0	0		0	0	**0**
Jamaican Women's Economic and Political Empowerment (The Way out Project)	UN WOMEN	14,364	0	0		0	0	**0**
Sabina Park Lighting Project	**GOI/GOJ /TEF**	**319,940**	**35,226**	**0**		**0**	**0**	**0**
Appropriations in Aid (TEF)		71,810	0					**0**
Irrigation System for Trelawny Stadium Field	**GOJ**	**0**	**25,000**	**0**		**0**	**0**	**0**
Irrigation System for National Stadium Field	**GOJ**	**0**	**0**	**100,000**		**125,000**	**0**	**0**
Less AIA		**71,810**	0					
Construction of Falmouth Tax Office			**35,000**					
Jamaica Social Investment Fund:			**1,767,847**	**2,225,151**		**2,455,790**	**2,494,963**	**2,630,000**
Disaster Vulnerability Reduction Project	**IBRD**	**0**	**0**	**200,000**		**400,000**	**700,000**	**1,000,000**
Inner City Basic Services	GOJ/IBRD	26,911	0	0		0	0	**0**
Rural Economic Development Initiative	**GOJ/IBRD**	**320,000**	**246,765**	**380,000**		**235,290**	**0**	**0**
Poverty Reduction Project II - Completed	**EU**	**9,299**	**0**	**0**		**0**	**0**	**0**
Poverty Reduction Project III	**EU**	**492,967**	**464,000**	**40,000**		**0**	**0**	**0**
Poverty Reduction Project IV	**EU**	**15,000**	**100,000**	**470,000**		**720,500**	**469,963**	**0**
Community Investment Project	GOJ/CDB	327,468	0	**0**		**0**	**0**	**0**
Basic Needs Trust Fund (BNTF6)	**GOJ/CDB**	**17,336**	**0**	**0**		**0**	**0**	**0**
Basic Needs Trust Fund (BNTF7)	**GOJ/CDB**	**231,558**	**305,000**	**335,151**		**0**	**0**	**0**
Community Crime & Violence Prevention	JAPAN/ IBRD	0	0	**0**		**0**	**0**	**0**
School Sanitation Programme	**PDF**	**19,281**	**76,500**	**0**		**0**	**0**	**0**
Integrated Community Development Project	**IBRD**	**20,000**	**250,156**	**500,000**		**800,000**	**1,000,000**	**1,300,000**
JSIF Project/ Administration Cost	**GOJ**	**294,068**	**325,426**	**300,000**		**300,000**	**325,000**	**330,000**
TOTAL		**2,151,699**	**1,887,989**	**2,325,151**		**2,580,790**	**2,494,963**	**2,630,000**
Less AIA		**71,810**	**76,500**					
TOTAL OFFICE OF THE PRIME MINISTER		**2,079,889**	**1,811,489**	**2,325,151**		**2,580,790**	**2,494,963**	**2,630,000**
OFFICE OF THE CABINET								
Public Sector Modernization Programme (PSMP III):	**GOJ/IDB/EC/ China**	**193,136**	**370,225**	**569,460**	-	**724,373**	**802,674**	**655,000**
PRODEV III	**IDB**	**0**	**-**	**0**		**0**	**0**	
(i) Public Sector Efficiency Programme **(ii) Enhanced Govt. Audit System (Auditor General's Department)**			**-**					
Enhanced Govt. Audit System (Auditor General's Department	**IDB**	**18,118**	**10,394**	**0**		**0**	**0**	**0**
	IDB		**42,833**	**248,525**		**264,206**	**300,000**	**270,000**
	CHINA	**14,000**	**121,779**	**176,338**		**199,805**	**209,282**	**220,000**
	EC	**71,000**	**135,219**	**84,597**		**200,362**	**228,392**	**100,000**
	GOJ	**90,018**	**60,000**	**60,000**		**60,000**	**65,000**	**65,000**

TOTAL OFFICE OF THE CABINET		**193,136**	**370,225**	**569,460**		**724,373**	**802,674**	**655,000**
MINISTRY OF TOURISM & ENTERTAINMENT								
FEMCIDI Craft Enhancement Project	**OAS**	**10,000**	**12,800**	**16,197**		**0**	**0**	**0**
Enhancing the Resilience of the Agri Sector and Coastal Areas	**Ad/ Fund**	**14,392**	**15,000**	**6,950**		**0**	**0**	**0**
TOTAL MINISTRY OF TOURISM & ENTERTAINMENT		**24,392**	**27,800**	**23,147**		**0**	**0**	**0**
MINISTRY OF FINANCE & PLANNING								
Fiscal Administration Modernization Programme(FAMP)	**IDB**	**803,000**	**1,410,000**	**1,571,000**		**1,500,000**	**1,326,127**	**1,000,000**
Electronic Government Procurement in Jamaica	GOJ/IDB	63,000	51,000	0		0	0	**0**
Understanding Social Effects of Financial Crisis	**IDB**	**15,000**	**10,000**	**0**		**0**	**0**	**0**
Strategic Statistical Development Project	IBRD	13,000	0	0		0	0	**0**
Support to National Devp. Planning Goals (MGDs) & Human Development	GOJ/UNDP	8,376	0	0		0	0	**0**
Institutional Strengthening of the NAO (formerly Institutional Strengthening of the PIOJ III)	**EU**	**33,984**	**27,895**	**25,000**		**0**	**0**	**0**
Development of National Policy and Plan Action on International Migration and Development	**GOJ/ IOM**	**14,624**	**25,000**	**30,000**		**29,000**	**0**	**0**
Pilot Programme for Climate Resilience (PPCR) II :				**0**		**0**	**0**	**0**
PPCR II - Programme Preparation Grant	CIF/IBRD	17,273	0	**0**		0	0	**0**
PPCR II - Improving Climate Data & Information Management	**CIF/IBRD**	**8,000**	**18,726**	**90,000**		**200,000**	**262,000**	**310,000**
Strategic Statistical Development Project	IBRD	0	0	**0**		**0**	0	**0**
Economic Partnership (EPA) Capacity Building Project	**EU**	**140,221**	**37,960**	**0**		**0**	**0**	**0**
Economic Partnership II (EPA II) Capacity Building Project	**EU**	**112,000**	**130,000**	**180,000**		**222,500**	**186,000**	**0**
PRIDE Programme	GOJ/USAID	65,659	0	**0**		**0**	0	**0**
Enhancing the Resilience of the Agri Sector and Coastal Areas	**AdFund**	**18,435**	**18,000**	**11,873**		**7,500**	**0**	**0**
FID/Caribbean Criminal Asset Recovery Programme (CCARP)	**DFID**	**51,909**	**35,192**	**0**		**0**	**0**	**0**
Jamaica Foundation for Competitiveness and Growth	**IBRD**	**40,000**	**450,000**	**700,000**		**900,000**	**1,150,000**	**1,550,000**
PIOJ			**150,000**	**300,000**		**400,000**	**500,000**	**750,000**
DBJ			**300,000**	**400,000**		**500,000**	**650,000**	**800,000**
Jamaica Business Taxation Reform (JAMTAX)	**GOJ/IFC**	**40,000**	**39,365**	**31,307**		**0**	**0**	**0**
Strategic Public Sector Transformation	**IBRD**	**20,000**	**90,000**	**420,000**		**725,000**	**1,077,000**	**1,150,000**
Support to the MoF&P Transformation Programme	**IDB**		**24,051**	**53,000**		**61,200**	**0**	**0**
Institutional and regulatory Framework for Jamaica's ICT/BPO Industry	**CDB**		**8,600**	**14,400**		**7,000**	**0**	**0**
Construction of Falmouth Tax Office			**35,000**					
TOTAL MINISTRY OF FINANCE & PLANNING		**1,464,481**	**2,410,789**	**3,126,580**		**3,652,200**	**4,001,127**	**4,010,000**
MINISTRY OF NATIONAL SECURITY								
Justice, Security Accountability and Transparency Project (JSAT)	**EU**	**26,357**	**80,000**	**254,858**		**298,468**	**298,326**	**221,175**
Rehabilitation & Reintegration of Local Offenders & Deported Persons Programme	**FCD/ DFID**	**14,000**	**7,000**	**0**		**0**	**0**	**0**
Construction and Improvement of Correctional Facilities - Tamarind Farm	**GOJ**	**87,830**	**80,000**	**215,000**		**230,264**	**100,000**	**0**
Construction and Improvement of Police Stations				**50,000**		**70,000**	**90,000**	**120,000**

Rehabilitation of Port Royal Jetty	**GOJ**	**25,000**	**75,000**	**150,000**		**130,000**	**0**	**0**
Construction of JDF Lathbury Barracks	**GOJ**	**25,000**	**308,000**	**346,800**		**398,730**	**336,596**	**308,000**
Jamaica Constabulary Reform Programme	**DFID**	**60,000**	**50,000**	**0**		**0**	**0**	**0**
Acquisition of Security Vehicles	**GOJ**	**808,000**	**872,440**	**59,281**		**63,490**	**53,882**	**25,760**
Upgrade of Telecommunications and Vehicle Tracking System	**GOJ**	**464,000**	**139,000**	**35,400**		**37,400**	**38,400**	**40,000**
Upgrade of Automated Palm and Fingerprint Identification System (APHIS)	**GOJ**	**167,245**	**30,000**	**40,000**		**0**	**0**	**0**
Purchase and Overhaul of Aircraft	**GOJ**	**150,000**	**139,000**	**149,000**		**0**	**0**	**0**
Purchase and Overhaul of Ships	**GOJ**	**0**	**0**	**280,000**		**200,000**	**0**	**0**
Citizens Security and Justice Programme III	**GOJ/DFATD / IDB**	**620,000**	**880,000**	**983,643**	-	**1,110,311**	**1,142,131**	**1,060,701**
	IDB	**130,000**	**160,000**	**325,366**		**369,080**	**386,881**	**350,535**
	DFATD	**186,653**	**382,686**	**388,277**		**406,981**	**327,625**	**131,158**
	DIFID	**102,152**	**287,314**	**270,000**		**334,250**	**147,625**	**279,008**
	GOJ	**201,195**	**50,000**	**0**		**0**	**280,000**	**300,000**
TOTAL MINISTRY OF NATIONAL SECURITY		**2,447,432**	**2,660,440**	**2,563,982**		**2,538,663**	**2,059,335**	**1,775,636**
MINISTRY OF JUSTICE								
Construction and Improvement of Courthouses - Justice Square	**GOJ**	**245,000**	**72,100**	**150,000**		**250,000**	**300,000**	**350,000**
Refurbishing of Hagley Park Road Complex	**GOJ**	**20,000**	**50,000**	**250,000**		**300,000**	**0**	**0**
			0	0		0		
Citizens Security and Justice Programme III	**GOJ/DFATD / IDB**	**54,000**	**145,000**	**278,672**	-	**327,553**	**329,055**	**394,150**
	IDB	**8,000**	**45,000**	**112,072**		**135,000**	**148,175**	**203,912**
	DFATD	**13,147**	**70,000**	**88,300**		**122,553**	**140,880**	**96,740**
	GOJ	**20,000**	**0**	**0**		**0**	**0**	**0**
	DFID	**12,853**	**30,000**	**78,300**		**70,000**	**40,000**	**93,498**
Justice, Security Accountability and Transparency Project (JSAT):	**EU**	**60,150**	**115,000**	**136,493**		**178,493**	**121,000**	**0**
MOJ		**38,896**	**72,000**	**100,813**		**140,313**	**121,000**	**0**
INDECOM		**30,150**	**43,000**	**35,680**		**38,180**	**0**	**0**
National Child Diversion Program (formerly Child Protection Programme)	UNICEF	18,000	0	0		0	0	0
Justice Undertakings for Social Transformation (JUST)	**CIDA**	**100,000**	**200,000**	**215,136**		**0**	**0**	**0**
JCF Accountability Programme (Support to INDECOM)	**DFID**	**92,860**	**126,536**	133,958		**133,958**	**133,958**	**0**
Citizens Security and Social Cohesion in Jamaica	**UNDP**	**0**	**3,000**	0		**0**	**0**	**0**
TOTAL MINISTRY OF JUSTICE		**590,010**	**711,636**	**1,164,259**		**1,190,004**	**884,013**	**744,150**
MINISTRY OF FOREIGN AFFAIRS & FOREIGN TRADE								
Construction of Head Office	**GOJ/PRC**	**10,000**	**195,463**	**651,813**		**640,000**	**720,000**	**650,000**
TOTAL MINISTRY OF FOREIGN AFFAIRS & FOREIGN TRADE		**10,000**	**195,463**	**651,813**		**640,000**	**720,000**	**650,000**
MINISTRY OF LABOUR & SOCIAL SECURITY								
Integrated Social Protection and Labour Programme	**GOJ/IDB**	**104,281**	**140,000**	**305,594**		**282,594**	**277,354**	**0**
Social Protection Project II	**G0J/IBRD**	**5,300,223**	**5,494,240**	**5,893,085**		**6,076,634**	**6,807,689**	**6,900,000**
Support to Improve the Lives of Persons with Disabilities	**IDB**	**30,000**	**8,251**	**0**		**0**	**0**	**0**
Developing an Energy Services Company Industry in Jamaica	**GOJ/EU**	**47,129**	**23,145**	**17,710**		**16,500**	**0**	**0**
Social and Economic Inclusion of Persons with Disabilities	**JICA/IBRD**	**40,000**	**40,000**	**80,000**		**110,823**	**0**	**0**

SUB-TOTAL MINISTRY OF LABOUR & SOCIAL SECURITY		**5,521,633**	**5,705,636**	**6,296,389**		**6,486,551**	**7,085,043**	**6,900,000**
Less A/A		**5,200**						
TOTAL MINISTRY OF LABOUR & SOCIAL SECURITY		**5,516,433**	**5,705,636**	**6,296,389**		**6,486,551**	**7,085,043**	**6,900,000**
MINISTRY OF EDUCATION								
Establishment of Diagnostic Centres (Special Education)	**GOJ**	**42,000**	**20,000**	**25,000**		**0**	**0**	**0**
Renovation/Refurbishing of Primary Schools	**GOJ**	**70,000**	**70,000**	**0**		**0**	**0**	**0**
Education System Transformation Programme	**IBRD/IDB/ GOJ**	**890,000**	**624,619**	**513,000**	-	**500,000**	**0**	**0**
	IBRD	0	88,500	0		500,000	0	**0**
	IDB	0	141,119	0		0	0	**0**
	GOJ	0	395,000	513,000		0	0	**0**
Early Childhood Development Project	**IBRD**	**15,000**	**26,650**	**22,000**		**23,000**	**19,350**	**0**
University of Technology Enhancement Project	**CDB**	**167,449**	**380,000**	**500,000**		**230,000**	**0**	**0**
Primary Education Support Project	**IDB**	**60,000**	**78,282**	**0**		**0**	**0**	**0**
School feeding modernizing Programme	**GOJ/IDB**	**10,955**	**0**	**0**		**0**	**0**	**0**
USAID/MOE Education Partnership for Improved Reading Outcomes	**GOJ/USAID**	**210,365**	**178,589**	**0**		**0**	**0**	**0**
Promoting Quality Education and Advancing the reality of a Child Friendly Environment	**UNICEF**	**27,045**	**20,000**	**50,000**		**128,059**	**0**	**0**
Technology to Empower Individuals & Communities for Development	**GOJ /B& M Gates Found.**	**26,000**	**122,914**	**98,000**		**30,000**	**0**	**0**
Establishment of Confucius Centre, UWI	**China**	**0**	**0**	**200,000**		**253,307**	**0**	**0**
Construction of Early Childhood Institutions	**GOJ/ China**	**0**	**68,710**	**180,000**		**50,000**	**0**	**0**
Education Transformation Programme I	**GOJ**	**358,470**	**290,000**	**320,000**		**400,000**	**420,000**	**450,000**
Renovation/Refurbishing of Infant Schools	**GOJ**	**66,530**	**47,000**	**50,000**		**0**	**0**	**0**
Electrical Upgrading Project	**GOJ**	**66,530**	**50,000**	**90,000**		**0**	**0**	**0**
TOTAL MINISTRY OF EDUCATION		**1,943,814**	**1,976,764**	**2,048,000**		**1,614,366**	**439,350**	**450,000**
MINISTRY OF HEALTH								
Health Facilities Improvement Programme	**GOJ/ NHF**	**1,273,500**	**1,715,500**	**1,570,000**		**1,590,000**	**1,820,000**	**1,820,000**
Inner City Focus	**GOJ**		**10,000**				**0**	
Transformational Fund Mechanism - Jamaica HIV	**Global Fund**	**506,343**	**114,073**	**0**		**0**	0	**0**
HIV Prevalence in most-at-risk population reduced	**USAID**	**294,160**	**297,977**	**195,500**		**200,000**	**200,000**	**200,000**
Programme for Reduction of Maternal and Child Mortality (PROMAC)	**EU**	**105,740**	**340,000**	**541,346**		**750,000**	**850,260**	**508,654**
Establishing Nuclear Medicine Capacity	**IAEA**	**0**	**0**	**10,000**		**5,210**	0	0
Building Capacity in Drinking Water Quality Management	**IAEA**	**0**	**0**	**5,000**		**2,300**	0	0
Institution Strengthening to Improve National Surveillance, Prevention and Control of Infectious Diseases	**IDB**	**0**	**20,000**	**9,000**		**0**	**0**	**0**
Strengthening of Health Systems in Jamaica	**IDB**	**0**	**10,000**					
New Funding Mechanism	**Global Fund**	**0**	**371,603**	**545,000**		**551,711**	**300,500**	**0**
SUB-TOTAL MINISTRY OF HEALTH		**2,179,743**	**2,879,153**	**2,875,846**		**3,099,221**	**3,170,760**	**2,528,654**
Less AIA		**1,273,500**	**1,715,500**	**1,570,000**		**1,590,000**	**1,820,000**	**1,820,000**
TOTAL MINISTRY OF HEALTH		**906,243**	**1,163,653**	**1,305,846**		**1,509,221**	**1,350,760**	**708,654**
MINISTRY OF YOUTH & CULTURE								
Youth Development Programme	**IDB**	**173,678**	**70,249**	**0**		**0**	**0**	**0**
Revitalization of the Institute of Jamaica	**JICA**	**0**	**94,000**					

Youthalization' Potential- Support for Life Skills-Based Education among Most-At-Risk Youth Population (MARYP)	UNICEF	0	0	0		0	0	0
SUB-TOTAL MINISTRY OF YOUTH & CULTURE		173,678	164,249	0		0	0	0
Less AIA			8,000					
TOTAL MINISTRY OF YOUTH & CULTURE		173,678	156,249					
MINISTRY OF AGRICULTURE								
Sugar Transformation Programme	GOJ	2,076,818	2,400,000	2,000,000		850,000	250,000	0
Diversification of the Caribbean Livestock Sector through the Production of Small Ruminants	GOJ/CFC	29,166	56,621	0		0	0	0
Agricultural Competitiveness Programme	GOJ/IDB	470,798	691,177	400,000		0	0	0
Banana Accompanying Measures (BAMS)	GOJ/EU	156,000	172,329	177,000		257,000	0	0
Enhancing the Resilience of the Agricultural Sector and Coastal Areas	Ad Fund	62,970	126,844	99,001		50,000	0	0
PPCR II - Fisheries Development	CIF/IDB	0	11,000	90,000		200,000	194,000	150,000
TOTAL MINISTRY OF AGRICULTURE		2,795,752	3,457,971	2,766,001		1,357,000	444,000	150,000
MINISTRY OF INDUSTRY, INVESTMENT & COMMERCE								
Implementation of Business Climate Reforms in Jamaica	CC'bean/ IDB	3,800	0	0		0	0	0
TOTAL MINISTRY OF INDUSTRY INVESTMENT & COMMERCE		3,800	0	0		0	0	0
MINISTRY OF SCIENCE, TECHNOLOGY,ENERGY & MINING								
E-Learning Project	GOJ /USF	1,571,470	950,000	400,000		0	0	0
Rural Electrification Project	GOJ	231,120	0	0		0	0	0
Energy Security Efficiency Enhancement Project:	GOJ/ IBRD	260,701	361,202	314,000	-	70,000	0	0
MSTEM		110,701	281,202	234,000		70,000	0	0
DBJ		150,000	80,000	80,000		0	0	0
Energy Efficiency & Conservation Programme	GOJ/IDB	310,000	379,832	455,000		450,000	50,000	0
Low-Carbon Energy Roadmaps for Small Island States in the Caribbean	Germany	0	0	0		0	0	0
Wind Powered Irrigation Feasibility Assessment	OAS	3,137	0	0		0	0	0
Caribbean Hotel Energy & Action Project	GOJ/IDB	14,968	0	0		0	0	0
Capacity Development for Energy Efficiency & Security in Jamaica	UNDP	2,719	0	0		0	0	0
Establishment of Latin America and the Caribbean Organisation's (OLADE)	OLADE	7,499	7,800	0		0	0	0
Establishment of Government Network Infrastructure (GovNet)	IDB	0	0	0		0	0	0
Enhancing the ICT Regulatory Environment	IDB	35,595	3,955	0		0	0	0
Improving Innovation Capacities in the Caribbean	GOJ/ ACP Group	28,135	28,914	44,366		0	0	0
Youth Empowerment in Digital and Creative Industries	IBRD	5,000	70,000	200,000		400,000	800,000	1,065,000
SUB-TOTAL MINISTRY OF SCIENCE, TECHNOLOGY, ENERGY & COMMERCE		2,470,344	1,801,703	1,413,366		920,000	850,000	1,065,000
Less A/A		1,205,590	700,000					

TOTAL MINISTRY OF SCIENCE, TECHNOLOGY, ENERGY & COMMERCE		**1,264,754**	**1,101,703**	**1,413,366**		**920,000**	**850,000**	**1,065,000**
MINISTRY OF TRANSPORT, WORKS & HOUSING								
Acquisition of Buses for the Jamaica Urban Transportation Company (JUTC)	**GOJ**	**3,100,000**	**3,100,000**	**0**		**0**	**0**	**0**
Northern Jamaica Development Project	**GOJ**	**2,348,900**	**0**	**40,000**		**40,000**	**0**	**0**
Palisadoes Shoreline Protection & Rehabilitation Works Project	**GOJ/ CEXIM**	**25,000**	**25,000**	**8,000**		**3,500**	**3,500**	**0**
Washington Boulevard Corridor Widening	CDB	0	0	0		0	0	0
Road Rehabilitation Project II	**GOJ/ OPEC**	**155,907**	**440,000**	**881,767**		**735,634**	**713,387**	**596,684**
Road Rehabilitation Project II (Kuwaiti Fund for Arab Economic Development)	**GOJ/Kuwai t**	**6,000**	**0**	**0**		**318,756**	**725,222**	**550,000**
Jamaica Economical Housing Project	**EX-IM (China)**	**1,700,000**	**1,100,000**	**0**		**0**	**0**	**0**
Tropical Storm Nicole Rehabilitation (Natural Disaster Management ; KMA Drainage Project)	**GOJ/CDB**	**553,238**	**1,000**	**0**		**0**	**0**	**0**
Road Improvement Programme	**GOJ/IDB**	**272,492**	**2,000**	**0**		**0**	**0**	**0**
Transportation Infrastructure Rehabilitation Programme	**GOJ/IDB**	**789,846**	**218,878**	**0**		**0**	**0**	**0**
Major Infrastructure Development Programme	**GOJ/CHINA EXIM**	**2,144,966**	**3,345,951**	**6,506,713**		**10,010,000**	**14,500,000**	**17,100,000**
TOTAL MINISTRY OF TRANSPORT,WORKS & HOUSING		**11,096,349**	**8,232,829**	**7,436,480**		**11,107,890**	**15,942,109**	**18,246,684**
MINISTRY OF WATER, LAND, ENVIRONMENT & CLIMATE CHANGE								
Water Sector Policy Review and Rural Master Plan	**IDB**	**18,155**	**0**	**0**		**0**	**0**	**0**
Mitigating Threats of Invasive Alien Species in the Insular Caribbean	**GEF**	**4,456**	**0**	**0**		**0**	**0**	**0**
Strengthening the Operational and Financial Sustainability of the National Protected Area System	**GOJ/GEF/ UNEP**	**46,640**	**58,569**	**66,000**		**20,000**	**0**	**0**
National Quick Start Programme Trust Fund (Formerly Globally Harmonised System of the Classification and Labelling of Chemicals)	**UNEP**	**9,720**	**14,000**	**5,000**		**0**	**0**	**0**
National Biodiversity Planning Project	**UNDP**	**6,000**	**11,393**	**0**		**0**	**0**	**0**
Enhancing the Resilience of the Agriculture Sector & Coastal Areas	**GOJ/Ad Fund**	**53,554**	**80,000**	**150,000**		**263,096**	**163,000**	**188,807**
Hydrochloric Fluoro Carbon (HCFC) Phase-out Mgmt Plan	**UNDP/ MLF**	**6,000**	**11,250**	**0**		**0**	**0**	**0**
Jamaica Rural Economy and Eco systems Adapted to Climate Change (Ja Reach)	GOJ/USAID	30,373	0	**0**		0	0	0
Integrated Management of Yallahs/Hope River Watershed Management Area	**GOJ/GEF**	**12,405**	**43,744**	**78,043**		**124,246**	**146,016**	**0**
3rd National Communication & Binnial Report to the UN Framework Convention on Climate Change (UNFCCC)	**GOJ/GEF UNDP**	**13,400**	**29,500**	**57,636**		**0**	**0**	**0**
USAID/GOJ GHG Inventory and Sector Action Plan Project	**USAID**	**0**	**25,000**					**0**
PPCR II - Mainstreaming Climate Change Adaptation	**CIF/IDB**	**0**	**15,000**	**130,000**		**320,000**	**283,000**	**360,000**
TOTALMINISTRY OF LAND, ENVIRONMENT, WATER & CLIMATE CHANGE		**200,703**	**288,456**	**486,679**		**727,342**	**592,016**	**548,807**
MINISTRY LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT								
Community Based Landslide Risk Reduction	**GOJ/IBRD**	**89,487**	**127,923**	**0**		**0**	**0**	**0**

Enhancing Civil Society Participation in Local Govt. for Community Safety	UNDP	0	0	0		0	0	0
Caribbean Local Economic Development (CARILED)	CIDA	0	0	0		0	0	0
Riverton Landfill Access Road Concrete Pavement	MEXICAN	20,000	30,000	140,000		8,000	0	0
Fire Hydrant Repairs and Maintenance	Japan	13,256	0	0		0	0	0
Disaster Risk Management Project	JICA	0	0	0		250,000	94,400	0
Kingston Urban Renewal	IDB	0	0	50,000		32,000	0	0
Emerging and Sustainable Cities Initiative	EU	25,000	15,000	27,847		0	0	0
Hurricane Sandy Recovery Project		0	0	0		0	0	0
Construction of Alexandria Library	Japan	6,410	0	0		0	0	0
TOTAL MINISTRY LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT		**154,153**	**172,923**	**217,847**		**290,000**	**94,400**	**0**
TOTAL		**33,421,119**	**32,909,026**	**33,965,000**		**36,928,400**	**39,579,790**	**40,353,931**
LESS AIA		**(2,556,100)**	**(2,500,000)**	**(1,570,000)**		**(1,590,000)**	**(1,820,000)**	**(1,820,000)**
TOTAL CENTRAL GOVERNMENT		**30,865,019**	**30,409,026**	**32,395,000**		**35,338,400**	**37,759,790**	**38,533,931**
PUBLIC BODIES								
Airport Authority of Jamaica:			-	-		-	-	
Landside Access & Parking	Loan	-	-	-		-	5,750	5,750
Lounges	Loan		5,750	-		-	-	-
Artwork	Loan	3,450	5,750	1,150		-	-	-
General Terminal Upgrade	Loan	-	-	-		-	17,250	-
Reconfigure Existing Intransit Area	Loan	-	5,750	-		-	-	-
Upgrade ceiling, a/c, ductwork, cladding of columns	Loan	-	-	-		18,400	18,400	-
Upgrade & Extend Suppression Systems to Arrivals Concourse, PHb, East & West Substations	Loan/AAJ	-	10,350	236,440		-	-	-
General Aviation Terminal Upgrade & Refurbishing	Loan	-	23,000	-		-	-	-
Cargo Apron Remediation	Loan	-	5,750	-		-	7,015	7,015
Cargo Logistics Centre Expansion	Loan	57,500	24,725	-		-	-	-
Development of Mechanical Infrastructure	Loan	53,245	190,325	-		-	-	-
Extension to Fire Alarm to Arrivals Concourse & Substations	Loan	-	-	-		-	-	-
Airport Industrial/Mechanical Support Systems - Incinerator Rehabilitation	Loan	11,500	34,500	-		-	-	-
Electrical System Upgrade - Section 2	Loan/AAJ	10,695	346,725			-	123,510	123,510
Second Independent Electrical Power Source - Prefeasibility Studies & Tests for Renewable Energy Sources / Solar Lighting for Airport Property, among others	Loan	30,475	34,500			-	-	-
Airport Information Technology Systems	Loan	79,695	91,655			-	-	-
Environment Management Programme	Loan	4,830	6,670			-	3,450	3,450
Fixed Asset Replacement- Procurement of Specialised Equipment	Loan	168,475	49,450			57,500	-	-
Water Supply, Sewage & Storm Water Drainage	Loan	60,835	1,035			17,250	21,275	4,025
Refurbishment of Property	Loan	38,640	27,715			-	-	-
Taxiway Alpha Repairs	Loan	-	8,280			-	-	-
Surface Drainage & Edges- Other Taxiways	Loan	-	9,775			-	-	-
Runway Extension & RESA	Loan	40,250	80,500			1,265,000	2,357,500	4,082,500

Major Maintenance	Loan	4,370	5,290			-	34,500	34,500
Contingency	Loan	17,250	6,210			-	-	-
AAJ Sub-Total		**581,210**	**973,705**	**349,485**		**1,358,150**	**2,588,650**	**4,260,750**
Jamaica Civil Aviation Authority (JCAA):								
Radar/Air Nav. & Communication Automation System	JCAA	523,860	-	-		-	-	
Replacement of Mount Denham and NMIA Radar	JCAA	412,520	-	-		-	-	-
Automated Air Traffic Management System ATM	JCAA	-	114,590	114,590		-	-	-
AIM Automation	JCAA	-	-	68,750		68,750	-	-
Replacing Existing Guyed Tower at Bamboo with Self-Supporting Towers	JCAA		-	34,380		-	-	-
Upgrade of Radar/Air Navigation and Communication Automation System	JCAA		261,930	523,860		-	-	-
Replacement of Mount Denham and NMIA Radar	JCAA		275,020	-		-	-	-
ADS-B Stations	JCAA		-	52,090		-	-	-
Doppler VHF Omni Directional Radio Range (DVOR) Replacement - Sangster's	JCAA		-	-		-	99,460	-
Replacement of NMIA Instrument Landing System (ILS)	JCAA		-	-		97,000	-	-
Replacement of Sangster International Airport Instrument Landing System (ILS)	JCAA							-
Installation of Low Level Winds share Automatic System SIA/NMIA	JCAA		55,280	48,880		-	-	-
Replacing all Mux-Routers Catalyst Switches	JCAA		9,170	-		-	-	-
Doppler VHF Omni Directional Radio Range (DVOR) Replacement - NMIA	JCAA					-		-
A-G Radio CPDLC Compatible	JCAA		-	114,590		-	-	-
Installation of Standby Generators at all Radar Sites	JCAA		6,080	-		6,190	6,190	-
Utilization of Dark Fiber to create an alternative Communication underground path	JCAA		2,520	2,000		-	-	-
Sustainable Energy-Wind Turbine Mt. Denham; Solar Panels -Ayr Hill and other sites	JCAA		2,520	3,090		2,520	2,520	-
Demolish and reconstruct building at 2 Winchester	JCAA		250,000	120,000		100,000	80,000	80,000
JCAA - Sub-Total	**JCAA**	**936,380**	**1,074,510**	**1,179,580**		**274,460**	**188,170**	**80,000**
Port Authority of Jamaica:			-					
Ocho Rios Rehabilitation project	PAJ/TEF	112,500	-	-		-	-	
Renovation of Terminal Building and other facilities	PAJ/TEF	29,000	-	-		-	-	
Renovation to Bus Staging Area	PAJ/TEF	65,000	-	-		-		
Rehabilitation of excursion dock	PAJ	7,000	-	-		-		
Rehabilitation of access bridge to the Pier	PAJ	40,000	-	-		-		
220 KVA Generator & other facilities	PAJ	27,000	-	-		-		
Rehabilitation of Pile Support (Berth 1&2)	PAJ	-	65,000	-		-		
Montego Bay Free Zone	PAJ	-	25,560	-		-		
Falmouth Development Project	PAJ	81,190	270,000	-		-		
Montego Freeport	PAJ	183,950	41,520	-		-		
Harbours acquisition of Equipment	PAJ	34,940	24,000	-				
Kingston Container Terminal	PAJ		-	-				
Installation of three 1.5 MVA	PAJ		8,760	-				
Operations Capital Items	PAJ							

			10,740	-				
Motor Vehicle	PAJ	15,590	-	-				
Information System Capital Items	PAJ	38,740	317,160	-				
Kingston Harbour Access Channel	PAJ	3,190	31,500	-				
Rehabilitation to 2 Gantry Cranes	PAJ		165,150	82,720				
Procurement of Terminal Equipment	PAJ	482,430	-	-				
Major Repairs to Equipment and Infrastructure	PAJ	223,530	-	-				
Port Community System	PAJ	27,690	27,690	-		-		
KCT Expansion	PPP	-	20,538,560	22,977,480		-		
PAJ Sub-Total		**1,371,750**	**21,525,640**	**23,060,200**		**-**	**-**	**-**
National Water Commission:								
Caribbean Regional Fund for Wastewater Management (CREW)	NCB Loan/K Factor	112,810	1,207,830	901,000		-	-	-
Preparation for KMA Water Supply Improvement Programme	IDB GRANT		127,630	-		-	-	-
KMA Water Supply Improvement Programme	IDB Loan	-	2,829,000	3,117,250		1,748,260	1,484,770	973,760
Portmore Sewage Project	K FACTOR	946,740	704,280	1,122,950		159,700	159,700	-
Tank and Pump Operational Efficiency Improvement Programme	K FACTOR	-	252,000	-		-	-	-
K-Factor Lot 1 Rural Water Supply Projects	K FACTOR	2,084,160	464,400	508,910		283,610	-	-
All other Projects		994,110						
Jamaica Water Supply Improvement Project		2,586,910						
NWC Sub-Total		**6,724,730**	**5,585,140**	**5,650,110**		**2,191,570**	**1,644,470**	**973,760**
Urban Development Corporation:								
Block 2/6 Refurbishing - Seismic Joints and Infrastructure Repairs	UDC		56,917	-		-	-	-
Block 2/6 Refurbishing - Tax Office Tiling	UDC		22,740	-		-	-	-
Cave Hill Sewer Modifications (Part of)	UDC		15,000	-				
Caymanas Estate Sewage Conveyance System	UDC		463,257	-				
Caymanas Estate Water Supply - Phase 2	UDC		20,000	212,800				
Caymanas Primary Infrastructure (including the Research study for storm water drainage)	UDC		130,882	5,000				
Dunn's River Beach Replenishment	UDC		46,000	200,000				
Dunn's River Central Gardens	UDC		110,175	-		-	-	-
Dunn's River Public Restrooms Expansion and Upgrading	UDC		44,000	70,000		-	-	-
Dunn's River Stairs Re-Alignment	UDC		95,550	-		-	-	-
East Street Facelift	UDC		18,532	-		-	-	-
Granville - Trelawny	NHT		-	8,000		-	-	-
Half Moon Bay Sewage Lift Station upgrade	UDC		485	-		-	-	-
Hellshire Sewage Treatment Plant Extension	UDC / NHT		251,290	43,558		-	-	-
Inner City Housing (Hanover St.)	UDC		14,000	-		-	-	-
Inverness/Longville Mater Plan (URP consultancy)	NHT		-	18,000		-	-	-
Jubilee Market Renovation (Phase 1V)	Petro Caribe		82,300	-		-	-	-
Kingston's Malecon - Phase 11 (Festival Market Place)	UDC		100,000	-		-	-	-

Linstead Market Renovation(Phase 1V)	UDC		85,000	-		-	-	-
Montego Bay Waterfront Protection Infrastructure	UDC		40,000	360,000		-	-	-
Ocho Rios Fisherman's Beach	TEF/UDC		210,000	-		-	-	-
Office Centre Building Repairs	UDC		49,405	130,619		27,500	-	-
Port Maria Civic Centre - Phase 3 (Additional works)	UDC		38,115	34,485		-	-	-
Port Maria Development Projects - Mediation Centre	UDC		750	-		-	-	-
Port Royal Museums & Historic Walkway - Phase 1 (Old Naval Hospital)	TEF/UDC		160,000	-		-	-	-
Protocol House Repairs - Lot 2 (Revetment Works)	UDC		43,452	-		-	-	-
River Bay Road Beach Development (Fisherman's Co-Op)	UDC		41,500	200,000		-	-	-
Upgrade of Sewer System for Seafort Sub-Division & Ft. Clarence	UDC		98,000	172,000		-	-	-
Close Harbour Recreational Amenity (Dump up Beach)	UDC		-	100,000		250,000	400,000	94,000
Catherine Hall Fisherman's Cooperative Complex	UDC		-	-		50,000	100,000	50,000
Ocho Rios Artisan Village	UDC		-	-		1,000,000	900,000	100,000
Kingston's Malecon - Planning Project	UDC		-	-		15,000	14,000	1,500
Completion of the Caymanas Infrastructure	UDC	-	-	-		1,000,000	1,000,000	900,000
UDC/GOJ Capital Projects	UDC	191,890						
UDC Sub-Total		**191,890**	**2,237,349**	**1,554,462**		**2,342,500**	**2,414,000**	**1,145,500**
National Housing Trust - Building Projects/Schemes:								
Dry Valley 1 Trelawny	NHT		8,000	62,400		281,500	562,500	535,500
Dry Valley 2, Trelawny	NHT		-	-		35,000	250,000	800,000
Eltham Farms, St. Catherine	NHT		265,200	136,400		13,700	-	-
Friendship, Phase 1 St Elizabeth	NHT		36,000	179,700		339,000	31,150	-
Friendship Phase 2 St Elizabeth	NHT		-	8,000		-	430,000	50,000
Granville, Trelawny	NHT		138,000	10,000		3,500	-	-
Hellshire, Phase 2 St Catherine	NHT		37,500	260,000		15,000	-	-
Hellshire Phase3, St Catherine	NHT		3,500	2,000		390,000	12,000	5,000
Industry Cove, Hanover	NHT		120,550	302,500		15,300	-	-
Longeville - Phase 2A Clarendon	NHT		314,000	200,000		40,000	-	-
Longeville - Phase3a Clarendon	NHT		42,800	8,000		150	-	-
Longeville Phase iv Clarendon	NHT		-	95,000		500,000	1,400,000	240,000
Longeville Phase ivA Clarendon	NHT		31,400	-		-	-	-
Mary Field, St Catherine	NHT		78,000	5,000		-	-	-
Perth 1A, Manchester	NHT		11,000	4,150		109,300	116,930	12,080
Perth 2 - Villages 1-5 Manchester	NHT		120,300	28,000		300,000	584,000	60,000
Sevens - Village 1, Clarendon	NHT		267,800	284,930		21,180	-	-
Sevens, Village 2 , Clarendon	NHT		-	10,000		200,000	420,000	810,000
Sheckles 1 Clarendon	NHT		1,500	62,600		5,380	1,930	-
Sheckles 2 Clarendon	NHT		21,000	63,600		500,000	1,108,000	1,200,000
Twickenham Park Phase 4 St Catherine	NHT		10,000	244,800		500,000	49,250	-

Windsor, Duncans, Trelawny	NHT		2,000	26,000		132,630	5,430	-
Ruthven Road Phase 1	NHT		27,000	110,000		440,000	58,000	15,000
Ruthven Road Phase 2	NHT		-	1,500		15,000	850,000	1,200,000
Vineyard Town - Central and Third Avenue	NHT		38,800	64,480		4,480	-	-
Darliston, Westmoreland	NHT		3,000	75,300		18,850	-	-
Wickie Wackie - Phase 2 , St Andrew	NHT		8,300	5,850		600	-	-
Barrett Hall	NHT		41,000	100,000		-	1,000,000	1,500,000
Projects to be determined	NHT		-	-		-	515,960	1,700,000
Sugar Housing Programme	NHT		29,200	742,000		1,639,300	1,980,000	812,000
Community Renewal Programme	NHT		937,000	825,650		709,000	769,900	283,500
NHT Sub- Total		**-**	**2,592,850**	**3,917,860**		**6,228,870**	**10,145,050**	**9,223,080**
Wigton - Generation Expansion - Phase III (24MW)	Wigton/ PCJ/ PetroCaribe	625,750	4,549,250	-				
Jamaica Deposit Insurance Corporation								
PAYOUT MANAGEMENT INFORMATION SYSTEM (PMIS)	JDIC	-	-	90,779		44,895	9,672	
Culture, Health, Arts, Sports and Education Fund								
Building purchase & retrofitting	CHASE	80,000	50,000	-		-	-	
Jamaica Bauxite Mining (JBM) - Port repairs (Ocho Rios)	JBM		120,000	610,000		125,000		
Development Bank of Jamaica: MIS Infrastructure Upgrade Project	DBJ		-	-		-		
Factory Corporation of Jamaica (FCJ)			-	-		-	-	
CEZ Project	Loan/FCJ	-	-	-		-	-	
Construction of New Building - Naggo Head ICT	Loan/FCJ	-	520,650	610,000		125,000	-	
TOTAL PUBLIC BODIES		**10,511,710**	**39,229,094**	**37,022,476**		**12,690,445**	**16,990,012**	**15,683,090**
GRAND TOTAL GOJ PSIP		**41,376,729**	**69,638,120**	**69,417,476**		**48,028,845**	**54,749,802**	**54,217,021**

Notes:

Capital A Projections exclude expenditure for maintenance, repairs and other non -investment type expenditures

Appendix VII

Reinforcing the Enhanced Fiscal Governance Framework

<u>Introduction and Background</u>

On February 10, 2015, the Lower House passed the following Bills:

- *The Financial Administration & Audit (Amendment) Act, 2015*
- *The Public Bodies Management & Accountability (Amendment) Act, 2015*

Both Bills were debated in both the Lower House and the Senate, on the 27th January and 5th of February, respectively.

The following Regulations received affirmative resolution on the 27th January 2015:

- *The Financial Administration & Audit (Fiscal Responsibility Framework) (Amendment) Regulations, 2015*
- *The Financial Management (Amendment) Regulations, 2015 and*
- *The Public Bodies Regulations, 2015.*

This package of five (5) Bills and Regulations, together, reinforce the Enhanced Fiscal Governance Framework which came into effect in March 2014 through amendments to both the *Financial Administration & Audit* (FAA) and *Public Bodies Management & Accountability* (PBMA) Acts. The passage of these amendments resulted in an enhanced fiscal governance framework for Jamaica and legislated very important reforms – some of which became effective on April 1, 2014; others will become effective on April 1, 2017. The amendments also established the basis on which consequent regulations would be promulgated – namely the FAA (FRF) Regulations; the FAA (FMR) Regulations; and the PBMA (Public Bodies) Regulations.

<u>Purpose for the slate of amendments</u>

This slate of amendments seeks to, among other things:

1. Enact Regulations to support legislative reforms that were enacted on April 1, 2014, including with respect to the Public Sector Investment Programme and the certification of self-financing public bodies as commercial and outside of the specified public sector;
2. Better treat with both virements and appropriations-in-aid as part of overall budget reforms;
3. Reinforce and further concretize the role of the Auditor General within the enhanced fiscal governance framework; and, *inter alia*,
4. Ensure that the previous amendments in March 2014 properly reflect the date of effectiveness of certain fiscal reforms; and

5. Ensure coherence among the various pieces of statute and Regulations with respect to definitions and timing of actions given that Regulations are just now being enacted to reflect the 2014 amendments to the FAA and the PBMA Acts.

There are a number of significant measures from the amendments but one that has far-reaching impact and implications relates to the certification of self-financing public bodies as commercial and, consequently, outside of the specified public sector and, by extension, the fiscal rules. The criteria for certification as commercial and not part of the specified public sector are quite profound with respect to fiscal governance in Jamaica.

The 2014 amendments to the FAA Act prescribed Regulations, pursuant to section 50, to guide the Auditor General in certifying entities that satisfy criteria developed under said Regulations as commercial and, accordingly, not part of the specified public sector.

<u>Certification of some public bodies as commercial by the Auditor-General</u>

The current fiscal governance framework has quite an extensive coverage in that it includes the specified public sector (SPS), which is defined as the public sector less public bodies certified as commercial by the Auditor General. The group that could be eligible for certification as commercial is very small, based on the established criteria (which is contained in the Schedule to the FAA (Fiscal Responsibility Framework) Regulations 2015.

Effective April 1, 2017, the applicable fiscal balance and public debt target under the enhanced fiscal rules will cover those bodies/entities that comprise the SPS. This means that the coverage will be much wider than the central government though it will not include the entire public sector. Based on the established criteria, over 90% of the public sector is likely to be covered under the enhanced fiscal rules. Only those entities certified as commercial by the Auditor-General will be outside of the coverage of the fiscal rules.

The imperative of commercial viability of select public sector entities within the context of the enhanced fiscal governance framework was recognized during the process of consultation with the International Monetary Fund, that is: ***there are some self-financing public bodies that are operating in a purely commercial capacity and which may need to undertake significant investment. If these entities are under the fiscal rules, there would be limited fiscal space to permit these investments***.

Similarly, the potential for growth that these significant investments would generate could be tremendously undermined. It is based on this premise that extensive consultations occurred to ***develop a criteria that would be robust enough to both achieve fiscal discipline and commercial independence of select state agencies***.

Only those entities that satisfy the criteria in the Regulations would be exceptions to the fiscal rule. The Government moved from having 'compulsory and elective' criteria, so to speak, to having a set of criteria that can be said to be almost 'fully compulsory' – at least 12 of 13 criteria have to be met to receive the Auditor-General's certification as commercial.

The law has safeguards built in such that if an entity no longer satisfies the criteria or is perceived to pose a fiscal risk to the Consolidated Fund, the Auditor General can assess and rescind commercial classification which would place the entity back under the fiscal rules and part of the specified public sector. The Minister of Finance has the authority to request this evaluation before a recalibration or during a period that is less than three years.

So, there are two mutually reinforcing perspectives on this reform: (1) the imperative to balance fiscal discipline and sustainability with macroeconomic stability, and (2) the growth and investment imperatives. However, while the legislation and the regulations aim to allow those entities certified to operate without stymying commercial/corporate opportunities, it is important to recognize that the operations of these entities will occur with oversight from the Ministry of Finance. The MOFP will have to be aware of any fiscal risks that may arise from the operations of these entities, including possible contingent liabilities, and to ensure that these are minimal.

The amendments link with overall public financial management/fiscal reform

The amendments to statutes and Regulations seek to ensure coherence with earlier amendments in 2014 and to better articulate changes, especially with respect to when some of the Auditor General's enhanced roles become effective. For example, the timeline within which the Auditor-General has to report on the Fiscal Policy Paper that will be tabled in February 2015 is two weeks. Other roles that are set out in Section 48C and 48CA of the FAA Act and Section 6C of the PBMA Act will become effective on April 1, 2017.

With respect to the criteria to certify public bodies as commercial, and not part of the SPS, the Auditor-General's role begins in August of 2016 to inform the budget preparation cycle. The Ministry and potential self-financing public bodies have a little less than two years to get ready as the Ministry has to provide the Auditor-General with the list of potential candidates. The Ministry has much work to do with respect to the Corporate Governance Framework given that the Boards of the entities certified as commercial will be fully responsible for the commercial viability of the entities and will be held fully accountable as well. ***With responsibility comes accountability. The Boards' stewardship will have to be fully transparent and reflect good governance***.

The time between now and the effectiveness of these amendments allow for the current Corporate Governance Framework, through consultations, to become more effective and aligned with changes that will occur by April 2017. It also allows for critique of the existing framework to be incorporated as part of the necessary evaluation that will result in a more robust Corporate Governance Framework.

Major innovations/game changers with regard to public bodies certified as commercial

The Boards of the entities will be fully accountable for the decisions that they take. While the Corporate Plans and Budgets will be tabled, these will be for information purposes and not for Parliament's approval. Again, the aim is to allow for these entities to operate as fully commercial/corporate.

The public bodies certified as commercial will not be a part of the Public Sector Investment Programme. In other words, they will be exempt from Section 48J and the Fourth Schedule of the FAA, as well as any other provisions in the PBMA, the FAA and PBMA (Public Bodies) Regulations 2015 that apply to the specified public sector. For this reason, the definition of public investment in both the FAA 2015 and the PBMA 2015 relate specifically to the specified public sector and not the entire public sector. In other words, public investment does not apply to those entities that are certified as commercial by the Auditor General.

Public bodies certified as commercial will not be bound by Section 20 of the PBMA 2015, with respect to emoluments and so forth. Notwithstanding, the Act establishes a committee, (in a new Section 20A) the Public Bodies Human Resource Oversight Committee to comprise private and public sector representation to provide oversight and advice on the levels of remuneration that Boards will approve. There is also a Schedule that outlines the duties of committee. The Ministry of Finance will be the Secretariat and provide technical advice to this Committee.

Institutional Impact of Amendments

The main impact will be public sector-wide in terms of increased levels of investment and greater efficiency in those entities that are able to undertake much needed improvements, *inter alia*, due to certification as commercial. The Auditor General will have a significantly enhanced role in this new dispensation. The Minister of Finance committed resources during the 2014 debate of the FAA to enhance the capacity of the Auditor General's Department.

It is important that the Auditor General's Department be adequately staffed with the capacity to take on these roles, given that staffing requires competitive levels of remuneration to attract qualified persons. The Ministry of Finance, as the chief guardian of the country's financial resources, will be tasked with ensuring that the various ministries, departments and agencies, as well as the public bodies are ready for the new requirements. The Ministry will require additional resources to monitor the public bodies certified as commercial.

Conclusion

It is quite evident that the Government has to reduce its level of public debt in order to be able to invest more in other critical areas such as education, health and security, which already consume the bulk of the disposable recurrent budget (once debt and wages are committed). However, there is need for public investment. While the public bodies are owned by the Government and need to operate within a framework of fiscal responsibility the question is whether those that operate commercially need to be under the fiscal rules and thereby constrain potential investment and growth opportunities

For a public body to be certified as commercial, it requires a certain level of independence. This means that the Government cannot provide guarantees to public entities that are certified as commercial as this would be counted in the public debt. This is one of the criteria for certification as commercial – no financial guarantees by the GOJ.

Similarly, due to fiscal constraints, the Government cannot provide much-needed equity to these self-financing public bodies. A look at the accounts of some of the current self-financing public bodies shows that some of the entities are under-capitalized. If entities are under-capitalized due to the fiscal constraints of the country, they cannot undertake much-needed investments to improve their operational efficiency and subsequent profitability. Since Government cannot provide the guarantees and cannot provide the equity, these entities that meet the relevant criteria need to be able to operate independently to raise their own capital.

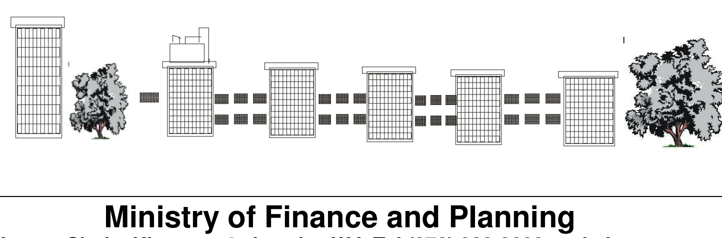
It must be borne in mind that the commercial viability of these entities will also benefit the Consolidated Fund as the entities still have to abide by the PBMA Act (Financial Distributions part) and pay normal financial distributions of 5%, after their expenses and other liabilities, including losses, are accounted for. In the case of special financial distributions, the Board would have to determine by a resolution if it can afford to provide a percentage from retained earnings, provided that it does not undermine or threaten the entity's commercial viability.

The FAA (FRF Regs) 2015, in particular Reg 14(1) and the Schedule, outline the criteria for certification of public bodies as commercial. There are actually thirteen (13) criteria, with twelve (12) that are mandatory. All of the criteria under Fiscal Independence (3), Independence of Human Resource Policy (2) and Transparency and Governance (3) have to be met. Financial Standards have 5 criteria, 3 of which are mandatory and there is a level of discretion in that either of two has to be met... The audited financial statements of the entities are used to evaluate whether the entities merit continued certification as 'commercial'. The level of emoluments is premised on the 'financial health' of the entities and 'ability to pay'. Entities certified as commercial are not being given a *carte blanche*. Rather, they are being given the requisite level of independence to achieve commercial viability and sustainability.

There is quite an incentive for the entities to remain circumspect because if they are not, the Minister can request that the Auditor-General evaluate before three years and, if these entities are not compliant with all twelve criteria, they can be decertified or pulled back under the fiscal rules.

It should be emphasized that the entities certified as commercial will not be exempt from all statutes and regulations. The PBMA is still applicable to self-financing public bodies outside of the specified public sector. The amendments to the PBMA are mainly to differentiate between public bodies in general and those that are not within the specified public sector. If decertification occurs, there will be parts of the PBMA that are no longer applicable to the public body (those parts related to an entity certified as commercial) while the parts that address those public bodies within the specific public sector will become applicable.

Certification of public bodies as commercial will provide the framework within which these entities can "pay their dues" and better benefit the State. Over the medium to long term, some of these entities that are certified as commercial could be listed on the Jamaica Stock Exchange to, among other things, raise equity and diversify ownership structure.



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Printed by the Ministry of Finance and Planning