GOVERNMENT OF JAMAICA

FISCAL POLICY PAPER FY 2016/17

14th April 2016

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PART 1

FISCAL RESPONSIBILITY STATEMENT

Introduction

The enhanced fiscal rules, which were adopted by 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, 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). The Minister duly complied with this requirement by laying an FPP Interim Report in Parliament on September 29, 2015.

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 marked the inaugural simultaneous tabling of the Estimates of Revenue and Expenditure before the start of the fiscal year.

The FY 2016/17 Estimates of Revenue and Expenditure, as well as the FPP, were due to be tabled in February 2016 to allow for the approval of the budget by both Houses of Parliament by March 31, 2016. However, the dissolution of Parliament on February 5, 2016 for the holding of General Elections on February 25, 2016 resulted in a delay in the tabling of the budget and associated FPP beyond the required timelines in the FAA Act. The advice from the Attorney General's Chambers is that the principle of intervening impossibility would be applicable in this situation. The dissolution of Parliament ended the life of Parliament and accordingly the budget could not be tabled in the Houses of Parliament. This situation could therefore be classified as a supervening event. The GOJ thus made a reasonable modification to the timelines for tabling of the budget to April 14, 2016 with approval expected by May 27, 2016.

The intervening event of the dissolution of Parliament and attendant adjustment in the budget time-table has resulted in a postponement of the EFF 11th (December 2015) review from the scheduled February 2016 date. The 11th and 12th (March 2016) reviews will be combined and undertaken in May 2016. All quantitative targets and structural benchmarks for the December 2015 review quarter were met.

Commitment to Fiscal Responsibility

On March 3, 2016, a new administration comprised of the Jamaica Labour Party took the reins of government following a clear mandate given by voters in the February 25, 2016 General Elections. The new Minister of Finance has reaffirmed the Administration's unequivocal commitment to fiscal responsibility and prudence and to act decisively in managing fiscal risks. The Minister recognizes the importance of the GOJ taking deliberate actions to continue the process of implementing the economic reform programme (ERP) with particular emphasis placed on bolstering the growth momentum. A critical plank of the immediate overall strategy is to continue to adhere to the requirements under the Extended Fund Facility arrangement with the International Monetary Fund (IMF), which is now in its final year of execution. This adherence is vital for the GOJ to continue to access critical multilateral and bilateral funding support. It is also important for Jamaica's on-going engagement with the international capital market.

Responsibility in fiscal management entails strict adherence to targets and involves continuous monitoring of fiscal events and timely reporting of fiscal decisions and outcomes. This responsibility requires well-planned and transparent actions to minimize risks and correct deviations, which may affect the sustainability of public finances over time. 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 remains unyieldingly committed to the tenet of fiscal prudence. Economic expansion and growth in real incomes are dependent on stable economic conditions and sustainable public debt. The economy has been hobbled by high debt in the past. However, with the public debt trajectory on a steady downward path the prospects for meaningful public investments to drive economic growth are higher. The GOJ will be taking decisive actions to build on previous efforts and initiate new activities to bolster real economic growth and create meaningful jobs.

The GOJ is fully cognizant that the path of fiscal prudence is not without its challenges. Nonetheless, the alternative path of persistent fiscal deficits and the continued assumption of the liabilities of public bodies is not a better choice as it results in higher public debt and future tax burdens. These alternatives have proved to be undesirable and have limited Jamaica´s economic and social development. Accordingly, the GOJ's **priority objectives for FY 2016/17 and through the medium term are to grow the economy and create meaningful jobs and in so doing to facilitate a faster and sustainable reduction of the public debt.** As a testament to the GOJ's commitment to achieving these objectives, a new Ministry of Economic Growth and Job Creation has been established. These strategic objectives will be underpinned by efficient expenditure management; robust and progressive tax reform that eases the burden on the more vulnerable in the society; comprehensive pension reform; public sector transformation; and reduction in corruption and waste.

These strategic objectives are in synergy with the GOJ's thrust to generate sufficient national savings and create more fiscal space to support economic growth, reduce poverty and improve social well-being. The enhanced socio-economic infrastructure will help to provide the enabling environment for improving the quality of life to first world levels, thereby making ***Jamaica, the place of choice to live, work, raise families and do business.***

Economic Reforms

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. The FPP FY 2015/16 Interim Report that was tabled in September 2015 highlighted the performance of the government since the beginning of the fiscal year. It also provided a menu of economic reforms, in particular, fiscal reforms to bolster fiscal and debt sustainability and transform the Jamaican economy. The GOJ will continue to implement these alongside other structural reforms, which will continue to contribute toward: creating a more efficient and transparent fiscal administration; improving Jamaica's competitiveness; and providing the impetus for piloting the economy onto a path of sustainable growth and development. These reforms, for which details are presented in the accompanying Fiscal Management Strategy and Appendices, include:

- Growth Enhancing Reform;
- Tax Reform (policy and administration);
- Pension Reform
- Public Financial Management Reform;
- Public Sector Reform;

Economic Review and Outlook

FY 2015/16 marks the third year of the four-year EFF arrangement that the GOJ agreed with the IMF. Performance indicators that have been met include maintaining a large primary surplus in the range of 7.5% of GDP to 7.25% of GDP, reduction in the fiscal deficit and public debt, declining current account deficit, low inflation and strong Net International Reserves (NIR). During the latter two years the targets were met within the context of significantly lower oil prices.

In recognition of the need to bolster real economic growth, the Board of the IMF in December 2015, agreed to lower the primary surplus target from 7.5% of GDP to 7.25% for FY 2015/16 and further to 7.0% for FY 2016/17. This relaxation is to provide additional fiscal space for growth-enhancing capital spending.

While the growth outcomes have been disappointing, the recent trends are positive. The Jamaican economy has been seeing improvements in real GDP growth, having registered positive quarterly year-over-year growth since the last quarter of FY 2014/15. The improvement in the economy has been reflected in the labour market conditions with employment rising more rapidly than the labour force, leading to a decline in the unemployment rate. Down-side risks remain, such as the price of oil rising, and other exogenous factors related to world economic outlook and climatic conditions which necessitate continuous vigilance and fiscal discipline.

Nevertheless, the GOJ remains steadfast in building a solid foundation for sustainable growth and development. An updated 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 May 2016.

Part 2 and Part 3 on the Macroeconomic Framework and Fiscal Management Strategy, respectively, provide an assessment on the performance and outlook of the economy.

- Real GDP growth under the EFF has averaged 0.6% (FY 2013/14 & FY 2014/15). Real GDP growth is estimated at 0.9% for FY 2015/16 and is expected to pick up from FY 2016/17 onward, averaging 2.0% - 3.0% per annum;

- Debt/GDP is estimated to end March 2016 at 126.8% of GDP, a 3.7 percentage point reduction over the previous year, due largely to the Petrocaribe liability management transaction executed during the year. Debt/GDP stood at 135.6% at end-March 2013;

- The Central Government's targeted Primary Surplus as a percent of GDP (7.5%) was achieved for FY 2013/14 and FY 2014/15. Preliminary estimates for FY 2015/16 indicate that both the nominal primary surplus target and the primary surplus as a percent of GDP target were achieved at $120,795.9mn and 7.4% respectively. The FY 2016/17 and medium term primary surplus target is 7.0% of GDP;

- Central Government operations generated a Fiscal Surplus of 0.1% of GDP in FY 2013/14 (the first surplus since FY 1995/96**.** Near zero fiscal balances (-0.5% and -0.3% of GDP) were recorded for FY 2014/15 and FY 2015/16, respectively and incremental surpluses are projected over the latter years of the medium term. Of note, the Debt Service/Tax Revenue ratio has fallen from 67.3% in FY 2012/13 to a projected 48.5% in FY 2016/17 primarily due to the NDX. Accordingly, an increased proportion of GOJ's fiscal resources is available to support priority social programmes;

- Following a surplus of 0.4 % of GDP in FY 2014/15, the overall Public Sector generated a larger surplus of 1.4% of GDP in FY 2015/16. The overall Public Sector is expected to generate surpluses over the later years of the medium term;

- Jamaica recorded a Current Account surplus (US$39.4mn) for the March quarter of 2015, the first since 2004. The Current Account deficit of the Balance of Payments (BOP) declined from 8.1% of GDP in FY 2013/14 to an estimated 2.4% of GDP for FY 2015/16 and it is expected to remain close to 3.0% over the medium term. The decline in global oil prices and other commodities had a significant positive on Jamaica's current account.

- The Jamaica dollar has depreciated against the US dollar, since the start of the ERP, by an average of 12.0% per annum. With the narrowing of the inflation differential between Jamaica and its trading partners, the rate of depreciation of the Jamaica dollar has slowed;

- Inflation in calendar year 2015 was 3.7%, (6.4% in 2014) the lowest rate in almost 50 years. For the fiscal year to February 2016, inflation was 3.1% and is expected to end FY 2015/16 at 3.5%. Prudent and complementary monetary and fiscal policies, alongside favourable oil prices, have served to maintain inflation at low single digits, which are expected to continue over the medium term;

- The NIR increased from US$884.3mn at end-March 2013 to US$2,449.6mn at end-March 2016;

- The average unemployment rate fell from 15.2% in 2013 to 13.7% in 2014 and further to 13.5% in 2015. The unemployment rate in October 2015 was 13.5%, compared to 14.2%, a year earlier. When viewed over a five-year period, unemployment has remained at an unfavourably high level. Strong growth initiatives are expected to positively impact unemployment.

- Both Standard and Poor's and Moody's rating agencies upgraded Jamaica's credit rating in June 2015. These were followed by a ratings upgrade by Fitch in February 2016;

- Jamaica moved up 27 places from 85 to 58 out of 189 countries in the World Bank's "*Doing Business 2015*" report.

Fiscal Developments

Supplementary Estimates and Adjustment to Primary Balance Target

The Interim Fiscal Policy Paper (FPP) tabled on September 29, 2015, noted that despite key fiscal variables outperforming targets up to August 2015, there were emerging challenges on both the revenue and expenditure fronts that had to be confronted to ensure the continuous meeting of agreed targets. In particular, the Interim FPP stated that there was a passive gap on the Central Government primary balance of $12,743.4mn (0.8% of GDP) resulting largely from higher than budgeted payments for Wages and Salaries and expected shortfalls in Revenues and Grants. A menu of proposed measures to close the gap were presented, including adjustments to expenditure on Recurrent Programmes of $6,809.6mn (0.4% of GDP) below the amount originally budgeted, which the FPP noted would be included in the First Supplementary Estimates later in the year if deemed necessary. The First Supplementary Estimates tabled on January 26, 2016 only required reduction in Recurrent Programmes of $2,854.2mn or (0.2% of GDP) as Revenue and Grants had been performing better than expected and Wages and Salaries were lower than presented in the Interim FPP.

The First Supplementary Estimates also reflected the lowering of the Primary Surplus target under the EFF from 7.5% of GDP (equivalent to $125,007.5mn[1]) to 7.25% of GDP ($120,727.6mn) for FY 2015/16. This relaxation targeted the provision of additional fiscal space for growth-enhancing capital spending, in the amount of $4,213.7mn.

Petrocaribe Liability Management Transaction

In an effort to satisfy a priority objective of the ERP/EFF to reduce the debt to sustainable levels, the Governments of Jamaica and Venezuela reached an agreement in July 2015 regarding buyback of Jamaica's stock of the Petrocaribe Energy Cooperation Agreement debt as at the end of December 2014. In keeping with the Agreement, the Central Government bought back the December 2014 outstanding debt, less any payments made between April and July 2015, for US$1,500.0mn, utilizing funds raised under a US$2,000.0mn issue on the ICM comprising (i) a 13-year bond with equal repayments in 2026, 2027and 2028 at 6.75% and (ii) a 30 year bullet bond at 7.875 percent. The buyback essentially replaced, at a reduced face value, debt with a flat repayment schedule throughout its remaining life, with international bonds with back-loaded repayments.

Notwithstanding the liability management transaction, the Petrocaribe Energy Cooperation Agreement remains in place as does the strong Venezuela/Jamaica relationship that has existed over the years.

FY 2015/16 Performance

Provisional data indicate that Central Government operations for FY 2015/16 generated a Primary Surplus equivalent to 7.4% of GDP or $120,795.9mn, in line with the target established under the EFF. The EFF does not have a specific target on the Central Government fiscal balance, which registered a deficit of $4,883.7mn, compared to the originally programmed deficit of $4,886.7mn.

The accompanying Part 3 Fiscal Management Strategy provides a detailed assessment of the fiscal outturn for FY 2015/16, relative to the original budget. The Primary Surplus outturn of $120,795.9mn was 4.7% less than the originally budgeted surplus of $126,727.6mn. This deviation from budget is due to relaxation of the EFF Primary Surplus and the outturn is in fact in line with the supplementary budget.

Revenue and Grants totaled $455,835.8mn, falling short of budget by $2,265.6mn (0.5%) largely as a result of shortfalls in Bauxite Levy and Grants outweighing strong performance by Non-Tax Revenue. Notwithstanding the lower than budgeted real economic growth and inflation, Tax

[1] The nominal figure of the Primary Surplus target under the EFF was originally $126,727.6mn but this was reduced to $125,007.6mn at the August 2015 review due to an estimated lower nominal GDP for FY 2015/16.

Revenue was on target with budget, as robust compliance activities by the TAJ and JCA reaped positive yields throughout the fiscal year. Expenditure totaled $460,719.4mn, which was in line with budget as lower Recurrent Expenditure, in particular Interest Payments, was offset by higher spending on Capital Programmes.

The GOJ has, in large part, completed negotiations for new wage agreements for the 2015/2017 contract period, with the major unions representing public sector workers. In order to maintain the social consensus underpinning the ERP, foster industrial harmony with workers and ensure the continued efficient operation of the public service, the GOJ adjusted its initial wage/benefit offer to public servants from 3% and 2% in years one and two respectively, to 4% and 3% on basic pay. In addition, some allowances were increased above the rates on basic pay. These adjustments contributed to Wages and Salaries of $168,787.4mn exceeding budget by 2.2%. The GOJ will finalize agreements with the remaining groups as soon as is practicable and amounts relating to FY 2015/16 have been programmed in the FY 2016/17 Budget.

The Overall Balance for the group of 65 Self Financing Public Bodies (SFPBs) is currently estimated at a surplus of $27,534.1mn for FY 2015/16, compared to the budgeted surplus of $7,875.3mn. Contributing to this outturn was an Operating Balance of $82,744.3mn which was 13.0% above budget with improvement in the collection of receivables being a significant contributor. The estimated capital expenditure/investment of the group at $48,442.0mn reflecting an 80% achievement of the budgeted amount, also contributed to the higher than budgeted Overall Balance. The largest shortfalls on capital expenditure were reported by the NHT and CAP. Estimated net transfers to Government of $30,413million improved by 55% on the budgeted amounts as SCT, corporate taxes and dividends increased.

FY 2016/17 Budget and the Medium Term

Against the backdrop of the GOJ's strategic objectives, 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 2016/17 budget, the MOFPS developed the medium term fiscal and debt profile (Table 1A).

The macroeconomic forecast for FY 2016/17 includes, inter alia:

- Real GDP growth of 1.8% (up from 0.9% in 2015/16);
- Inflation rate (annual point to point) of 5.5% (3.5% estimated for 2015/16);
- Oil price (WTI) avg. of US$36.90 per barrel (avg. for 2015/16 US$44.50); and
- Core imports increasing by 1.8% relative to estimates for FY 2015/16.

The FY 2016/17 expenditure requirements are forecast at $502,373.8mn (up 0.9 percentage point of GDP over the previous year to 29.1%) comprising: Recurrent Programmes of $139,772.4mn; Compensation of $181,141.9mn (including Wages & Salaries of $170,193.5mn); Capital

Programmes at $43,000.8mn; and Interest Costs of $138,458.7mn. The most significant increase is reflected in Capital Programmes, which is projected to increase from 2.0% of GDP to 2.5% of GDP arising from the relaxation of the Primary Surplus target. The Central Government budget includes contingency provisions for:

(i) Interest payments on guaranteed loans of $7,647.6mn, consisting of $1,703.4mn for domestic and $5,944.2mn for external interest;
(ii) Amortization (principal) payments on guaranteed loans of $5,015.2mn, with $4,277.8mn allocated for external and $737.5mn for domestic payments;
(iii) Liability management of the internal debt - amortization (principal) payments of $5,000.0mn and interest payments of $250.0mn;
(iv) Liability management of the external debt - amortization (principal) payments of $6,278.0mn and interest payments of $627.8mn; and
(v) Recent agreements already signed and the offers made to the other groups yet to sign, back-pay for prior period; and
(vi) Natural disasters of $550.0mn.

Revenue and Grants are forecast to increase from 27.9% of GDP in FY 2015/16 to 28.1%, equivalent to $484,763.1mn in FY 2016/17. This forecast includes flows of $8,577.1mn expected from the ongoing administrative and compliance actions being executed by the Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA). These actions had considerable success in FY 2015/16 as manifested in the GOJ meeting its tax revenue target. Further details on the performance of tax revenue are provided in the FMS while Appendix 5 outlines some key administrative initiatives of the TAJ and JCA. The forecasts for Revenue and Grants and the Expenditure requirements for FY 2016/17 generate a Primary Surplus of $120,848.0mn, equivalent to the primary surplus target of $120,848.0mn or 7.0% of GDP.

The Public Bodies Regulations provide for the distribution of profit or surplus from public bodies to the Consolidated Fund. For FY 2015/16, an amount of $2,955.2mn was transferred to the Consolidated Fund in addition to $11,400.0mn from the National Housing Trust (NHT). Programmed transfers from public bodies to the Consolidated Fund for FY 2016/17 amount to $14,489.7mn, inclusive of the $11,400.0mn from the NHT. These distribution flows will augment the expected flows from improvement in compliance efforts and contribute toward meeting the fiscal targets.

The Minister of Finance and the Public Service will outline changes to the structure of Jamaica's Personal Income Tax as well as the adjustments, that will be made to ensure the primary surplus and debt targets are adhered to, when he speaks at the opening of the budget debate on May 12, 2016.

Table 1A: Medium Term Fiscal & Debt Indicators

	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.
(J$mn)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue & Grants	**396,979.4**	**411,715.9**	**455,835.8**	**484,763.1**	**517,184.7**	**550,624.0**	**594,728.2**
of which Tax Revenue	343,836.1	370,877.5	411,854.0	445,488.9	487,515.3	519,023.6	561,456.6
Expenditure	**395,241.8**	**418,986.8**	**460,719.4**	**502,373.8**	**515,022.3**	**527,880.2**	**555,591.5**
of which Wages & Salaries	156,361.7	158,758.6	168,787.4	170,193.5	179,415.3	188,227.5	197,761.2
of which Interest	109,919.5	124,512.7	125,679.5	138,458.7	128,612.4	119,238.3	114,196.8
Cent Govt Fiscal Balance	**1,737.6**	**-7,270.9**	**-4,883.6**	**-17,610.7**	**2,162.4**	**22,743.8**	**39,136.7**
Cent Govt Primary Balance	**111,657.1**	**117,241.8**	**120,795.9**	**120,848.0**	**130,774.8**	**141,982.1**	**153,333.5**
Domestic Debt	1,024,515.2	1,054,911.1	815,948.5	839,910.6	815,965.8	813,655.2	769,924.2
External Debt	921,489.8	986,782.6	1,252,811.0	1,347,468.2	1,428,098.3	1,480,108.8	1,566,117.9
Total Debt	**1,946,005.0**	**2,041,693.7**	**2,068,759.5**	**2,187,378.9**	**2,244,064.1**	**2,293,764.0**	**2,336,042.0**
(% GDP)							
Revenue & Grants	**27.1%**	**26.3%**	**27.9%**	**28.1%**	**27.6%**	**27.2%**	**27.2%**
of which Tax Revenue	*23.5%*	*23.7%*	*25.2%*	*25.8%*	*26.1%*	*25.6%*	*25.7%*
Expenditure	**27.0%**	**26.8%**	**28.2%**	**29.1%**	**27.5%**	**26.0%**	**25.4%**
of which Wages & Salaries	10.7%	10.2%	10.3%	9.9%	9.6%	9.3%	9.0%
of which Interest	7.5%	8.0%	7.7%	8.0%	6.9%	5.9%	5.2%
Cent Govt Fiscal Balance	**0.1%**	**-0.5%**	**-0.3%**	**-1.0%**	**0.1%**	**1.1%**	**1.8%**
Cent Govt Primary Balance	**7.6%**	**7.5%**	**7.4%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**
Domestic Debt	70.0%	67.5%	50.0%	48.7%	43.6%	40.1%	35.2%
External Debt	63.0%	63.1%	76.8%	78.1%	76.3%	73.0%	71.7%
Total Debt	**133.0%**	**130.6%**	**126.8%**	**126.7%**	**120.0%**	**113.2%**	**106.9%**

Source: MOFPS

The policy measures to be implemented in FY 2016/17 and over the medium term are expected to enable the GOJ to achieve its key fiscal targets. These measures, which are critical to meeting the stated fiscal objectives, are founded on the principles of sound fiscal management. They are expected to deliver lasting benefits and to be effective in reducing the fiscal deficit and generating incremental surplus over the medium term, reducing the debt burden on the citizens, and supporting adequate levels of national savings. The expected reduction in debt and debt servicing costs should provide more fiscal space to support proper maintenance of the GOJ's physical assets and facilitate moderation of cyclical fluctuations in economic activity, as appropriate. Nevertheless, 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.

Fiscal Reporting

This Fiscal Responsibility Statement sets out projections for the Central Government's Fiscal Balance, Primary Balance, Domestic and External debt, as well as guaranteed debt for FY 2016/17 - FY 2019/20. The fiscal accounts are compiled on a cash accounting basis. These fiscal accounts are consistent with the IMF Government Finance Statistics (GFS) guidelines.

As required under the enhanced fiscal rules (Fiscal Responsibility Framework Regulations 2012), this FPP also includes a Fiscal Risk Statement, 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 policy-priorities and objectives 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, Bank of Jamaica debt, Government guaranteed external debt, Government guaranteed domestic debt and net debt of the PetroCaribe Development Fund (PCDF).

(ii) The Revenue and Grant figures for FY 2015/16 in this FPP represent actual collections by revenue departments/agencies to March 2016. 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 on the basis of actual revenue collections. Additionally, the estimated expenditure outturn for FY 2015/16 shown in Table 1A and upon which fiscal and primary balances are computed is based on actual cash expenditure to March 2016.

Going forward, there are some significant fiscal reporting changes to be implemented, most notably:

(i) Beginning with FY 2016/17 Budget, the Central Government has adopted a Revised Chart of Accounts (COA). Thus both the Estimates of Expenditure and Revenue Estimates for FY 2016/17 have been prepared and presented in the COA format. The Revised COA establishes a set of standard accounting codes for revenue, expenditure, assets and liabilities to be used throughout the public sector in order to enhance the capability of government to produce financial reports. The revenue estimates presented in this FPP utilize the usual format, consistent with that agreed under the IMF's General Data

Dissemination Standards (GDDS). However during FY 2016/17 there will be further consultations among stakeholders regarding possible adjustments in the Metadata for the GDDS and fiscal reports for future FPPs.

(ii) The Revised COA also requires some adjustments of the components currently captured as Wages and Salaries. These adjustments are to be consistent with the IMF's Government Finance Statistics guidelines and will change the value captured as Wages and Salaries, as well as the associated Wages/GDP ratio. Among the changes will be the removal of the GOJ's employer's contribution toward the NHT and NIS from Wages and Salaries. While these contributions, including the government's portion of the cost toward health insurance, are considered part of Compensation, the GFS does not include them in Wages and Salaries. In light of these changes, during the first quarter of FY 2016/17, the MOFPS will be in consultation with key stakeholders, including the IMF staff, regarding other classification issues in respect of Wages and Salaries, which will have important bearing on the targeted Wage/GDP ratio of 9.0%. The MOFPS has already commenced the legislative process to adjust the timeline for the 9.0% of GDP Wage ceiling. However the outcome of the stakeholder consultations will help to guide the determination of a new timeline, which will be reported in the Interim Fiscal Policy Paper to be tabled in September 2016.

(iii) In conformity with the requirements of the March 2014 fiscal rules, the MOFPS will commence monitoring and reporting on the Specified Public Sector (SPS[2]) in FY 2017/18. Reporting on Central Government operations and on public bodies will continue, however, these will be augmented by the compilation of Fiscal Balance and Public Debt for the SPS starting in FY 2017/18, as required by the FAA Act 2014.

Fiscal Responsibility with Flexibility

Maintaining a prudent fiscal policy with respect to revenue and expenditure is critical for the achievement of the medium term targets established under the ERP. It is therefore crucial that any revenue or expenditure measure which has the potential to impair the achievement of the targets is not adopted without the implementation of countervailing or offsetting measures. It should also be noted that decisions which impact the revenue or expenditure, may do so over the ensuing fiscal years.

Both the size and direction of the fiscal deficit and public debt depend 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. Based on the macroeconomic assumptions over the medium term (inclusive of growth) and the maintenance of a primary balance of no less than 7.0% of GDP in FY 2016/17 and over the medium term, the trajectory of

[2] The SPS is defined in the FAA Act as "the public sector not including any public body certified by the Auditor-General, in the prescribed manner, as primarily carrying out functions that are of a commercial nature that satisfy such criteria as may be prescribed"

the public debt is on a firm, downward path. These macroeconomic forecasts are and will always be susceptible to developments in world markets, particularly oil and other commodities markets. To the extent that changes in world markets cause a material deviation in the macroeconomic variables, these will affect fiscal outcomes and influence the development of an appropriate fiscal response.

The enhanced fiscal rules are focused on 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, a severe economic contraction or a financial sector crisis that have a severe impact on fiscal operations.

The enhanced fiscal rules provide for a Notional Account into which cumulative deviations from targeted fiscal balances, whether positive or negative, will be recorded. 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 the GOJ sincerely commits:

- prevention of high and recurring fiscal deficits, by striking the balance between the citizen's aspirations towards public expenditure and the resources available for financing them;
- targeting of public debt at prudent levels, compatible with revenue 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 information regarding the budget preparation, presentation, execution and accounting.

Conclusion

The GOJ will continue to implement the requisite reforms to facilitate sustainable economic growth with job creation. The upgrade of Jamaica's credit ratings by the three major international rating agencies during FY 2015/16, the raising of US$2,000.0mn on the international capital market in July 2015 at record low coupons, increasing Business and Consumer Confidence indices, and the improvement in Jamaica's ranking in the World Bank Doing Business Index are positive indicators of confidence in the Jamaican economy.

The administration is fully cognizant of the country's tight fiscal situation and will remain fiscally responsible by adhering to agreed targets. At the same time, the GOJ will aggressively focus on the objective of growing the economy and creating meaningful jobs which will enable a more rapid and sustainable reduction in the public debt. The GOJ has a responsibility to provide a safe and stable environment that will allow the people to use their talents to create wealth. It is within this context that the GOJ will be intensifying efforts toward robust tax reform, divestment of some public assets, containing the cost in government operations and accelerating the economic growth momentum. The GOJ is confident that these efforts will ensure a more stable macroeconomic environment, a sustainable debt trajectory, and an improved business climate that 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 families and do business.**

The enhanced fiscal rules which were approved by Parliament will help to lock in the gains from the ongoing fiscal consolidation efforts well beyond the end of the country's economic programme with the IMF. These rules, alongside the other wide-ranging reform initiatives being undertaken, are critical not just for meeting current and near-term targets but more importantly for moving the country toward lasting prosperity.

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 fiscal 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.

Audley Shaw, MP
Minister of Finance and Public Service
April 14, 2016

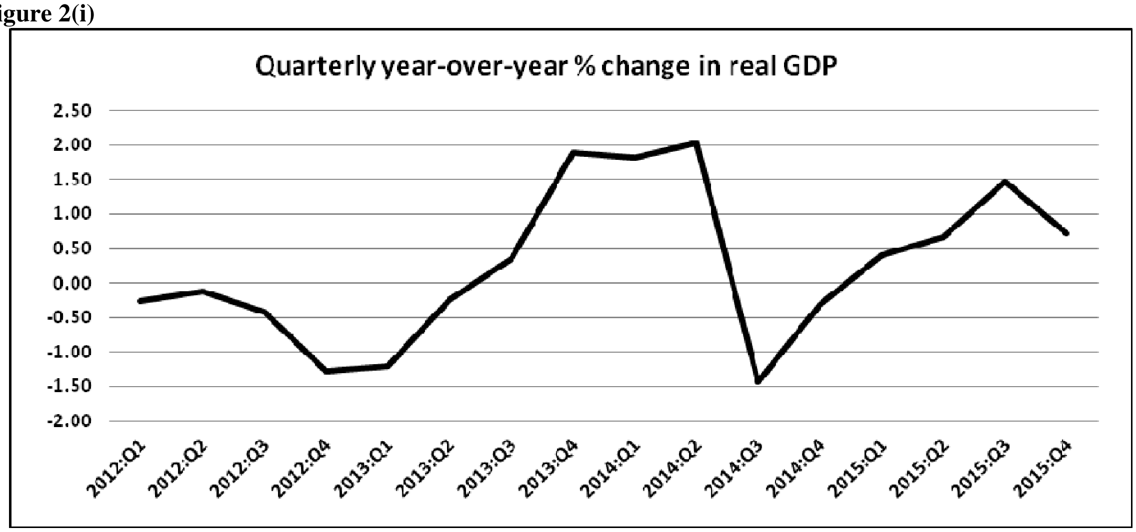
Part 2

MACROECONOMIC FRAMEWORK

Overview of Macroeconomic Developments FY 2015/16

After a significant contraction in the third quarter of calendar year 2014, real GDP rebounded steadily in the final quarter of 2014 and through most of 2015 (Figure 2(i).

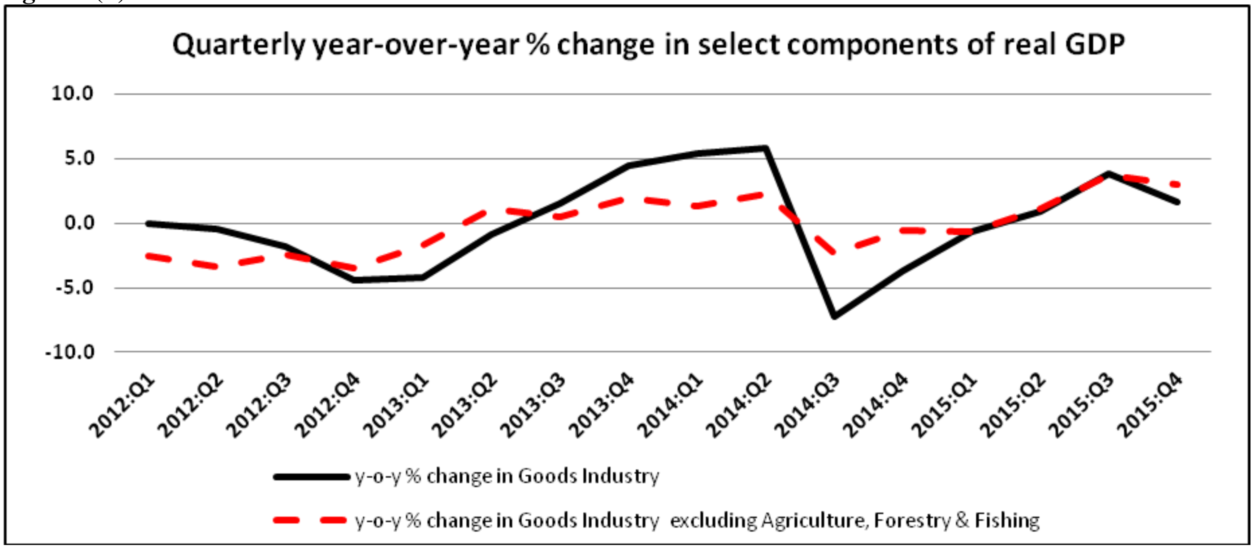
Figure 2(i)



Source: STATIN

The economic recovery is largely a reflection of developments in the goods industries as the services sector has exhibited relatively stable growth. Most of the movement in the goods sector is being driven by ‘Manufacturing’ as well as the ‘Agriculture, Forestry and Fishing’ industry. The latter has been recovering from the impact of the drought conditions experienced throughout most of FY 2014/15. The diminishing effects of the drought is evidenced by the convergence of the growth path for goods production overall and the growth path for goods production excluding ‘Agriculture, Forestry and Fishing’, particularly for the first three quarters of the 2015 calendar year (Figure 2(ii)). Additionally, production levels for a number of other commodities have been picking up in recent quarters. Most notable is the improvement in the production of crude bauxite, reflecting increased capacity utilization as well as the impact of the resumption of bauxite mining operations at the Alpart bauxite/alumina plant. There has also been an up-tick in cement production, as the construction industry continues to experience modest growth.

Figure 2(ii)



Source: STATIN

Within the services sector, except 'Government Services', all industry groups performed positively throughout FY 2015/16. Significantly, tourism has maintained its positive performance, with a fairly steady growth in visitor arrivals since the recovery began in 2010, following three years of contraction caused by the Global Recession of 2008/2009. The United States continues to dominate as the country of origin, although Canada and Europe have led the increase in recent years.

The improvement in the economy has been reflected in the labour market conditions which continued to strengthen during the first half of FY 2015/16, confirmed by the movements of the main labour force indicators. Employment has been rising more rapidly than the labour force, leading to an increase in the employment rate and a concomitant decline in the unemployment rate. Both males and females have shared in the improved conditions in the labour market, with unemployment levels falling for both groups. Throughout the period, the labour force participation rate, which measures the proportion of the total working-age population (14 years and over) that is either employed or looking for work, has remained relatively stable.

Inflation has remained low, registering an outturn of 3.7% for calendar year 2015, the lowest rate in about 50 years. Most of the inflationary pressure emanated from the upward movements in the price of agricultural food items, stemming from reduced supplies due to sustained drought conditions. This was however offset by a general fall in the cost for energy related goods as a result of persistently low international oil prices. Importantly, the inflation differential between Jamaica and the United States has reduced significantly. The reduction is even more pronounced in the case of the all-items CPI excluding the more volatile food and energy sub-indexes. Indeed, for this sub-aggregate, the Jamaica-US gap has closed almost entirely. This should contribute to the continued easing in exchange rate pressures.

The developments in the external sector have been mainly positive. The current account of the balance of payments continued to improve, evidenced by the narrowing of the deficit recorded over the first three quarters of FY 2015/16, relative to the corresponding period of the last fiscal year. Both the goods and the services accounts contributed to this improvement. Export expansion remains elusive however. The improvement in the goods account followed from a sharper decline in imports than exports. Also, the Bank of Jamaica (BOJ) maintained its strong holdings of foreign reserves, with Net International Reserves (NIR) rising to US$2.4bn at end-March 2016, boosted by the Government's successful return to the international bond market in July 2015.

The central bank eased its monetary policy stance during the first half of FY 2015/16, lowering the signal rate twice in the period, within the context of a relatively low inflation environment. Credit to the private sector has improved, while there has been growing business and consumer confidence resulting from a reduction in the macroeconomic vulnerabilities that previously characterised the economy.

On the fiscal side, the GOJ has maintained disciplined fiscal governance while it continues to make progress in implementing necessary reforms that will enable an environment supportive of economic growth. Despite a shortfall in revenues and grants relative to target, lower than projected total expenditure contributed to a better than budgeted fiscal position up to end-February 2016.

These developments augur well for stronger economic performance, despite the inevitable challenges. Growth of 0.9% is anticipated for this fiscal year, and a pick-up in economic growth to over 2.0% is expected over the medium term.

A summary of the macroeconomic performance of Jamaica for FY 2013/14 to FY 2015/16 is provided in Table 2A below.

Table 2A: Summary of Economic Performance

	Unit	FY 2013/14	FY 2014/15	FY 2015/16 (Proj.)
Real GDP Growth Rates	%	1.0	0.2	0.9
Inflation (Annual Pt to Pt)	%	8.3	4.0	3.5
Broad Money (M2*[3]) Growth	%	6.1	5.7	20.0
Unemployment Rate (Oct.)	%	14.9	14.2	13.5
Exchange Rate (average selling rate)	J$=US$1	103.87	113.07	118.74
Treasury Bill (average 6-month)	%	7.9	7.8	6.3
Current Account/GDP	%	-8.1	-7.0	-2.4
Net International Reserves (NIR); (e-o-p)	US$mn	1,303.6	2,293.7	2,449.6
Gross Reserves coverage (Goods & Services Imports)	Weeks	14.7	21.6	23.4
Fiscal Accounts				
Central Gov't Fiscal Balance/GDP	%	0.1	-0.5	-0.3
Central Gov't Primary Balance/GDP	%	7.6	7.5	7.4
Public Bodies Overall Balance/GDP	%	0.4	0.4	1.7
Debt Stock/GDP	%	133.0	130.6	126.8

Source: MOFPS/BOJ/PIOJ

The subsequent sections provide a more detailed assessment of Jamaica's economic performance during FY 2015/16 with a focus on developments in the real sector, labour market, monetary sector and external sector. In addition, the prospects for the economy over the medium term are examined, along with developments in the commodities market and the international economic environment.

[3] This refers to broad money supply that includes the Jamaica dollar value of foreign currency deposits. The rate of growth provided for FY 2015/16 represents the twelve-month growth up to February 2016.

Real Sector Developments

Economic Performance for the first three quarters of FY 2015/16

Real GDP increased by 0.9% for the first three quarters of FY 2015/16, relative to the corresponding period of FY 2014/15. This reflects improvements in both the Goods Producing and Services industries. The Goods Producing Industry recorded 2.0% growth, driven by positive performances in all the component industries. There was a modest 0.2% expansion in the Agriculture, Forestry & Fishing industry. The performance of the industry was subdued by drought conditions which prevailed during the review period. According to the Meteorological Service of Jamaica, for the first half of FY 2015/16, the island recorded average rainfall levels of 50.0% below the thirty-year average rainfall. The Mining & Quarrying industry recorded growth of 0.6% mainly as a result of increased alumina and crude bauxite production. Manufacturing output grew by 4.8%, attributable to higher output from both the Food, Beverages & Tobacco and Other Manufacturing sub-industries. Within the Other Manufacturing sub-industry, the performance was impacted positively by the return to normal production of the Petrojam Refinery following its closure between August and October of 2014. The Construction industry recorded growth of 0.7%, driven primarily by an improvement in the 'Other Construction' category, which benefited from increased output associated with road construction and rehabilitation works as well as infrastructure work in the telecommunications industry. Higher output in the Building Construction component was influenced by hotel construction and renovation as well as the build-out of office space to facilitate the expansion of the Business Process Outsourcing (BPO) industry.

The Services industry recorded a 0.6% expansion for the first three quarters of FY 2015/16. Contributing to this performance was growth of 1.2% in Hotels & Restaurants which benefited from an increase in stopover arrivals relative to the corresponding period of FY 2014/15, primarily reflecting a larger number of visitors from the USA and Europe. This improvement in visitor arrivals, along with an increase in the volume of bauxite related cargo, also helped to propel growth of 1.1% in Transport, Storage & Communication. The Services industry was also positively impacted by a 2.8% rise in Electricity & Water Supply which resulted mainly from an increase in electricity generation, spurred by a higher consumption demand.

Projected Performance for FY 2015/16[4]

The Jamaican economy is projected to grow by 0.9% (see Table 2B) in FY 2015/16, with real value added expected to increase by 1.6% for the Goods Producing Industry and 0.7% for the Services Industry. The performance of the Goods Producing Industry is expected to be driven by improvements in all the component industries, except for Mining and Quarrying. In particular, a 0.7% increase in the Agriculture, Forestry & Fishing industry is projected mainly due to increased capacity utilisation at Agro Parks, resulting in more acres under production relative to

[4] This estimate is based on three official quarterly out-turns published by STATIN and one quarterly estimate produced by the PIOJ.

the previous fiscal year. These parks are geared towards enhancing the domestic supply chain, thereby facilitating import substitution. The Manufacturing industry is expected to expand by 3.5%, reflecting a recovery from the impact of the 10 weeks closure of the Petrojam Refinery during the preceding fiscal year as well as increased food processing. Continued activities in the construction of highways and new hotels, build-out of office space to facilitate the expansion of the BPO industry as well as construction activities relating to three renewable energy plants are expected to boost performance in the Construction industry, resulting in growth of 0.7%. On the contrary, Mining & Quarrying is expected to decline by 0.1%.

The Services Industry is projected to grow by 0.7% and it is anticipated that the main drivers will be Hotels & Restaurants and Electricity & Water Supply which are expected to grow by 1.6% and 2.9%, respectively. The underlying growth fillip for Hotels & Restaurants is expected to be increased visitor arrivals consequent on continued marketing, particularly in new markets, that will be accommodated by increased room stock. Growth in Electricity & Water Supply output is expected to be driven by increased electricity generation fuelled by increased business activities and lower electricity rates stemming from the pass-through of the low international oil prices to consumers.

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

	FY 2014/15 Actual	FY 2015/16 Projection
GOODS PRODUCING INDUSTRY	-1.5	1.6
Agriculture, Forestry & Fishing	-5.1	0.7
Mining & Quarrying	-0.9	-0.1
Manufacture	-1.3	3.5
of which: Food, Beverages & Tobacco	1.1	2.5
Other Manufacturing	-4.4	4.9
Construction	1.7	0.7
SERVICES INDUSTRY	0.6	0.7
Electricity & Water Supply	-2.0	2.9
Transport, Storage & Communication	0.9	1.2
Wholesale & Retail Trade; Repair and Installation of Machinery	0.3	0.5
Finance & Insurance Services	0.5	0.5
Real Estate, Renting & Business Activities	0.4	0.5
Producers of Government Services	-0.1	-0.2
Hotels and Restaurants	4.0	1.6
Other Services	1.6	0.6
Less Financial Intermediation Services Indirectly Measured (FISIM)	-0.8	0.2
TOTAL GDP AT BASIC PRICES	0.2	0.9

Source: STATIN & PIOJ

Labour Market Developments

The increasing trend in the average level of employment since 2012 continued in 2015, marking the fourth consecutive year of improvement. This performance is reflective of the recovery in the economy generally, and supported by ongoing economic reforms specifically targeting the enhancement of the business environment and competitiveness.

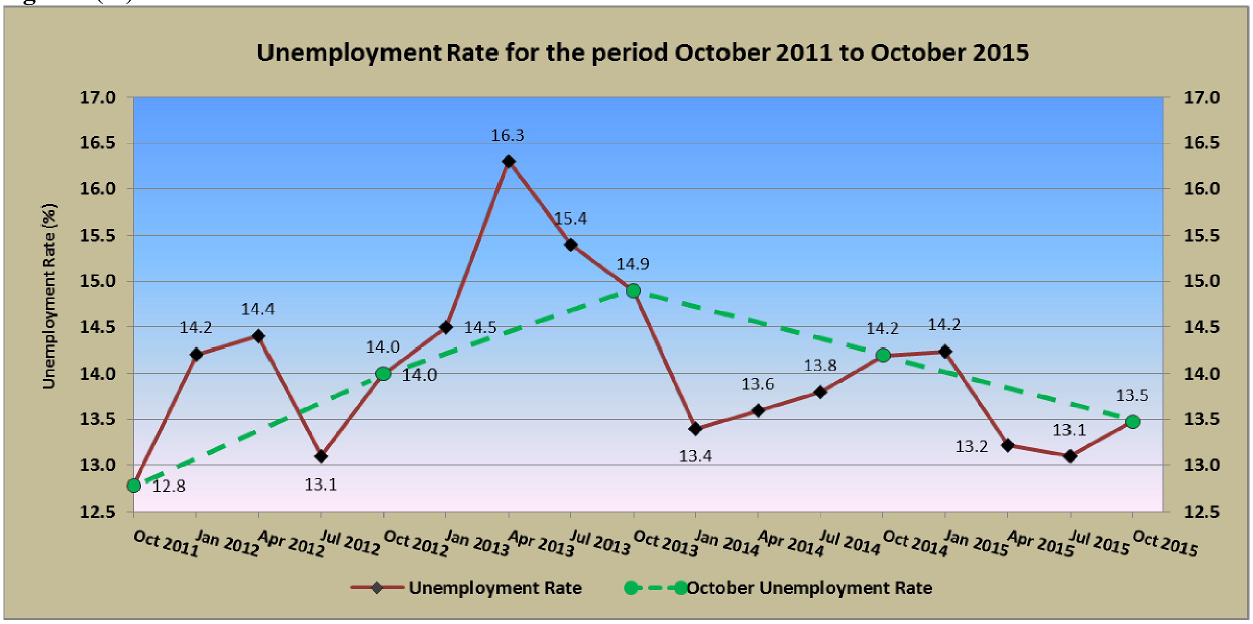
TABLE 2C: SELECTED LABOUR FORCE INDICATORS

BOTH SEXES	2014		2015		
	October	**Annual Average**	**July**	**October**	**Annual Average**
TOTAL POPULATION	***2,722,000***	***2,719,975***	**2,725,900**	**2,727,200**	**2,725,225**
Population 14 years and over	**2,082,800**	**2,081,300**	**2,085,900**	**2,086,900**	**2,085,350**
Labour Force	**1,310,200**	**1,307,500**	**1,320,500**	**1,325,200**	**1,316,575**
Employed Labour Force	**1,124,000**	**1,127,825**	**1,147,500**	**1,146,600**	**1,138,700**
Unemployed Labour Force	**186,200**	**179,650**	**173,000**	**178,600**	**177,875**
Outside The Labour Force	**772,600**	**773,800**	**765,400**	**761,700**	**768,775**
Employment Rate	**85.8**	**86.3**	**86.9**	**86.5**	**86.5**
Unemployment Rate	**14.2**	**13.7**	**13.1**	**13.5**	**13.5**
Job Seeking Rate	**9.3**	**9.0**	**8.8**	**8.9**	**9.1**
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	**37.1**	**37.2**	**36.7**	**36.5**	**36.9**
Labour Force as a % age of Total Population	**48.1**	**48.1**	**48.4**	**48.6**	**48.3**
Labour Force as a % age of Population 14+	**62.9**	**62.8**	**63.3**	**63.5**	**63.1**

Source: STATIN Labour Force Survey October 2015

According to the October 2015 Labour Force Survey, the unemployment rate fell by 0.7 percentage point to 13.5% compared to 14.2% in October 2014 (Table 2C). This is the lowest rate of unemployment recorded in October since 2011 (Figure 2(iii)). Relative to October 2014, the unemployment rate for both males and females moved downwards with the rate declining by 0.6 percentage point to 9.3% for males and by 0.9 percentage point to 18.5% for females. The unemployment rate for youth aged between fourteen and twenty-four years was 32.7% as at October 2015. This represented a decrease of 3.3 percentage points in comparison to the 36.0% reported in October 2014. Within this age group, male unemployment decreased by 2.7 percentage points, moving from 27.3% to 24.6%; while for females it was lower by 4.0 percentage points, having moved from 47.9% to 43.9%. The total labour force grew by 1.1% relative to October 2014, representing an additional 15,000 persons. However, employment rose by an even larger number, hence the reduction in the unemployment rate.

Figure 2(iii)



Source: STATIN

Total employment rose by 22,600 persons or 2.0%, reflecting an increase of 10,100 employed males (1.6% rise) and 12,500 employed females (2.6% rise). The occupation groups that led the improvement in employment are ‘Professionals, Senior Officials and Technicians’ and ‘Service Workers and Shop & Market Sales Workers’ which recorded increases of 11,500 persons (4.6%) and 8,700 persons (3.9%) respectively. The level of employment for the period was however offset by reductions in other groups, most notably ‘Skilled Agricultural and Fishery Workers’ which experienced a decline of 8,800 persons (4.3%). Industry wise, the groups that recorded the largest increase in the number of employed persons are ‘Hotels and Restaurants Services’ and ‘Real Estate, Renting & Business Activities’ with the former adding 13,700 employees (a 16.8% increase) and the latter 10,000 employees (a 15.5% increase) (Table 2D). On the other hand, employment declined by 7,000 persons (3.4%) for the industry group ‘Agriculture, Hunting, Forestry & Fishing’ and by 6,100 persons (10.7%) for the industry group ‘Private Households with Employed Persons’.

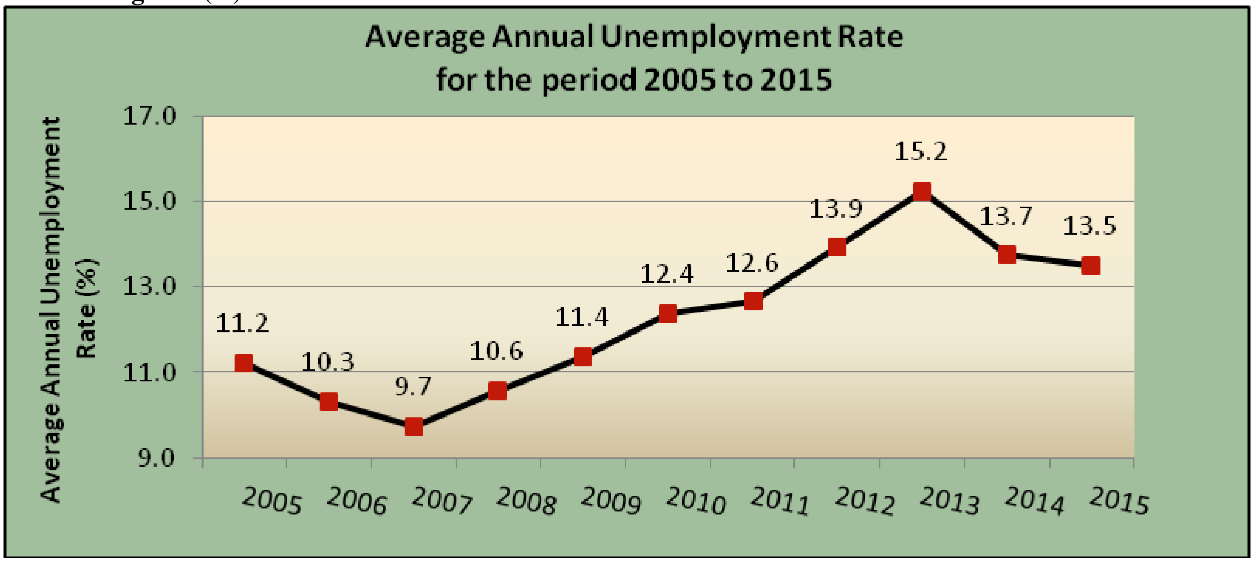
TABLE 2D: EMPLOYED LABOUR FORCE BY INDUSTRY

INDUSTRY GROUP	2014 October	2014 Annual Average	2015 October	2015 Annual Average	Absolute Change Oct-15 - Oct-14	Absolute Change Avg-15 - Avg-14
	BOTH SEXES					
Agriculture, Hunting, Forestry & Fishing	207,500	207,775	200,500	202,075	-7,000	-5,700
Mining & Quarrying	6,600	6,150	6,400	5,800	-200	-350
Manufacturing	72,300	72,900	70,700	72,975	-1,600	75
Electricity, Gas and Water Supply	7,800	8,500	8,500	8,700	700	200
Construction	82,700	80,925	84,100	82,575	1,400	1,650
Wholesale & Retail, Repair of Motor Vehicle & Equipment	223,700	226,350	226,800	227,325	3,100	975
Hotels & Restaurants Services	81,400	80,500	95,100	88,200	13,700	7,700
Transport, Storage and Communication	76,000	75,250	72,100	74,725	-3,900	-525
Financial Intermediation	23,800	26,025	23,800	26,400	0	375
Real Estate, Renting & Business Activities	64,500	67,350	74,500	74,175	10,000	6,825
Public Administration & Defence; Compulsory Social Security	55,000	56,850	60,100	56,475	5,100	-375
Education	74,500	70,300	70,800	70,450	-3,700	150
Health & Social Work	31,000	31,900	33,900	32,625	2,900	725
Other Community, Social and Personal Service Activities	57,900	58,700	65,800	60,200	7,900	1,500
Private Households with Employed Persons	56,900	55,550	50,800	53,050	-6,100	-2,500
Industry Not Specified (Incl. Extra-Territorial Bodies)	2,400	2,800	2,700	2,950	300	150
TOTAL EMPLOYED LABOUR FORCE	**1,124,000**	**1,127,825**	**1,146,600**	**1,138,700**	**22,600**	**10,875**

Source: STATIN Labour Force Survey October 2015

A comparison of the annual averages reveals a 0.2 percentage point reduction in the unemployment rate for 2015, falling from 13.7% in 2014 to 13.5%. The consecutive decline in the rate between 2013 and 2015 marks the first since the 2005 to 2007 period (Figure 2(iv)). Following last year's decline in the annual average unemployment rate for males and females, both rates again fell marginally in 2015, by 0.2 percentage point to 9.9% and 17.9% respectively. On the employment side, the annual average level increased by 10,875 persons to 1,138,700 persons.

Figure 2(iv)



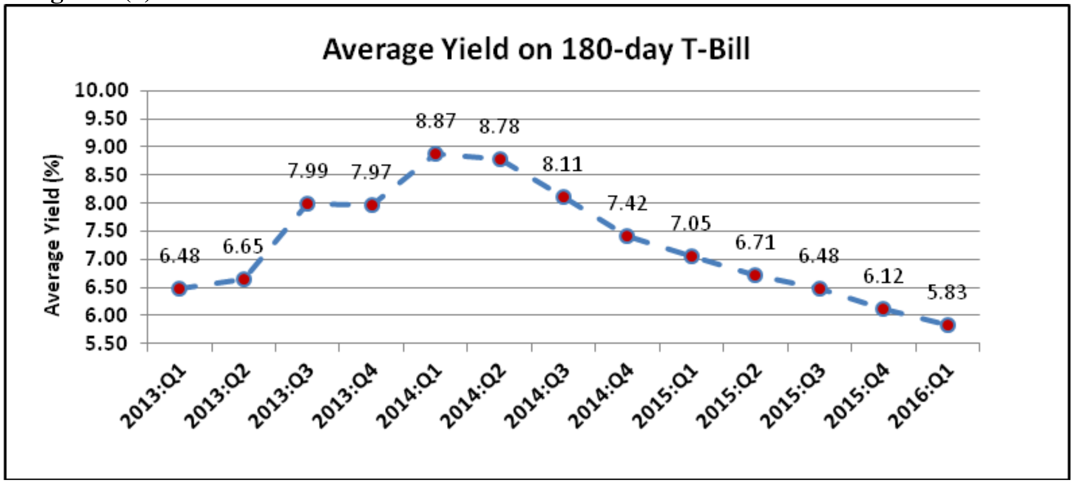
Source: STATIN

Monetary Developments

The Bank of Jamaica (BOJ) reduced the rate offered on its benchmark 30-day Certificate of Deposit (CD) by a total of 50 basis points (0.50 percentage point) during the first half of FY 2015/16. In April 2015, the signal rate was lowered from 5.75% to 5.50%. This was followed by another downward adjustment of 25 basis points to 5.25% in August 2015. The decision to ease the monetary policy stance was predicated primarily on the moderation of inflation expectations and the outlook for continued low domestic inflation for the medium term, within the context of falling international oil prices. The adjustments were also influenced by the reduction in macroeconomic vulnerabilities due to the Government's strong implementation of reforms under the Economic Reform Programme. There were other positive developments which informed the decision, including the continued growth in the net international reserves and decline in the current account deficit as well as the improvement in the national debt ratios. The Bank also reduced the spread on its lending facilities by 75 basis points (0.75 percentage point) relative to the signal rate.

The average yield on GOJ 180-day Treasury Bills declined for all four quarters of FY 2015/16, continuing the downward trend that has been observed since the first quarter of FY 2014/15 (Figure 2(v)). For the quarter ending March 2016, the average yield of 5.83% was 122 basis points (1.22 percentage points) lower than the yield for the corresponding period of FY 2014/15. The performance of the instrument reflected the continued positive outlook for inflation and market participants' favourable outlook for liquidity in the short term.

Figure 2(v)

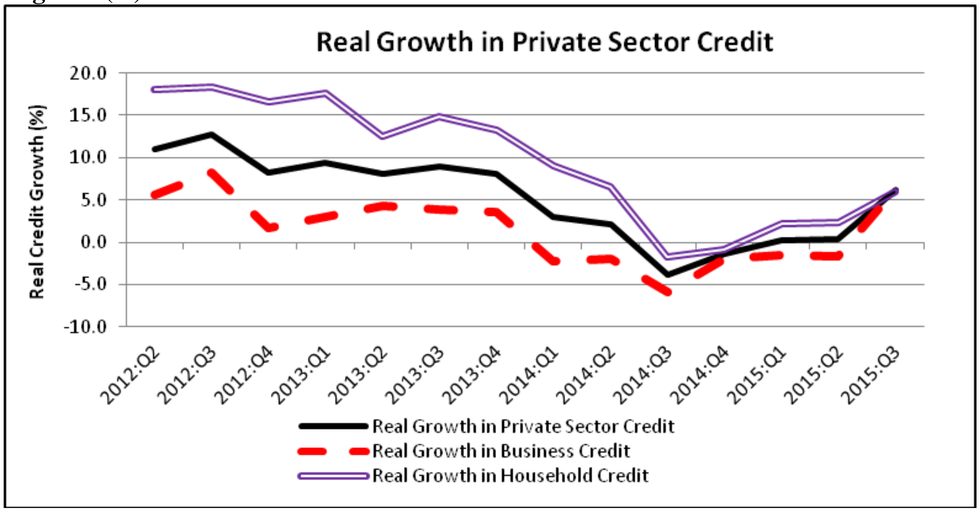


Source: BOJ

The impact of the policy action of the Bank on liquidity within the financial system contributed to an improvement to the relatively tight conditions that previously prevailed. Through its open market operations, the BOJ injected a total of J$59.1bn into the system during the first three quarters of FY 2015/16. This injection was however offset by Government operations that absorbed J$52.6bn from the system, resulting in a net injection of J$6.5bn over the period.

Positive real growth in private sector credit returned during the first half of FY 2015/16 (Figure 2(vi)) with expansion in both business and household credit. The growth in credit reflected demand-driven acceleration in loans and advances to households and businesses. The sectors that led the growth in business lending were Professional & Other Services, Mining and Manufacturing. The credit expansion is consistent with the relative improvement in the economy as well as with the increase in business and consumer confidence. According to data from the survey of business and consumer confidence, the average annual index of business confidence climbed to an eight year high in 2015, while the average annual index for consumer confidence reached its highest level since 2012.

Figure 2(vi)



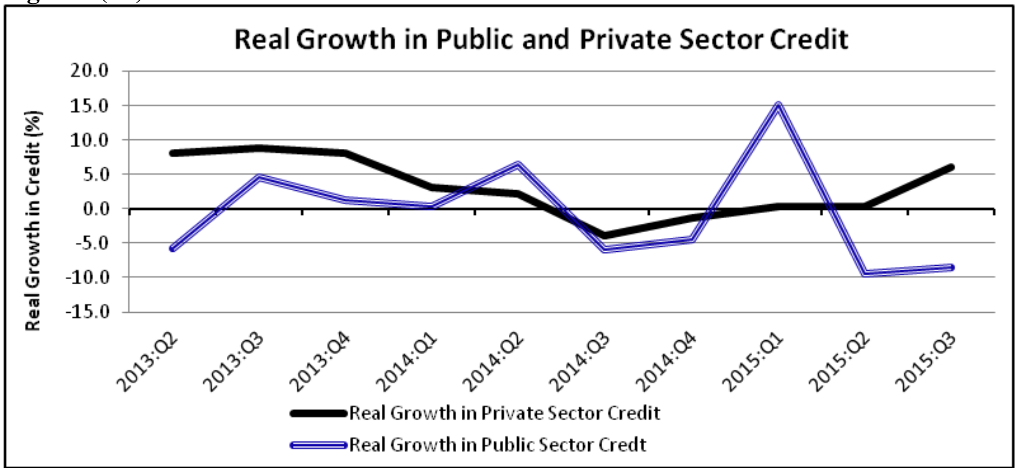
Source: BOJ[5]

In contrast to the growth in private sector credit since the beginning of 2015, there was a sharp contraction in public sector credit (Figure 2 (vii) as the government's demand for domestic financing declined significantly, due mainly to the ongoing fiscal consolidation as well as a successful re-entry to the international capital market. This is a welcomed reversal to the scenario of the recent past where government borrowing crowded out private sector investments, and highlights one of the achievements of the economic reform programme.

The equities market exhibited buoyancy during 2015, with the Jamaica Stock Exchange (JSE) surging by 90%. In so doing, the JSE emerged the top-performing index in 2015 according to the global financial research company Bloomberg which tracks over 90 markets globally. The performance of the equities market reflected improved investor confidence, in the context of positive macroeconomic developments including relatively low inflation, continued reduction in the policy rate of the Bank of Jamaica as well as Jamaica's progress in implementing a comprehensive program of economic reforms.

[5] The figure utilizes credit stock information obtained from BOJ which was deflated using the CPI.

Figure 2(vii)



Source: BOJ

At the end of December 2015, Net Domestic Assets (NDA) had contracted by $36.7bn relative to the corresponding period of 2014. Over the similar period, the stock of Net International Reserves (NIR) increased by $50.0bn (US$436.2mn). As a result, the monetary base grew by $13.3bn or 12.2%. The increase in the NIR mainly reflected the purchase of the US dollar debt proceeds raised by the GOJ on the international capital markets in July 2015 as well as market purchases by BOJ which more than offset market sales and payment of GOJ debt during the period. The contraction in NDA mainly reflected the build-up of Government deposits at the central bank.

Inflation

The All Jamaica 'All Divisions' Consumer Price Index increased from 224.1 at the end of December 2014 to 232.3 at the end of December 2015, representing cumulative increase of 3.7% in the index during calendar year 2015 (Table 2E). This is 2.7 percentage points lower than the 6.4% increase recorded during 2014, marking a notable slow down in the pace of price increases.

The division 'Food and Non-Alcoholic Beverages' which is the highest weighted division, registered the largest increase during the calendar year, rising by 8.7%. This was influenced mainly by the movement in price for 'Fruits' and 'Vegetables and Starchy Foods' which went up by 8.0% and 27.0%, respectively, led by the increase in prices for vegetables on the local market, and reflected primarily the impact of the adverse drought conditions that prevailed throughout 2015 on supplies of most domestic agricultural commodities. With the exception of 'Housing, Water, Electricity, Gas and Other Fuels' and 'Transport', all other divisions also experienced price increases. The division 'Housing, Water, Electricity, Gas and Other Fuels', which declined by 8.3%, was significantly impacted by a 16.5% reduction in the index for the group 'Electricity, Gas and Other Fuels'. There was a 4.0% decline in the index for the 'Transport' division. These declines reflected the impact of continued low international oil prices.

The All Jamaica 'All Divisions' Consumer Price Index increased by 3.1% from the beginning of FY 2015/16 to the end of February 2016. With the exception of 'Housing, Water, Electricity, Gas and Other Fuels' and 'Transport', all the divisions recorded increases. The division which registered the highest increase was 'Food and Non-Alcoholic Beverages', rising 7.9% over the period.

Inflation for FY2015/16 is expected to turn out well below the lower end of the BOJ's target range of 5.5% to 7.5%. For the remainder of the fiscal year, the overall risk to the inflation forecast is tilted to the downside. The main downside risks include the possibility of more favourable weather conditions which could drive down the prices of agricultural food items, lower than anticipated international commodity prices which includes a continuation of the fall in international oil prices and weaker than expected demand conditions. The major upside risks include the possible impact of maturing government bonds in the last quarter of the fiscal year, higher than expected exchange rate depreciation, worsening of adverse weather conditions, a reversal of falling oil prices and more robust domestic demand than anticipated.

Table 2E

All Jamaica 'All Divisions' and Division Indices and Movements
(Base period December 2006 = 100)

	Dec 2014 Index	Mar 2015 Index	Dec 2015 Index	Jan 2016 Index	Feb 2016 Index	Monthly % change for Feb 2016	Calendar Year 2015 (% change)	CY 2016 to Feb 2016 (% change)	FY 15/16 to Feb 2016 (% change)
ALL DIVISIONS - ALL ITEMS	224.1	222.7	232.3	231.3	229.6	-0.7	3.7	-1.2	3.1
1 Food and Non-Alcoholic Beverages	270.1	267.6	293.6	291.6	288.9	-0.9	8.7	-1.6	7.9
2 Alcoholic Beverages and Tobacco	272.0	274.4	286.6	287.4	287.8	0.1	5.4	0.4	4.9
3 Clothing and Footwear	221.3	224.8	231.0	231.4	231.6	0.1	4.4	0.2	3.0
4 Housing, Water, Electricity, Gas and Other Fuels	224.6	215.2	205.9	203.0	200.5	-1.2	-8.3	-2.6	-6.8
5 Furnishings, Household Equipment and Routine Household Maintenance	216.8	218.8	223.4	223.9	224.3	0.2	3.1	0.4	2.5
6 Health	139.9	140.9	142.7	142.8	142.9	0.1	2.0	0.1	1.5
7 Transport	208.7	207.0	200.3	199.5	196.4	-1.5	-4.0	-1.9	-5.1
8 Communication	66.9	66.9	66.9	66.9	66.9	0.0	0.0	0.0	0.0
9 Recreation and Culture	177.5	178.4	182.2	182.9	183.0	0.1	2.6	0.5	2.6
10 Education	173.1	173.1	182.6	182.6	182.6	0.0	5.5	0.0	5.5
11 Restaurants and Accommodation Services	180.0	185.2	188.4	190.1	190.1	0.0	4.4	0.9	2.7
12 Miscellaneous Goods and Services	209.0	213.5	222.0	222.6	223.0	0.2	6.2	0.4	4.4

Source: STATIN

Exchange Rate

There was a continued slowdown in the pace of depreciation of the Jamaican currency relative to its US counterpart during 2015. At end-December 2015 the weighted average selling rate of the US dollar with respect to the Jamaica dollar was US$1.00 = J$120.42, representing a depreciation of 5.0% when compared to the selling rate of at end-December 2014. The rate of depreciation for calendar years 2014 and 2013 were 7.8% and 14.4% respectively. It is anticipated that this declining trend will be maintained over the medium term, as the domestic currency is no longer assessed to be over-valued. The narrowing of the inflation differential between Jamaica and the United States is expected to also be a significant contributing factor to the stabilization process.

At end-March 2016, the weighted average selling rate of the US dollar was US$1.00 = J$122.04, reflecting a depreciation of 6.1% for FY 2015/16.

External Sector Developments

Data for the external sector indicates a continuing trend towards an improved current account balance for the first three quarters of FY 2015/16 (Figure 2(viii)). The Current Account balance recorded a deficit of US$352.0mn for the April to December 2015 period, representing 3.4% of GDP and reflecting an improvement of US$656.8mn relative to the corresponding period in 2014 (Table 2E). Both the goods and the services accounts contributed to the improved current account balance, with the goods component yielding the greater positive impact. The improved outturn for the period also emanated from the US$53.8mn improvement in the Secondary Income sub-account as well as a marginal improvement in the Primary Income account. The improvement in the Goods account balance was mainly as a result of a larger decline in imports than exports. The fall in imports primarily reflected declines in the import bill for Mineral Fuel, Food, and Chemicals. Exports decreased largely due to reductions in Crude Materials and Mineral Fuel sold abroad. The Services sub-account benefited from improvement in net Travel and net Transport Services flows and increased private transfers.

The Capital Account balance recorded a surplus of US$1,457.4mn over the first three quarters of FY 2015/16, primarily reflecting the impact of repurchasing the PetroCaribe debt at a discount. This outturn together with the balance on the Current Account resulted in a net lending balance of US$1,105.5mn, compared to a net borrowing balance of US$1,000.3mn for the corresponding period of FY 2014/15. Reserve Assets increased by US$224.3mn between April and December 2015 as flows from official and private sources were more than sufficient to finance the Current and Capital accounts.

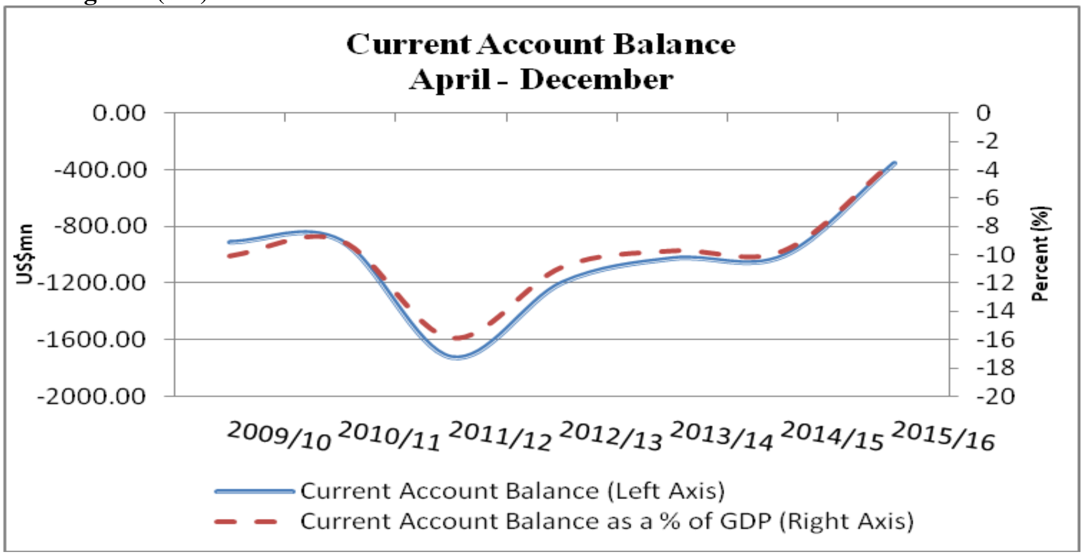
Table 2F

Balance of Payments
April - December 2015

Balance of Payments (US$MN)	FY 2014/15 April - December	FY 2015/16 April - December	Change
Current Account Balance	**-1,008.8**	**-352.0**	**656.8**
Credits	5,287.3	5,255.4	-31.9
Debits	6,296.1	5,607.4	-688.7
Goods & Services	-2,475.2	-1,873.9	601.3
Exports	3,145.3	3,046.9	-98.4
Imports	5,620.5	4,920.8	-699.7
Goods	-2,874.5	-2,381.0	493.5
Exports	1,064.3	924.7	-139.7
Imports	3,938.9	3,305.7	-633.2
Services	399.3	507.1	107.7
Credits	2,081.0	2,122.3	41.3
Debits	1,681.6	1,615.2	-66.5
Primary Income	-268.9	-267.2	1.7
Credits	228.3	240.8	12.4
Debits	497.3	508.0	10.7
Secondary Income	1,735.3	1,789.2	53.8
Credits	1,913.7	1,967.7	54.1
Debits	178.3	178.6	0.2
Capital Account	**8.5**	**1,457.4**	**1,449.0**
Credits	8.5	1,457.4	1,449.0
Debits	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	**-1,000.3**	**1,105.5**	**2,105.8**
Financial Account Net lending (+) / net borrowing (-) (balance from financial account)	**-792.6**	**506.7**	**1,299.2**
Direct Investment	-466.3	-595.7	-129.4
Net acquisition of financial assets	-2.4	5.4	7.8
Net incurrence of liabilities	463.9	601.0	137.1
Portfolio Investments	-473.0	-1,588.3	-1,115.4
Net acquisition of financial assets	252.1	119.6	-132.5
Net incurrence of liabilities	725.1	1,708.0	982.8
Financial derivatives	-116.9	28.4	145.3
Net acquisition of financial assets	-154.0	18.5	172.5
Net incurrence of liabilities	-37.1	-9.9	27.2
Other Investments	-161.7	2,437.9	2,599.6
Net acquisition of financial assets	74.7	127.9	53.2
Net incurrence of liabilities	236.4	-2,310.0	-2,546.4
Reserve Assets	425.3	224.3	
Net Errors and Omissions	**207.7**	**-598.0**	

Source: BOJ

Figure 2(viii)



Source: BOJ

The Commodities Market

There was a general fall in international commodity prices over the three quarters of FY 2015/16, ending December 2015. This largely reflects the impact of relatively weak global demand coupled with buoyant supplies. The IMF's International Commodity Price Index declined 35.3% over the period, following the 7.5% fall over the corresponding period of the previous fiscal year. Contributing to this reduction, were declines of 18.4% in the index for Non-Fuel items and 44.4% in the Fuel (Energy) Price. The sharp reduction in the index for fuel (energy) related commodities resulted mainly from the downward movement in international oil prices due to an excess supply, driven by continued growth in shale oil production in the USA and intensified crude oil production in Iraq. The decline in the index for Non-Fuel items primarily reflected an expansion in supplies due to the impact of favourable weather conditions in countries that are major producers of these commodities.

The downward trend in commodities prices is expected to continue through 2016, with the IMF projecting a 25.8% fall in the International Commodity Price Index for this calendar year. The decline is expected to be led by a 36.9% drop in the Fuel (Energy) Price Index, resulting from sustained oil production growth among Organization of the Petroleum Exporting Countries (OPEC) members and subdued aggregate demand growth. The projected 12.0% reduction in the Non-Fuel Commodities Index is also expected to have a significant impact on the International Commodity Price Index. Slowing demand, particularly in China, is expected to drive down metal prices in 2016.

Box 2A: International Commodity Prices

Jamaica remains a price taker for a variety of internationally traded primary commodities (Table 2G) 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 they affect 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 2G: International Commodity Prices

Commodity	Unit	Average Percentage Change	
		Apr-Dec FY 2014/15	Apr-Dec FY 2015/16
All Commodity Price Index		-7.5	-35.3
Non-Fuel Price Index		-3.8	-18.4
Fuel (Energy) Price Index		-9.4	-44.4
Select Commodities			
Cocoa	Cents per Kg.	23.2	3.5
Coffee, Arabica	Cents per Kg.	55.2	-26.8
Soybean meal	$/mt	-4.8	-24.5
Maize/Corn	$/mt	-23.2	-10.1
Wheat, US, HRW	$/mt	-8.3	-25.5
Sugar, EU, domestic	Cents per Kg.	4.9	-6.8
Sugar, World	Cents per Kg.	-1.3	-24.9
Crude Oil	US$ per Barrel	-7.9	-46.6
Aluminum	US$/Tonne	7.0	-15.7

Source: IMF Primary Commodity Prices

The International Environment

Global economic growth remained subdued in 2015, again falling short of expectations. The World Economic Outlook (WEO) Update published by the International Monetary Fund reported in its January 2016 issue that world output grew by 3.1%, compared to the initial growth forecast of 3.5% at the beginning of January 2015. The pace of growth in 2015 slowed relative to the 3.4% outturn in 2014, despite the continuation of modest recovery in advanced economies. The disappointing performance has been attributed mainly to the continued deceleration of economic activity in emerging and developing economies amid declining commodity prices, suppressed global trade, and weakening capital flows. The contribution to global growth of several of the largest emerging economies declined substantially in 2015. Output growth in China decelerated to 6.9% compared to 7.3% last year, reflecting a rebalancing of economic activity away from investment and manufacturing toward consumption and services. Both Brazil and Russia recorded economic contraction, having been undergoing severe adjustments in the face of external and domestic challenges.

Growth in the advanced economies remained resilient in 2015, with Spain and the United States leading the expansion in output. In the United States, economic activity has been driven by relatively strong domestic demand which is supported by robust consumption and dynamic investment outside the oil sector as well as strengthening housing and labour markets. These improvements contributed to the decision by the US Federal Reserve to raise short-term interest rates for the first time since the Great Recession.

International oil prices continue to decline, reflecting expectations of sustained increases in production by members of the Organization of the Petroleum Exporting Countries (OPEC), despite the persistent condition of excess global oil supply over world demand for the commodity. The anticipated extent of the positive impact of lower oil prices on global demand has however not materialized due to several mitigating factors. Firstly, the financial strains being experienced in many oil exporting countries restrict their ability to adequately manage the shock, resulting in a significant reduction in their domestic demand. Additionally, the plunge in oil prices has had a considerable negative impact on investment in oil and gas extraction which diminishes global aggregate demand. Another factor is the lower than expected increase in consumption among oil importing countries. Finally, limited pass-through of price declines to consumers may have also been a factor in several emerging market and developing economies.

Notwithstanding the foregoing, the outlook is positive for global growth in the medium term with expansion in world output of 3.4% projected for 2016 and 3.6% for 2017. Underlying these projections are expectations of continued recovery among advanced economies as well as improvements in the GDP growth rate in some of the countries that are currently experiencing economic distress. The risks to the global outlook are skewed to the downside and relate mainly to ongoing adjustments in the global economy which include the generalized slowdown in emerging market economies, rebalancing of economic activity in China, lower commodity prices, and the gradual exit from extraordinarily accommodative monetary conditions in the United States. The successful management of these key challenges is imperative, in order to bolster global growth.

Macroeconomic Outlook FY 2016/17 to 2019/20

The continuing recovery of the economies of Jamaica's major trading partners is expected to provide support for improved performance of the economy in the medium term. Coupled with the implementation of planned growth initiatives, economic activity is expected to expand at an increasing rate in the medium term. Although this expansion is likely to be constrained by existing challenges which include high levels of crime and relatively low labour productivity, the macroeconomic outlook for the economy is positive. Having successfully implemented a number of strategic reforms aimed at unlocking the country's growth potential, Jamaica is now positioned to traverse a new trajectory in economic performance and development. The key macroeconomic projections underlying the development of the estimates of revenue and expenditure over the period from FY 2015/16 to FY 2019/20 are summarized in the Medium Term Macroeconomic Profile below (Table 2H). The impact of strategic investment projects in the areas of agriculture, energy, tourism, Information and Communication Technology, Business Process Outsourcing as well as the doing business reforms are expected to yield upside potential to the medium-term growth projections. The main downside risks are related to the impact of negative developments in the external environment and possible weather hazards.

Table 2H

Medium Term Macroeconomic Profile

Macroeconomic Variables	Fiscal Years						
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Actual	Prov.	Proj.	Proj.	Proj.	Proj.
Nominal GDP (J$bn)	1462.8	1563.9	1631.4	1726.4	1870.5	2025.2	2184.3
Nominal GDP growth rate (%)	9.4	6.9	4.3	5.8	8.3	8.3	7.9
Real GDP growth rate (%)	1.0	0.2	0.9	1.8	2.7	2.7	2.6
Inflation: Annual Pt to Pt (%)	8.3	4.0	3.5	5.5	5.5	5.0	5.0
Interest Rates:							
30-day repo rate (end-of-period)	5.75	5.75	5.25				
180-day Treasury Bill (average)	7.9	7.8	6.3				
Average Exchange Rate (J$=US$1.00)	103.9	113.1	118.7				
Current Account (%GDP)	-8.1	-7.0	-2.4	-2.9	-3.6	-3.8	-3.7
Net International Reserves (NIR) US$mn	1303.6	2293.7	2449.6	2728.4	2742.4	2556.4	2077.5
Gross NIR (weeks of Imports of goods & services)	14.7	21.6	23.4	25.7	24.6	22.0	18.0
Oil Prices (WTI) (average US$/barrel)	99.1	81.2	44.5	36.9	42.7	49.0	51.5

Source: BOJ

Real GDP is projected to grow by an average of 2.0% - 3.0% over the next four fiscal years. This growth is expected to be driven by the performance of both the goods and services industries, contingent on: the impact of the growth-inducing strategies being implemented, increased global economic activities, strengthened investor confidence and improved linkages within the domestic economy.

Inflation is expected to stabilize within the 5.0% to 5.5% range over the medium term. This expectation is underpinned by assumptions of continuing low international oil and grain prices.

The current account balance as a percentage of GDP is projected to remain relatively low, averaging -3.5% over the next four years. This is predicated on Jamaica's improved external competitiveness, as well as anticipated low global crude oil prices.

Guided by the fiscal responsibility framework, improvements in fiscal management along with stronger economic performance are expected to keep the total public debt as a percentage of GDP on its downward trajectory, towards the targeted 96.0% by the end of FY 2019/20.

Growth Agenda

Background

In response to the persistent underperformance of the Jamaican economy, the Government of Jamaica (GOJ) developed a comprehensive strategy to address the underlying factors and generate higher levels of economic growth in the medium term. The government's growth agenda addresses the binding constraints that the economy faces, and provides a framework to mobilize potentially productive assets in order to 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:

- Unleash entrepreneurial dynamism by unlocking latent wealth tied up in idle assets.
- Infrastructure investments as catalyst for job creation through strengthening resiliency of built environment.
- Build an innovative & competitive modern economy of large and small firms by strengthening business networks and minimizing supply-side constraints.
- Modernize and improve the efficiency of government.
- Social inclusion through community renewal, expanded self-agency and equity.
- Proactive partnership between government and private sector.

The main components of the medium-term growth agenda are summarized in the table below:

Table 2I: Main Components of the Government of Jamaica's Growth Strategy

Component	Role
1. *Fiscal Consolidation*	Provides Macroeconomic Stability
2. *Business Environment Competitiveness Reforms*	Addresses Constraints in the Business Environment and facilitates MSME capacity building and enhanced access to financing
3. *Strategic Investment Projects*	Provides Catalytic Capital Investments and Employment; Improves Business Environment
4. *Human Capital Development, Social Protection, Security and Resilience*	Builds Labour Productivity; Provides Social Protection; Addresses Crime and Violence Constraints; Reduces the impact of disasters and of climate change

Source: PIOJ

Update on the Growth Agenda

Progress has been made in implementing the programme of stabilization and structural reforms including:

- Strengthening the framework for fiscal responsibility
- Development of a fiscal management reform action plan
- Debt restructuring and reduction
- Reform of tax incentives legislation
- Implementation of a Central Treasury Management System
- Establishment of a central collateral registry
- Introduction of a multi-purpose registration instrument to streamline the business registration process
- Preparation of new insolvency legislation
- Passage of new Banking Services Act and enabling regulations
- Revision of Electricity Act to facilitate competition and development of electricity sector
- Adoption of legislation supporting flexible work arrangements
- Passage of Special Economic Zone (SEZ) legislation

Medium Term Growth Projections[6]

The projected value added change in the production of goods and services for the four-year period starting FY 2016/17 is provided in Table 2J[7] below.

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

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
	PIOJ's Estimates			
GOODS PRODUCING INDUSTRY	2.4	3.9	6.6	3.9
Agriculture, Forestry & Fishing	5.0	4.0	4.0	6.0
Mining & Quarrying	-0.5	19.1	40.0	2.5
Manufacture	1.7	1.9	2.2	3.9
of which: Food, Beverages & Tobacco	2.0	1.5	2.0	5.0
Other Manufacturing	1.4	2.4	2.5	2.5
Construction	1.5	1.4	1.6	2.5
SERVICES INDUSTRY	0.9	1.2	1.5	2.0
Electricity & Water Supply	2.0	3.0	2.5	3.5
Transport, Storage & Communication	1.8	2.0	2.5	2.5
Wholesale & Retail Trade; Repair and Installation of Machinery	0.6	0.8	1.0	1.5
Finance & Insurance Services	0.9	1.2	1.7	2.5
Real Estate, Renting & Business Activities	0.6	1.0	1.7	1.8
Producers of Government Services	-0.4	-0.4	-0.2	-0.1
Hotels and Restaurants	2.2	3.3	2.9	4.5
Other Services	1.5	2.0	2.0	2.5
Less Financial Intermediation Services Indirectly Measured (FISIM)	0.3	0.5	0.5	0.5
TOTAL GDP AT BASIC PRICES	1.3	1.9	2.8	2.5

Source: PIOJ

[6] The growth rates presented are PIOJ's baseline growth projections.
[7] The headline real GDP growth projections shown in table 2H are higher, generally, than the base-line projections in table 2J, reflecting greater optimism for global growth in the medium term.

FY 2016/17 Projected Performance

The economy is projected to grow by 1.3% for FY 2016/17. This projection reflects continued strengthening of most industries. Increased global output, strengthening of competitiveness in some industries, improvements in the business environment and the roll out of several major strategic investment projects are expected to result in an increase in economic activities and a consequent rise in domestic production mainly in the following industries:

- ✓ Agriculture, Forestry & Fishing industry, which is expected to grow by 5.0%. This is predicated on an increase in linkages between Agriculture and other industries, particularly the Hotels & Restaurants and Manufacturing industries, and will be facilitated by increased capacity utilization and output from Agro Parks as well as other GOJ initiatives to increase output and stabilize the production chain;

- ✓ Construction, which is projected to grow by 1.5%. The main drivers will be several strategic development projects which are slated to be implemented within the short to medium term. These include projects in the areas of tourism, road infrastructure, logistics, energy, information and communication technology, and business process outsourcing;

- ✓ Hotels & Restaurants, which is projected to grow by 2.3%. This will be facilitated by an increase in the room stock and frequency of flights into Jamaica;

- ✓ Electricity & Water Supply, which is expected to grow by 2.0%. This projection is based on the anticipated increase in electricity consumption, facilitated by relatively lower energy prices and higher levels of production.

FY 2017/18 Projected Performance

Economic growth of 1.9% is projected for FY 2017/18. This projection is predicated on increased global output which will positively impact growth in Jamaica's main service and goods exporting industries, as well as increased capacity utilization in some industries. The main drivers of growth are expected to be:

- ✓ Mining & Quarrying, which is projected to grow by 19.1%. This is based on the anticipated commencement of alumina refining at the Alpart Plant in the final quarter of the fiscal year as well as an expected increase in aluminium prices in 2017;

- ✓ Agriculture Forestry & Fishing, which is projected to grow by 4.0%. The industry will be driven mainly by expected increase in utilization of Agro-parks and increase linkages with the Hotels & Restaurants (Tourism) and Manufacturing industries.

- ✓ Hotels & Restaurants, which is projected to grow by 3.3%. This projection is based on the anticipated increase in stop-over arrivals as a result of higher global output and will be facilitated by further increases in room stock and frequency of flights into Jamaica.

FY 2018/19 Projected Performance

Real growth in output is projected to be 2.8% for FY 2018/19. This projection reflects growth in most industries, as influenced by increased demand locally and externally. Additionally, some industries will benefit from increased capacity utilization. The main drivers of growth are expected to be:

- ✓ Mining & Quarrying, with growth forecast of 40.0%. This is predicated on alumina refining operations at Alpart taking place for the entire fiscal year, facilitated by increased global demand for aluminium;
- ✓ Agriculture Forestry & Fishing, which is projected to grow by 4.0%. Similar to FY 2016/15 and FY 2016/17, growth in the industry is expected to be spurred by increased utilization of Agro-parks and higher demand from Hotels & Restaurants (Tourism) and Manufacturing industries;
- ✓ Hotels & Restaurants, with projected growth of 2.9%. This growth will be driven mainly by increased activities in the tourism sector.

FY 2019/20 Projected Performance

The economy is projected to expand by 2.5% in real terms for FY 2019/20, driven by growth in all industries except for Government Services. The most significant contributors to this growth are expected to be Agriculture, Forestry and Fishing, Hotels and Restaurants and Manufacturing which are projected to grow by 6.0%, 4.5% and 3.9%, respectively.

PART 3

FISCAL MANAGEMENT STRATEGY

Central Government Operations FY 2015/16

BACKGROUND

In conformity with the requirements of enhanced fiscal rules, the FY 2015/16 budget was tabled in February 2015. In light of this, the budget for FY 2015/16 was predicated on estimated figures for FY 2014/15, which was comprised of actual data up to December 2014 and estimates for the remainder of the fiscal year.

Total Expenditure for FY 2015/16 was projected at $462,988.1mn (27.4% of GDP), comprising Recurrent Expenditure of $432,579.0mn (25.6% of GDP) and Capital Expenditure of $30,409.0mn (1.8% of GDP). Non-Debt (Primary) Expenditure was budgeted at $331,373.7mn (19.6% of GDP), an increase of 11.8% over the estimated spending in FY 2014/15 and indicative of the GOJ attempts at simultaneously implementing the necessary structural reforms whilst supporting social protection programmes.

Of the total budgeted for Recurrent Expenditure, Wages and Salaries accounted for 9.8% of GDP, Recurrent Programmes 8.0% and Interest Payment 7.8% of GDP.

The allocation toward the Recurrent Programmes amounted to $135,735.3mn; a nominal increase of 21.3% over FY 2014/15 estimated outturn and included:

- Provision for the voter re-verification exercise (approx. $1,000.0mn) and $1,200.0mn for Local Government Elections that were due in June 2015;
- Increases for pension ($1,700.0mn) and government's contribution to employee's health insurance ($1,100.0mn);
- Mitigation provision of $3,400.0mn for weather-related risk and adverse movement in petroleum prices;
- An increase of $13,000.0mn of additional budgetary support for the Ministry of Health, to strengthen the ministry's ability to address the challenges in delivering proper health care and to stem the build-up in expenditure arrears;
- Increase provision for social spending in order to ensure that overall spending is not eroded by inflation.

Wages and Salaries were budgeted at $165.229.4mn, a 4.1% increase over FY 2014/15 estimated cost. This provision included: increase in wages, one-off payments and back-pay to Correctional Officers, Firemen and Health Sector workers; performance increments; and anticipated wage increase for the 2015/2017 contract period.

Interest Payments were budgeted at $131,614.4mn (7.8% of GDP down from 8.2% of GDP estimated in FY 2014/15); of which 60.0% was expected to be paid out to domestic creditors ($75,234.3mn) and the remaining 40.0% to external sources ($56,380.1mn). External Interest cost was expected to rise by 8.3% due to existing and maturing global bonds whilst on the domestic side maturing Benchmark Investment Notes were the main reason for the projected cost.

The provision for Capital Programmes amounted to $30,409.0mn (1.8% of GDP, up from 1.6% in FY 2014/15). Notable inclusions in this Capital provision were: $5,700.0mn for the PATH programme; $3,100.0mn for the purchase of buses for the JUTC; $2,400.0mn towards the Sugar Transformation Programme; $1,600.0mn for security vehicles for the Ministry of National Security and $1,400.0mn for the Fiscal Administration Modernization Programme (FAMP).

Revenue & Grants for FY 2015/16 were projected to increase by 9.6% over the estimates for FY 2014/15 to $458,101.1mn. This projection represented 27.1% of GDP, compared to 26.5% in FY 2014/15. Tax Revenue of $411,882.3mn was estimated to increase by 9.0% or $34,005.1mn over estimated collections in FY 2014/15, a third of which ($10,348.0mn) was expected from the implementation of new revenue measures (Table 3A).

Excluding the new revenue measures, Tax Revenue was projected to grow by 6.3% over the estimated receipts for FY 2014/15, marking a deceleration from the 7.9% growth in FY 2014/15. This deceleration in the growth in Tax Revenue during FY 2015/16 was predicated on, inter alia: an expected contraction in the GOJ's wage bill which would reduce PAYE and Education Tax; the January 2016 increase in the Personal Income Tax threshold; increased payment of tax refunds; and, lower oil prices.

The new tax measures were introduced to synchronize with the efforts of the TAJ and JCA to boost compliance. Both the TAJ and JCA had outlined strategic initiatives for FY 2015/16 intended to target compliance and increase revenue (Appendix V). As such, an additional $12,323.4mn (0.7% of GDP) was expected from these initiatives. TAJ for instance, intended to build on the previous year's initiatives by focusing on registration compliance, filing compliance, payment compliance and correct reporting compliance. Those activities were expected to improve compliance rates, create equity in the tax system while increasing overall efficiency and effectiveness of the TAJ operations. JCA also developed strategies to encourage voluntary compliance through simplified & standardized systems and streamlining core business processes through the effective use of technology.

Table 3A: Summary of the Recommended Revenue Measure for FY 2015/16

Proposed FY 20115/16 Revenue Measures	**Annualized (J$mn)**
Amendment to the Taxation regime for Life Insurance Companies *Effective for year of assessment 2015*	0
Increase in the Special Consumption Tax (SCT) on Cigarettes ($10.50 to $12) *Effective 13th March 2015*	488
Increase in the Specific SCT rates on Petrol (i.e. E10 87, E10 90, Diesel and Ultra Low Sulphur Diesel) by J$7 per litre. *Effective 18th March 2015*	6,412
Replacement of the 1.0 per cent Petroleum Cess to a specific SCT of $2 per litre *Effective March 2015*	1,824
Increase in the General Personal Income Tax (PIT) Threshold to $592,800 *Effective 1st January 2016*	(644)
Re-introduction of GCT on electricity for residential customers (with an increased threshold of 300 kWh) at the standard rate. *Effective 1st April 2015*	807
Rationalization of the Environmental Levy- Introduction of the 0.5% of domestic sales (excluding the services sector) *Effective 1st April 2015*	962
Rationalization of Outdated Fees - Trade & Business License *Effective 1st April 2015*	500
Rationalization of Outdated Fees – Excise Unit *Effective 1st April 2015*	Compliance Measure
Reduction of Import Duties (CET) on Horses for Breeding - From 40% Duty to 5% Duty *Effective 1st April 2015*	(0.1)
Full implementation of the elimination of zero-rating under the GCT for government purchases (with exception of public schools and Jamaica Defense Force) *Continuation from FY 2014/2015 (Initiated in Phase I)*	Compliance Measure
Withholding Tax on Specified Services (at a rate of 3%) *Effective 1st May 2015*	Compliance Measure
TOTAL	**10,348**

Non-tax Revenue for FY 2015/16 was budgeted at $30,961.3mn (1.8% of GDP), a reduction of 9.5% from the estimated outturn in FY 2014/15. The projected decline was due to two factors:

1. With JCA transitioning to full executive agency status by April 1, 2015, the agency was expected to retain $5,160.0 of the Customs Administration Fee (CAF) to cover its operating expenses, which would have lowered the overall net flow into the Consolidated Fund; and
2. Distribution/dividends from self-financing public bodies were programmed to be reduced from $2,366.0mn to $1,247.0mn.

Bauxite Levy collections to be transferred to the Consolidated Funds were programmed at $4,779.7mn (0.3% of GDP) while Capital Revenue was projected at $938.8mn, a decline of 20.4% from estimated receipts in FY 2014/15.

With respect to Grants, the budgeted collections for FY 2015/16 of $9,539.0mn represented a 109.9% increase over FY 2014/15 estimated receipts, due largely to expected higher inflows from the European Union (EU) for budget support.

Subsequent to the budget being tabled in February 2015, the actual figures for FY 2014/15 showed some variances from the estimated figures that were presented in the February 2015 FPP with both Revenue and Grants and Expenditure being lower. Consequently, the variance between the estimated and actual figures for FY 2014/15 altered the growth rates for the FY 2015/16 budget.

Based on the actual spending in FY 2014/15, the provision for the FY 2015/16 expenditure budget represented a 10.5% increase (Table 3B).

Table 3B: FY 2015/16 Expenditure Budget vs. FY 2014/15 Outturn

	2014/15	2015/16	% Change
Expenditure	**418,986.8**	**462,988.1**	**10.5%**
Recurrent Expenditure	395,967.8	432,579.0	9.2%
Programmes	112,696.6	135,735.3	20.4%
Wages & Salaries	158,758.6	165,229.4	4.1%
Interest	124,512.7	131,614.3	5.7%
Capital Expenditure	23,019.0	30,409.0	32.1%

Source: MoFPS

The reduced figures for Revenue and Grants in FY 2014/15 resulted in generally larger increases being projected for FY 2015/16 (Table 3C). Thus Revenue and Grants were projected to grow by 11.3% over FY 2014/15, with Tax Revenue budgeted to increase by 11.1%, rather than 9.0% as reported in the February 2015 FPP. The result of this was that greater effort was required of the tax collection authorities to achieve the collection targets for FY 2015/16 and adhere to the primary surplus requirement of the economic programme.

Table 3C: FY 2015/16 Revenue Forecast vs. FY 2014/15 Outturn

	2014/15	2015/16	% Change
Revenue and Grants	**411,715.9**	**458,101.4**	**11.3%**
Tax Revenue	370,877.5	411,882.6	11.1%
Non-Tax Revenue	34,311.5	30,961.3	-9.8%
Bauxite Levy	0.0	4,779.7	100%
Capital Revenue	1,509.2	938.8	-37.8%
Grants	5,017.8	9,539.0	90.1%

Source: MoFPS

CENTRAL GOVERNMENT: FY 2015/16 PERFORMANCE

Provisional data indicate that Central Government operations generated a Primary Surplus equivalent to 7.40% of GDP, which was above the 7.25% of GDP target established under the EFF. The nominal value of the Primary Surplus was $120,795.9mn, an increase of $68.3mn over the EFF target of $120,727.6mn.

The Fiscal Deficit for FY 2015/16 amounted to $4,883.7mn, or 0.3% of GDP, which was in-line with the approved budget (Table 3D).

Table 3D: Central Government Summary Account FY2015/16
(in millions of Jamaica dollars)

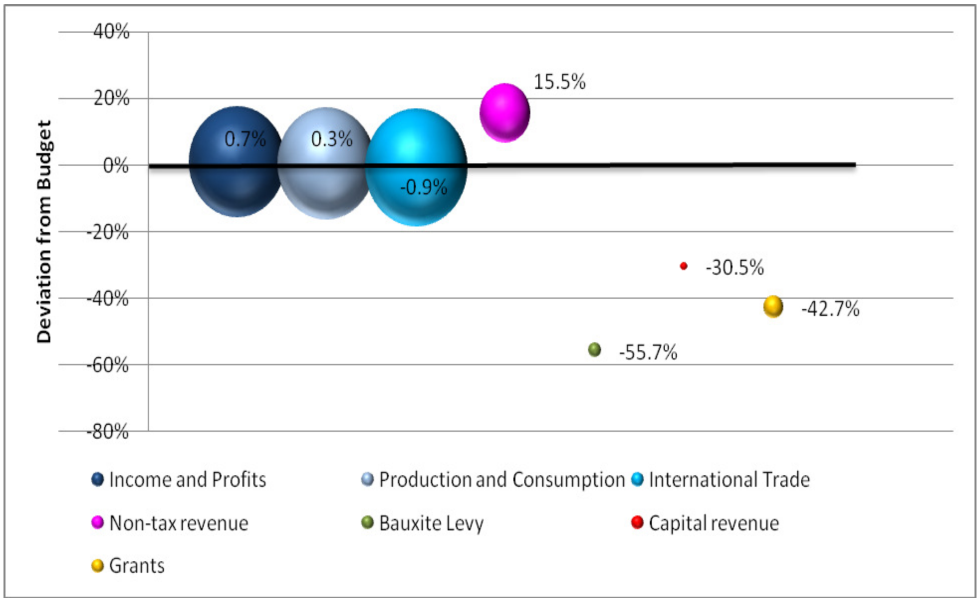
Item	Prov. Apr - Mar	Budget Apr - Mar	Diff	Diff %	FY 14/15 Apr - Mar	Diff	Diff %
Revenue & Grants	**455,835.8**	**458,101.4**	**-2,265.6**	**-0.5%**	**411,715.9**	**44,119.9**	**10.7%**
Tax Revenue	411,854.0	411,882.6	-28.6	0.0%	370,877.4	40,976.6	11.0%
Non-Tax Revenue	35,748.6	30,961.3	4,787.3	15.5%	34,311.5	1,437.1	4.2%
Bauxite Levy	2,116.9	4,779.7	-2,662.8	-55.7%	0.0	2,116.9	-
Capital Revenue	652.7	938.8	-286.1	-30.5%	1,509.2	-856.5	-56.8%
Grants	5,463.6	9,539.0	-4,075.4	-42.7%	5,017.8	445.8	8.9%
Expenditure	**460,719.5**	**462,988.1**	**-2,268.6**	**-0.5%**	**418,986.8**	**41,732.7**	**10.0%**
Recurrent Expenditure	427,972.2	432,579.1	-4,606.9	-1.1%	395,967.8	32,004.4	8.1%
Programmes	133,505.2	135,735.3	-2,230.1	-1.6%	112,696.6	20,808.6	18.5%
Wages & Salaries	168,787.4	165,229.4	3,558.0	2.2%	158,758.6	10,028.8	6.3%
Interest	125,679.6	131,614.4	-5,934.8	-4.5%	124,512.6	1,167.0	0.9%
Domestic	71,391.3	75,234.3	-3,843.0	-5.1%	76,052.1	-4,660.8	-6.1%
External	54,288.3	56,380.1	-2,091.8	-3.7%	48,460.5	5,827.8	12.0%
Capital Expenditure	32,747.3	30,409.0	2,338.3	7.7%	23,019.0	9,728.3	42.3%
Capital Programmes	32,747.3	30,409.0	2,338.3	7.7%	23,019.0	9,728.3	42.3%
Fiscal Balance (Surplus + / Deficit -)	**-4,883.7**	**-4,886.7**	**3.0**	**-0.1%**	**-7,270.9**	**2,387.2**	**-32.8%**
Loan Receipts	**298,600.5**	**128,930.6**	**169,669.9**	**131.6%**	**168,705.9**	**129,894.6**	**77.0%**
Domestic	29,004.3	56,338.3	-27,334.0	-48.5%	39,247.9	-10,243.6	-26.1%
External	269,596.2	72,592.3	197,003.9	271.4%	129,458.0	140,138.2	108.2%
Project Loans	12,326.3	10,917.9	1,408.4	12.9%	12,968.4	-642.1	-5.0%
Other	257,269.9	61,674.4	195,595.5	317.1%	116,489.6	140,780.3	120.9%
Divestment Proceeds/Other	6,071.2	0.0	6,071.2	-	0.0	6,071.2	-
Amortization	**342,726.0**	**178,579.6**	**164,146.4**	**91.9%**	**87,794.4**	**254,931.6**	**290.4%**
Domestic	77,718.9	83,443.3	-5,724.4	-6.9%	29,752.50	47,966.4	161.2%
External	265,007.1	95,136.3	169,870.8	178.6%	58,041.90	206,965.2	356.6%
Overall Balance (Surplus + / Deficit -)	**-42,938.0**	**-54,535.7**	**11,597.7**	**-21.3%**	**73,640.6**	**-116,578.6**	**-158.3**
Primary Balance (Surplus + / Deficit -)	**120,795.9**	**126,727.7**	**-5,931.8**	**-4.7%**	**117,241.7**	**3,554.2**	**3.0%**

Source: MOFPS

Revenue and Grants

Revenue and Grants totalled $455,835.8mn, which was broadly on track with budget, falling short by just 0.5% or $2,265.6mn. Tax Revenue was in-line with budget, with all the major tax categories being close to targeted levels Figure 3(i), while Non-Tax Revenue surpassed target. These positive performances were however offset by shortfalls in Bauxite Levy (55.7%), Grants (42.7%) and Capital Revenue (30.5%). In comparison to FY 2014/15, Revenue and Grants increased by 10.7%, which was a real growth of about 7.0%.

Figure 3(i): Categories that account for overall Revenue and Grant performance FY 2015/16



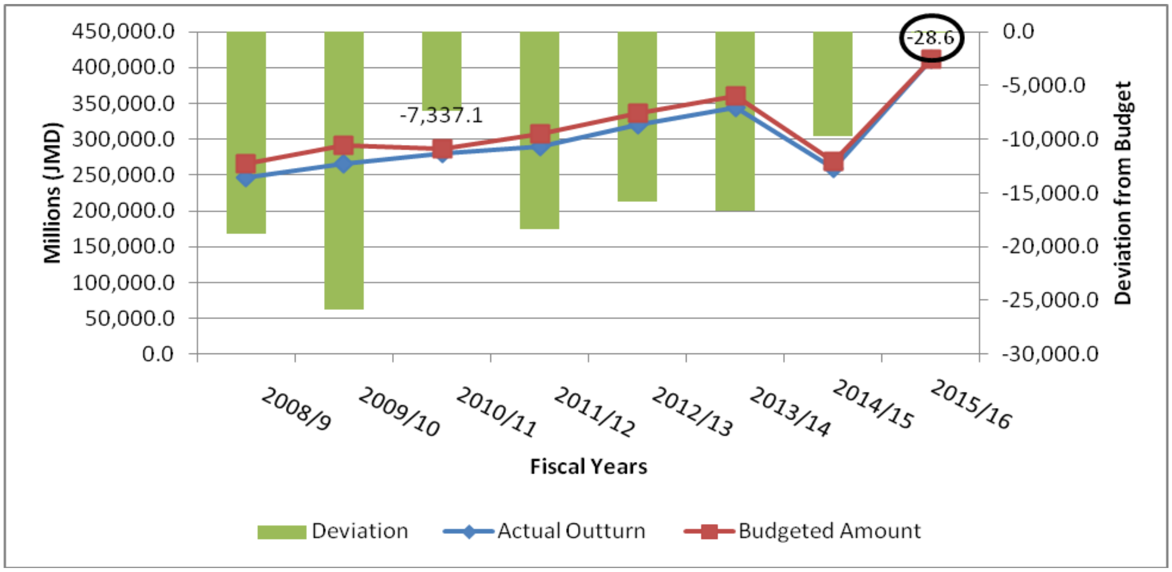
Source: MoFPS

Note: (1) The relative proportion of each category is represented by the size of the associated circle and the numbers represent each category's deviation from budget.
(2) Income & Profits, Production & Consumption and International Trade comprise Tax Revenue.

Tax Revenue

Tax Revenue registered a creditable performance during FY 2015/16, increasing by 11.0% over the previous year. Collections totaled $411,854.0mn, which was on track with the $411,882.6mn targeted. This performance represents a significant turnaround from the shortfalls that occurred in recent years and is largely attributable to the success of various reform initiatives, including administrative efforts by TAJ and JCA to boost collections.

Figure 3(ii): Performance of Tax Revenue from FY 2009/10 to FY 20015/16



Tax Revenue has been showing a progressive decline in deviation from target, as depicted in Figure 3(ii), culminating with collections in FY 2015/16 almost exactly on target ($28.6mn shortfall). The reduction in deviation of Tax Revenue from target brings a greater level of predictability to fiscal operations and bodes well for improved cash management and budget execution.

It must be noted that this performance of Tax Revenue in FY 2015/16 occurred within a context of lower than programmed inflation, larger than budgeted declines in imports and less than anticipated economic growth, which is illustrative of the effort undertaken by the tax authorities to collect amounts due.

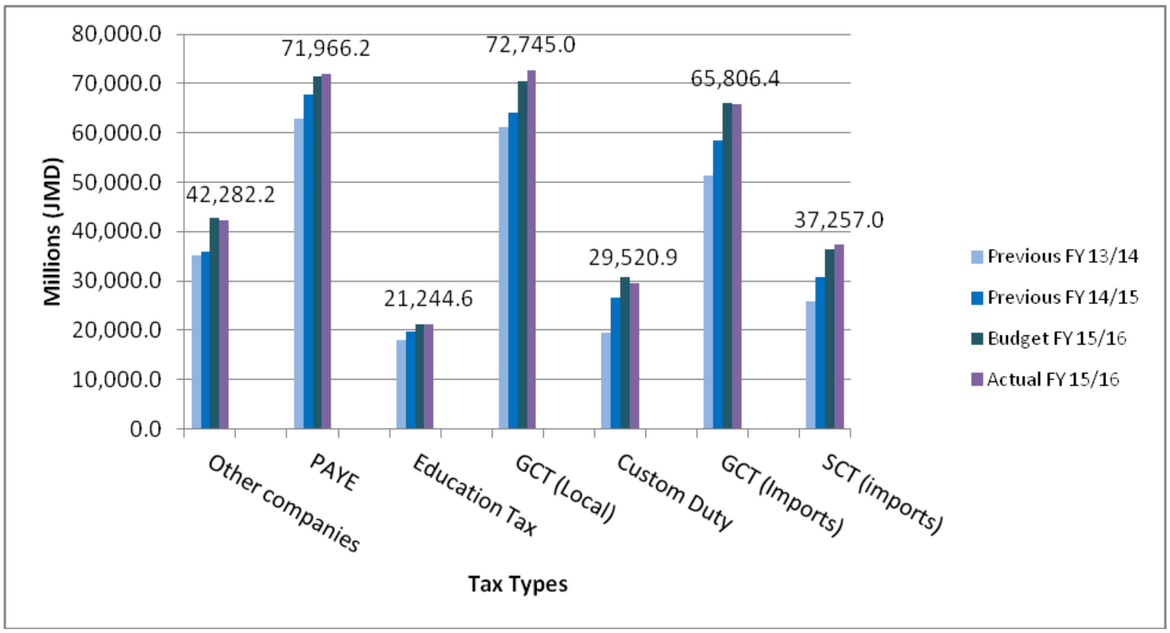
Income & Profit and Production & Consumption Taxes were both relatively in line with the targeted amount by $893.1mn (0.7%) and $372.2mn (0.3%) respectively while International Trade Taxes were slightly lower than budget ($1,293.9mn or 0.9%). All three categories of Tax Revenue registered increases over FY 2014/15 collections (Table 3E).

Income and Profits

Income & Profit Taxes registered an inflow of $130,759.7mn, which was $893.1mn (0.7%) over the targeted amount and 8.2% over FY 2014/15 collections. Tax on Interest was the main item contributing to the above-budget inflows, with collections surpassing budget by $2,112.0mn (or 23.9%). The performance of Tax on Interest was largely due to lower than anticipated refunds. Notwithstanding the payment of refunds being less than programmed, the GOJ was still able to reduce the stock of tax refund arrears during FY 2015/16.

Receipts from Other Companies (Corporate Taxes) totaled $42,282.2mn, which was in line with budget and a 17.8% increase over the outturn for FY 2014/15. This outturn stemmed from improved compliance activities implemented by the TAJ, including the effect of the Fiscal Incentive Regime introduced in January 2014 and the 'Know your taxpayer' campaign (Appendix V). These measures have influenced tax items such as Corporate Tax, which underperformed in recent years, to rebound and register improved collections. A steady rise in the Asset Tax has also contributed to the increased collections in Corporate Taxes as shown in (Figure 3(iii)).

Figure 3(iii): Performance of Major Tax Types



Source: MoFPS

PAYE receipts of $71,966.2mn were 0.9% above budget. Collections increased $4,148.0mn, or 6.1% over last year. PAYE benefitted from a 6.3% increase in the Central Government's wage payments in FY 2015/16. In addition, PAYE has been positively impacted by the continued improvement and recovery of the business environment, as reflected in the increase in employment (the employment rate increased from 85.8% in October 2014 to 86.5% at October 2015).

Table 3E: Detail of Revenue FY2015/16
(in millions of Jamaica dollars)

Item	Prov. Apr - Mar	Budget Apr - Mar	Diff	Diff %	FY 14/15 Apr - Mar	Diff	Diff %
Revenue & Grants	**455,835.8**	**458,101.4**	**-2,265.6**	**-0.5%**	**411,715.9**	**44,119.9**	**10.7%**
Tax Revenue	***411,854.0***	***411,882.6***	**-28.6**	**0.0%**	***370,877.4***	**40,976.6**	**11.0%**
Income and profits	130,759.7	129,866.6	893.1	0.7%	120,854.0	9,905.7	8.2%
Bauxite/alumina	0.0	0.0	0.0	0.0%	0.0	0.0	-
Other companies	42,282.2	42,656.6	-374.4	-0.9%	35,902.8	6,379.4	17.8%
PAYE	71,966.2	71,333.2	633.0	0.9%	67,818.1	4,148.1	6.1%
Tax on dividend	1,014.5	1,802.3	-787.8	-43.7%	1,537.4	-522.9	-34.0%
Other individuals	4,549.1	5,238.8	-689.7	-13.2%	4,245.6	303.5	7.1%
Tax on interest	10,947.7	8,835.7	2,112.0	23.9%	11,350.1	-402.4	-3.5%
Production and consumption	133,792.2	133,420.0	372.2	0.3%	120,421.1	13,371.1	11.1%
MBT	560.9	832.6	-271.7	-32.6%	663.9	-103.0	-15.5%
SCT	14,028.2	13,253.6	774.6	5.8%	10,071.9	3,956.3	39.3%
Environmental Levy	235.2	590.0	-354.8	-60.1%	0.0	235.2	_
Motor vehicle licenses	2,946.6	2,724.0	222.6	8.2%	2,663.3	283.3	10.6%
Other licenses	445.2	366.7	78.5	21.4%	388.2	57.0	14.7%
Betting, gaming and lottery	2,732.8	3,163.7	-430.9	-13.6%	2,656.3	76.5	2.9%
Accommodation Tax	2,059.1	2,241.2	-182.1	-8.1%	1,999.1	60.0	3.0%
Education Tax	21,244.6	21,100.4	144.2	0.7%	19,623.6	1,621.0	8.3%
Telephone Call Tax	5,808.2	7,429.9	-1,621.7	-21.8%	6,687.8	-879.6	-13.2%
Contractors levy	992.2	1,044.2	-52.0	-5.0%	1,014.1	-21.9	-2.2%
GCT (Local)	72,745.0	70,551.4	2,193.6	3.1%	63,994.6	8,750.4	13.7%
Stamp Duty (Local)	9,994.2	10,122.3	-128.1	-1.3%	10,658.3	-664.1	-6.2%
International Trade	147,302.1	148,596.0	-1,293.9	-0.9%	129,602.3	17,699.8	13.7%
Custom Duty	29,520.9	30,790.6	-1,269.7	-4.1%	26,557.6	2,963.3	11.2%
Stamp Duty	1,971.3	2,191.3	-220.0	-10.0%	1,884.8	86.5	4.6%
Travel Tax	10,150.9	10,496.4	-345.5	-3.3%	9,692.1	458.8	4.7%
GCT (Imports)	65,806.4	66,102.3	-295.9	-0.4%	58,470.9	7,335.5	12.5%
SCT (imports)	37,257.0	36,493.4	763.6	2.1%	30,632.5	6,624.5	21.6%
Environmental Levy	2,595.6	2,522.0	73.6	2.9%	2,364.4	231.2	9.8%
Non-Tax Revenue	**35,748.6**	**30,961.3**	**4,787.3**	**15.5%**	**34,311.5**	**1,437.1**	**4.2%**
Bauxite Levy	**2,116.9**	**4,779.7**	**-2,662.8**	**-55.7%**	**0.0**	**2,116.9**	**-**
Capital Revenue	**652.7**	**938.8**	**-286.1**	**-30.5%**	**1,509.2**	**-856.5**	**-56.8%**
Grants	**5,463.6**	**9,539.0**	**-4,075.4**	**-42.7%**	**5,017.8**	**445.8**	**8.9%**

Source: MoFPS

Tax on Dividend and Other Individuals (self-employed) registered shortfalls of $787.8mn (43.7%) and $689.7mn (13.2%), respectively. Receipts from Other Individuals were impacted by lower than expected growth in nominal income. These receipts were however 7.1% more than in FY 2014/15.

Production and Consumption

Production and Consumption tax receipts were in line with target, recording a slight increase of $372.2mn (0.3%), as most items were on track with the budgeted amount. Total receipts increased by 11.1% ($13,371.1mn) above what was collected last year.

Both GCT and SCT contributed significantly to the increased collections, in nominal terms. Receipts from GCT surpassed budget and last year's collections by $2,193.6mn (3.1%), and $8,750.4mn (13.7%), respectively. The buoyant GCT flows stemmed largely from: lower payment of refunds in FY 2015/16; improved compliance, with significant increase in collection of arrears; and the full year effect of the payment of GCT by GOJ MDAs. With respect to SCT, collections were $774.6 (5.8%) above budget and $3,956.3mn (39.3%) more than in FY 2014/15. Contributing most significantly to this increase last year was the $7.00per litre increase in the specific SCT rate on petrol which took effect in March 2015, as well as higher inflows from alcohol.

The main tax types that underperformed relative to budget were: Environmental Levy, with a significant shortfall of 60.1% ($354.8mn), Minimum Business Tax (MBT) which fell short of the budgeted amount by 32.6% ($271.7mn), Telephone Call Tax which registered a shortfall of $1,621.7mn (21.8%); and Betting, Gaming & Lottery which was 13.6% ($430.9mn) lower than targeted.

Environmental levy was previously charged only on imported products (with some exceptions). At the beginning of FY 2015/16, the levy base introduced in 2008 was broadened by introducing a 0.5% levy on the domestic side. However, the implementation date was changed from April 1 to June 1, 2015, with payments commencing in October 2015, resulting in a shortfall in the levy. The full year effect will impact FY 2016/17.

In addition to falling short of budget, the MBT declined by $103.0mn or 15.5% below collections in FY 2014/15. The underperformance is partly due to non-compliance on the part of some businesses as there are significant outstanding payments. Accordingly, the TAJ will be stepping up compliance activity in respect of this tax type in order to increase compliance and revenue inflows

The Telephone Call Tax has been a good tax handle for the GOJ. However collections have trended downward in recent months, resulting in a shortfall against the budget and a decline below collections in the previous year. The reduction in collections is related to the increased use of Voice over Internet Protocol (VoIP) and the attendant reduction in telephone calls.

With respect to Betting, Gaming & Lottery, the increase anticipated did not materialize as collections fell 13.6% below budget. Receipts were relatively flat compared to last year, increasing by only 2.9%.

International Trade

Tax collections from International Trade of $147,302.1mn fell short of target by $1,293.9mn (0.9%) as imports declined at a faster rate than projected. Slightly higher than targeted collections from SCT and Environmental Levy were offset by shortfalls in the other tax items.
Despite the minor shortfall against budget, International Trade Taxes were $17,699.8mn (13.7%) more than for FY 2014/15, as all items registered increases, due partly to the depreciation in the value of the Jamaica dollar. GCT (12.5%) and SCT (21.6%) contributed most significantly to the increased collections. The higher collections for SCT were due mainly to the implementation of new revenue measures, namely: Increased SCT on Cigarettes (from $10.50 to $12 per stick); increased rates on specific SCT on petrol by $7.00 per litre; and conversion of the 1.0% petroleum cess to a specific SCT on petrol of $2 per litre. At the same time, GCT was buoyed by higher import values for telecommunication machines and instruments, motor vehicles and consumer appliances.

Collections from the Environmental Levy was on track with budget and increased by $231.2mn (9.8%) over the previous year. The broadening of the base of the Environmental Levy, to include goods from CARICOM countries, contributed most significantly to the increase.

Non-Tax Revenue

Non-Tax Revenue of $35,748.6mn, was $4,787.3mn (15.5%) above the budgeted amount. The Customs Administration Fee (CAF) amounted to $6,978.1mn, an increase of $258.3mn (3.8%) over the budgeted amount. This represents a 43.0% reduction against the amount collected in FY 2014/15 as the accordance of full executive agency status on the JCA in April 2015 allowed the Agency to retain approximately 40.0% of the CAF to cover operating expenses.

The overall collection from Non-tax Revenue for FY 2015/16 also includes the programmed transfer of $11,400.0mn from the NHT and distributions from Public Bodies. The Public Bodies distributions of $2,955.2mn were $1,708.2mn more than budgeted.

Bauxite Levy

Receipts from the Bauxite levy amounted to $2,116.9mn, which was $2,662.8mn (55.7%) lower than expected. This shortfall has stemmed largely from a dispute between Noranda Bauxite Limited and the GOJ on the applicable bauxite levy rate and the lower than anticipated aluminum prices.

Specifically, with the expiration of the Interim Fiscal Regime, it was expected that FY 2015/16 would have seen large inflows into the Capital Development Fund from the Bauxite Levy. However, due to the disagreement on the applicable bauxite levy rate, an interim agreement was put into action until resolution of the dispute. During this period, the GOJ received a lower price of US$5 for each tonne of ore exported. In December 2015, there was a favourable ruling for the GOJ and accordingly the GOJ expects to receive increased flows in subsequent fiscal years.

Capital Revenue

Capital Revenue collections of $652.7mn was 30.5% ($286.1mn) below budget and 56.8% ($856.5mn) below last year's collection. Lower than budgeted collection from loan repayments and royalties contributed significantly to the shortfall. The royalties from the mining sector were budgeted at $736.6mn, however only $571.8mn was realized, a shortfall of 22.4%. The budgeted amount was predicated on the expected growth in the *Mining and Quarrying* industry, which was projected at 4.5% for FY 2015/16. However a 0.1% contraction[8] is estimated for the industry and this has negatively impacted inflows to the GOJ.

Grants

Grant receipts amounted to $5,463.6mn, which were $4,075.4mn (42.7%) below the targeted amount. The shortfall was due partly to a delay in disbursement of a portion of the EU programmed budgetary support for FY 2015/16. That portion of the payments is now expected in FY 2016/17. The slower than anticipated execution of some capital projects also affected the inflows.

Expenditure

During FY 2015/16, the Central Government was able to hold Expenditure to $460,719.5mn, which was broadly in-line with the programmed amount. This containment of expenditure was realized due to a reduction of $4,606.9mn or 1.1% in Recurrent Expenditure while allowing increase in Capital Spending. Increased Capital spending was facilitated by the relaxation of the Primary Surplus target from 7.5% to 7.25% of GDP for FY 2015/16. The Recurrent Expenditure

[8] See "Table 2B: Change in Value Added by Industry at Constant (2007) Prices (%)"

amounted to $427,972.2mn and Capital Expenditure was $32,747.3mn. Capital and Recurrent Expenditure were higher than the previous fiscal year's spending by 42.3% and 8.1%, respectively.

Non-debt (primary) expenditure totalled $335,039.9mn, which was $3,666.2mn (1.1%) higher than budgeted. This higher spending was due largely to the increase in the capital outlay from the reduction in the EFF Primary Balance target, as well as increased expenditure on Wages and Salaries arising from the agreements with unions representing public sector workers.

Recurrent Expenditure

Recurrent Expenditure of $427,972.2mn was 1.1% lower than budgeted, as higher spending in some areas was offset by lower spending in other areas. Specifically, there was an increase in expenditure on Wages & Salaries while spending on Recurrent Programmes and Interest Payments were below budget. In comparison to FY 2014/15, Recurrent Expenditure increased by $32,004.4mn or 8.1% (details provided in the Background Section above).

Recurrent Programmes

Spending on Recurrent Programmes of $133,505.2mn was $2,230.1mn (1.6%) below the budgeted amount. Due to higher than programmed adjustments in to Wages and Salaries, as well as an unprogrammed adjustment to travelling cost (motor vehicle upkeep, mileage and commuting allowance), the GOJ had to contain other areas in the budget to remain on track with the targeted Primary Surplus. Within that context, spending on Recurrent Programmes was reduced.

Compared to FY 2014/15, the expenditure on Programmes rose by 18.5% ($20,808.6mn) mainly due to: significantly higher payments going to the Ministry of Health to address some critical needs for the health sector; higher payments for pensions; payment of arrears; and payments towards a hedge to protect against the impact of potential higher oil prices.

Wages and Salaries

Wages and Salaries totalled $168,787.4mn, which was 2.2% higher than budgeted. Of this amount, $5,272.3mn (3.1%) was utilized for back-pay. The expenditure on Wages and Salaries was 6.3% ($10,028.8mn) more than in FY 2014/15. This increase was due largely to new levels of pay for public sector workers for the 2015/17 contract period, performance increments and back-pay for agreements and settlements from prior periods.

After much negotiation with the various unions representing public sector workers, base wages for approximately 97% of all public sector workers were increased by roughly 4.0% in FY 2015/16, along with some allowances that were adjusted above the rates on basic pay. Payments for some groups began in October 2015. These negotiated increases were higher than the programmed amount (3.0%) and contributed to the expansion of the wage bill from 10.2% of GDP in FY 2014/15 to 10.3% in FY 2015/16.

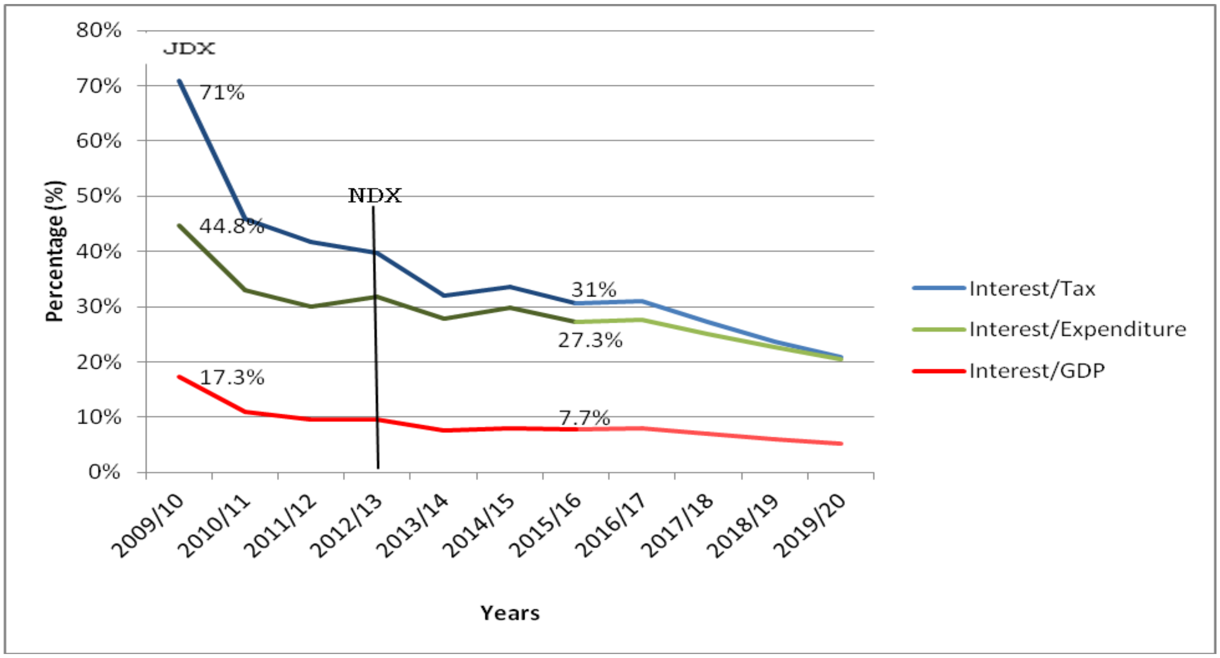
Interest Payments

Interest Payments amounted to $125,679.6mn, $5,934.8mn (4.5%) lower than budgeted. Both the domestic and external debt contributed to this performance. Domestic payments were below by 5.1% ($3,843.0mn) and external costs were 3.7% ($2,091.8mn) lower than budgeted.

The lower than budgeted costs were mainly due to lower than expected inflation (for inflation linked bonds), slower than anticipated depreciation of the Jamaica dollar, lower than programmed domestic interest rates and less than anticipated contingency payments, which have all positively impacted the overall Interest Payments. For FY2015/16, the Interest Payments/GDP ratio fell by 0.3 percentage point to 7.7%.

Since FY 2009/10, Interest Payments as a proportion of Tax Revenue, Expenditure (excluding Amortization) and GDP have all been on a downward trajectory (Figure 3(iv)). Initially, these favourable reductions in the interest ratio was mainly due to the debt exchanges in FY 2009/10 and FY 2012/13, but through continued fiscal prudence, both the fiscal and debt profiles continue to improve. Specifically, Interest/Tax, Interest/Expenditure and Interest/GDP ratios have seen significant reductions over the last six years. Also evident is the narrowing of the gap between the Interest/Tax and Interest/Expenditure ratios (Figure 3(iv)) which is indicative of the efforts to minimize the disparity between Revenue and Expenditure (i.e. to reduce the fiscal deficit).

Figure 3(iv): Interest Ratios



Source: MoFPS

Capital Expenditure

Capital Expenditure totalled $32,747.3mn, a significant increase of $2,338.3mn (7.7%) over the budgeted amount. This increase in capital expenditure was facilitated through the lowering of the EFF primary surplus target from 7.5% of GDP to 7.25% of GDP in recognition of the magnitude of the impact of the Petrocaribe Liability Management Transaction on reducing the debt/GDP ratio. The fiscal space provided through this action by the IMF was specifically to accommodate additional growth enhancing capital spending during the year.

In comparison to FY 2014/15, Capital Expenditure was 42.3% ($9,728.3mn) higher. This increased capital outlay bodes well for the government's thrust towards providing the enabling environment to support higher levels of economic growth.

Financing

With a Fiscal Deficit of $4,883.7mn and Amortization Payments of $342,726.0mn, the financing requirement for FY 2015/16 was $347,609.7mn. The GOJ financed this by borrowing $298,600.5mn, with the remaining $49,009.2mn financed by utilizing cash balances available at the start of the fiscal year.

The Loan Receipts were $169,669.9mn (131.6%) higher than budgeted. This was mainly due to loans from external sources, which totalled $269,596.2mn and was 271.4% ($197,003.9mn) over the budgeted amount. Accounting for much of the excess over budget is the GOJ's liability management exercise executed through the buy-back of loans valued at $3,200mn from the Government of Venezuela, acting through PDVSA Petroleos, S.A. Funds utilized for the transaction, were raised in the International Capital Market (ICM) through the issue of two new Eurobonds totaling US$2,000.0mn, as follows:

I. 1st Bond: Matures in 2028 with an interest coupon of 6.750% for a total value of U$1.35 billion. The principal is to be repaid in 2026, 2027, and 2028.

II. 2nd Bond: Matures 2045 with an interest of 7.875% for a total value of U$650mn. Full repayment is scheduled at maturity.

The GOJ utilized US$1,500.0mn of the funds raised to execute the liability management transaction with PDVSA, with the additional US$500.0mn for financing budgetary obligations.

Domestic Loan receipts were 48.5% ($29,004.3mn) lower than programmed as the additional amount raised from external sources reduced the demand for domestic financing.

Amortization Payments totalled $342,726.0mn, an increase over the budget of $164,146.4mn (91.9%). Domestic Amortization of $77,718.9mn was lower than budgeted by $5,724.4mn (6.9%), while External payments were higher than expected by $169,870.8mn (178.6%), due to the liability management transaction with PDVSA.

Public Debt Stock

At end-March 2016, the total outstanding stock of public debt was $2,068,700.0mn compared to $2,041,693.8mn at end-March 2015 (Table 3F). This represented an increase of $27,006.2mn or 1.3% when compared to end-March 2015.

This slight increase was mainly due to depreciation in the value of the Jamaica dollar. For FY 2015/16, the Jamaica dollar depreciated by 6.1% relative to the US dollar, moving from $115.04=US$1.00 to $122.04=US$1.00, and has contributed approximately $75,881.74mn (3.7%) to the debt stock. For the corresponding period in FY2014/15, the rate of depreciation was 5.1% and foreign exchange movements added approximately $59,137.9mn (2.9%) to the debt stock.

Table 3F: Total Debt Stock

(J$mn)		
Domestic	1,054,911.1	815,948.5
External	986,782.6	1,252,811.0
Total	**2,041,693.7**	**2,068,759.5**
(% GDP)		
Domestic	67.5	50.0
External	63.1	76.8
Total	**130.6**	**126.8**

Source: MoFPS

The external debt stock stood at $1,252,811.0mn, an increase of $266,028.40mn over the outturn of $986,782.6mn at end-March 2015 and represented 60.6% of the total debt. The domestic debt stock decreased by $238,962.6mn to $815.948.5mn and represented 39.4% of total debt at end-March 2016. During the FY 2015/16, the Government did not issue any new guarantees on behalf of public bodies nor assume any guaranteed loans. The stock of Government guaranteed debt at end-March 2016 as a percentage of GDP fell by 1.1 percentage points, from 11.5% to 10.4%, due to net repayments.

At the end of FY 2015/16, domestic debt accounted for 39.4% of the total debt, down from 51.3% at March 2014. Domestic and External bonds are estimated to account for 39.3% and 33.6% of total debt, respectively (Table 3G).

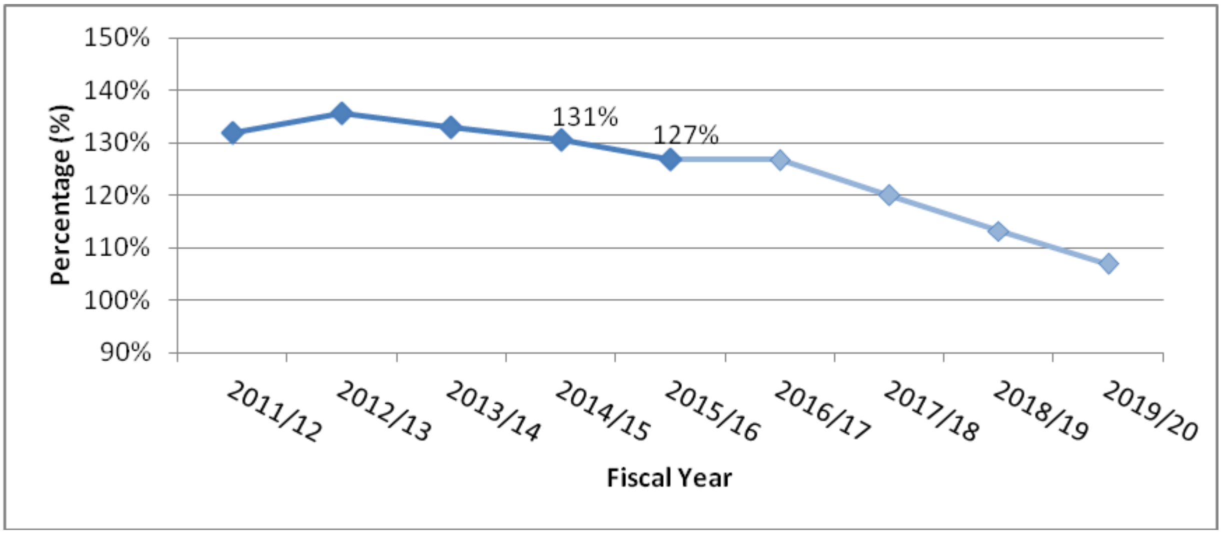
Table 3G: Stock of Debt for FY 2015/16 by Creditor Category

	FY2014/15 J$ Billion	FY2015/16 J$ Billion	% of Total debt FY2015/16
Total debt	**2,041,693.8**	**2,068,700.0**	**100.0%**
Total domestic debt	**1,054,911.2**	**815,948.6**	**39.4%**
Marketable securities	870,000.1	813,219.4	39.3%
Bonds	866,000.1	809,219.4	39.1%
Treasury Bills	4,000.0	4,000.0	0.2%
Loans	184,911.1	2,729.2	0.1%
Total External Debt	**986,782.6**	**1,252,812.2**	**60.6%**
Marketable securities	472,543.6	694,147.4	33.6%
Bonds	472,543.6	694,147.4	33.6%
Loans	514,239.0	558,664.8	27.0%
Bilateral	93,191.0	91,654.8	4.4%
Multilateral	382,230.9	430,903.8	20.8%
IMF	67,093.4	80,773.6	3.9%
IDB	163,320.4	191,762.3	9.3%
IBRD	94,785.5	99,797.5	4.8%
Other	57,031.7	58,570.4	2.8%
Private creditors	38,817.2	36,106.2	1.7%

Source: MoFPS

The debt/GDP ratio has maintained a firm downward trajectory as shown in Figure 3(v). Debt/GDP ratio has declined from 130.5% at the end of FY 2014/15 to 126.8% in FY 2015/16, which supports the efforts being made to lower the ratio to 96.0% by March 2020. The buyback of Petrocaribe Energy Cooperation Agreement debt played a vital role in the reduction of the ratio during FY 2015/16.

Figure 3(v): Debt to GDP from FY 2011/12 to FY 2019/20



Source: MoFPS

- ## Public Bodies Operations - FY 2015/16

Public Bodies[9] continue to undertake a critical role in stimulating economic activity and promoting development in a wide spectrum of activities including developmental, regulatory, social and commercial. Based on the size of some Public Bodies and their involvement in port and housing development, water supply, transportation and energy, their contribution to development at both the macro- and micro-economic levels has over the years been significant. Presently, there are approximately 190 active Public Bodies, of which 42% (or 80) are characterized as self-financing.

The programmed Overall Balance[10] of the sixty-five (65) Self-financing Public Bodies (SFPBs) approved by Parliament for FY 2015/16 was a surplus of $7,875.0mn. Total revenues of the group of SFPBs were budgeted at $409,162.0mn from which a current balance of $58,214.0mn was expected.

SFPBs Performance

The estimated Overall Balance of the group for FY 2015/16 is a surplus of $27,534.1mn, reflecting a significant improvement of $19,658.0mn on the budget. Contributing to this outturn

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[9] Defined in the Public Bodies Management and Accountability Act as Statutory Bodies, Authorities or Government Companies, but do not include Executive Agencies.

[10] The Overall Balance reflects the financing of a PB; increase or decrease in use of credit or improvement in cash deposits.

was an Operating Balance of $82,744.0mn which was 13.0% more than budgeted and was primarily due to a significant improvement in the collection of receivables. The estimated capital expenditure/investment of the group at $48,442.0mn which represents 80.0% of the budgeted amount, also contributed to the higher than budgeted Overall Balance. The largest shortfalls on capital expenditure were reported by the NHT and CAP. Estimated net Transfers to Government of $30,413.0mn improved by 55% on the budgeted amounts as SCT, corporate taxes and dividends increased.

Of note, three of the sixty-five entities, Petrojam, National Housing Trust (NHT) and National Health Fund (NHF), accounted for $19,215.0mn or 97% of the estimated variance of the group. Petrojam's outturn resulted mainly from improved margins, decreased value of inventories and improved collection of receivables. Improved revenue flows coupled with a 10% below budgeted spending on capital expenditure accounted for NHT's positive results. The NHF had budgeted to take over six hospital pharmacies, however this did not materialize resulting in cost savings, which alongside the under-utilised capital budget, accounted for its favourable results.

The SFPBs generated an Overall Balance surplus of $18,871.0mn for FY 2011/12 but their performance fell to a deficit of $7,542.0mn for 2012/13. In FY 2013/14 and FY 2014/15, the SFPBs returned improved performances with a deficit of $3,626.0mn (budgeted deficit $1,365.0mn) and a surplus of $14,645.0mn (budgeted $298.0mn) respectively. The estimated performance for FY 2015/16 is therefore a continuation of this trend. The estimated performance of the SFPBs is shown in the Table 3H below.

Table 3H

Public Bodies (Selected & Other)		*Summary of Estimated Outturn for Financial Year 2015/16*		
		J$m		
		SPBs Estimated 2015/16	OPBs Estimated 2015/16	TOTAL PBs 2015/16
Statement 'A' Flow of Funds				
1	Current Revenue	308,998.46	66,220.67	375,219.12
2	Current Expenses	(271,650.82)	(43,032.43)	(314,683.26)
3	Current Balance	37,347.63	23,188.23	60,535.87
4	Adjustments	21,883.86	324.56	22,208.43
	Change in Accounts	0.00	0.00	0.00
	Receivable/Payable	(303.53)	(1,564.02)	(1,867.55)
	Items not requiring outlay of cash:	0.00	0.00	0.00
	Depreciation	13,398.84	1,122.16	14,520.99
	Other Non-Cash Items	8,798.65	790.05	9,588.70
	Prior Year Adjustment	(10.09)	(23.63)	(33.72)
5	Operating Balance	59,231.50	23,512.79	82,744.29
6	Capital Account	(17,556.45)	(7,241.15)	(24,797.61)
	Revenue	17,617.41	170.00	17,787.41
	Expenditure	(40,433.56)	(7,084.70)	(47,518.27)
	Investment	(579.51)	(344.99)	(924.50)
	Change in Inventory	5,839.21	18.54	5,857.75
7	Transfers from Government	8,403.16	6,211.01	14,614.17
	Loans	0.00	0.00	0.00
	Equity	0.00	0.00	0.00
	On-Lending	0.00	0.00	0.00
	Other	8,403.16	6,211.01	14,614.17
8	Transfers to Government	(38,153.85)	(6,872.93)	(45,026.78)
	Dividend	(704.43)	(2,250.80)	(2,955.23)
	Loan Repayments	0.00	0.00	0.00
	Corporate Taxes	(2,182.89)	(283.32)	(2,466.21)
	Other	(35,266.53)	(4,338.81)	(39,605.34)
9	OVERALL BALANCE (5+6+7+8)	11,924.36	15,609.72	27,534.08
10	FINANCING (11+15)	(11,924.36)	(15,609.72)	(27,534.08)
* 10a	Total	816.00	(1,294.16)	(478.16)
	Capital Revenue	816.00	278.16	1,094.16
	Loans	0.00	(2,637.32)	(2,637.32)
	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)	(6,848.35)	(201,215.81)	(208,064.16)
12	Government Guaranteed Loans	(3,571.75)	(1,326.51)	(4,898.26)
	Disbursement	2,863.66	700.57	3,564.23
	Amortization	(6,435.41)	(2,027.08)	(8,462.49)
13	Direct Loans	(3,234.29)	(199,889.30)	(203,123.59)
	Long Term:	2,176.52	(199,934.16)	(197,757.65)
	Disbursement	2,210.70	149,520.07	151,730.77
	Amortization	(34.19)	(349,454.23)	(349,488.42)
	Short Term:	(5,410.80)	0.00	(5,410.80)
	Change in Trade Credits	(5,410.80)	44.86	(5,365.94)
14	Change in Deposits Abroad	(42.31)	0.00	(42.31)
15	Total Domestic (16+17+18)	(5,892.01)	186,900.25	181,008.23
16	Banking System	1,380.21	17,101.58	18,481.79
	Loans (Change)	606.75	(36.50)	570.25
	Overdraft (Change)	134.24	(12.22)	122.02
	Deposits (Change)	639.22	17,150.30	17,789.52
17	Non-Banks (Change)	(2,424.54)	1,286.81	(1,137.72)
18	Other (Change)	(4,847.69)	168,511.86	163,664.17

MEDIUM TERM FISCAL PROGRAMME

The medium term fiscal programme has been formulated to be consistent with the following objectives: macro-economic stability; reduction of public debt; and facilitating sustainable economic growth with job creation. The GOJ is committed to reducing the Debt/GDP ratio to 96.0% by the end of FY 2019/20 as agreed under the EFF. In addition, the GOJ has embraced the requirement to further reduce the Debt/GDP ratio to the ceiling of 60% by end FY 2025/26 as legislated by the fiscal rules. Consistent with these debt reduction commitments, the Central Government Primary Surplus is programmed at 7.0% of GDP for FY 2016/17 and the medium term. The Overall Balance of the public bodies is programmed to be in balance over the medium term.

The assumptions outlined in the Macroeconomic Framework (Table 2H) and the expenditure and revenue strategies outlined below, underpin the development of the robust medium term fiscal profile, depicted in Tables 3I and 3J. The fiscal profile shows a Central Government Primary Surplus equivalent to 7.0% of GDP from FY 2016/17 through the medium term. Central Government operations are expected to generate a Fiscal Surplus of 0.1% of GDP in FY 2017/18, with larger surpluses in the following years.

Revenue Strategy

The main thrust of the GOJ's revenue strategy is to continue the building of an efficient and equitable tax system that supports a stable macro-economy and facilitates a competitive business environment to support economic growth and development. This will ensure that Government's policies and programmes are adequately funded. Within this context, the GOJ will continue to implement some key policy, administrative and legislative reform actions to augment those various measures that have already been implemented.

Tax Policy Reform Package

With respect to tax policy initiatives, the Minister of Finance and the Public Service will outline changes to the structure of Jamaica's Personal Income Tax (PIT) as well as the adjustments that will be made to ensure the primary surplus and debt targets are adhered to, when he opens the budget debate on May 12, 2016.

Tax Administration Reform

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

Tax Administration Jamaica (TAJ)

Against the background of significant gains in FY 2015/16, TAJ's strategic focus will seek to build on these successes thereby meeting the expectations of both taxpayers and stakeholders. TAJ's modernization programme will continue to be a driving force behind its strategies over the medium term.

The TAJ will continue to carry out risk management approaches to tax administration as follows:

(i) compliance risks will be assessed in accordance with the National Compliance Plan; and

(ii) TAJ will continue to undertake intelligence gathering and conduct research activities to increase its knowledge of compliance levels/risks.

TAJ's compliance programmes are aimed at mitigating identified risks. Mitigation strategies will be focused on the causes of non-compliance using a mix of responses, including: (i) education; (ii) assistance; (iii) improved laws and procedures; (iv) audit; and (v) other forms of enforcement. The TAJ will undertake a post implementation evaluation of the effectiveness of its mitigation activities where the results will inform future planning.

Jamaica Customs Agency (JCA)

In support of the GOJ's broad revenue strategy, and, building on its achievements in FY 2015/16, the JCA's strategies to be pursued over the medium term include, inter alia:

- assessing and collecting revenue due to the GOJ;
- ensuring the efficient and effective use of resources;
- increasing the methods of detection of imported and exported illegal and prohibited goods;
- improving voluntary compliance through ongoing public education and by initiating discussions with stakeholder groups/traders;
- improving legal and regulatory frameworks;
- facilitating the efficient processing of legitimate goods and persons; and
- automating and strengthening information management, information and communication technology, and financial management systems.

Revenue Profile

Underpinned by the aforementioned strategies and the macroeconomic assumptions outlined in Part II Macroeconomic Framework, Revenue and Grants are forecast to increase slightly from the provisional outturn of 27.9% of GDP in FY 2015/16 to 28.1% in FY 2016/17, before declining to 27.2% of GDP in FY 2019/20 (Tables 3I and 3J). Tax and Non-tax Revenue are the categories expected to contribute to the decline over the medium term.

Tax Revenue is projected to fall marginally from 25.8% of GDP in FY 2016/17 to 25.7% of GDP in FY 2019/20. The main factors expected to contribute to this marginal reduction are as follows:

- Reduced PAYE and Education Tax (as a percent of GDP) from the contraction of the Central Government wage bill (by 0.9 % of GDP); and
- A few tax types, including a significant portion of the SCT, that are fixed rates (not advalorem) and accordingly will not increase in line with nominal GDP growth, with the result that these taxes will decline as a proportion of GDP;

The effect of these factors is expected to be offset, however, by the continuing thrust to implement administrative improvements to the systems and human competences at the TAJ and JCA. These efforts reaped notable rewards in FY 2015/16 with Tax Revenue achieving the target.

Non-tax Revenue is projected to decline over the medium term, from 1.8% of GDP for FY 2016/17 to 1.1% of GDP by FY 2019/20. In FY 2016/17, the last tranche of the $11,400.0mn transfer from the NHT to the Consolidated Fund will occur, thus contributing to the sharp reduction in expected Non-tax Revenue in FY 2017/18. Both Bauxite Levy and Grants are projected to average about 0.2% of GDP over the medium term.

Expenditure Strategy

Expenditure management will continue to be a critical component of the Fiscal Management Strategy for bolstering fiscal outcomes over the medium to long term. This expenditure management stance is reflected by a projected fall in Central Government primary expenditure from 21.1% in FY 2016/17 to 20.1% by FY 2019/20 (Table 3I).

Total expenditure by Central Government is programmed to decline by 3.7 percentage points of GDP to 25.4% in FY 2019/20 from the budgeted 29.1% in FY 2016/17, with the lion's share of the reduction attributable to lower interest payments.

Being cognizant of the impact on the poor, as it implements the necessary fiscal consolidation strategies alongside supporting structural reforms, the GOJ remains committed to prioritizing expenditure through enhanced targeting of social spending and will maintain a floor on specified social protection programmes.

This floor has been set at the FY 2012/13 spending level, in real terms. These programmes include: conditional cash transfers for children and the elderly; basic school subsidy; basic education including early childhood, primary and secondary education; the school feeding programme; poor relief programmes; and assistance to persons with disabilities, among others.

FY 2016/17 BUDGET – CENTRAL GOVERNMENT

The GOJ Budget for FY 2016/17 coincides with the fourth and final year of the EFF arrangement between the GOJ and the IMF. The FY 2016/17 fiscal programme is crafted to be consistent with the objectives of the ERP. The focus will be on strategies geared toward achieving the primary surplus of 7.0% of GDP (or $120,848.0mn), which represents the operational instrument utilized to attain the objective of public debt of 96% of GDP by the end of FY 2019/20. The fiscal deficit is budgeted at $17,980.3mn or 1.0% of GDP.

The GOJ has successfully met the key quantitative performance criteria and structural benchmarks under the programme so far and remains cognizant of the fact that there are still challenges in the global economy, including volatility or uncertainty in the movement of some commodity prices such as oil and alumina, and subdued global economic growth, which impose certain risks on the GOJ's fiscal operations. It is against this backdrop that the FY 2016/17 Budget has been developed.

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

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue & Grants	**27.1%**	**26.3%**	**27.9%**	**28.1%**	**27.6%**	**27.2%**	**27.2%**
Tax Revenue	23.5%	23.7%	25.2%	25.8%	26.1%	25.6%	25.7%
Non-Tax Revenue	2.8%	2.2%	2.2%	1.8%	1.1%	1.1%	1.1%
Bauxite Levy	0.1%	0.0%	0.1%	0.2%	0.2%	0.2%	0.2%
Capital Revenue	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants	0.7%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
Expenditure	**27.0%**	**26.8%**	**28.2%**	**29.1%**	**27.5%**	**26.1%**	**25.4%**
Recurrent Expenditure	24.5%	25.3%	26.2%	26.6%	25.0%	23.4%	22.4%
Programmes	6.3%	7.2%	8.2%	8.1%	7.9%	7.6%	7.6%
Compensation				10.5%	10.2%	9.9%	9.6%
Wages and Salaries	10.7%	10.2%	10.3%	9.9%	9.6%	9.3%	9.0%
Employers' Contribution				0.6%	0.6%	0.6%	0.6%
Interest	7.5%	8.0%	7.7%	8.0%	6.9%	5.9%	5.2%
Domestic	4.7%	4.9%	4.4%	3.8%	3.3%	2.8%	2.4%
External	2.8%	3.1%	3.3%	4.3%	3.6%	3.1%	2.9%
Capital Expenditure	2.5%	1.5%	2.0%	2.5%	2.5%	2.7%	3.0%
Fiscal Balance (Surp+/Def-)	**0.1%**	**-0.5%**	**-0.3%**	**-1.0%**	**0.1%**	**1.1%**	**1.8%**
Loan Receipts	**6.4%**	**10.8%**	**18.3%**	**5.2%**	**11.4%**	**5.9%**	**6.0%**
Domestic	2.7%	2.5%	1.8%	2.4%	3.7%	2.5%	1.3%
External	3.7%	8.3%	16.5%	2.7%	7.7%	3.3%	4.8%
Divestment/Other	0.0%	0.0%	0.4%	0.8%	0.8%	0.8%	0.8%
Amortization	**7.3%**	**5.6%**	**21.0%**	**4.5%**	**12.3%**	**7.8%**	**8.6%**
Domestic	5.2%	1.9%	4.8%	1.6%	5.3%	3.7%	4.6%
External	2.1%	3.7%	16.2%	2.9%	7.0%	4.0%	3.9%
Overall Balance (Surp+/Def-)	**-0.8%**	**4.7%**	**-2.6%**	**0.5%**	**0.0%**	**0.0%**	**0.0%**
Primary Balance(Surp+/Def-)	**7.6%**	**7.5%**	**7.4%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**
GDP	**1,462,800.0**	**1,563,900.0**	**1,631,400.0**	**1,726,400.0**	**1,870,528.5**	**2,025,239.6**	**2,184,332.1**

Source: MoFPS

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

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue & Grants	**396,979.3**	**411,716.0**	**455,835.8**	**484,763.0**	**517,184.7**	**550,624.0**	**594,728.3**
Tax Revenue	343,836.1	370,877.5	411,854.0	445,488.9	487,515.3	519,023.6	561,456.6
Non-Tax Revenue	41,047.1	34,311.5	35,748.6	30,537.2	21,323.9	22,698.9	23,934.1
Bauxite Levy	1,009.5	0.0	2,116.9	2,818.2	3,032.4	3,276.6	3,567.7
Capital Revenue	658.1	1,509.2	652.7	669.8	687.9	706.5	724.9
Grants	10,428.5	5,017.8	5,463.6	5,248.9	4,625.2	4,918.4	5,045.0
Expenditure	**395,241.7**	**418,986.8**	**460,719.5**	**502,373.8**	**515,022.2**	**527,880.2**	**555,591.5**
Recurrent Expenditure	358,252.9	395,967.8	427,972.2	459,373.0	467,632.4	473,643.3	490,701.2
Programmes	91,971.7	112,696.6	133,505.2	139,772.4	148,279.4	154,484.8	166,653.2
Compensation				181,141.9	190,740.7	199,920.2	209,851.2
Wages and Salaries	156,361.7	158,758.6	168,787.4	170,193.5	179,415.3	188,227.5	197,761.2
Employers' Contribution				10,948.4	11,325.4	11,692.7	12,090.0
Interest	109,919.5	124,512.6	125,679.6	138,458.7	128,612.3	119,238.3	114,196.8
Domestic	68,728.9	76,052.1	71,391.3	64,779.7	61,091.5	55,907.3	51,708.3
External	41,190.6	48,460.5	54,288.3	73,679.0	67,520.8	63,331.0	62,488.5
Capital Expenditure	36,988.8	23,019.0	32,747.3	43,000.8	47,389.8	54,236.9	64,890.3
Fiscal Balance (Surp+/Def-)	**1,737.6**	**-7,270.8**	**-4,883.7**	**-17,610.8**	**2,162.5**	**22,743.8**	**39,136.8**
Loan Receipts	**93,527.5**	**168,705.9**	**298,600.5**	**89,384.4**	**213,315.8**	**118,827.5**	**131,606.4**
Domestic	40,119.9	39,247.9	29,004.3	41,921.7	68,962.1	51,134.4	27,316.5
External	53,407.6	129,458.0	269,596.2	47,462.7	144,353.7	67,693.1	104,289.9
Divestment/Other			6,071.2	14,539.2	15,253.6	16,090.8	16,960.4
Amortization	**106,640.2**	**87,794.4**	**342,726.0**	**77,560.1**	**230,731.7**	**157,662.1**	**187,703.6**
Domestic	76,604.4	29,752.5	77,718.9	26,811.6	99,501.0	75,670.1	101,500.1
External	30,035.8	58,041.9	265,007.1	50,748.5	131,230.7	81,992.0	86,203.5
Overall Balance (Surp+/Def-)	**-11,375.1**	**73,640.7**	**-42,938.0**	**8,752.7**	**0.2**	**0.0**	**0.0**
Primary Balance(Surp+/Def-)	**111,657.1**	**117,241.8**	**120,795.9**	**120,847.9**	**130,774.8**	**141,982.1**	**153,333.6**

Source: MoFPS

The FY 2016/17 Budget will be tabled on April 14, 2016 and the GOJ has settled with bargaining units representing 97% of public sector workers, with the payment of new salary and allowances having commenced for most groups during FY 2015/16. However, there are a few groups that are yet to settle and the GOJ will finalize agreements with the remaining groups as soon as is practicable. Estimated amounts relating to FY 2015/16 for these groups have been programmed in the FY 2016/17 Budget.

The fiscal profile shows a Wage/GDP ratio of 9.9%% of GDP for FY 2016/17, which falls gradually to 9.0% of GDP by March 2020. The GOJ is in the process of developing a wage policy that will guide the negotiation process going forward. The GOJ will also seek to implement critical aspects of the public sector transformation initiative as part of the strategy to reduce the cost of operating government, including the wage bill.

With another challenging fiscal year ahead, the MDAs will be required to be more prudent and efficient in their operations. 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 Non-Debt Expenditure for FY 2016/17 is projected at $363,915.1mn, comprising Recurrent Expenditure of $320,914.3mn and Capital of $43,000.8mn. Of the Recurrent provision, Compensation is projected at $181,141.9mn, with the Wages and Salaries component at $170,193.5mn and the remainder for the GOJ's contribution toward statutory deductions and health insurance for employees. The provision for Recurrent Programmes is $139,772.4mn.

Protected Social Spending

Social programmes for protected groups will 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 2016/17, the provision to support social spending is approximately $28,500.0mn.

Compensation (Wages & Salaries and Employer's Contribution)

The Central Government's Compensation Bill for FY 2016/17 of $181,141.9mn accounts for approximately 50% of the total FY 2016/17 Non- Debt budget and just about 56% of total Non-Debt Recurrent Expenditure.

The $181,141.9mn allocated for Compensation, includes a provision of $4,800.0mn, representing GOJ's (employer's) contribution to Public Sector Health Schemes (20% is contributed by employees). This expenditure was previously classified as payment for insurance services under Recurrent Programmes and not as Compensation of Employees. With the GOJ moving towards compliance with international public financial management standards by adopting a Revised Chart of Accounts, this expenditure, which is deemed a benefit which the government pays for its employees in lieu of remuneration, is now classified under Compensation of Employees as Employer's Contribution.

The Compensation provision also includes amounts for back-pay primarily to Correctional Officers, Fire-fighters and Health Sector workers as well as salary increases due to public sector groups which did not conclude their negotiations in FY 2015/16. In addition, provision is also made for the payment of arrears to cover outstanding wage agreements settled prior to FY 2015/16, to Medical Consultants, Veterinarian Consultants, School Bursars and Education Officers.

Recurrent Programmes

Compared with the FY 2015/16 provisional outturn, the allocation for Recurrent Programmes represents an increase of 4.7%, which is marginally below the expected inflation rate for FY 2016/17. This real decline reflects the GOJ's resolve to contain expenditure, as part of the fiscal consolidation efforts to reduce the debt burden and facilitate faster economic growth.

Included in this provision are amounts to meet pension payments and travel expenses for public sector employees, of $28,148.0mn and $14,068.0mn, respectively.

The provision for pensions includes an increase of $1,500.0mn to meet the annual increase granted to existing pensioners and accommodate payments to new pensioners.

Approximately $2,000.0mn has been provided to meet the second year of the new rates for travel and related allowances and arrears of $800mn covering the period August 2015 to October 2015. Implementation of the new rates began in November 2015 and the retroactive amount is programmed for payment in April 2016. Also included in Recurrent Programmes is an amount allocated under MOFP's Contingency to cover an estimated $2,500.0mn that has been provided to meet the payment of General Consumption Taxes on goods and services purchased by MDAs as well as $550mn set aside for weather-related risk mitigation.

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 is budgeted at $43,000.8mn, an increase of $10,253.5mn, or 31.3% over the amount spent during FY 2015/16. This level of spending represents 2.5% of GDP, up from 2.0% of GDP the previous year, and was facilitated by the creation of room for spending on growth-inducing capital projects through the reduction in the Primary Balance target.

Capital A

A total of $13,294.0mn has been allocated to projects being implemented under the Capital A Heads of Estimates and $29,931.0mn to projects which are funded with support from multilateral/bilateral agencies. The largest share of the capital budget, $11,229.0mn, has been allocated to the new Ministry of Economic Growth and Job Creation with the Major Infrastructure Development Project (MIDP) receiving just under $7,000mn.

Debt Servicing

Total provision for Debt Service is $216,018.7mn, or 37.2% of the budget, compared to 41.9% in FY 2014/15 (Debt Service spiked in FY 2015/16 to 58.3% of budget due to the Petrocaribe liability management exercise). Interest payments are budgeted to increase by 8.0% over the outturn for FY 2015/16 to $138,458.7mn (8.0% of GDP). Domestic Interest costs are budgeted to fall 9.3% to $64,779.71mn, while External Interest costs are budgeted to rise by 35.7% to $73,678.9.

The significant rise in budgeted External Interest costs is due largely to the US$ 2,000mn global bonds raised on the ICM in July 2015. The lower Domestic Interest payments are due mainly to the reduction in the domestic debt stock arising from the extinguishing of debt owed by the Central Government to the PCDF, which was facilitated by the PetroCaribe liability management exercise and the maturity of a NDX instrument in February 2016. Accordingly, Domestic Interest costs are budgeted to fall from 4.4% of GDP in FY 2015/16 to 3.8% of GDP in FY 2016/17.

Despite the increase in External Interest costs in FY 2016/17, by 1.0 percentage point of GDP, compared to the outturn for FY 2015/16, this ratio is projected to gradually decline to 2.9% of GDP by FY 2019/20.

Revenue and Grants

Revenue and Grants for FY 2016/17 are forecast at $484,763.1mn, or 28.1% of GDP, compared to the provisional outturn of 27.9% of GDP for FY 2015/16. The forecast for FY 2016/17 represents a 6.3% increase over FY 2015/16, which is slightly below the average annual increase of 7.0% over the last 5 years.

Tax Revenue is budgeted at $445,488.9mn (25.8% of GDP) and is expected to account for 91.9% of total Revenue and Grants, compared to 90.4% for FY 2015/16. This forecast for Tax Revenue represents an increase of 8.2% ($33,634.9mn) over collections in FY 2015/16 (Table 3K). Tax receipts in FY 2015/16 increased by 11.0% over the previous year. The budgeted increase in Tax Revenue is predicated on, inter alia, a projected 5.8% growth in nominal income in FY 2016/17, movements in other economic variables, as well as enhanced compliance activities by TAJ and JCA.

Table 3K: FY 2016/17 Revenue Forecast

	2015/16	2016/17	% Change
Revenue & Grants	**455,835.8**	**484,763.1**	**6.3**
Tax Revenue	411,854.0	445,488.9	8.2
Non-tax Revenue	35,748.6	30,537.2	-14.6
Bauxite Levy	2,116.9	2,818.2	33.1
Capital Revenue:	652.7	669.8	2.6
Grants	5,463.6	5,248.9	-3.9

Source: MoFP

A number of factors will contribute to the lower tax revenue growth in FY 2016/17, compared to the growth in the previous fiscal year, most notably:

1. increase in the personal income tax threshold effective January 1, 2016 which will reflect the full year impact in FY 2016/17;
2. lower interest cost which is expected to reduce the baseline interest income to the GOJ;
3. lower average price of oil, with an attendant expected reduction in the advalorem portion of the SCT;
4. 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 2016/17 is projected at $30,537.2mn, a reduction of 14.6% from the provisional outturn for FY 2015/16. This forecast amounts to 1.8% of GDP, down from the estimated 2.1% of GDP in FY 2015/16. The projected decline is primarily due to two factors, as follows:

- having become a full-fledged executive agency on April 1, 2015, the JCA will retain a larger portion of the CAF to cover its operating expenses, resulting in a reduction in net flows to the Consolidated Fund; and
- a reduction in expected distribution/dividends from Self-Financing Public Bodies and Executive Agencies.

The projected Non-tax Revenue for FY 2016/17 includes:

- The programmed transfer of $11,400.0mn from the NHT to the Consolidated Fund;
- $5,607.1mn from the CAF;
- Expected receipts for telecommunications licences of $866.9mn ; and
- Dividend distribution from public bodies of $3,089.7mn.

Bauxite Levy transfers from the Capital Development Fund to the Consolidated Fund for FY 2016/17 are programmed at $2,818.2mn. The expiration of the Interim Fiscal Regime on December 31, 2014 has allowed for the full levy payment. The forecast of $2,818.2mn also accounts for US$6.0mn 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 support for the Jamaica Bauxite Institute (JBI).

Capital Revenue is budgeted at $669.8mn, which is just about in line with receipts in FY 2015/16, while Grants are forecast at $5,248.9.0mn, a marginal decline of 3.9% below receipts in FY 2015/16. Budget support flows from the European Union (EU) are budgeted to amount to Euro7mn and represents a 62.0 % decrease relative to receipts in FY 2015/16.

Financing

The borrowing requirement of the Central Government for FY 2016/17 amounts to \$89,384.4mn, which will cover the Fiscal Deficit of \$17,610.7mn, Amortization Payments of \$77,560.1mn and provide some pre-funding for obligations in the next fiscal year. Of the budgeted Loan Receipts, \$41,921.7mn is programmed to be raised domestically and \$47,462.7mn is to be raised externally, inclusive of policy based/development policy loans from international financial institutions and project/investment loans of \$17,579.4mn. This borrowing requirement represents a 70.1% reduction in total Loan Receipts when compared to FY 2015/16. The reduction in borrowing (y.o.y) reflects significantly lower Amortization costs.

PUBLIC DEBT TRAJECTORY

The public debt stock as a percent of GDP is projected to continue its trend decline over the medium term from the estimated 126.7% of GDP at the end of FY 2015/16. The continued reduction in the public debt stock as a percent of GDP over the medium term is a necessary condition, towards creating the increased fiscal space needed to facilitate public investment in human and physical capital to solidify long term growth and development of the economy.

The fiscal consolidation effort has resulted in consistent declines in 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 of 0.3% of GDP for FY 2015/16. For FY 2016/17, the deficit is budgeted at 1.0% of GDP, consequent on higher Capital Expenditure and External Interest costs. However, prudent expenditure management over the medium term will realign expenditure more closely to the revenue resources, thus generating a small Fiscal Surplus in FY 2017/18 and incremental surpluses thereafter.

Additionally, the management of contingent liabilities and the ceilings on guarantees set in the Public Debt Management Act 2012 will be critical to reducing the public debt burden over the medium term. The stock of publicly-guaranteed debt is projected to decline from 11.5% of GDP at the end of March 2015 to 10.4% of GDP by the end of FY 2016/17.

FY 2016/17 BUDGET – SELF -FINANCING PUBLIC BODIES

The Overall Balance of the group of Self-financing Public Bodies is projected at a surplus of \$3,309.6mn for FY 2016/17. The Current Balance surplus of \$61,051.2mn is almost flat with the estimated outturn for FY 2015/16, as the marginal increase of \$10,958.7mn or 2.9% in revenue just covers the growth in current expenditure.

Net flows from Public Bodies to GOJ are projected at $35,311.0mn, resulting from $50,476.9mn Transfers to GOJ and Transfers from GOJ of $15,165.9mn (including $400mn of equity financing to EXIM Bank). 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.

Total capital expenditure/investment is forecast at $58,867.2mn, a 21.5% increase over the estimated $48,442.8mn for FY 2015/16. Three public bodies, namely the NHT ($23,606.0mn), NWC ($8,726.0mn) and PAJ ($10,030.0mn) account for 72% of the planned expenditure.

The group's Overall Balance is forecast to decline by $24,224.5mn compared with FY 2015/16. Two Public Bodies account for 80% of this amount, namely: PAJ - $10,613.0mn and Petrojam - $8,889.0mn. PAJ's decline is attributed mainly to increased capital expenditure, while Petrojam's position is influenced to a large extent by the expected change in inventories. The Table below outlines the financial forecast of the group of Public Bodies for FY 2016/17. The group is expected to return positive Overall Balances for the medium-term.

The Public Bodies have played a pivotal role in the development of the physical and social infrastructure of the country by the capital and investment programmes they undertake. highlighted below are summaries of the projected outlay of the NHT, PAJ and NWC.

National Housing Trust (NHT)

The forecast is for housing expenditure of $22,761.0mn activities by March 31, 2017. The planned level of expenditure will result in the disbursement of loans of $15,621.0mn under different programmes, including Build-on Own Land, open market, construction, joint mortgage finance and house lot loans.

PAJ

Given that the Kingston Container Terminal will begin operations under a PPP arrangement in 2016, PAJ will focus on developing and leveraging its core competencies and infrastructure assets in its key business segments. This will result in substantial capital investments in Cargo, Cruise, Business Process Outsourcing, Logistics, and Harbours & Port Services. The capital expenditure programme is predicated on a forecast of moderate growth in key markets, within the context of an expected recovery in the global economy over the planning cycle.

The reinforcement of the KCT Quay wall, construction of two new BPO facilities in Montego Bay and Portmore, and planned developments at Reynold's Pier and Montego Bay Cruise and Cargo are expected to account for 78% of the budgeted capital expenditure of $10,030.0mn. Of note, capital revenue of $9,412.9mn is anticipated from the divestment of KCT's assets.

NWC

Measures that will be pursued to improve the Commission's overall operational efficiency include the development and implementation of a detailed meter replacement programme, increased monthly meter reading, as well as a reduction in bill delivery cost. The NWC will undertake capital projects valued at $8,726.0mn for the financial year. This includes $3,184.6mn for the KMA Water Supply Improvement project, as well as $951.9mn for K-Factor water and sewerage projects. An additional $702.1mn is earmarked for the Caribbean Regional Fund for Wastewater Management project.

Public Bodies (Selected) — **Summary of Financial Forecasts**

J$m

		Actual 2014/15	Original 2015/16	Estimated 2015/16	Projected 2016/17
Statement 'A' Flow of Funds					
1	Current Revenue	423,781.15	409,162.05	375,219.12	386,177.85
2	Current Expenses	(367,436.12)	(350,947.75)	(314,683.26)	(325,126.63)
3	Current Balance	56,345.02	58,214.30	60,535.87	61,051.22
4	Adjustments	7,274.26	15,014.99	22,208.43	16,474.83
	Change in Accounts	0.00	0.00	0.00	0.00
	Receivable/Payable	(17,808.18)	(8,561.25)	(1,867.55)	(4,960.23)
	Items not requiring outlay of cas	0.00	0.00	0.00	0.00
	Depreciation	14,725.62	16,059.59	14,520.99	17,266.50
	Other Non-Cash Items	10,356.82	7,516.65	9,588.70	4,168.57
	Prior Year Adjustment	0.00	0.00	(33.72)	0.00
5	Operating Balance	63,619.29	73,229.29	82,744.29	77,526.06
6	Capital Account	(23,822.51)	(45,804.58)	(24,797.61)	(38,505.44)
	Revenue	14,809.21	15,951.88	17,787.41	17,701.90
	Expenditure	(45,243.79)	(58,610.98)	(47,518.27)	(57,170.54)
	Investment	(827.59)	(1,981.20)	(924.50)	(1,696.61)
	Change in Inventory	7,439.66	(1,164.28)	5,857.75	2,659.81
7	Transfers from Government	19,300.50	20,565.27	14,614.17	14,765.90
	Loans	0.00	0.00	0.00	3.00
	Equity	0.00	0.00	0.00	0.00
	On-Lending	0.00	0.00	0.00	0.00
	Other	19,300.50	20,565.27	14,614.17	14,762.90
8	Transfers to Government	(44,452.29)	(40,114.64)	(45,026.78)	(50,476.94)
	Dividend	(1,574.13)	(1,247.32)	(2,955.23)	(3,089.68)
	Loan Repayments	0.00	0.00	0.00	0.00
	Corporate Taxes	(1,265.88)	(1,636.53)	(2,466.21)	(1,617.51)
	Other	(41,612.28)	(37,230.78)	(39,605.34)	(45,769.76)
9	OVERALL BALANCE (5+6+7+8)	14,644.98	7,875.34	27,534.08	3,309.57
10	FINANCING (11+15)	(14,644.99)	(7,875.34)	(27,534.08)	(3,309.57)
10a	Total	19,417.42	4,761.89	(208,064.16)	(18,163.84)
	Capital Revenue	(2,649.22)	4,459.66	(4,898.26)	(9,012.34)
	Loans	3,178.16	(297.77)	3,564.23	3,722.12
	Equity	(5,827.38)	600.00	(8,462.49)	(12,734.46)
	On-Lending	22,653.60	0.00	(203,123.59)	(9,110.71)
	Loan Repayments	20,732.44	0.00	(197,757.65)	(11,146.68)
11	Total Foreign (12+13+14)	(10,681.46)	65,966.05	(349,488.42)	(16,742.68)
12	Government Guaranteed Loans	1,921.17	(4,108.42)	(5,410.80)	2,035.97
	Disbursement	1,694.78	5,753.34	(5,365.94)	2,035.97
	Amortization	(360.58)	(9,861.76)	(42.31)	(40.79)
13	Direct Loans	(35,868.30)	70,116.77	181,008.23	2,540.08
	Long Term:	11,542.54	58,317.35	18,481.79	12,935.11
	Disbursement	636.65	73,174.55	570.25	8,381.34
	Amortisation	87.34	(14,857.20)	122.02	16.01
	Short Term:	10,818.55	11,799.42	17,789.52	4,537.76
	Change in Trade Cr	(1,166.55)	11,799.42	(1,137.72)	(4,141.01)
14	Change in Deposits Abroad	(46,244.28)	(42.30)	163,664.17	(6,254.02)
15	Total Domestic (16+17+18)	2,807.17	(78,603.28)	(5,892.01)	1,963.72
16	Banking System	1,923.53	(7,039.41)	1,380.21	8,476.95
	Loans (Change)	684.91	(116.92)	606.75	8,426.98
	Overdraft (Change)	78.04	16.14	134.24	5.81
	Deposits (Change)	1,160.58	(6,938.63)	639.22	44.16
17	Non-Banks (Change)	230.90	(1,929.74)	(2,424.54)	(4,799.05)
18	Other (Change)	652.74	(69,634.13)	(4,847.69)	(1,714.18)

Appendix I

Medium Term Expenditure Profile 2014/2015 – 2019/2020

Table 1A - Non Debt Recurrent Expenditure

	Provisional Expenditure 2014-2015	Revised Estimates 2015-2016	Estimates of Expemditure 2016-2017	Projected 2017-2018	Projected 2018-2019	Projected 2019-2020
His Excellency the Governor-General and Staff	183,358	190,656	181,887	191,891	201,485	211,560
Houses of Parliament	780,088	820,722	827,023	872,509	916,135	961,941
Office of the Public Defender	86,964	86,831	91,767	96,814	101,655	106,738
Office of the Contractor-General	240,422	246,654	278,184	293,484	308,158	323,566
Auditor General	467,020	529,748	545,112	575,093	603,848	634,040
Office of the Services Commissions	185,007	185,328	195,744	206,510	216,835	227,677
Office of the Children's Advocate	120,538	134,885	140,043	147,745	155,133	162,889
Independent Commission of Investigations	338,407	349,267	350,455	369,730	388,217	407,627
Office of the Prime Minister	3,015,355	3,972,590	3,982,819	4,201,874	4,411,968	4,632,566
Office of the Cabinet	503,837	524,203	425,723	449,138	471,595	495,174
Ministry of Tourism	1,586,358	1,821,639	1,731,265	1,826,485	1,917,809	2,013,699
Ministry of Economic Growth and Job Creation	-	2,924,482	8,355,972	8,815,550	9,256,328	9,719,144
Ministry of Finance and the Public Service	47,796,605	50,903,718	66,908,679	70,588,656	72,353,372	75,971,041
(formerly Ministry of Finance and Planning)				-	-	-
Ministry of National Security	50,008,592	54,380,651	55,675,358	58,737,503	62,674,378	65,808,097
Ministry of Justice	5,140,785	6,138,923	5,963,978	6,291,997	6,606,597	7,536,926
Ministry of Foreign Affairs and Foreign Trade	3,019,596	4,035,672	3,939,584	4,156,261	4,364,074	4,582,278
Ministry of Labour and Social Security	2,462,503	2,604,952	2,543,257	2,683,136	2,817,293	2,958,158
Ministry of Education, Youth and Information (formerly Ministry of Education)	83,738,654	87,489,618	90,500,104	95,477,610	100,251,490	106,264,065
Ministry of Health	41,664,333	53,028,076	52,900,678	56,435,004	58,456,449	62,379,271
Ministry of Youth and Culture	2,024,055	1,987,229	-		-	-
Ministry of Culture, Gender, Entertainment and Sport	-	281,722	2,361,637	2,491,527	2,616,103	3,746,909
Ministry of Industry, Commerce, Agriculture and Fisheries	-	320,168	5,345,695	5,639,708	5,921,694	6,959,778
Ministry of Agriculture and Fisheries	3,981,051	4,377,685	-		-	-
Ministry of Industry, Investment and Commerce	1,917,989	1,899,129	-		-	-
Ministry of Science, Energy and Technology (formerly Ministry of Science, Technology, Energy and Mining)	4,872,089	7,342,146	4,706,214	4,965,056	5,213,309	5,473,974
Ministry of Transport, Works and Housing	6,639,912	4,133,628	-		-	-
Ministry of Water, Land, Environment and Climate Change	1,164,419	1,240,423	-		-	-
Ministry of Transport and Mining	-	181,163	2,340,671	2,469,408	2,592,878	2,722,522
Ministry of Local Government and Community Development	9,907,369	10,853,016	10,492,874	11,069,982	11,623,481	12,204,655
Forestry Department	492,281	-	-	-	-	-
National Land Agency	413,885	-	-	-	-	-
National Environment and Planning Agency	699,160	-	-	-	-	-
National Works Agency	541,556	-	-	-	-	-
					-	-
TOTAL RECURRENT	**273,992,188**	**302,984,924**	**320,784,723**	**339,052,672**	**354,440,283**	**376,504,297**

Medium Term Expenditure Profile 2014/2015 – 2019/2020

Table 1B - Medium Term Capital Profile

Heads	Provisional Expenditure 2014-2015	Revised Estimates 2015-2016	Estimates of Expemditure 2016-2017	Projected 2017-2018	Projected 2018-2019	Projected 2019-2020
Office of the Prime Minister	2,060,608	2,294,767	2,105,735	2,673,137	3,410,157	3,407,500
Office of the Cabinet	193,163	293,557	733,272	724,373	802,674	755,000
Ministry of Tourism and Entertainment	24,392	17,758	17,000	-	-	-
Ministry of Economic Growth and Job Creation	-	2,543,669	11,230,188	21,522,908	30,914,258	40,059,020
Ministry of Finance and the Public Service (formerly Ministry of Finance and Planning)	1,464,481	4,006,381	7,080,412	5,305,471	2,137,000	2,242,742
Ministry of National Security	2,447,432	2,404,924	3,565,200	3,478,248	2,602,770	2,788,316
Ministry of Justice	590,010	644,313	899,412	1,257,197	1,328,427	1,310,879
Ministry of Foreign Affairs	10,000	226,463	-			
Ministry of Labour and Social Security	5,516,433	5,705,636	6,225,744	6,853,551	7,032,426	7,339,004
Ministry of Education, Youth and Information (formerly Ministry of Education)	1,943,814	2,313,483	2,633,542	2,528,330	1,560,350	1,990,000
Ministry of Health	906,243	1,168,653	1,547,992	2,092,852	2,101,113	1,452,654
Ministry of Youth and Culture	173,678	91,949		-	-	-
Ministry of Culture, Gender, Entertainment and Sport	-	-	188,516	-	-	-
Ministry of Agriculture and Fisheries	1,795,752	-	-	-	-	-
Ministry of Industry, Commerce, Agriculture and Fisheries	-	3,858,059	3,594,788	485,294	2,150,000	2,175,000
Ministry of Industry Investment and Commerce	3,800	529,191	-	-	-	-
Ministry of Science, Energy and Technology (formerly Ministry of Science, Technology, Energy and Mining)	-	1,123,320	988,467	436,724	147,500	1,250,185
Ministry of Transport, Works and Housing	10,096,349	6,702,728	-	-	-	-
Ministry of Water Land Environment and Climate Change	200,703	145,049	-	-	-	-
Ministry of Transport and Mining	-	581	1,310,451	-	-	-
Ministry of Local Government and Community Development	154,153	473,807	880,081	31,715	50,225	120,000
TOTAL CAPITAL	40,975,451	34,544,288	43,000,800	47,389,800	54,236,900	64,890,300

Medium Term Expenditure Profile 2014/2015 – 2019/2020

Table 1C- Economic Classification
Non- Debt Recurrent Expenditure 2014/2015 - 2019/2020

	Provisional Expenditure 2014-2015	Revised Estimates 2015-2016	Estimates of Expemditure 2016-2017	Projected 2017-2018	Projected 2018-2019	Projected 2019-2020
Compensation of Employees	**158,758,600**	**168,787,400**	**181,141,900**	**190,740,700**	**199,920,200**	**209,851,200**
Programmes:	**112,696,600**	**134,197,524**	**139,772,400**	**148,279,400**	**154,484,800**	**166,653,200**
Travel Expenses and Subsistence	11,489,361	13,640,750	14,068,006	14,841,746	15,583,834	16,363,025
Rental of Property and Machinery	3,211,795	3,862,027	3,626,975	3,826,459	4,017,782	4,218,671
Utilities and Communication Services	8,622,732	9,028,372	8,711,672	9,190,814	9,650,355	10,132,872
Use of Goods and Services	24,680,937	38,835,309	28,335,309	29,893,751	30,188,439	33,527,860
Grants, Contributions & Subsidies	31,252,271	31,485,897	43,892,820	46,306,925	48,622,271	51,053,385
Retirement Benefits	26,048,504	28,037,920	29,437,289	31,056,340	32,609,157	34,239,615
Awards and Social Assistance	6,956,504	7,026,194	8,985,658	9,479,869	10,553,863	11,081,556
Capital Goods	434,496	2,073,232	1,413,853	1,491,615	1,566,196	3,444,505
Other		207,823	1,300,818	2,191,881	1,692,905	2,591,710
TOTAL RECURRENT	**271,455,200**	**302,984,924**	**320,914,300**	**339,020,100**	**354,405,000**	**376,504,400**

TOTAL RECURRENT AND CAPITAL
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		Actual Estimates 2014-2015	Approved Estimates 2015-2016	Revised Estimates 2015-2016	Estimates 2016-2017
1	**General Public Services**				
1	Executive and Legislative Services	2,121,126.0	2,209,340.0	2,258,488.0	2,438,357.0
2	Economic and Fiscal Policies Management	15,418,412.0	18,087,537.0	20,749,455.0	25,005,982.0
3	Personnel Management	4,454,276.0	5,620,701.0	4,968,483.0	6,165,377.0
4	Foreign Affairs	3,186,249.0	4,063,426.0	4,354,957.0	4,694,185.0
5	Economic Planning and Statistical Services	1,604,510.0	2,098,022.0	2,560,497.0	2,925,682.0
6	Public Works	918,518.0	810,928.0	810,994.0	1,628,653.0
7	Public Debt Management Services, Internal Debt	108,910,762.0	158,677,686.0	148,763,865.0	91,591,297.0
8	Public Debt Management Services, External Debt	125,571,688.0	151,516,318.0	322,049,827.0	124,427,483.0
99	Other General Public Services	34,231,438.0	38,641,580.0	39,203,034.0	40,544,028.0
	Total General Public Services	**296,416,979.0**	**381,725,538.0**	**545,719,600.0**	**299,421,044.0**
2	**Defence Affairs and Services**				
1	Military Defence	13,589,534.0	14,041,209.0	14,774,545.0	14,644,305.0
	Total Defence Affairs and Services	**13,589,534.0**	**14,041,209.0**	**14,774,545.0**	**14,644,305.0**
3	**Public Order and Safety**				
1	Police Services	35,615,160.0	35,537,635.0	39,065,755.0	40,105,002.0
3	Law Courts	6,021,673.0	7,082,986.0	7,086,927.0	7,238,638.0
4	Correctional Services	5,498,861.0	5,379,224.0	6,626,675.0	7,540,399.0
	Total Public Order and Safety	**47,135,694.0**	**47,999,845.0**	**52,779,357.0**	**54,884,039.0**
4	**Economic Affairs**				
1	Industry and Commerce	2,253,128.0	2,362,815.0	2,691,658.0	4,579,454.0
2	Labour Relations and Employment Services	1,237,730.0	1,256,711.0	1,310,775.0	1,318,703.0
3	Agriculture, Forestry and Fishing	9,701,037.0	10,542,277.0	12,244,452.0	11,670,328.0
4	Fuel and Energy	1,039,488.0	1,318,119.0	2,001,055.0	1,330,901.0
5	Mining, Manufacturing and Construction	178,904.0	183,171.0	187,031.0	177,894.0
6	Road Construction and Repairs	8,781,400.0	6,084,309.0	7,275,266.0	10,467,789.0
7	Road Transport	7,293,374.0	4,198,348.0	4,750,292.0	2,517,100.0
8	Rail Transport	185,835.0	178,835.0	178,835.0	178,835.0
9	Shipping, Ports and Lighthouses	926,966.0	1,060,421.0	1,088,804.0	1,287,838.0
11	Postal Services	2,044,947.0	2,190,363.0	2,425,921.0	2,342,408.0
12	Telecommunication Services	1,656,275.0	1,031,938.0	1,051,101.0	802,515.0
13	Tourism	4,098,947.0	4,415,846.0	4,608,167.0	5,326,740.0
14	Physical Planning and Development	547,096.0	559,114.0	581,881.0	508,791.0
15	Scientific and Technological Services	675,880.0	797,704.0	829,955.0	994,014.0
99	Other Economic Affairs	11,926.0	31,924.0	24,924.0	37,335.0
	Total Economic Affairs	**40,632,933.0**	**36,211,895.0**	**41,250,117.0**	**43,540,645.0**
5	**Environmental Protection and Conservation**				
1	Solid Waste Management	1,025,266.0	845,180.0	1,210,092.0	1,279,114.0
3	Pollution Abatement	24,384.0	19,589.0	20,136.0	16,700.0
4	Protection of Biodiversity and Landscape	1,075,175.0	1,226,525.0	1,187,426.0	1,557,160.0
99	Other Environmental Protection and Conservation	-	-	-	34,500.0
	Total Environmental Protection and Conservation	**2,124,825.0**	**2,091,294.0**	**2,417,654.0**	**2,887,474.0**
6	**Housing and Community Amenities**				
1	Housing Development	2,027,610.0	1,483,915.0	1,649,979.0	540,468.0
2	Community Development	6,984,122.0	6,511,544.0	7,184,351.0	7,344,552.0
3	Water Supply Services	785,085.0	836,111.0	908,188.0	978,565.0
	Total Housing and Community Amenities	**9,796,817.0**	**8,831,570.0**	**9,742,518.0**	**8,863,585.0**
7	**Health Affairs and Services**				
1	Health Administration	6,288,034.0	7,389,642.0	8,022,894.0	7,511,725.0
3	Outpatient Services	49,153.0	89,176.0	92,903.0	93,190.0
4	Hospital Services	4,113,319.0	4,434,888.0	4,861,062.0	5,324,647.0
5	Public Health Services	34,567,441.0	40,980,254.0	43,856,027.0	43,831,425.0
	Total Health Affairs and Services	**45,017,947.0**	**52,893,960.0**	**56,832,886.0**	**56,760,987.0**

TOTAL RECURRENT AND CAPITAL
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		Actual Estimates 2014-2015	Approved Estimates 2015-2016	Revised Estimates 2015-2016	Estimates 2016-2017
8	**Recreation, Culture and Religion**				
1	Recreational and Sporting Services	645,206.0	617,991.0	729,513.0	768,538.0
2	Art and Cultural Services	1,165,839.0	1,282,338.0	1,308,224.0	1,407,531.0
3	Broadcasting and Publishing Services	899,560.0	1,070,801.0	1,039,240.0	980,216.0
4	Religious and Other Community Services	215,000.0	427,500.0	3,623,332.0	500,000.0
5	Youth Development Services	933,018.0	868,518.0	916,636.0	843,355.0
	Total Recreation, Culture and Religion	**3,858,623.0**	**4,267,148.0**	**7,616,945.0**	**4,499,640.0**
9	**Education Affairs and Services**				
1	Education Administration	2,852,179.0	2,485,578.0	2,800,971.0	2,548,811.0
2	Pre-Primary Education	2,712,461.0	2,886,929.0	2,982,083.0	2,981,740.0
3	Primary Education	24,893,195.0	23,992,184.0	25,767,553.0	28,319,078.0
4	Secondary Education	30,952,477.0	29,834,797.0	32,613,021.0	32,039,632.0
5	Tertiary Education	16,564,331.0	17,620,685.0	18,764,289.0	19,123,921.0
6	Education Not Definable by Level	1,392,125.0	1,329,849.0	1,378,549.0	1,513,110.0
7	Subsidiary Services to Education	7,036,935.0	7,041,742.0	7,233,031.0	7,110,457.0
	Total Education Affairs and Services	**86,403,703.0**	**85,191,764.0**	**91,539,497.0**	**93,636,749.0**
10	**Social Security and Welfare Services**				
1	Sickness and Disabled	221,240.0	207,989.0	265,243.0	229,877.0
2	Senior Citizens	397,162.0	397,983.0	435,198.0	440,127.0
3	Survivors Assistance	214,423.0	250,423.0	300,923.0	250,423.0
4	Family and Children	74,778.0	89,126.0	93,957.0	97,071.0
99	Other Social Security and Welfare Services	9,737,895.0	10,152,371.0	10,208,249.0	11,112,043.0
	Total Social Security and Welfare Services	**10,645,498.0**	**11,097,892.0**	**11,303,570.0**	**12,129,541.0**
99	**Unallocated**				
	Total Unallocated	**3,100,000.0**	**21,335,169.0**	**-**	**16,202,424.0**
	Gross Total	**558,722,553.0**	**665,687,284.0**	**833,976,689.0**	**607,470,433.0**
	Less Appropriations-in-Aid	19,406,806.0	24,119,572.0	25,555,358.0	27,536,576.0
	Net Total	**539,315,747.0**	**641,567,712.0**	**808,421,331.0**	**579,933,857.0**

Appendix II

Public Financial Management (PFM) Reform Programme

Introduction

The GOJ remained resolute and committed to the implementation of comprehensive reforms to its public financial management (PFM) system throughout FY 2015/16. The overall objective of the reform programme is to ensure that the PFM system is fulfilling the key goals of:

- Aggregate fiscal discipline;
- Strategic allocation of resources;
- Effective and efficient delivery of services.

There are substantive monitoring and oversight mechanisms in place, namely: (i) the PFM Oversight Committee, which provides strategic direction and (ii) the PFM Secretariat and Monitoring Team which provide administrative support, coordinate donor and technical support as well as monitor and report on the PFM Reform Action Plan (RAP).

Summary of Progress in Key PFM Areas

Significant progress was made in FY 2015/16 to strengthen core PFM functions - accounting and cash/treasury management, budget management, revenue administration and procurement. Some key activities completed were:

I. Continued expansion of the Treasury Single Account (TSA) with the activation and increased utilization of the Central Payroll Payment System (CPPS), thereby allowing for increased central release of salary payments through the treasury management module (TMM).

II. The Reconciliation Module was completed and activated, thus allowing for automatic reconciliation between the Accountant General Department (AGD) and BOJ (TMM/TSA) on one hand and the AGD and MDAs (TMM/FinMan) on the other hand. These reconciliations are particularly important given their positive impact on data integrity and fiscal transparency.

III. Implementation of the Reports Module, which allowed for the expansion of the suite of management and statutory reports which are automatically generated by the CTMS. This is a significant development given the need for timely and accurate information to satisfy statutory requirements as well as to inform the management of the budget within the context of the GOJ medium term economic programme.

IV. Continued strengthening of the budget planning, preparation and execution capacity:

(i) A new budget management system was procured and configured and is expected to be utilized during FY 2016/17.

(ii) The Public Investment Management System (PIMS), which was introduced as a key component of the 2014 Fiscal Rules, is now operational:

a. As at end-January 2016, there were three (3) sittings of the Public Investment Management Committee (PIMC), which reviewed projects valued at over $3,000.0mn and also granted approval for the implementation of projects to be funded by loans and grants of approximately US$75.0mn;
b. The PIMS Secretariat has been staffed with the contracting of an Executive Director and the employment of 4 Project Analysts and an Administrative Officer. The Secretariat is housed at the Planning Institute of Jamaica;
c. The Operational Guidelines for the PIMS has been drafted and is to be finalized within the first quarter of the FY 2016/17;
d. The PIMS database is populated with all projects to be undertaken by the Government that are directly funded by central government.

(iii) Medium Term Results Based Budgeting (MTRBB) - The pilot phase of the MTRBB implementation was completed in the December 2015 quarter. The consulting firm that was contracted to undertake the assignment has completed its deliverables and the contract is now fully executed. The main outcomes of this phase are:

(a) introduction of a '*forward estimates tool*' and the development of a three (3) year forward estimate for all Ministries, Departments and Agencies that are on the Central Government's budget;

(b) production of a new Budget Manual to support the implementation of MTRBB;

(c) three (3) pilot Ministries (formerly called Education, Agriculture & Fisheries, and Transport, Works and Housing) have rationalized their programmes to be in alignment with the Strategic Business Processes of the respective MDA and a template developed for the rationalization of all programmes across all MDAs;

(d) the build out of Key Performance Indicators (KPIs) for one (1) Programme in each of the pilot Ministries and development of a template for the build out of the KPIs for all programmes.

V. Significant progress in Revenue Administration and Taxpayer Service delivery through:

(i) Implementation of new Revenue Administration systems at Jamaica Customs Agency and Tax Administration Jamaica. This has facilitated the automation of a number of business processes and allowed for improved access to services by taxpayers.

(ii) Improvement in organizational development and business processes – TAJ transitioned into a semi-autonomous revenue agency (SARA) with a newly approved structure and subsequent recruitment of staff, which is still ongoing.

VI The procurement process was notably advanced in FY 2015/16 with:

(i) The e-Tendering system that was acquired in May 2014 going live in July 2015. It was piloted for six (6) months up to December 2015. The expectation is that all MDAS will be using the system by end 2017.

(ii) Passage of the Procurement Law in October 2015.

(iii) Training sessions conducted to enhance the capacity for preparing procurement plans. The Ministry of Finance also conducted training in the use of the e-tendering system.

Near Term Implementation Outlook

Going forward, the Ministry of Finance and the Public Service will continue to place emphasis on:

- Strengthening of the Cash Management function and the transitioning of the Accountant General's Department into a modern Treasury;
- Continue the roll-out of the Medium Term Results Based Budgeting;
- Full roll-out and utilization of the Central Payroll Processing System (CPPS);
- Building staff capacity and change management;
- Greater integration of respective financial information systems and business continuity management; and
- On-going efforts to upgrade relevant ICT infrastructure and system interoperability to support an Electronic Single Window (ESW) to facilitate improved international trade.

APPENDIX III

Developments in the Financial Sector

Introduction

During FY 2015/16, the Ministry of Finance and Planning (MOFP) continued to work closely with its stakeholders, including the supervisory authorities, to facilitate reform of the financial sector in keeping with the Government's commitment to strengthen the regulatory and supervisory framework of the financial sector and build more resilient financial institutions. Significant progress was made in advancing key pieces of legislation including the passage of three major ones. The Financial Investigations Division (FID) continued to actively pursue its mandate of, inter alia, addressing financial crimes, including money laundering, while the Financial Institutions Services (FIS) continued its winding down operations in respect of the Financial Sector Adjustment Company (FINSAC). Highlights of some of the financial sector reforms, as well as some of the major achievements of the FID and the FIS are provided below.

Banking Services Act (BSA)

The Banking Services Act (BSA), 2014, which consolidated different pieces of legislation that governed deposit taking institutions regulated by the Bank of Jamaica (BOJ), was brought into effect on September 30, 2015 following Parliamentary approval of a suite of Regulations and Rules. Effecting the Banking Services Act required the amendment and re-issue of Regulations and Rules that existed under the Banking and Financial Institutions Acts. The Regulations address, inter alia: opening hours; establishment of branches; licence fees; capital adequacy; amalgamation and transfers; and, licence application rules. Under the BSA, additional Regulations and Rules, including the regime for financial holding companies and consolidated supervision; agency banking; and code of conduct on customer relations for deposit taking institutions, will be developed. Effectiveness of the BSA was a structural benchmark in the Memorandum of Economic and Financial Policies (MEFP) under the Extended Fund Facility (EFF) with the International Monetary Fund (IMF).

Bank of Jamaica (Amendment) Act

A Bill to amend the Bank of Jamaica (BOJ) Act was tabled in Parliament in July 2015. The Bill was subsequently passed in both Houses of Parliament in October 2015 and became effective on October 30, 2015. The amended Act confers institutional responsibility for the stability of Jamaica's financial system on the BOJ. Effectiveness of the BOJ (Amendment) Act was a structural benchmark for November 1, 2015.

Insurance (Amendment) Act

A Bill to amend the Insurance Act was passed in January 2016 and is awaiting royal assent by the Governor General. The amendment to the Insurance Act seeks to harmonize certain provisions with other financial sector legislation and strengthen the legislative framework of the insurance industry.

Private Sector Pension Reform

Drafting instructions were issued in December 2015 to the Chief Parliamentary Counsel (CPC) to draft legislation to amend the Pensions (Superannuation Funds and Retirement Schemes) Act. The next step in the legislative process is circulation of the first draft of the Bill to key stakeholders for comments. This second phase of private sector pension reform seeks to address issues such as vesting, portability and indexation.

Proposed Micro Credit Act

The first draft of the Micro Credit Bill was received from the CPC during the first quarter of FY 2015/16. The Bill was circulated to key stakeholders for comments, which were compiled and reviewed during the third fiscal quarter. The next steps include issuing further drafting instructions to the CPC for revision of the draft Bill and subsequent submission of the Bill to the Legislation Committee of Cabinet for consideration. The proposed new Act is intended to provide for the registration and regulation of small privately-owned money lending institutions in an effort to address inherent deficiencies in the industry. The proposed Act also seeks to promote greater transparency, provide for protection of consumers and reduce the risk of the industry being utilized as a vehicle for facilitating money laundering.

Financial Institutions Services Limited

During FY 2015/16, the FIS continued with the winding up of residual FINSAC activities including the sale of remaining FINSAC properties. The following are some of its key achievements:-

✓ The FIS sold some of the remaining properties under FINSAC's control, including twenty-one (21) of thirty-one (31) Enchanted Gardens units which netted $18.6mn and Epsom Holdings' property which netted $47.0mn.

✓ Five (5) payments totalling US$2.5mn were received in respect of a St. Lucian property owned by International Hotels (St. Lucia) Limited in line with an agreement reached in 2013. The next payment is due in April 2016.

✓ The audited financial statements for the year ended March 2015 for FIS and FINSAC were completed and submitted to the MOFP in July 2015 and the Annual General Meeting was held on November 6, 2015.

✓ FIS on behalf of FINSAC continued efforts to resolve the following outstanding pension-related matters with Guardian Life Limited (GLL) and the Actuaries (Eckler):-

- Jamaica Mutual Life Staff Superannuation Fund
- Eagle Merchant Bank Pension Scheme
- Scheme for the Jamaica Mutual Properties Limited

✓ The majority of the judgments awarded in the litigation matters being pursued in the courts by or against FINSAC and its affiliated entities were in favour of FINSAC. They are at various stages of the litigation process and include the following:

○ In September 2015, FINSAC was successful in selling one (1) of twelve (12) remaining Crawford-owned/related properties addressed under the Privy Council judgment handed down against Donovan Crawford in 2005 in the Century litigation.

○ In October 2015, FINSAC received its share of the net proceeds from the sale of the Grenada Crescent building (US$0.9mn), which is being held on deposit pending the final decision relating to the appeal by Dr Paul Chen Young of the judgment that was handed down in May 2006 against Dr Chen Young in the Eagle litigation.

○ Judgment was granted in favour of the Workers Bank in the claim against the Bank for storage fees based on a storage agreement.

Financial Investigations Division

During FY 2015/16, the FID continued to actively pursue its mandate to reduce the incidence of financial crime in Jamaica, sharing information with its law enforcement counterparts at home and abroad, as well as conducting its own investigatory activities. The following are some of its key achievements:

✓ The FID entered into four (4) information sharing Memoranda of Understanding (MOUs) with regional and international counterparts - The Bahamas, Canada, United Kingdom and Australia.

✓ The FID recorded significant successes in core areas of cash seizure and civil recoveries. In the area of civil recoveries, the FID recorded the largest civil recovery in the Division's history with the recovery of cash in the amount of US$1.4mn plus other recoverable property. A ruling in this case was handed down by the Supreme Court in February 2012 and was subsequently upheld by the Court of Appeal in December 2015.

✓ The FID was successful in its application to the Resident Magistrate court for forfeiture to the Crown of sums seized in April 2014 including US$0.5mn and J$1.3mn. This represents the largest cash seizure in the Division's history.

✓ The FID received the following number of Suspicious and Threshold Transaction Reports:

Report Type	2015-2016
Suspicious Transaction	**156,251**
Threshold Transaction	**176,876**
Total	**333,127**

✓ As at January 19, 2016, the FID recorded the following number of successes in forfeited properties and motor vehicles:

Total Restrained Properties (Lands, Houses, Apartments, Buildings etc.)	**84**
Total Forfeited Properties (Lands, Houses, Apartments, Buildings etc.)	**25**
Total Restrained Motor Vehicles (Motor cars, Trucks, Vans, Motorcycles etc.)	**91**
Total Forfeited Motor Vehicles (Motor cars, Trucks, Vans, Motorcycles etc.)	**2**

✓ The FID was instrumental in providing support for the Caribbean Financial Action Task Forces (CFATF) Mutual Evaluation of Jamaica, which was conducted in June 2015. This Evaluation assessed Jamaica's compliance with international standards in the area of money laundering and the financing of terrorism.

Areas of Focus for Fiscal Year 2016/17

For FY 2016/17, efforts will concentrate on the following:

✓ 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;
✓ Facilitating under the BSA, a suite of Regulations and Rules including: the regime for financial holding companies and consolidated supervision; and agency banking;
✓ The continued divestment of remaining assets under FIS's control;
✓ Finalizing and resolving outstanding pensions and litigation matters for FINSAC;
✓ Completing the audit for both FINSAC and FIS for the fiscal year ending March 2016;
✓ Completing roll out of the GOAML (this is an IT-based information, collection, management and analysis software package) reporting software to reporting entities;
✓ Completing establishment of the Cyber-forensics laboratory at the FID, including training and the preparation of appropriate policies and procedures to govern its operations;
✓ Refocusing the FID to concentrate on investigating more serious and complex financial crimes as specified in the National Security Policy and Vision 2030;
✓ Changing the status of the FID to that of Department to allow for greater financial autonomy and to give effect to the provisions of the Financial Investigations Division Act;
✓ Building the capacity of the FID to gather intelligence on, and investigate, Terrorism Financing;

✓ Expanding the range of sources from which the FID may gather intelligence, to include regulatory agencies, law enforcement agencies, private sector and foreign partners, through the expansion of the FID's network of Memoranda of Understanding;
✓ Expanding the capacity of the FID to carry out strategic analysis, which focuses on the identification of themes, trends and typologies in the national environment that can inform national policymaking;
✓ Working with the Ministry of Foreign Affairs and Foreign Trade to improve the Terrorism Prevention Act (TPA) to meet international requirements, as well as assist in the process of bringing Designated Non-Financial Institutions under the TPA.

APPENDIX IV

Strategic Human Resource Management

PUBLIC SECTOR REFORM

Establishment of the SHRMD

The Strategic Human Resource Management Division (SHRMD) continues to execute its functions as the human resource policy hub for the public sector, in parallel with the development and staffing of its new structure. Recruitment of the top level staff was completed during the fourth quarter of FY 2015/16.

Human Capital Management Enterprise System (HCMES)

On December 30, 2015, a contract was signed with the successful bidder for the acquisition and installation of a Human Capital Management Enterprise System. The project commenced on January 18, 2016, and the first phase of payroll design has been completed. The project team is in the process of designing the first phase of the Human Resource Management processes. The entire design phase was concluded in February 2016.

Compensation Review

An analysis of the Central Government's wage bill has commenced within the context of the compensation review report submitted in February 2014. The results of the analysis will inform the Government's medium term wage policy. It is expected that the wage policy will be submitted to Cabinet by end-December 2016.

Public Sector Pension Reform

Activities were advanced during FY 2015/16 to facilitate expected implementation of the reformed Public Sector pension system in FY 2016/17. Significant among these activities were:

- The tabling of a Bill entitled *The Pensions (Public Service) Act* in the House of Representatives in November 2015. This Omnibus legislation seeks to establish a contributory pension scheme for the public service, to be known as *The Public Service Pension Scheme,* from which the payment of pensions, gratuities and other allowances in respect of the service of pensionable officers will be made;

- Completion of the System Requirements Specifications (SRS) and Design for the new pension software, Public Employees Pension Administration System (PEPAS) and delivery of Phase 1 by the consultants, PricewaterhouseCoopers. It is expected that all phases of the software will be delivered by March 31, 2016. The next steps will involve training of all users, user acceptance testing and final deployment of the application;

- Continuation of sensitization sessions on the new reformed system with critical stakeholders.

ESTABLISHMENT CONTROL

Post Operations Committee

The Post Operations Committee (POC) continues to monitor the Public Service Establishment and adjudicate on the filling of vacant posts in the context of the country's Medium Term Economic Programme. This activity is integral to the containment of the size of the Public Sector and the achievement of the Government's wage bill target.

Establishment General (G) Order

The Establishments for Executive Agencies and Educational Institutions were published during FY 2015/16. The draft Civil Service Establishment (General) Order, 2015 was laid in the Houses of Parliament for Affirmative Resolution.

SCHOLARSHIPS AND ASSISTANCE AWARDED UNDER GOJ AND DONOR PROGRAMMES

Scholarships

In excess of 300 public sector workers were provided with financial assistance towards tuition fees for tertiary studies, in keeping with the negotiated Heads of Agreement.

During the period April to December 2015, scholarship offers were received from China, Cuba, Japan, Russia, Serbia, 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 issued to special interest groups. Where applicable, candidates were interviewed, nominated and awarded accordingly. Through this process 36 long and short term scholarships were accessed.

Skills Training

Current and emerging training needs were assessed to inform the Skills Training Programme. The HEART Trust/NTA has been contacted to deliver training in Food Preparation, Air Conditioning and Refrigeration, General Construction, Interior Decorating, Drapery Making, Floral Arrangements and Motor Vehicle Servicing and Repairs.

EMPLOYEE BENEFITS

Funeral Grants and loans for acquisition of computers, motor vehicles, miscellaneous items and tertiary education were processed and approved in accordance with the relevant guidelines. During the April to December 2015 period, total disbursement of Loans and Grants to Public Sector workers was $235.0mn, a 27% increase over the corresponding period last year. This is attributed to the increase in Motor Vehicle loan limits to $2.5mn and $1.5mn for new and used cars, respectively, and, a 200% increase in Funeral Grants under the 2015/16 Heads of Agreement signed between the GOJ and unions representing public sector workers.

INDUSTRIAL RELATIONS

Wage Negotiations

The end of the period of no wage increase was welcomed by Public Sector employees and their unions and staff associations. As at January 31, 2016, a total of 33 claims were received from bargaining units representing employees in Central Government, and 20 from Statutory/Public Bodies. Of this number, settlement has been reached in respect of approximately 96% of the Central Government employees for the 2015-2017 contract period with a general increase in salaries and allowances of 4% in year one and 3% in year two. Increases have been granted for Meal, Supper, Taxi, Tailoring and Travelling Allowances, among other group-specific allowances. Activities are underway to ensure the implementation of the items agreed. Central Government settlements outstanding relate to groups within the Health Sector and the University of Technology.

As at January 31, 2016, two (2) agreements have been signed with unions/bargaining units for the Statutory/Public Bodies. Negotiations between unions/bargaining units and management in the Statutory/Public Bodies continue with a view to early settlement.

Industrial Harmony

During negotiations there were some periods of unrest as some groups sought to press home their requests for improvements in salaries and allowances. These groups included Teachers, Nurses, Correctional Officers, Police Officers and some members represented by the Jamaica Confederation of Trade Unions.

Despite these disruptions, industrial harmony was maintained with 97% of the Public Sector groups, against a projected 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

Tax Administration Jamaica

Tax Administration Jamaica (TAJ) remains a critical arm of the Government of Jamaica's (GOJ) economic reform programme, contributing to the ease of doing business by providing a secure environment to conduct tax transactions. The TAJ collects approximately 65% of the GOJ's total tax revenue per annum. Throughout FY 2015/16, TAJ continued to implement tax reform initiatives to modernize the department and boost revenue collections.

Aided by the administrative activities described below TAJ was able to meet its major targets at end-December 2015, namely, revenue collections and improved compliance.

The outlook for the core performance of the department remains positive for the full spectrum of the tax compliance components. This positive outlook stems from the continuous meeting of quarterly targets during FY 2015/16. For FY 2015/16, net collections stood at $264,551.8mn, which was $1,265.3mn (0.5%) above the amount targeted.

FY 2015/16 Achievements

Legislation

TAJ's legislative programme remains on track with the completion of various activities to support the administration of taxes. These changes span various legislative matters and are expected to increase the tax base, reduce leakages, address business facilitation and simplify the current administrative processes. The following were achieved during the April to December 2015 period:

- Governor General's assent to The Income Tax (Amendment) (No. 2) (Transfer Pricing) Act, 2015;
- Passage of the (Income Tax) (Transfer Pricing Documentation) Regulations, 2015
- Passage of the Income Tax (Transfer Pricing Agreements) Rules, 2015;
- Amendments to the Income Tax Act (Special Economic Zones Act, 2015 – Schedule I);
- Conclusion of negotiations with Italy for a Tax Information Exchange Agreement; and
- Conclusion of discussions with the OECD Secretariat for approval for Jamaica to sign the Multilateral Convention on Tax Matters.

Registration Compliance

During FY 2015/16 several treatment strategies were adopted to improve registration compliance. Third party information matching and data mining capabilities were enhanced through the introduction of a large-scale automated crosschecking and verification process. Analysis of the third party information is aimed at addressing compliance issues across tax segmentations.

Data warehousing capacities were bolstered with the development of a Discovery Module in the Revenue Administration Information System (RAiS). The module will be used to help identify, categorize, prioritize and manage the process of getting individuals, businesses and organizations to comply with the tax laws. As at end December 2015, approximately 10,000 non-registrants and 1,000 Income Tax stop-filers were identified for compliance action. At end-December 2015, 1,483 taxpayers were identified for compliance action, of which 827 cases have been closed and revenue recovered in the sum of $214.0mn.

The registration programme also received the combined support of taxpayer education, taxpayer assistance and compliance enforcement initiatives. These were primarily to address registration challenges through field checks, record keeping reviews, information visits, improved communication products (both paper and web), enhanced outreach programmes, partnering with external organizations, and, when needed, enforcement and prosecution action. For the period April to December 2015 there were notable performances in the following areas:

- Advisory visits increased by 96% to 1,643, from 838 over the corresponding period of 2014;
- As at end-December 2015, total taxpayers registered to *e*File stood at 28,440 compared with 6,564 for the corresponding period of the prior year;
- *e*One-on-One sessions stood at 5,299; and
- 188 seminars and forums were conducted to inform taxpayers of issues impacting their rights and obligations.

Filing and payment compliance

Taxpayers are classified into various segments with a view to better understand their behaviour. This approach provides for the application of different treatment strategies to improve compliance rates. Whereas the large taxpayer segment continues to perform above and within target, additional focus is being given to improving the filing patterns of the micro and small taxpayers. Table V (1) shows the on-time compliance rates across all tax segmentations. Additional compliance actions will be undertaken to improve performance according to the target groups.

Table V (2) illustrates the payment compliance for each tax type by segment. Of note, performance among the micro taxpayers increased significantly in Quarter 3 when compared to the previous quarters.

Table V (1): On-time filing compliance

Segment	Tax Type	Qtr 1	Qtr 2	Qtr 3
Large	GCT	92%	92%	91%
	PAYE	75%	74%	72%
	SCT	90%	90%	90%
	GART	79%	79%	78%
	STCT	100%	100%	100%
Upper Medium	GCT	86%	89%	90%
	PAYE	66%	66%	67%
	SCT	100%	100%	100%
	GART	70%	72%	68%
Lower Medium	GCT	86%	86%	85%
	PAYE	61%	60%	61%
	SCT	42%	92%	100%
	GART	84%	73%	70%
Small	GCT	73%	75%	75%
	PAYE	53%	53%	54%
	SCT	59%	63%	71%
	GART	65%	67%	68%
Micro	GCT	48%	48%	48%
	PAYE	19%	18%	19%
	SCT	27%	40%	38%
	GART	47%	50%	54%

Table V (2): On-time payment compliance

Segment	Tax Type	Qtr 1	Qtr 2	Qtr 3
Large	GCT	99%	98%	97%
	PAYE	96%	96%	96%
	SCT	100%	100%	100%
	GART	100%	99%	100%
	STCT	100%	100%	100%
Upper Medium	GCT	98%	97%	98%
	PAYE	92%	92%	94%
	SCT	67%	100%	100%
	GART	100%	99%	100%
Lower Medium	GCT	97%	96%	96%
	PAYE	93%	91%	94%
	SCT	53%	10%	100%
	GART	100%	96%	100%
Small	GCT	92%	93%	94%
	PAYE	84%	86%	89%
	SCT	56%	67%	100%
	GART	35%	90%	96%
Micro	GCT	79%	85%	88%
	PAYE	68%	69%	84%
	SCT	33%	0%	33%
	GART	60%	79%	97%

TAJ's filing compliance risk-based approach comprises a mix of education and assistance, supported by appropriate enforcement and prosecution action. Efforts during FY 2015/16 to improve filing compliance included:

- pursuing opportunities to increase the number of taxpayers using the e-filing facility;
- updating legislative filing requirements;
- identifying taxpayers who are inactive but still trading and applying the appropriate actions;
- cleansing the filing database of taxpayers who are no longer required to file returns;
- pursuing opportunities to increase the number of taxpayers using the e-payment facility;
- extending mandatory e-payment to at-risk taxpayers and tax types;
- extending automated withholding-at-source arrangements to third parties;
- working with the banks to incorporate the e-payment of taxes by taxpayers through the bank's existing bill payment systems;

- utilizing recently strengthened legislation which provide for stronger penalties as well as the collection of taxes via liens and garnishee action;
- strengthening investigative efforts resulting in an increase in the number of cases going to the courts for prosecution; and
- working with court bailiffs to enforce warrants.

Returns *e*Filed for the April to December 2015 period amounted to 67,582, up from 32,802 for the corresponding period in 2014. The majority of these returns were for PAYE.

Correct Reporting Compliance through Risk-Based Auditing

Correct reporting compliance has been focussing on:

- making better use of TAJ's 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, improving procedures and using the strengthened legislation provisions to access information and impose penalties.

With the support of RAiS, significant inroads have been made into improving correct reporting compliance. Through data matching activity, as at end-December 2015, 1,337 audit cases were identified for execution in respect of three (3) major tax types, Income tax, GCT and Guest Accommodation Room Tax (GART) as follows:

- Income tax audits were developed for medical professionals, wholesalers, retailers and taxpayers filing GCT on total supplies and nil income;
- GCT audits were developed for taxpayers with net credit balances, who only report exempt supplies and input tax credit;
- GART audits were developed for the micro and small segments of the Tourism and Hospitality sector;
- Joint audit efforts were established with the National Housing Trust for a Payroll Audits project. A joint audit effort was also established with Jamaica Customs Agency with the signing of a memorandum of understanding.

Overall, for the period April to December 2015, 78% of targeted audits were completed. As at December 31, 2015 potential revenue from the efforts of the audit programme amounted to $3,100.0mn.

Information Technology

RAiS Phase 2

TAJ successfully upgraded the tax system with the roll-out of additional tax types on the Revenue Administration Information System (RAiS) on December 7, 2015. This is expected to improve service delivery and efficiency with the provision of greater convenience and security. As a result, online services have been expanded for taxpayers with the provision of improved web services related to Income, Education, Minimum Business, Asset and Payroll Taxes, as well as NIS, NHT and HEART contributions. Online applications for Taxpayer Registration Numbers (TRN) and Tax Compliance Certificates (TCC) are also available.

RAiS Phase 3 will incorporate Withholding Tax on Specified Services, Environmental Protection Levy, Stamp Duty and Transfer Tax, Betting, Gaming and Lottery Tax and Trade and Business Licences. Phase 3 will run from May 2016 to October 2016.

Enterprise Content Management (ECM)

Phase 1 of the ECM system which was implemented in February 2016 comprises:

(1) the electronic imaging and data capture of paper tax returns;
(2) the electronic imaging of other paper documents (e.g., taxpayer letters, certified copies of certificates, auditor working papers, taxpayer rulings etc.); and
(3) linking these processes to RAiS case-actioning and reporting components.

Communication and other Outreach Activities

For the fiscal year to December 31, 2015, communication and other outreach activities focused primarily on the rollout of Phase 2 of the RAiS and issues surrounding the introduction of Transfer Pricing. Activities relating to the transition of TAJ to a Semi-Autonomous Revenue Agency (SARA), as well as educating stakeholders on recent tax reform and policy changes were also undertaken. Communication and outreach activities included the dissemination of information on the implementation of a Withholding Tax on Specified Services and the increase in the income tax threshold as of January 1, 2016. The TAJ is also expanding its capabilities and interface with other parties as it continues to pursue its mandate.

Strategies and Activities for FY 2016/17 and the Medium Term

Against the backdrop of the gains in FY 2015/16, TAJ's strategic focus will seek to build on the successes of meeting the needs and expectations of the taxpaying public and other stakeholders. TAJ will focus on building on its culture of integrity and making the necessary cultural changes to align with the transformed client experience. TAJ's modernization programme will continue to be a driving force behind its strategies over the medium term. The modernization of TAJ's human resources, processes and systems has provided a platform and capacity to enable the department to broaden its reach and improve compliance in order to efficiently and effectively respond to changes in the current operating environment.

As a result of the continuing modernization programme, TAJ's major strategies are as follows:

1. Utilization of a competency framework for all the critical positions in TAJ in order to ensure the best fit for all positions - the primary delivery from the activities to be pursued will be the development of a highly trained, competent and fully engaged workforce supported by initiatives to encourage staff retention in the organization;

2. Prudent management of organizational resources (financial and inventory) - through prudent management, TAJ is expected to, over time, reduce its overall cost to collect revenue;

3. Provision of an appropriate and safe business environment (physical, employee, data) for stakeholders;

4. Continued implementation of re-engineered business processes - this strategy will focus on providing the appropriate technological solutions, operating environment and culture to support the transformation and modernization of TAJ.

For FY 2016/17, TAJ will continue to employ risk management approaches to tax administration. Compliance risks will be addressed in a structured manner in accordance with the National Compliance Plan. The TAJ will continue to undertake intelligence gathering and conduct research activities to build and strengthen its knowledge of compliance levels and risks across the different tax types and taxpayer segments. These initiatives will include the following:

- Undertaking research into hidden economic activity, especially the trading of goods and services in cash, and, falsifying of accounting records;
- Conducting research on internationally topical compliance issues, such as potential revenue losses from transfer pricing and other forms of profit shifting by large taxpayers with cross border operations, and aggressive tax planning of high-wealth and high-income individuals;
- Undertaking tax compliance gap analysis at a macro level;
- Using random audits based on a statistically valid sample that is representative of the target taxpayer population to test compliance levels (the random audit programme is part of TAJ's wider audit program).
- Analyzing third party information gathered from various sources.

The TAJ will continue to develop compliance programmes to mitigate identified risks. Mitigation strategies will focus on the causes of non-compliance using a mix of instruments, including educating and assisting the public, strengthening legislation and procedures, auditing and other forms of enforcement.

In summary, the TAJ will continue carrying out the following activities:

i. Provide an integrated online experience as well as build on contemporary services;

ii. Improve online services to small businesses;

iii. Reduce the administrative cost of complying;

iv. Work with software developers and tax professionals to drive innovation in tax services;

v. Work with taxpayers to resolve issues early so that returns lodged are correct;

vi. Work with the public to develop targeted compliance strategies that leverage taxpayers' natural business systems;

vii. Make earlier, direct and open contact with taxpayers to avoid disputes wherever possible or resolve disputes as early as possible;

viii. Reduce aged cases through earlier engagement;

ix. Manage disputes fairly and independently in the simplest and most cost-effective manner;

x. Influence policy and law design for more predictable outcomes, using insights from our administration and interactions with the community;

xi. Support the GOJ's taxation priorities including addressing base erosion and profit shifting;

xii. Influence government policy development and implementation, through advocating the use of services, technologies and processes to minimize the administrative impact on business;

xiii. Use data in a smarter way to improve decisions, services and compliance;

xiv. Share intelligence and data with tax agencies worldwide to support voluntary compliance, encouraging disclosures and identifying and investigating tax evasion;

xv. Improve and extend TAJ's data matching capabilities;

xvi. Develop better-targeted services based on a deeper understanding of taxpayers' needs and behaviours;

xvii. Establish a holistic view of taxpayer risk to improve service and enforcement approaches.

The TAJ will also undertake post implementation evaluation of the effectiveness of each major mitigation activity, whereby actual outcomes will be compared with desired outcomes and the results fed into future planning processes.

Jamaica Customs Agency

1. Introduction

The Jamaica Customs Agency (JCA) collects approximately 35% of the national tax revenue annually and works with other agencies to manage the flow of people and goods across Jamaica's border, while managing related risks. The JCA has three core functions:

1. Protecting Jamaica's Border;
2. Promoting and Facilitating Secure and Efficient Trade and Travel; and
3. Collecting the Government of Jamaica's revenue.

JCA was established as an Executive Agency with effect from April 2, 2013, and has since concentrated on the delivery of priority objectives, improving performance and the longer-term transformation of the Agency. Specifically, the JCA is mandated to provide more efficient and effective service to travelers and importers, resulting in improved voluntary compliance from importers. The Agency is also expected to develop an enhanced capacity to detect and prevent revenue fraud and to demonstrate a greater ability to stop illicit imports.

Operating Environment

The JCA continues to operate and facilitate trade in a dynamic environment that needs to be monitored continually to identify and respond to opportunities and risks. To efficiently and effectively perform its main functions, the Agency aims to maintain a workforce that is committed to excellent delivery of high quality customer services. To achieve the JCA's mission and vision as well as facilitate the social and economic objectives of the Jamaica Government, the Agency collects and protects the revenue and guards against smuggling through:

- executing its normal operations;
- intelligence-led risk management utilizing its global connections;
- stakeholder engagement in developing and executing the JCA's strategy;
- engaging regularly with industry groups and other organisations; and
- preparing a longer-term strategic intelligence picture and outlook to inform its strategic planning.

The JCA functions are mandated by the Customs Act 1941 and Customs Regulations 1955, which are expected to be revised in FY 2016/17. The revision of the principal instruments of the Customs Act and Regulations will assist the JCA to keep pace with rapidly changing technology, business practices and border management requirements and minimize risk to the Agency's ability to carry out current and future activities efficiently and effectively. In addition to the laws of the Jamaica Customs Act, the JCA enforces over 125 other provisions of law for at least 20 agencies. JCA functions are delivered through services that seek to prevent harm from a range of risks, including risks to Jamaica's security and health as well as risks to the GOJ revenue. JCA frontline presence, routine patrols and inspections, as well as monitoring of risks, help to create a low-risk border. The JCA promotes and facilitates secure and efficient trade and travel through formal customs partnerships, input to Jamaica's free trade agreements (FTAs), and support for traders to benefit from those agreements.

The JCA faces many significant challenges, including:

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

These challenges pose risks to the sustainability of the organisation and its ability to deliver on its mandate. The challenging environment within which the JCA operates also impacts on the organisation'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 2015/16

The following major initiatives were undertaken and achievements recorded by the JCA during the period April 2015 to December 2015:

1. Consistently satisfied all requirements under the Extended Fund Facility (EFF);
2. Surpassed all quarterly tax revenue targets;
3. Eighty eight (88%) of staff has been transitioned into the Executive Agency;
4. The Agency's flagship project, ASYCUDA World is in high gear. The Export Module is fully implemented and the Import Module is being piloted at Sufferance Wharves in Kingston;
5. Gazetting of an Electronic Single Administrative Document ;
6. The Customs Amendment Bill 2015 was tabled in Parliament;
7. An Anti-Corruption Committee was established and in keeping with the Revised Arusha Declaration an Integrity Manual was drafted;
8. Expansion of staff transportation service and logistic support to Montego Bay and other outposts;
9. Acquisition of equipment to facilitate secondary examination of goods;
10. Negotiation and finalization of MOU's with Kingston Container Terminal (KCT), Norman Manley International Airport (NMIA), Sangster International Airport (MBJ), TAJ and the Financial Investigation Division (FID); and

11. Commenced construction of a jetty at Sufferance Wharves, Port Royal to facilitate efficient processing of pleasure crafts and cabin cruisers.

Strategic Objectives for FY 2016/17 and the Medium Term

The JCA's medium term strategic objectives and strategies for FY 2016/17 to FY 2018/19 are outlined below.

1. **To assess and collect revenue due**

   The strategies to be employed include:
   - Examining goods and ensuring that the correct amount of duty is collected before the goods are released from JCA's control;
   - Developing and managing a coordinated, risk-based approach to completing post clearance audits;
   - Conducting joint post-clearance audits with TAJ;
   - Identifying and initiating collection actions for revenue past due; and
   - Maintaining a valuation database to verify the values declared to JCA.

2. **To ensure efficient and effective use of resources**

   The strategies to be employed include:
   - Assessing budget execution and implementing cost saving strategies; and
   - Applying risk-based assessment and management methodologies to inform the JCA's expenditure requirement.

3. **To increase the methods of detection of imported and exported illegal and prohibited goods**

   The key strategies to be employed include:

   - Increasing enforcement activities that lead to detection of illegal and prohibited imports and exports;
   - Creating a tangible platform for effective exchange of information and intelligence among national and international counterparts and developing partnerships with local and international stakeholder agencies to conduct coordinated risk management;
   - Enhancing the existing risk management functions by adopting relevant World Customs Organization (WCO) standards and guidelines to utilize the advance information from ASYCUDA World for effective risk management;
   - Improving border security, and, counter drug trafficking, through use of modern facilities and innovative tactics and strategies;

- Enhancing and developing a mechanism to monitor the movement of cargo, passengers, crew and conveyances for effective profiling and targeting, by establishing and strengthening customs control at the border through integrating resilient controls in processes, procedures and physical infrastructure.

4. To improve voluntary compliance

The main strategies to achieve this objective include:

- Undertaking ongoing public education through the various media, such as workshops, meetings, public forum, expos, print and electronic media;
- Broadcasting information through client awareness surveys;
- Developing and implementing a robust National Compliance Plan; and
- Encouraging voluntary compliance by initiating discussions with stakeholder groups/traders.

5. To improve legal and regulatory frameworks

The strategies to be employed include:

- Reviewing and recommending amendments to the Customs Act and Regulations in order to align legislation with best practices; and
- Updating, simplifying and standardizing systems, procedures and legislation.

6. To facilitate the efficient processing of legitimate goods and persons

The key strategies include:

- Ensuring passengers and cargo are processed within the Citizen's charter and legal framework;
- 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 movement of prohibited and restricted goods;
- Conducting workshops in an effort to deliver high-quality customer service; and
- Focusing on reducing the time it takes to clear goods and passengers.

7. To automate and strengthen information management, information and communication technology (ICT) and financial management systems

The strategies to be employed include:

- Developing and monitoring project schedules and enhancing ICT systems security;
- Implementing ASYCUDA throughout the JCA; and
- Improving JCA accounting and financial systems through the implementation of cash and accrual basis ACCPAC Accounting System.

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

To meet this objective the JCA will seek to:

- Evaluate the performance management system and develop and implement strategies to address poor performance areas;
- Formulate and implement human resource best practices, policies and initiatives aimed at enhancing employee welfare and satisfaction;
- Develop and conduct training sessions;
- Fill vacant positions, especially for critical jobs;
- Develop and implement Staff Satisfaction Surveys; and
- Identify and implement training development intervention for each staff level.

9. To adhere to occupational health, safety and environmental national, regional and international standards

In order to satisfy this strategic objective, the JCA will develop and enforce an occupational health and safety programme within the organization.

10. To enhance planning and research activities within the Agency

The strategies to be employed include:

- Developing and utilizing the Corporate/Operational Plans as tools to guide the management decision making process;
- Coordinating review sessions to assess divisional operational plans and key performance indicators (KPIs); and
- Revising existing standard operating procedures (SOPs) and manuals where necessary.

11. To improve and maintain the system of internal controls within the Finance and Administration Sections

The strategies to be employed by the JCA include:

- Documenting and implementing agency-wide SOPs;
- Monitoring and evaluating the systems of internal control to ensure compliance; and

- Ensuring that the Agency's Financial Statements are produced in accordance with the relevant accounting standards and GOJ guidelines.

12. To assess and enhance the impact of the internal audit on the JCA operations

With respect to this strategic objective, the JCA will seek to establish a robust risk assessment and annual planning process to focus on existing and emerging high risk areas.

13. To establish and maintain quality assurance mechanisms

The strategy to be employed will require the establishment of Quality Management Systems in keeping with national, regional and international standards.

14. To improve service delivery to the public

The strategies to be employed include:

- Implementing Sysaid (Customer Service System) to manage customer service complaints and issues;
- Conducting workshops and surveys to enhance customer service delivery;
- Conducting Customs Media Forums; and
- Facilitating Customs Stakeholder Exchange.

Appendix VI

PUBLIC SECTOR INVESTMENT PROGRAMME
FY 2016/17 –FY 2020/21

Reform of Public Investment in Jamaica

As part of the continued support to the Public Financial Management (PFM) Reform Programme the Ministry of Finance and the Public Service (MOFPS) has successfully implemented key activities aimed at enhancing the efficiency of the process. One of the key elements of the reform is the establishment of the Public Investment Management System (PIMS).

In fiscal year 2014/15 the MOFPS in collaboration with the Planning Institute of Jamaica completed the amendments to the Financial Administration and Audit (FAA) Act to strengthen the legislative framework for the PFM reform, specifically the Public Investment Management System (PIMS). The legislation was Gazetted in April 2014.

Through support from the Strategic Public Sector Transformation Project (supported by a World Bank Loan of US$35.0mn) in fiscal year 2015/16, the MOFPS continued the implementation of the reform and has achieved major milestones in the development of the PIMS. These milestones include:

Establishment of the PIMS Secretariat (PIMSEC) - It is the central point of entry for **all projects** to be considered for inclusion in the PSIP. The PIMSEC is the key technical body for public investment planning and implementation and provides technical advice to the Cabinet through the PIMs Committee on investments that are to be included in the PSIP. The PIMS Secretariat directly supports the work of the PIMS Committee which makes the final decisions on the composition of the PSIP.

Hosting of PIMS Committee Meeting - The Committee is chaired by the Honourable Minister of Finance and the Public Service and supports the review of all public investments. Under the amended FAA Act, all Pubic Investments must be reviewed by the PIMS Committee. To date the committee has reviewed more than 20 business cases valuing over J$6,000mn for projects at different stages of development.

Development of PIMS Guidelines - the PIMS Secretariat (PIMSEC) in collaboration with the MOFPS has completed the penultimate draft of the guidelines. The document will serve as a reference document to Ministries, Departments, Agencies and Public Bodies as it outlines the new rules and procedures as well as details the roles and responsibilities of the stakeholders in the PIMS process. PIMSEC embarked on a sensitisation programme in 205/16 which also involves consultations with key participants in the PIMS. The sessions will continue to FY 2016/17 following which, Cabinet approval will be sought.

Establishment of Pre-Investment Evaluation Fund (PIEF) - It is recognised in the development of the PIMS that the Government will require significant investments in assessment and evaluation of projects and other types of business cases (for example, Public Private Partnerships) in order to fully optimise the Public Sector Investment Programme (PSIP). It is with this understanding that the MOFPS in collaboration with the Secretariat and the World Bank has initiated actions to establish a PIEF. This fund will support key pre-investment actions such as feasibility assessments; process reviews; cost benefit analysis; socio-economic and environmental assessment; and other technical studies aimed at improving the quality of the final project design and ultimately the effectiveness and efficiency of the PSIP. A total of J$30.0mn has been provided for the Fund in FY 2016/17.

Development of a Public Investment Management Information System (PIMIS) - The first stage of the development commenced in FY 2015/16 with the development of a project database. This database currently captures detailed information on all project financed through the central government and profiles of the majority of projects financed by public bodies. The database is also used by the MOFPS as a tool to provide reports on the status of key development projects in the Central Government portfolio.

The second phase of the development is the procurement of a state of the art Management Information System that will track investments at all stages of the project cycle. Procurement of the system is scheduled to commence in FY 2016/17.

The FY 2016/17 – FY 2020/21 presented in the attached table incorporates investment projects funded through GOJ resources, revenues generated by the public bodies as well as through loans and grants from multilateral/bilateral institutions.

Presented below are some of the major development projects and programmes listed by sector, which will be implemented by Central Government MDAs through to FY 2020/2021, with assistance from multilateral/bilateral institutions.,

SOCIAL SECTOR

Support for the Social Safety Net

The Programme of Advancement Through Health and Education (PATH) offers assistance in the form of grants to two (2) categories of beneficiaries: (i) children/students ages 0 – 19 years; and (ii) adult poor including the disabled, elderly, pregnant and lactating mothers and the destitute.

Another safety net component of the programme is the Steps-to-Work (StW) initiative, which targets working age members of PATH eligible households for referral to relevant support services to enable them to seek and retain employment.

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

The 2016/17 provision of $5,000mn is to support continued payment to 320,000 beneficiaries, assign and deliver a package of labour activation services to support the graduation strategy, enhance the skills training aspects of the steps to work programme and implement the process for the use of the pensions earnings contribution database.

Jamaica Social Investment Fund (JSIF)

JSIF manages the implementation of projects aimed at addressing the socio-economic needs and social services at the community level across Jamaica. The entity was allocated a budget of $1,957mn in FY 2015/16 and eighty-five (85) sub-projects were completed. 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; and provision of vocational skills training, market awareness, entrepreneurial skills, employment profiling, personal development and job preparation skills.

In FY 2016/17, the sum of $2,065.7mn has been provided to continue implementation of the aforementioned programmes. The JSIF plans to execute eight major projects and a total of 169 sub-projects. The major projects include the Rural Economic Development Initiative, Poverty Reduction Project III & IV, Basic Needs Trust Fund Seven and Eight (BNTF7 & BNTF8), Integrated Community Development Project (ICDP), Disaster Vulnerability Reduction Project (DVRP) and the School Sanitation Programme. These projects are being implemented over a period of two to five years.

Public Sector Transformation

Public Sector transformation is lead by the Office of the Cabinet and the MOFPS. The transformation activities are coordinated through the Public Sector Transformation and Modernization Programme (PSTMP) of the Cabinet Office and the Strategic Public Sector Transformation Project being implemented by the MOFPS. The projected total external financing to implement these programmes up to March 2020 is US$67.6mn. The initiatives under these programmes are far reaching and include inter alia – the development and delivery of integrated public services which meet the needs of customers; strengthening the link between planning, budgeting and performance management through the introduction of a framework for Medium Term Results Based Budgeting; improving the efficiency and effectiveness of Human Resource Management across government; developing capacity for continuous improvement in the quality of service delivery across the public sector; institutionalization of the Public Investment Management System and fostering industrial and trade facilitation through the Government's Agencies.

For FY 2016/2017 a budgetary allocation totalling J$1,387mn is provided to the two aforementioned projects to implement a slate of activities aimed at progressing towards the objective of transforming the public sector. The major activities financed include inter alia: Modernization of the Government Electrical Inspectorate (GEI), Implementation of a Human Capital Management Enterprise System with Payroll (HCMES/Payroll), establishment of a One Stop Shop for business registration, establishment of a Montego Bay One Stop Shop for import/export inspection service, development of a GOJ Records and Information Management Programme, the design and implementation of the Public Investment Management Information System, design and implementation of a Pre-investment Studies and Evaluation Fund, and Change management within various Ministries, Departments and Agencies.

EDUCATION (Additional school places, training and reform)

In FY 2015/16, the Ministry of Education's approved budget of $2,071mn was increased to $2,311mn in the 2015/16 First Supplementary Estimates to facilitate the implementation of capital projects. The main projects and activities executed included: **(i)** ***Education Systems Transformation*** **–** completed installation of the NEI inspection software, purchased equipment and licence to support the implementation of a new Human Resource System; commenced development of the Primary Exit Profile and Grade 2 & 9 diagnostic tests;, commenced the development and piloting of the National Standard Curriculum, and completed extension of classroom blocks in two (2) schools; **(ii)** ***The University of Technology Enhancement Project*** - completed the construction of the School of Hotel and Tourism Management; continued construction of Shared Facilities to provide additional classrooms and Laboratories upgrade; **(iii)** ***USAID/MOE Education for Partnership for Improved Reading Outcome*** - continued intervention in schools that needed 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.

The Education Ministry's budget for FY 2016/2017 is J$2,633mn to implement capital projects. All levels of the education spectrum will benefit from the resources provided. The Early Childhood cohort/stakeholders will benefit from the ***Early Childhood Development Project*** which is supporting the objective of providing quality education for all children ages 3-5. This will be done through the development of health education materials, training of health care workers, ECI Practitioners and other stakeholders and the development of a 0-3 year nutrition service delivery model; the modification of existing spaces for 28 schools to accommodate an infant department is also scheduled for implementation through the ***Renovation/Refurbishing of Infant Schools Project*.** The primary sector will benefit from new bathroom facilities at 28 primary schools and the ***USAID/MOE Education for Partnership for Improved Reading Outcome Project*** will continue its mandate to improve literacy levels in primary schools by providing the required literacy material for grades 1 to 3. The Secondary level will benefit from the construction of additional classrooms to address the existing shift system as well as major revisions to the curriculum through projects such as the ***Education Transformation Programme I, the Education System Transformation Programme*** and the ***Promoting Quality Education and Advancing the reality of Child Friendly Environment Project.***

SECURITY and JUSTICE

Citizens Security and Justice Programme (CSJP)

The third phase of the five year programme 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 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 2016/17, the sum of J$1,201.0mn 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.

Construction and Improvement of Correctional Facilities

The primary objective of this project is to improve the living and working conditions of the inmates and staff at the Tamarind Farm and South Camp Road correctional facilities. The allocation of $191.0mn in 2016/2017 is to continue the construction of a 304 bed prison facility at Tamarind Farm and the retrofitting of the South Camp Road correctional facility will allow for the transfer of inmates and staff from Fort Augusta Correctional Centre. Additionally, the allocation will also facilitate the de-commissioning of the Fort Augusta Correctional Centre.

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 MOFPS 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 commencement of the project in 2012 include **(i) the continued implementation of the new Automated Operations Management System (ASYCUDA) at the Jamaica Customs Agency (JCA)** which has eliminated the use of paper in the clearance process and reduced processing time which has resulted in cost saving, greater efficiency, transparency and accountability**. (ii) the Integrated Tax Administration System (ITAS) at Tax Administration Jamaica (TAJ)** has resulted in increased tax compliance, improvement in arrears collection and identification of tax dodgers; **(iii) enhancement and upgrading of MDAs Accounting System (FINMAN)- in 37 ministries and departments and agencies (MDAs)** on the centralized payments system, upgrade to FINMAN MDA software, introduction of FINMAN Treasury Management Module (TMM), Training in Risk Assessment and Business Continuity and approximately 60 bank accounts closed and folded into the Treasury Single Account (TSA).

The 2016/17 budget of $2,588mn, will enable the continued implementation of reforms, improve and strengthen the systems and processes of Tax Administration Jamaica (TAJ), the Customs Agency of Jamaica, the Debt Management Branch (DMB) of the MOFPS and the Government's Central Treasury Management System (CTMS). Other major activities to be supported include – the implementation of the new Budget Preparation and Management System, a new Payroll System for CTMS, a new Document Management System and the Rehabilitation of the TAJ East Street building,

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 provide financing needed to increase productivity and prospect for job growth.

This US$50.0mn project is being financed by a loan from the World Bank and will be implemented over a 6-year period. During the 2015/2016 fiscal year the services of consultants/suppliers were procured to provide goods or services for the project. These included the engagement of three (3) firms to provide hardware and software to support the roll-out of the Application Management and Data Analysis (AMANDA) system in the Parish Councils and other referral agencies. The Special Economic Zone Act was drafted, tabled and subsequently passed in both Houses of Parliament. The prefeasibility study to assess the viability of establishing a ship registry was completed and the recommendations from the report will inform the next steps. An Attorney was engaged and placed at the Attorney General's Chambers to review key commercial transaction documents. A total of $712.0mn has been disbursed to the Development Bank of Jamaica for on lending to Small and Medium Enterprises (SMEs) via approved financial institutions. Loans totaling $223.0mn has been approved for disbursement and $49.3mn already disbursed to SMEs.

In the 2016/17 fiscal year, the firm contracted to develop the Business Plan for Creative Industries is scheduled to complete the consultancy in the first quarter. The firm selected to develop the Logistic Hub Initiative Master Plan is expected to commence the consultancy in the first quarter. The procurement of a firm to carry out a feasibility study of the Caymanas Special Economic Zone Request was in progress and the preferred bidder is expected to be engaged in the first quarter of FY 2016/17. Other consultancies scheduled to commence in early 2016/17 include an in-market broker for the Business Process Outsourcing sector, a consultant to prepare an action plan for the development of Downtown Kingston and a firm to manage the grants programme for SMEs. The DBJ will continue to disburse loan funds to SMEs via approved financial institutions (AFI).

Economic Partnership II (EPA II) Capacity Building Project

The 2016/17 provision to the project is $180.0mn. 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 I will continue under phase II until ISO 17025 accreditation and JANAAC certification are attained.

HEALTH

In FY 2016/17 the Ministry of Health will continue the implementation of the National HIV/AIDS Prevention and Control Programmes and a programme aimed at reducing child mortality and improving maternal health. The Ministry will also seek to develop policies, protocols and modules for the screening of non-communicable diseases at health facilities as well as strengthening its capacity to respond to the spread of the chikungunya virus and the threat of the Ebola virus. The Ministry will continue the planned investment to rehabilitate a number of primary health care facilities across the island. An allocation of $1,548mn (Grant-$1,369mn, GOJ-$178.0mn) will be provided to fund seven projects aimed at meeting the objectives stated above.

ENERGY EFFICIENCY and SECURITY

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

The major achievements for 2015/16 included: (i) completion of a contract to replace inefficient window and mini-split A/C units in several state institutions; (ii) commencing the implementation of a contract valued at US$2.8mn to upgrade the air-conditioning systems at four state institutions including the Blood Bank and the MOFPS.

The final air conditioning retrofit contract will be tendered early in the 2016/17 fiscal year and institutions such as the May Pen Hospital and Revenue Departments will benefit.

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

In FY 2015/16 the second phase of the pre/feasibility studies of potential hydropower sites commenced. Six sites are being assessed in this Phase. One firm was engaged to supply a new test chamber and the requisite software to the Bureau of Standard Jamaica (BSJ). An existing test chamber at the BSJ was contracted to be rehabilitated. A local architect was hired to produce designs for modifying a building to house the new test chamber. With regards to the Line of Credit, $227.0mn was disbursed to the DBJ for on lending to SMEs for energy efficiency upgrades or renewable energy initiatives.

The budgetary allocation for the FY 2016/17 is $359.7mn. This will be used to fund activities which include the procurement and installation of a new test chamber, and rehabilitation of the existing test chamber at the Bureau of Standards Jamaica, completion of phase 2 of the hydropower feasibility study and the disbursement of the remaining funds allocated to the line of credit sub-component.

AGRICULTURE

Sugar Transformation Project

The 2015/16 approved budget of $2,400mn allocated to this project s was subsequently increased to $2,601mn in the 2015/2016 First Supplementary Estimates. The additional allocation was to ensure continued development of a sustainable private sector led sugar cane industry and the continued strengthening of the sugar dependent communities to ensure social stability and environmental sustainability.

The major achievements during the 2015/16 fiscal year included: (i) the completion of 225 houses (barracks relocation programme) in the St Thomas sugar dependent areas (SDA); (ii) training of over 600 persons from the SDAs in a wide range of skills; (iii) rehabilitation of 80 kms of cane roads in the cane growing areas; (iv-) the provision of support to 40 new or existing business operators to start or expand their business (v) injection of $50.0mn into the training fund and the implementation of 80 social projects in the SDAs.

The sum of $2,388mn has been allocated in the 2016/17 Estimates of Expenditure to:
(i) continue implementation of a minimum of 80 social projects in the SDAs; (ii) rehabilitate a minimum of 80 kms of cane roads in the SDAs; (iii) provide support to a minimum of 80 new or existing business operators to start or expand their enterprises; (iv) install drip irrigation systems in a minimum of 80 hectares (200 acres) of sugar cane; (iv) replant a minimum of 1400 hectares (3500 acres) of sugar cane;

Agricultural Competitiveness Programme (ACP)

The objective of the Agricultural Competitiveness Programme (ACP) is to increase the competitiveness in the agricultural sector through activities that facilitate small and medium farmers' access to markets.

The project was allocated $691.8mn in the 2015/16 fiscal year, and the main achievements were: (i) completion of pipeline, switchgears and pump installation at Spring Plains; (ii) construction of the packing house in New Forest; (iii) establishment of demonstration plots in Yallahs, Spring plains/Ebony Park and new Forest/Duff house; (iv) continued exploration of overseas marketing linkages/opportunities; (v) collaborating with an overseas university to introduce new varieties of sweet potatoes into Jamaica and clean up good local varieties.

The allocation for the 2016/17 fiscal year is $465.8mn. The major activities to be implemented include the following: (i) establishment of an Agro Park at Hounslow, St Elizabeth (ii) extension of the existing irrigation system at Hounslow to an adjacent farming community (iii) completion of electrical and other finishing works at the packing house at New forest; (iv) procurement of laboratory equipment and supplies for the Veterinary Services Division (VSD), Food Safety, Plant Health and MOH laboratories to attain JANAAC accreditation and ISO certification.

INFRASTRUCTURE

For FY 2016/2017 **$8,**827.0.0mn or $76.5% of the $11,230.0mn allocated to the Ministry of Economic Growth and Job Creation has been earmarked for works related projects aimed at developing and improving the country's infrastructure. Work will continue on two major road projects and commence one, as well as the construction of the Foreign Affairs Head Office. Details are as follows:

(a) ***Major Infrastructure Development Programme (MIDP)*** – is designed to upgrade 430km of key arterial roads, reconstruction of 27 critical bridges, and implement nine phases of the Jamaica Emergency Employment Programme (JEEP) - effect repairs to community roads, retaining walls and drainage structures. This project is programmed to be implemented over 54 months at a cost of US$352.9mn (US$300.0mn - CHINA EXIM Bank; US$52.9mn GOJ).

Works commenced on this project during FY 2014/15, and the progress to the end of FY 2015/16 include the completion of four of the nine programmed phases of JEEP; completion of 4 of the 27 programmed bridges and rehabilitation of 55 km of the 430km of road.

For FY 2016/2017 a total of $6,977.0mn is allocated to the project to: (i) commence rehabilitation of eleven prioritized main roads - complete ten prioritized main roads and achieve approximately 10% completion on another; (ii) commence and complete the construction of six bridges; and (iii) commence and complete phases 7 and 8 of the JEEP component (rehabilitation of community roads, drainage structures, construction of retaining walls and river training) in 63 constituencies.

(b) ***Rural Road Rehabilitation Project II (OPEC)*** - The major objective of this project is to facilitate socio-economic development and integration of four parishes in Jamaica through the rehabilitation of sections of roads in the parishes of Trelawny, Manchester, Clarendon and St. Catherine.

Approximately 22.6km of road works is being undertaken in two packages. **Package 1** *Sour Sop Turn – Chapleton* – 10.4km and **Package 2** – *Chapleton – Trout Hall* – 12.2km. Completion of approximately 37% of the former was achieved up to the end of FY 2015/2016 while, the award of a contract to undertake the **Package 2** road reconstruction works – *Chapleton – Trout Hall* – 12.2km is scheduled for the third quarter of FY 2016/2017.

An allocation of $830.0mn is provided in FY 2016/17 to facilitate the continuation and completion of the Sour Sop Turn – Chapleton **(Package 1)** road works contract, and the award of a contract for the **Package 2** works.

(c) **Road Rehabilitation Project II (Kuwait)** - the major objective of this project is to facilitate economic development/growth through improvements to 4 main roads to support agricultural, industrial and tourism activities in the parishes of St. Mary, St. Ann and Westmoreland.

The 2016/17 allocation to the project is $101.9mnn to facilitate the commencement of:

- road rehabilitation works on the Broadgate to Agualta Vale road section - the first of the 4 targeted road sections - and achieve 10% completion;
- acquisition of land necessary for undertaking the works; and
- the relocation of utilities associated with the works.

d) Construction of the Ministry of Foreign Affairs Head Office

The primary objective of this project is to provide a customized office facility for the Ministry of Foreign Affairs and Foreign Trade, which will adequately support its needs in terms of accommodation of staff, meetings and waiting areas for diplomats and other visitors.

The 2016/17 allocation amounts to $666.1mn to undertake site preparatory works and commence sub-structure works necessary for the construction of the building.

ENVIRONMENT PROTECTION/ DISASTER MITIGATION AND WATER

Strengthening the Operational and Financial Sustainability of National Protected Areas

This six year project seeks to establish a Protected Area Trust Fund, develop a Protected Area policy and draft instructions for legislation for Protected Areas is scheduled to end in July 2016. Achievements under this investment grant include the registering of the Jamaica National Protected Area Trust Fund, endowment to the Caribbean Biodiversity Fund in the amount of US$1.8mn, and approval of a master plan by Cabinet.

The 2016/17 allocation of $66.1mn will facilitate the closing out of contracts for consultants, complete business plans, identify revenue generation mechanisms for funding Protected Areas and drafting of legislation for Protected Areas.

Jamaica Disaster Vulnerability Reduction Project

The six year project seeks to enhance Jamaica's resilience to disaster and climate risk by improving disaster preparedness and response and providing support for transportation, water, flood protection and sanitation. The project will address key issues relating to these areas in 11 parishes.

The project agreement was signed in 2016 and the 2016/17 allocation of $40.0mn will facilitate data collection on seismic activity and coastal micro-zonation for Alligator Pond and Savanna-la-Mar.

Rehabilitation of Irrigation Infrastructure

The objective of this project is to reduce water losses and operational costs in the Mid-Clarendon Irrigation System. The 2016/17 allocation to the project is $292.32mn. During the fiscal year, the project will commence the replacement of several hundred lengths of defective pipelines and repair damaged sections of irrigation canals in the Mid-Clarendon Irrigation Area.

PUBLIC BODIES

Public Bodies Contribution to Public Sector Investment - FY 2016-17

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

The Public Bodies contribution to Public Sector Investment is highlighted below:

HIGHLIGHTS

National Housing Trust (NHT)
During the FY 2016/17, the Trust has projected to construct and finance approximately 3,049 housing starts and 1,799 housing completions. This is in keeping with the Trust's drive to develop some 9,000 housing solutions by FY 2018/19, which will comprise of houses and residential lots in 42 developments in 11 parishes.

Airports Authority of Jamaica (AAJ)
The implementation of Phase 1B of the 20-year Capital Development Programme (CDP) at the Norman Manley International Airport will continue to be the primary expenditure for AAJ. Works in this regard will be undertaken at a cost of $729.4mn, approximately 69% of the total capital expenditure of $1,052.7mn.

Jamaica Civil Aviation Authority (JCAA)
JCAA's capital programme includes a major modernization programme in the delivery of Air Navigation Services in accordance with the International Civil Aviation Organisation (ICAO) Global Air Navigation Plan (GANP) to meet increased capacity demands of the future. International standards and recommended practices, as well as technological advancements have resulted in air navigation and communication equipment being used by JCAA becoming obsolete. Total capital expenditure of $1,654mn forecasted includes the upgrade of equipment and air navigation services, as well as engineering maintenance services originally slated for 2015/16.

Port Authority of Jamaica (PAJ)
PAJ plans to focus on developing its core infrastructure assets in its key business segments. This will result in substantial capital investments in Cargo and Cruise ($1,714.7mn) Business Process Outsourcing (BPO) ($2,857.3mn), as well as Harbours and Port Services ($3,245.0mn). In addition,

PAJ will continue its pursuit for the establishment of a Port Community System ($352.4mn) with the collaboration of other stakeholders in the industry.

National Water Commission (NWC)

Total capital expenditure of $8,726.3mn will include capital projects which will result in increased operational efficiency, national coverage & access, quality of service & reliability improvements, as well as increased compliance. The projects relating to expansion/upgrading of facilities will impact positively on revenues and cash collections.

Urban Development Corporation (UDC)

A total of $1,194.0mn is budgeted to facilitate UDC's investments and infrastructural works, as well as the acquisition of fixed assets.

Jamaica Deposit Insurance Corporation (JDIC)

The JDIC is developing a Payout Management Information System (PMIS) to automate the computation and disbursement of deposit insurance payments to the depositors of a failed JDIC Policyholders (financial institutions). The expenditure of $95.0mn will be the commencement of the phased development of the PMIS.

Jamaica Bauxite Mining (JBM)

The JBM will Partner with the Port Authority of Jamaica to undertake repairs to the Ocho Rios port. Design works in relation to this project commenced in 2015/16 and are expected to continue into 2016/17. The full project is expected to span a period of approximately 4 years.

National Health Fund (NHF)

NHF has plans for three projects which cost $2,148.3mn for 2016/17. This includes purchase and deployment of Linear Accelerator cancers machines at a cost of $1,700.0mn, as well as purchase of a corporate office ($385.0mn) and warehouse renovations ($63.3 mn).

Student Loans Bureau (SLB)

The SLB plans to begin the renovations of its property located at Harbour Street to accommodate its corporate office and the Bureau expects to spend $94.0mn in 2016/17. In addition, the Bureau also plans to improve its business processes by automating loan origination, administration, processing, and servicing activities with the implementation of a new Loans Management System. It is expected that $54.0mn will be spent on acquiring the system in 2016/17.

Universal Service Fund (USF)

USF plans to expend $240.0mn to acquire a traffic validation system. This system seeks to keep track of the incoming (terminating) calls to Jamaica and to quantify the amounts due to the government. The combination of hardware and software will be located at the Carrier's premises and at the USF.

Factory Corporation of Jamaica (FCJ)

FCJ will undertake the following projects in the short to medium term:

- Development of Information, Communication Technology/Business Processing Outsourcing (ICT/BPO) Park in Naggo Head in St. Catherine. The first phase, which comprises the construction of 120,000 square feet of building space, is scheduled to commence in 2016/17.
- Retrofitting of the Montego Bay Free Zone – this will be undertaken to facilitate the optimal use of the 147,000 square feet of factory space in the ICT/BPO sector.
- Redevelopment and repositioning of Garmex Free Zone to form part of the Logistics Hub, with 15,000 square feet scheduled to undertaken in 2016/17.
- Upgrade and redevelopment of Small Industries Complex (SIC).

PSIP CENTRAL GOVERNMENT
FY 2015/2016 – 2019/2020

PROJECTS	*Funding Agency*	Revised 2015/2016 Total	Recommended 2016/2017 Total	Projection 2017/2018 Total	Projection 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total
OFFICE OF THE PRIME MINISTER							
Sabina Park Lighting Project	**GOI/TEF**	**35,226**	**0**	**0**	**0**	**0**	**0**
Development of a National Identification System (Korea Poverty Reduction Fund)	**KPRF**	**24,916**	**14,984**	**36,630**	**345,250**	**550,000**	**320,000**
Projects Managed by JSIF:							
Jamaica Disaster Vulnerability Reduction Project	**IBRD**	**0**	**40,000**	**900,000**	**1,500,000**	**1,557,500**	**1,377,500**
Inner City Basic Services	**IBRD**	**35,544**	**0**	**0**	**0**	**0**	**0**
Rural Economic Development Initiative	**IBRD**	**351,415**	**592,795**	**108,382**	**0**	**0**	**0**
Poverty Reduction Project III	**EU**	**810,788**	**93,012**	**0**	**0**	**0**	**0**
Poverty Reduction Project IV	**EU**	**100,000**	**400,000**	**750,000**	**564,907**	**0**	**0**
Community Investment Project	**CDB**	**1,955**	**0**	**0**	**0**	**0**	**0**
Basic Needs Trust Fund (BNTF6)	**CDB**	**7,022**	**0**	**0**	**0**	**0**	**0**
Basic Needs Trust Fund (BNTF7)	**CDB**	**320,000**	**459,860**	**178,125**	**0**	**0**	**0**
Basic Needs Trust Fund (BNTF8)			**200,000**	**0**	**0**	**0**	**0**
School Sanitation Programme	**PDF**	**90,000**	**202,500**	**78,260**	**156,522**	**0**	**0**
Jamaica Integrated Community Development Project	**IBRD**	**250,156**	**305,084**	**700,000**	**1,000,000**	**1,300,000**	**1,000,000**
JSIF Project/ Administration Cost	**GOJ**	**350,245**	**0**	**0**	**0**	**0**	**0**
Sub-Total Capital B		**2,377,267**	**2,308,235**	**2,751,397**	**3,566,679**	**3,407,500**	**2,697,500**
Less AIA		**90,000**	**202,500**	**78,260**	**156,522**	**0**	**0**
TOTAL OFFICE OF THE PRIME MINISTER		**2,287,267**	**2,105,735**	**2,673,137**	**3,410,157**	**3,407,500**	**2,697,500**
			2,293,251				
OFFICE OF THE CABINET							
Public Sector Transformation and Modernization Programme (PSTMP)		**293,557**	**733,272**	**724,373**	**802,674**	**755,000**	**250,000**
	IDB	**18,488**	**0**	**0**	**0**	**0**	**0**
	IDB	**113,707**	**242,813**	**264,206**	**300,000**	**270,000**	**100,000**
	CHINA	**50,000**	**190,793**	**199,805**	**209,282**	**220,000**	**100,000**
	EU	**55,000**	**230,666**	**200,362**	**228,392**	**200,000**	**50,000**
	GOJ	**56,362**	**69,000**	**60,000**	**65,000**	**65,000**	**0**
TOTAL OFFICE OF THE CABINET		**293,557**	**733,272**	**724,373**	**802,674**	**755,000**	**250,000**
MINISTRY OF TOURISM							
FEMCIDI Craft Enhancement Project	**OAS**	**12,800**	**0**	**0**	**0**	**0**	**0**
Enhancing the Resilience of the Agri Sector and Coastal Areas	**Ad/ Fund**	**8,791**	**17,000**	**0**	**0**	**0**	**0**
SUB-TOTAL MINISTRY OF TOURISM & ENTERTAINMENT		**21,591**	**17,000**	**0**	**0**	**0**	**0**
Less AIA		**3,833**	**0**	**0**	**0**	**0**	**0**
TOTAL MINISTRY OF TOURISM		**17,758**	**17,000**	**0**	**0**	**0**	**0**

PSIP CENTRAL GOVERNMENT
FY 2015/2016 – 2019/2020

PROJECTS	*Funding Agency*	Revised 2015/2016	Recommended 2016/2017	Projection 2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021
		Total	Total	Total	Total	Total	Total
MINISTRY OF ECONOMIC GROWTH & JOB CREATION							
General		*1,092,527*	*1,444,116*	*1,686,632*	*1,697,000*	*1,928,000*	*1,378,200*
Understanding Social Effects of Financial Crisis	IDB	10,000	10,000	0	0	0	0
Institutional Strengthening of the NAO (formerly Institutional Strengthening of the PIOJ III)	EU	44,555	0	0	0	0	0
Development of National Policy and Plan Action on International Migration and Development	GOJ/ IOM	21,500	26,350	29,000	0	0	0
PPCR II - Improving Climate Data & Information Management	CIF/IBRD	9,001	200,000	259,000	150,000	332,000	368,200
Strategic Statistical Development Project	IBRD	7,540	0	0	0	0	0
Economic Partnership (EPA) Capacity Building Project	EU	27,960	18,660	0	0	0	0
Economic Partnership II (EPA II) Capacity Building Project	EU	66,509	180,000	180,000	112,000	0	0
Enhancing the Resilience of the Agri Sector and Coastal Areas	AdFund	21,000	19,600	7,500	0	0	0
Jamaica Foundation for Competitiveness and Growth	IBRD	874,462	850,000	1,100,000	1,335,000	1,596,000	1,010,000
PIOJ							
DBJ							
Technical Cooperation Facility (TCF) IV	EU	10,000	10,158	0	0	0	0
Technical Cooperation Facility (TCF) V	EU		129,348	111,132	100,000	0	0
Works		*6,161,904*	*8,827,277*	*17,994,949*	*27,932,075*	*35,535,284*	*30,469,709*
Southern Coastal Highway Improvement Project		0	40,000	6,178,832	13,819,200	16,964,250	20,102,000
Construction of Ministry of Foreign Affairs Head Office	GOJ/PRC	226,463	666,096	940,000	720,000	650,000	0
Islandwide Flood Damage Mitigation & Vector Control		233,764	201,000	0	0	0	0
Palisadoes Shoreline Protection & Rehabilitation Works Project	GOJ/ CEXIM	11,618	8,000	3,500	3,500	3,500	0
Road Rehabilitation Project II	GOJ/ OPEC	357,100	830,000	629,297	826,425	596,684	0
Road Rehabilitation Project (Kuwait)	Kuwait		101,974	952,708	1,048,773	0	0
Jamaica Economical Housing Project	EX-IM (China)	1,282,000	0	0	0	0	0
Tropical Storm Nicole Rehabilitation/KMA Drainage Project)	GOJ/CDB	1,000	0	0	0	0	0
Road Improvement Programme	GOJ/IDB	4,593	0	0	0	0	0
Transportation Infrastructure Rehabilitation Programme	GOJ/IDB	448,878	2,588	0	0	0	0
Major Infrastructure Development Programme	GOJ/CHINA EXIM	3,596,488	6,977,619	9,290,612	11,514,177	17,320,850	10,367,709
Institutional and regulatory Framework for Jamaica's ICT/BPO Industry	CDB	8,600	14,701	699	0	0	0
Loan to PAJ - BPO Expansion		112,240	1,915,832	2,355,468	0	0	0
TOTAL MINISTRY OF FINANCE & THE PUBLIC SERVICE		3,489,519	7,080,412	5,305,471	2,137,000	2,242,742	1,525,000

PSIP CENTRAL GOVERNMENT
FY 2015/2016 – 2019/2020

PROJECTS	*Funding Agency*	Revised 2015/2016	Recommended 2016/2017	Projection 2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021
		Total	Total	Total	Total	Total	Total
MINISTRY OF NATIONAL SECURITY							
Rehabilitation of Port Royal Jetty	GOJ	211,600	0	230,000	270,000	0	0
Construction of JDFLathbury Barracks	GOJ	50,000	200,000	598,730	650,963	300,000	0
Purchase and Overhaul of Aircraft	GOJ	257,600	100,000	0	0	0	0
Purchase and Overhaul of Ships	GOJ	0	350,000	540,000	0	0	0
Acquisition of Vehicles	GOJ	897,440	490,000	64,190	53,882	25,760	1,000,000
Upgrade of Telecommunications and Vehicle Tracking System	GOJ	205,872	855,000	337,400	88,400	889,438	1,500,000
Construction and Improvement of Police Stations	GOJ			70,000	90,000	120,000	1,000,000
Upgrade of Automated Palm and Fingerprint Identification System (APHIS)	GOJ	30,000	0	0	0	0	0
Constrution and Improvement of Police Buildings	GOJ		190,000				
Construction and Improvement of Correctional Facilities	GOJ	110,000	253,000	40,000	0	0	0
Justice, Security Accountability and Transparency Project (JSAT)	EU	22,776	177,000	314,653	331,619	349,519	200,000
Rehabilitation & Reintegration of Local Offenders & Deported Persons Programme	FCD/ DFID	7,000	3,000	20,000	0	0	0
Jamaica National Crime Victimization Survey 2015	DFID	0	27,200	0	0	0	0
Jamaica Constabulary Reform Programme	DFID	50,000	0	0	0	0	0
Citizens Security and Justice Programme III	GOJ/DFATD / IDB	819,236	1,020,000	1,263,275	1,117,906	1,103,599	1,100,000
	IDB	160,000	289,636	442,277	325,602	129,660	0
	DFATD	332,686	349,837	378,992	357,637	177,307	0
	DFID	276,550	327,777	386,355	375,955	196,632	0
	GOJ	50,000	52,750	55,651	58,712	600,000	1,100,000
Sub-total National Security		2,661,524	3,665,200	3,478,248	2,602,770	2,788,316	4,800,000
Less AIA		256,600	100,000				
TOTAL NATIONAL SECURITY		2,404,924	3,565,200	3,478,248	2,602,770	2,788,316	4,800,000
MINISTRY OF JUSTICE							
Construction and Improvement of Courthouses -	GOJ	55,235	65,000	250,000	300,000	350,000	2,526,000
Motor Vehicle for Judges			137,029	0	0	0	0
Refurbishing of Hagley Park Road Complex	GOJ	30,000	90,679	300,000	400,000	401,000	130,000
Citizens Security and Justice Programme III	GOJ/DFATD / IDB	145,000	181,000	238,534	250,547	244,150	186,991
	IDB	45,000	63,350	95,300	109,667	103,912	88,722
	DFATD	70,000	76,020	83,234	100,880	76,740	51,599
Justice, Security Accountability and Transparency Project (JSAT):	EU	70,065	145,589	258,663	252,880	180,729	0
MOJ		50,065	91,083	220,483	231,055	155,729	0
INDECOM		20,000	54,506	38,180	21,825	25,000	0
Justice Undertakings for Social Transformation	CIDA	203,000	125,088	130,000	125,000	135,000	200,000
JCF Accountability Programme (Support to INDECOM)	DFID	126,536					
Citizens Security and Social Cohesion in Jamaica	UNDP	9,477	0	0	0	0	0
Community Empowerment and Transformation (COMET) Project Phase II	USAID	5,000	5,000	0	0	0	0
TOTAL MINISTRY OF JUSTICE		644,313	899,412	1,257,197	1,328,427	1,310,879	3,042,991

PSIP CENTRAL GOVERNMENT
FY 2015/2016 – 2019/2020

PROJECTS	*Funding Agency*	Revised 2015/2016	Recommended 2016/2017	Projection 2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021
		Total	Total	Total	Total	Total	Total
MINISTRY OF LABOUR & SOCIAL SECURITY							
Integrated Social Protection and Labour Programme	**GOJ/IDB**	**743,396**	**243,000**	**0**	**0**	**0**	**0**
Social Protection Project II	**G0J/IBRD**	**3,744,970**	**4,309,847**	**5,026,634**	**0**	**0**	**0**
Support to Improve the Lives of Persons with Disabilities	**IDB**	**23,505**	**0**	**0**	**0**	**0**	**0**
Developing an Energy Services Company Industry in Jamaica	**GOJ/EU**	**23,145**	**2,148**	**0**	**0**	**0**	**0**
Social and Economic Inclusion of Persons with Disabilities	**JICA/IBRD**	**72,000**	**70,877**	**110,823**	**0**	**0**	**0**
Advance Decent Work for Domestic Employees		**350**	**0**	**0**	**0**	**0**	**0**
Integrated Support to Jamaica Social Protection Strategy	**IDB**	**1,098,270**	**1,599,872**	**1,716,094**	**7,032,426**	**7,339,004**	**8,000,000**
SUB-TOTAL MINISTRY OF LABOUR & SOCIAL SECURITY		**5,705,636**	**6,225,744**	**6,853,551**	**7,032,426**	**7,339,004**	**8,000,000**
Less A/A							
TOTAL MINISTRY OF LABOUR & SOCIAL SECURITY		**5,705,636**	**6,225,744**	**6,853,551**	**7,032,426**	**7,339,004**	**8,000,000**
			6,223,596				
Improvements to the Water Distribution System for the National Stadium	**GOJ**	**0**	**28,500**	**0**	**0**	**0**	**0**
Upgrading of the National Arena Facility	**GOJ**		**60,000**	**0**	**0**	**0**	**0**
Construction of Irrigation Infrastructure for Trelawny Stadium	**GOJ**	**25,000**	**31,000**	**0**	**0**	**0**	**0**
Revitilization of the Institute of Jamaica	**JICA**	**35,000**	**96,000**	**0**	**0**	**0**	**0**
Addressing the Gap of Gender-based Violence between the State and Vulnerable women and girls		**1,500**	**3,016**	**0**	**0**	**0**	**0**
Sub-Total Capital B		**61,500**	**218,516**	**0**	**0**	**0**	**0**
Less AIA		8,000	30,000				
TOTAL MINISTRY OF CULTURE, GENDER, ENTERTAINMENT & SPORT		**53,500**	**188,516**	**0**	**0**	**0**	**0**
MINISTRY OF EDUCATION, YOUTH & INFORMATION							
Establishment of Diagnostic Centres (Special Education)	**GOJ**	**13,000**	**40,600**	**0**	**0**	**0**	**0**
Sanitary Block Project (Renovation/Refurbishing of Primary Schools)	**GOJ**	**47,000**	**76,000**	**70,000**	**75,000**	**380,000**	**1,400,000**
Early Childhood Partition Project			**20,000**	**0**	**0**	**0**	**0**
Technology Management Support Services to the MOE by E-Learning Jamaica Ltd.			**0**	**0**	**0**	**0**	**0**
CASE Facilities Upgrade			**50,000**	**0**	**0**	**0**	**0**
Renovation/Refurbishing of Infant Schools	**GOJ**	**39,600**	**50,000**	**50,000**	**55,000**	**60,000**	**1,500,000**
National Education Trust Solar School Project			**100,000**	**500,000**	**451,000**	**200,000**	**800,000**
Renovation & Modification of Caenwood Office			**175,000**	**0**	**0**	**0**	**0**
Electrical Upgrading Project	**GOJ**	**78,400**	**125,000**	**0**	**0**	**0**	**0**
Education System Transformation Programme	**IBRD/IDB/ GOJ**	**678,889**	**517,160**	**525,330**	**0**	**0**	**0**
	IBRD	**88,500**	**0**	**0**	**0**	**0**	**0**
	IDB	**195,389**	**0**	**0**	**0**	**0**	**0**
Sub-total		**678,889**	**0**	**0**	**0**	**0**	**0**

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FY 2015/2016 – 2019/2020

PROJECTS	*Funding Agency*	Revised 2015/2016 Total	Recommended 2016/2017 Total	Projection 2017/2018 Total	Projection 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total
Early Childhood Development Project	IBRD	26,650	36,500	23,000	19,350	0	0
University of Technology Enhancement Project	CDB	561,850	626,928	620,000	0	0	0
Primary Education Support Project	IDB	107,697	8,707	0	0	0	0
School Feeding Modernization Programme	GOJ/IDB	1,685	0	0	0	0	0
Strengthening the School Feeding Programme in Jamaica		0	12,960	0	0	0	0
USAID/MOE Education Partnership for Improved Reading Outcomes	GOJ/USAID	178,589	53,002	0	0	0	0
Promoting Quality Education and Advancing the reality of a Child Friendly Environment	UNICEF	20,000	29,637	0	0	0	0
Technology to Empower Individuals & Communities for Development	GOJ /B& M Gates Found.	146,053	112,048	0	0	0	0
Youth Development Programme		70,249	0	0	0	0	0
Construction of Early Childhood Institutions	GOJ/ China	63,710	0	340,000	540,000	400,000	400,000
TOTAL MINISTRY OF EDUCATION, YOUTH & INFORMATION		2,380,932	2,633,542	2,528,330	1,560,350	1,990,000	5,300,000
MINISTRY OF HEALTH							
Upgrading of Water Supply System -Bellevue Hospital			24,000	0	0	0	0
Health Services Improvement	GOJ/ NHF	1,725,500	1,317,310	1,300,000	1,500,000	1,500,000	1,000,000
Infrastructural/Equipment Improvements		1,280,000	0	0	0	0	0
Purchase of Medical Equipment	NHF	100,000	0	130,000	150,000	150,000	500,000
Disease Prevention and Control	GOJ	162,500	0	160,000	170,000	170,000	500,000
Inner City Focus	GOJ	10,000	4,262	0	0	0	0
UHWI Projects	UHWI	173,000	0	0	0	0	0
Transformational Fund Mechanism - Jamaica HIV	Global Fund	368,555	0	0	0	0	0
HIV Prevalence in most-at-risk population reduced	USAID	307,977	361,582	274,000	274,000	224,000	300,000
Programme for Reduction of Maternal and Child Mortality (PROMAC)	EU	340,000	501,254	790,092	850,260	508,654	500,000
Establishing Nuclear Medicine Capacity	IAEA			5,210			
Building Capacity in Drinking Water Quality Management	IAEA			2,300			
Institutional Strengthening to Improve National Surveillance, Prevention and Control of Infectious	IDB	20,000	6,855	0	0	0	0
Strengthening of Health Systems in Jamaica	IDB	5,000	26,040	0	0	0	0
Support to the National HIV/AIDS Response in Jamaica (formerly New Funding Mechanism)	Global Fund	117,121	623,999	731,250	656,853	400,000	800,000
Sub-Total MINISTRY OF HEALTH		2,884,153	2,865,302	3,392,852	3,601,113	2,952,654	3,600,000
Less AIA		1,715,500	1,317,310	1,300,000	1,500,000	1,500,000	1,000,000
TOTAL MINISTRY OF HEALTH		1,168,653	1,547,992	2,092,852	2,101,113	1,452,654	2,600,000

PSIP CENTRAL GOVERNMENT
FY 2015/2016 – 2019/2020

PROJECTS	*Funding Agency*	Revised 2015/2016	Recommended 2016/2017	Projection 2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021
		Total	Total	Total	Total	Total	Total
MINISTRY OF INDUSTRY, COMMERCE, AGRICULTURE & FISHERIES							
Major Rural Farm Roads Rehabilitation/Devt		**459,747**	**250,000**	**0**	**0**	**0**	**0**
Production Incentives to farmers		**325,013**	**189,000**	**0**	**0**	**0**	**0**
Sugar Transformation Programme	**GOJ**	**2,601,446**	**2,388,269**	**178,000**	**2,000,000**	**2,000,000**	**3,000,000**
Diversification of the Caribbean Livestock Sector	**GOJ/CFC**	**56,621**	**34,769**	**0**	**0**	**0**	**0**
Agricultural Competitiveness Programme	**GOJ/IDB**	**691,177**	**465,789**	**50,000**	**0**	**0**	**0**
Bannna Accompaning Measures (BAMS)	**GOJ/EU**	**172,329**	**143,595**	**150,108**	**0**	**0**	**0**
Enhancing the Resilience of the Agricultural Sector and Coastal Areas	**Ad Fund**	**126,844**	**110,427**	**55,000**	**0**	**0**	**0**
Promoting Community Based Climate Resilience in the Fisheries Sector	**IBRD**	**11,000**	**12,939**	**52,186**	**150,000**	**175,000**	**550,000**
TOTAL MINISTRY OF INDUSTRY, COMMERCE,		**4,444,177**	**3,594,788**	**485,294**	**2,150,000**	**2,175,000**	**3,550,000**
MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY							
National Energy Solutions Ltd (formerly REP)			**0**				
E-Learning Project	**GOJ /USF**	**950,000**	**700,000**	**700,000**	**700,000**	**0**	**0**
Energy Security Efficiency Enhancement Project:	**GOJ/ IBRD**	**362,040**	**359,704**	**70,000**	**0**	**0**	**0**
MSTEM		**282,040**	**300,704**	**70,000**	**0**	**0**	**0**
			0	**0**	**0**	**0**	**0**
Energy Efficiency & Conservation Programme		**379,832**					
Establishment of Latin America and the Caribbean	**OLADE**	**13,579**	**7,199**	**8,000**	**7,500**	**0**	**0**
Enhancing the ICT Regulatory Environment	**IDB**	**5,017**	**0**	**0**	**0**	**0**	**0**
Improving Innovation Capacities in the Caribbean	**GOJ/ ACP Group**	**28,914**	**29,033**	**0**	**0**	**0**	**0**
Youth Employment in Digital and Creative Industries	**IBRD**	**70,000**	**192,100**	**200,000**	**140,000**	**250,185**	**200,000**
Upgrade to the International Postal System		**13,938**	**38,911**	**8,724**	**0**	**0**	**0**
Sub-Total MINISTRY OF ENERGY, SCIENCE, TECHNOLOGY & TELECOMMUNICATION		**1,823,320**	**1,688,467**	**1,136,724**	**847,500**	**1,250,185**	**2,200,000**
Less A/A		**700,000**	**700,000**	**700,000**	**700,000**	**0**	**0**
TOTAL MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY		**1,123,320**	**988,467**	**436,724**	**147,500**	**1,250,185**	**2,200,000**
MINISTRY OF TRANSPORT & MINING							
Portmore Transportation Hub - Feasibility Study		**15,586**	**10,360**	**0**	**0**	**0**	**0**
JUTC - Acquisition of spare parts and special tools	**GOJ**	**0**	**799,425**	**0**	**0**	**0**	**0**
Northern Jamaica Development Project	**GOJ**	**0**	**0**	**0**	**0**	**0**	**0**
Trifold National Transport Repository Project	**IDB**	**581**	**666**	**0**	**0**	**0**	**0**
TOTAL MINISTRY OF TRANSPORT & MINING		**2,602,047**	**1,310,451**	**0**	**0**	**0**	**0**

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PROJECTS	*Funding Agency*	Revised 2015/2016 Total	Recommended 2016/2017 Total	Projection 2017/2018 Total	Projection 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total
MINISTRY LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT							
Islandwide Flood Damage Mitigation & Vector Control							
NSWMA		77,000	0	0	0	0	0
Parish Councils		182,000	0	0	0	0	0
Acquisition of Garbage Trucks - NSWMA			250,000	0	0	0	0
Fixed Asset Acquisition - Jamaica Fire Brigade			319,867	0	0	0	0
Fixed Asset Acquisition - Ministerial vehicles			14,000	0	0	0	0
Drop-in-Centres - homeless people			24,000	0	0	0	0
Community Based Landslide Risk Reduction	GOJ/IBRD	171,541	0	0	0	0	0
Riverton Landfill Access Road Concrete Pavement	MEXICAN	30,000	182,500	0	0	0	0
Portmore-Hagen Climate Change Park	Germany	0	34,500	31,500	0	0	0
Emerging and Sustainable Citiies Initiative	EU	13,266	50,214	215	50,225	120,000	150,000
End of Life Tyre Facility	GOJ		5,000				
TOTAL MINISTRY OF LOCAL GOVERNMENT &		473,807	880,081	31,715	50,225	120,000	150,000
TOTAL CENTRAL GOVERNMENT		37,396,648	45,350,610	49,468,060	56,593,422	66,390,300	71,788,400
LESS AIA		2,773,933	2,349,810	2,078,260	2,356,522	1,500,000	1,000,000
Loan to PAJ							
GRAND TOTAL CENTRAL GOVERNMENT		34,622,715	43,000,800	47,389,800	54,236,900	64,890,300	70,788,400

PSIP CENTRAL GOVERNMENT
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PROJECTS	*Funding Agency*	Total	Total	Total	Total	Total	Total
PUBLIC BODIES							
Airport Authority of Jamaica							
Terminal Departures Concourse	AAJ	7,035	-	-	43,400	6,200	-
Terminal Building - Customs Hall	AAJ	9,380	247,920	19,520	19,840	-	-
Apron Remediation - Repair of cracks	AAJ	5,862	-	-	7,564	7,564	-
Apron Remediation - Re-seal joints	AAJ	8,793	-	-	-	-	-
Apron Light Mast - Removal of existing one & replace with Aluminum	AAJ	6,917	-	-	-	-	-
Cargo Logistics Centre Expansion	AAJ	87,816	-	-	-	-	-
Chilled-water A/C system upgrade & expansion	AAJ	77,381	-	-	-	-	-
Airport Industrial/Mechanical Support Systems - Incinerator Rehabilitation	AAJ	11,724	-	-	59,520	59,520	-
Electrical System Upgrade - Section 1(complete)	AAJ	83,478	382,200	-	133,176	133,176	-
Upgrade of Standby Power Generators	AAJ	23,449	-	-	-	-	-
Second Independent Electrical Power Source -Energy Management - Study	AAJ	11,724	-	-	-	-	-
Airport Information Technology Systems	AAJ	83,947	3,240	-	-	6,200	-
Environmental Management Programme	AAJ	17,587	-		-	3,720	-
Fixed Assets Replacement	AAJ	196,501	96,000		-	-	-
WATER SUPPLY, SEWAGE & STORM WATER DRAINAGE	AAJ	22,159	-		22,940	4,340	-
REFURBISHMENT OF PROPERTY	AAJ	15,476	-		-	-	-
Taxiway Alpha Repairs	AAJ	8,442	-		-	-	-
Surface Drainage & Edges- Other Taxiways	AAJ	9,966	-		-	-	-
Runway Extension & RESA	AAJ	234	-		2,542,000	2,542,000	-
MAJOR MAINTENANCE	AAJ	19,463	-		37,200	37,200	-
EAST AIRFIELD DEVELOPMENT- PHASE 1 & HANGERAGE	AAJ	23,449	-		-	-	-
	AAJ		-	-	-	-	-
AAJ SubTotal		**730,783**	**729,360**	**1,440,820**	**2,865,640**	**2,799,920**	-
Jamaica Civil Aivation Authority (JCAA)				-	-	-	
AIM Automation	JCAA	-	115,031	177,723	-	-	
ICAO Project Management	JCAA	45,577	-	-	-	-	-
Radar/Air Nav. And Communication Automation System etc	JCAA	724,346	660,050	130,263	-	-	-
ADS-B Stations	JCAA	-	17,734	18,266	18,814	19,378	-
SIA ILS Montego Bay	JCAA	101,850	-	-	-	-	-
Low level wind shear automatic system SIA/NMIA	JCAA	-	68,002	61,935	-	-	-
Replacing all Mux-Routers Catalyst Switches	JCAA	9,586	4,793	-	-	-	-
NMIA & SIA DVOR Replacement	JCAA	-	-	88,861	137,291	-	-
Sustainable Energy-Wind Turbine Mt. Denham; Solar Panels -Ayr Hill and other sites	JCAA	-	599	1,234	2,797	2,881	-
Utilization of Dark Fiber to create an alternative Communication underground path	JCAA	-	2,636	2,060	-	-	-
A-G Radio CPDLC Compatible	JCAA	-	-	61,709	-		-
Standby Generators at all Radar sites	JCAA	-	53,921	-	-	-	-
Upgrade A/C - NMIA & Norwood	JCAA	-	35,947	-	-	-	-
Replacement of High Energy A/C with Inverter type A/C	JCAA	42,680			-		-
COSPAS SORSAT Search and Rescue system	JCAA	-	13,749	14,162	-	-	-
JDF RCC IP Based Voice Communication	JCAA	-	-	3,085	3,178	-	-
JDF RCC Air to Ground Radio (VHF)	JCAA	-	-	3,085	3,178	-	-
JDF RCC Radar Suite	JCAA	-	-	-	20,339	20,950	-
JDF RCC AMHS Terminal	JCAA	-	-	1,234	1,271	-	-
Renovation of Space for Training Simulators	JCAA	-	30,000	-	-	-	-
Demolish & reconstruct building at 2 Winchester Road	JCAA	-	300,000	330,000			-
IT Network upgrade (Server, Switches & Firewall)	JCAA	-	47,028	-			65,885
Telephone System (VOIP)	JCAA	-	25,000	-	-	-	-
Enterprise Prlanning Resource System	JCAA	-	16,500	-	-	-	-
JCAA - Subtotal	JCAA	**924,039**	**1,455,010**	**893,619**	**186,868**	**43,208**	65,885

PSIP CENTRAL GOVERNMENT
FY 2015/2016 – 2019/2020

PROJECTS	*Funding Agency*	Total	Total	Total	Total	Total	Total
PUBLIC BODIES							
Port Authority of Jamaica:			-	-	-	-	
Upgrade & Renovation of Reynolds Pier	Debt/Equity (95:5)	97,552	1,849,613	-	-	-	
Fisherman Village Land Acquisition/civil works/ consultancy	Loan	166,985	493,150	-	-	-	
Completion of Bend Down Market	PAJ	175,041	-	-	-		
Preliminary design of 100 acres of land	PAJ	53,110	-	-	-		
Dredging of East Berth - Falmouth	PAJ	-	165,311	252,345	-		
Chukka Attractions	Loan	-	164,918	-	-		
BPO MBFZ 63000 sqt ft Building	Loan	16,684	1,133,677	-	-		
BPO Portmore Informix centre	Loan	29,660	1,723,640	1,127,319	-		
MOBAY CRUISE AND CARGO DEVELOPMENT	Debt/Equity (85:15)	-	1,714,690	2,001,455	-		
Port Community Systems Project	PAJ	135,774	352,424	-	-		
Kingston Container Terminal - Quay Wall Upgrade	Loan	-	1,395,435	-			
		-	-	-	-		
PAJ Sub-Total		**674,806**	**8,992,857**	**3,381,120**	**-**	**-**	**-**
			-	-	-	-	
National Water Commission			-	-	-	-	
KMA Water Supply Programme(IDB)	IDB Loan	-	3,184,601	1,820	1,407	-	-
Caribbean Regional Fund for Wastewater management - CReW	NCB Loan/K-Factor	877,925	702,107	-	-	-	-
Agualta Vale Water Supply Improvement Project?	NHT Loan	-	200,000	-	-	-	-
Hermitage Rehabilitation Programme	CDB Grant/NCB Loan	-	88,937	662,438	662,438	-	-
K-Factor Rural Water Supply Programme	K FACTOR	464,400	565,787	508,912	-	-	-
Portmore Sewerage	K FACTOR	-	246,974	200,985	17,215	-	-
Tanks & Pumps Programme	K FACTOR	252,000	393,864	350,000	350,000	350,000	-
Other K-Factor Projects	K FACTOR		705,000	300,000	220,000	-	-
ICT			416,650	300,000	1,200,000	1,800,000	
Essex Valley Water Supply	K FACTOR/In-house		75,000	150,000	40,700	-	-
Soursop Turn to Chapelton Pipeline	K FACTOR/In-house		50,000	54,900	54,900	54,900	-
Luna to Middle Quarters Main replacement	K FACTOR/In-house		20,000	20,000	15,000	-	-
Woodside Well Rehabilitation & Upgrade	In-House		60,000	30,000	10,000	-	-
NWA/NWC Road Works & Pipeline	In-House	-	700,000	1,500,000	1,800,000	1,264,000	-
Procurement of Pipes & Fittings for various works	K FACTOR/In-house	-	300,000	-	-	-	-
NWC Sub-Total		**1,594,325**	**7,708,920**	**4,079,055**	**4,371,660**	**3,468,900**	-
Urban Development Corporation -				-	-	-	
Dunns River Central Gardens	UDC		105,271	2,867	-	-	-
Caymanas Estate Sewage Conveyance System (Defects)	UDC		386,880	-	-	-	-
Caymanas Estate Water System - Well Field Design	UDC		29,758	27,500			
Fort Clarence Beach	UDC		24,550	-			
DownTown Kingston Promenade (Festival Market Place to BOJ)	UDC		105,900	8,100			
Linstead Market Renovation Phase 4	UDC		-	1,475			
Linstead Market Renovation Phase 4	TEF		-	750			
Hellshire Sewage Treatment Plant expansion	UDC		108,864	2,880	-	-	-
Hellshire Sewage Treatment Plant expansion	NHT		-	5,120	-	-	-
Dunns River Public Restroom Expansion & Upgrading	UDC		71,303	11,970	-	-	-
Caymanas Primary Infrastructure	UDC		-	540,000	540,000	324,000	480,000
Festival Marketplace Phase 2	UDC/PPP		-	-	500,000	320,000	430,000
Development of High Rise Apartments, car park and Office Complex Downtown Kingston	UDC/PPP		-	165,000	198,000	297,000	179,000
Yard Housing Projects Downtown Kingston	UDC/ NHT		-	100,000	100,000	180,000	132,000
Block 2/6 Refurbishing – Tax Office Tiling	UDC		7,150	-	-	-	-
Kingston Mall Refurbishing	UDC		-	-	25,000	29,500	32,000

PSIP CENTRAL GOVERNMENT
FY 2015/2016 – 2019/2020

PROJECTS	*Funding Agency*	Total	Total	Total	Total	Total	Total
PUBLIC BODIES							
Dunns River Central Gardens product line expansion	UDC		-	-	10,000	13,000	15,000
Pearly Beach Product line expansion	UDC		-	40,000	-	-	-
St. Thomas, Clarendon, Westmoreland for future development and parking/transportation management	UDC		-	30,000	31,000	34,500	38,000
Development of towns in St. Thomas, Westmoreland, Manchester and Clarendon	UDC		-	-	35,000	48,000	51,500
Fort Clarence Beach Park Upgrade	UDC		-	25,000	25,000	-	-
MoBay Waterfront Protection Infrastructure	UDC/TEF		72,510	75,000	75,000	-	-
Dunns River Beach Replenishment	UDC		65,920	75,000	75,000	-	-
Winnifred Beach Infrastructure	UDC		-	50,000	50,000	-	-
Dunn River Repaving of Exit Driveway & Courtyard	UDC		44,000	-	-	-	-
Ocho Rios Commercial Centre Repaving of Eastern Car Park & Complex Repainting	UDC		31,950	750	-	-	-
UDC Sub-Total		-	**1,054,056**	**1,161,412**	**1,664,000**	**1,246,000**	**1,357,500**
					-		
NATIONAL HOUSING TRUST							
Small Contractors Programme							
Cherry Gardens, St. Catherine	NHT	230,000	**-**	**-**	**-**	**-**	**-**
Nashville, St. Mary	NHT	253,300	**225,000**	**-**	**-**	**-**	**-**
Longville 3A Clarendon	NHT	-	**95,000**	**-**	**-**	**-**	**-**
Granville, Trelawny	NHT	-	**30,000**	**120,000**	**-**	**-**	**-**
Masemure, Westmoreland	NHT	-	**30,000**	**135,000**	**-**	**-**	**-**
Longville 2A Clarendon	NHT	-	**-**	**60,000**	**-**	**-**	**-**
Darliston, Westmoreland	NHT	-	**-**	**209,000**	**-**	**-**	**-**
The Villages of Colbeck, Clarendon	NHT	-	**-**	**467,500**	**735,000**	**-**	**-**
Monymusk Country Estate, Clarendon	NHT	-	**-**	**135,000**	**-**	**-**	**-**
Friendship Phase 1, St. Elizabeth	NHT	-	**-**	**-**	**210,000**	**-**	**-**
Sheckles 1, Clarendon	NHT	-	**-**	**75,000**	**-**	**-**	**-**
Sheckles 2, Clarendon	NHT	-	**-**	**-**	**-**	**475,000**	**200,000**
NHT Joint Venture							
The Villages of Colebeck Castle - Ph 1 & 2, Clarendon	NHT	167,450	**799,090**	**160,000**	**20,000**	**-**	**-**
Monymusk Country Estate	NHT	8,400	**350,000**	**30,000**	**41,000**	**5,000**	**-**
The Villages of Colebeck Castle - Ph 3, Clarendon	NHT	-	**10,000**	**664,000**	**181,600**	**40,000**	**-**
Friendship - Phase 1, St. James	NHT	400,000	**1,000,000**	**2,200,000**	**200,000**	**50,000**	**-**
The Villages of Colebeck Castle - Ph 4, Clarendon	NHT	-	**-**	**-**	**5,000**	**371,000**	**123,000**
Projects to be determined	NHT	-	**-**	**-**	**400,000**	**-**	**-**
NHT Projects - General							
Balaclava, St. Elizabeth	NHT	28,810	**-**	**-**	**-**	**-**	**-**
Barrett Hall Phase 1	NHT	3,160	**17,800**	**1,000,000**	**1,200,000**	**-**	**-**
Barrett Hall Phase 2	NHT	-	**-**	**10,000**	**30,000**	**-**	**-**
Darliston	NHT	5,690	**30,300**	**58,000**	**2,000**	**-**	**-**
Dry Valley - Phase 1	NHT	2,070	**25,000**	**170,000**	**680,000**	**680,000**	**340,000**
Eltham Farms, St. Catherine	NHT	177,500	**180,000**	**12,000**	**-**	**2,000**	**-**
Friendship - Phase 1, St. Elizabeth	NHT	-	**60,650**	**480,000**	**30,000**	**1,500**	**-**
Friendship - Phase 2, St. Elizabeth	NHT	-	**-**	**10,000**	**70,000**	**200,000**	**19,000**
Granville, Trelawny	NHT	76,000	**80,000**	**7,500**	**2,000**	**-**	**-**
Hellshire 2, St. Catherine	NHT	3,080	**151,800**	**105,000**	**10,000**	**-**	**-**
Hellshire 3, St. Catherine	NHT	700	**106,500**				
Industry Cove, Hanover	NHT	8,550	**64,400**				
Longville 3A Clarendon	NHT	18,050	**1,200**				
Longville 2A Clarendon	NHT	42,060	**327,100**				
Longville 4A Clarendon	NHT	47,410	**28,000**				
Longville 4B Clarendon	NHT	-	**-**				
Mary Field, St. Catherine	NHT	46,970	**52,000**				

PSIP CENTRAL GOVERNMENT
FY 2015/2016 – 2019/2020

PROJECTS	*Funding Agency*	Total	Total	Total	Total	Total	Total
PUBLIC BODIES							
Dunns River Central Gardens product line expansion	UDC		-	-	10,000	13,000	15,000
Pearly Beach Product line expansion	UDC		-	40,000	-	-	-
St. Thomas, Clarendon, Westmoreland for future development and parking/transportation management	UDC		-	30,000	31,000	34,500	38,000
Development of towns in St. Thomas, Westmoreland, Manchester and Clarendon	UDC		-	-	35,000	48,000	51,500
Fort Clarence Beach Park Upgrade	UDC		-	25,000	25,000	-	-
MoBay Waterfront Protection Infrastructure	UDC/TEF		72,510	75,000	75,000	-	-
Dunns River Beach Replenishment	UDC		65,920	75,000	75,000	-	-
Winnifred Beach Infrastructure	UDC		-	50,000	50,000	-	-
Dunn River Repaving of Exit Driveway & Courtyard	UDC		44,000	-	-	-	-
Ocho Rios Commercial Centre Repaving of Eastern Car Park & Complex Repainting	UDC		31,950	750	-	-	-
UDC Sub-Total		**-**	**1,054,056**	**1,161,412**	**1,664,000**	**1,246,000**	**1,357,500**
					-		
NATIONAL HOUSING TRUST							
Small Contractors Programme							
Cherry Gardens, St. Catherine	NHT	230,000	**-**	**-**	**-**	**-**	**-**
Nashville, St. Mary	NHT	253,300	**225,000**	**-**	**-**	**-**	**-**
Longville 3A Clarendon	NHT	-	**95,000**	**-**	**-**	**-**	**-**
Granville, Trelawny	NHT	-	**30,000**	**120,000**	**-**	**-**	**-**
Masemure, Westmoreland	NHT	-	**30,000**	**135,000**	**-**	**-**	**-**
Longville 2A Clarendon	NHT	-	**-**	**60,000**	**-**	**-**	**-**
Darliston, Westmoreland	NHT	-	**-**	**209,000**	**-**	**-**	**-**
The Villages of Colbeck, Clarendon	NHT	-	**-**	**467,500**	**735,000**	**-**	**-**
Monymusk Country Estate, Clarendon	NHT	-	**-**	**135,000**	**-**	**-**	**-**
Friendship Phase 1, St. Elizabeth	NHT	-	**-**	**-**	**210,000**	**-**	**-**
Sheckles 1, Clarendon	NHT	-	**-**	**75,000**	**-**	**-**	**-**
Sheckles 2, Clarendon	NHT	-	**-**	**-**	**-**	**475,000**	**200,000**
NHT Joint Venture							
The Villages of Colebeck Castle - Ph 1 & 2, Clarendon	NHT	167,450	**799,090**	**160,000**	**20,000**	**-**	**-**
Monymusk Country Estate	NHT	8,400	**350,000**	**30,000**	**41,000**	**5,000**	**-**
The Villages of Colebeck Castle - Ph 3, Clarendon	NHT	-	**10,000**	**664,000**	**181,600**	**40,000**	**-**
Friendship - Phase 1, St. James	NHT	400,000	**1,000,000**	**2,200,000**	**200,000**	**50,000**	**-**
The Villages of Colebeck Castle - Ph 4, Clarendon	NHT	-	**-**	**-**	**5,000**	**371,000**	**123,000**
Projects to be determined	NHT	-	**-**	**-**	**400,000**	**-**	**-**
NHT Projects - General							
Balaclava, St. Elizabeth	NHT	28,810	**-**	**-**	**-**	**-**	**-**
Barrett Hall Phase 1	NHT	3,160	**17,800**	**1,000,000**	**1,200,000**	**-**	**-**
Barrett Hall Phase 2	NHT	-	**-**	**10,000**	**30,000**	**-**	**-**
Darliston	NHT	5,690	**30,300**	**58,000**	**2,000**	**-**	**-**
Dry Valley - Phase 1	NHT	2,070	**25,000**	**170,000**	**680,000**	**680,000**	**340,000**
Eltham Farms, St. Catherine	NHT	177,500	**180,000**	**12,000**	**-**	**2,000**	**-**
Friendship - Phase 1, St. Elizabeth	NHT	-	**60,650**	**480,000**	**30,000**	**1,500**	**-**
Friendship - Phase 2, St. Elizabeth	NHT	-	**-**	**10,000**	**70,000**	**200,000**	**19,000**
Granville, Trelawny	NHT	76,000	**80,000**	**7,500**	**2,000**	**-**	**-**
Hellshire 2, St. Catherine	NHT	3,080	**151,800**	**105,000**	**10,000**	**-**	**-**
Hellshire 3, St. Catherine	NHT	700	**106,500**				
Industry Cove, Hanover	NHT	8,550	**64,400**				
Longville 3A Clarendon	NHT	18,050	**1,200**				
Longville 2A Clarendon	NHT	42,060	**327,100**				
Longville 4A Clarendon	NHT	47,410	**28,000**				
Longville 4B Clarendon	NHT	-	**-**				
Mary Field, St. Catherine	NHT	46,970	**52,000**				

PSIP CENTRAL GOVERNMENT
FY 2015/2016 – 2019/2020

PROJECTS	Funding Agency	Total	Total	Total	Total	Total	Total
PUBLIC BODIES							
Perth 1A, Manchester	NHT	7,170	**7,700**				
Perth 2 - Villages 1-5, Manchester	NHT	57,170	**20,000**				
Sevens Village1, Clarendon	NHT	88,170	**100,000**				
Sheckles 1, Clarendon	NHT	2,000	**52,000**				
Sheckles 2, Clarendon	NHT	10,970	**8,500**				
Twickenham Park Phase 4, St. Catherine	NHT	8,050	**10,400**				
Windsor - Duncans, Trewlawny	NHT	2,070	**44,200**				
Ruthven Road Phase 1	NHT	44,260	**327,700**				
Ruthven Road Phase 2	NHT	18,000	**-**				
Vineyard Town - Central Avenue	NHT	10,930	**37,100**				
Vineyard Town - Third Avenue	NHT	-	**30,100**				
Projects to be determined	NHT	-	**-**				
INNER CITY HOUSING / COMMUNITY RENEWAL PROG.			**-**				
Majesty Gardens	NHT	171,000	**112,000**				
White Wing	NHT	270,000	**119,000**				
Maxfield Park (Frog City)	NHT	192,000	**138,000**				
Arnold Road	NHT	156,000	**69,000**				
Rasta City	NHT	144,000	**15,000**				
St. Andrew Town	NHT	4,000	**-**				
Mona Commons	NHT	12,000	**-**				
SUGAR HOUSING PROGRAMME			**-**				
Perins Compound - Phase 1, Clarendon	NHT	16,330	**61,400**				
Perins Compound - Phase 2, Clarendon	NHT	-	**-**				
Jacksonville, Clarendon	NHT	6,600	**114,100**				
Yeast Plant, Westmoreland	NHT	10,300	**57,500**				
Fontabelle, Westmoreland	NHT	15,470	**90,900**				
Shewsbury, Westmoreland	NHT	10,500	**80,500**				
Barham	NHT	7,100	**60,280**				
Masemure, Westmoreland	NHT	14,430	**137,300**				
FIRST STEP HOUSING PROGRAMME			**-**				
Bourkesfield, St. Catherine	NHT	49,000	**27,750**				
Orange Park, St. Catherine	NHT	56,000	**33,600**				
Caymanas, St. Catherine	NHT	20,000	**-**				
Reddington, St. Mary	NHT	65,000	**74,000**				
Jacksonville, Clarendon	NHT	-	**-**				
Shrewsbury, Westmoreland	NHT	-	**-**				
Barham, Westmoreland	NHT	-	**-**				
Masemure, Westmoreland	NHT	-	**-**				
Yeast Plant, Westmoreland	NHT	-	**-**				
The Villages of Colebeck, Clarendon	NHT	-	**-**				
Monymusk Country Estate, Clarendon	NHT	-	**-**				
Granville, Trelawny	NHT	-	**-**				
Friendship Phase 1, St. Elizabeth	NHT	-	**-**				
Sevens, Village 1, Clarendon	NHT	-	**-**				
Sheckles 2, Clarendon	NHT	-	**-**				
1st Step (FFTP) Programme (BOL - 40%)	NHT	58,630	**111,000**				
			-	**-**	**-**	**-**	**-**
NHT TOTAL		**3,046,350**	**5,602,870**	**14,156,190**	**15,685,010**	**12,995,700**	**5,622,000**

PSIP CENTRAL GOVERNMENT
FY 2015/2016 – 2019/2020

PROJECTS	*Funding Agency*	Total	Total	Total	Total	Total	Total
PUBLIC BODIES							
Jamaica Bauxite Mining (JBM) - Port repairs (Ocho Rios)	JBM	**-**	**120,000**	**120,000**	**120,000**	**120,000**	**-**
Petroleum Corporation of Jamaica (PCJ) - Laughlands 2 MegaWatt HydroPower Plant	PCJ	**1,100**	**16,690**	**734,550**			
Jamaica Deposit Insurance Corporation							
PAYOUT MANAGEMENT INFORMATION SYSTEM (PMIS)	JDIC	19,370	**95,030**	23,900	-	-	
			-				
National Health Fund (NHF)							
LINEAR ACCELERATOR (LINAC) Project	NHF/CHASE /TEF	-	1,700,000	-	-	-	-
Corporate Office Space	NHF/LOAN	150,000	385,000	200,000	200,000	-	-
NHF Warehouse Renovation	NHF		63,300	-	-	-	-
National Health Fund (NHF)		**150,000**	**2,148,300**	**200,000**	**200,000**	**-**	**-**
				-	-		
Universal Service Fund (USF) - Traffic Validation	USF		240,000				
					-	-	
Students Loan Bureau (SLB)					-	-	
New Loans Management Sytem	SLB		53,610	-	-	-	
Renovation of Building at 82-86 Harbour Street, Kingston	SLB		94,000	-	-		
Students Loan Bureau (SLB)			**147,610**	**-**	**-**	**-**	-
Factory Corporation of Jamaica (FCJ)				-	-	-	
CEZ Project	Loan/FCJ		-	-	-	-	
New Building - Naggo Head ICT Park	Loan/FCJ	29,000	**50,000**	**650,000**	**1,170,000**	**1,700,000**	
Garmex	FCJ		**156,000**	**660,000**	**495,000**	**530,000**	
Mobay Freezone	FCJ		180,000	**108,000**	**158,000**	**240,000**	
FCJ Total		**29,000**	**386,000**	**1,418,000**	**1,823,000**	**2,470,000**	**-**
TOTAL PUBLIC BODIES		**7,169,773**	**28,696,703**	**27,608,666**	**26,916,178**	**23,143,728**	**7,045,385**
Grand Total PSIP		**41,792,488**	**71,697,503**	**74,998,466**	**81,153,078**	**88,034,028**	**77,833,785**

Appendix VII

Fiscal Risk Statement

The Fiscal Responsibility Framework (FRF) Regulations 2012 requires that the FPP provide a broad assessment of the risks to the fiscal operations, including those associated with the price of oil and other key natural resources, external and domestic demand, domestic inflation, external and domestic interest rates, natural disasters, contingent liabilities, and guarantees with respect to fiscal policy measures.

The September 2015 Fiscal Policy Paper Interim Report highlighted a number of fiscal risks and indicated that these risks will be expanded upon in the February 2016 FPP. This Fiscal Risk Statement therefore outlines the GOJ's exposure to fiscal risks originating from various sources such as the macroeconomic assumptions used in preparing the FY 2016/17 budget and medium term projections, public debt dynamics, the operations of state owned enterprises as well as public-private partnerships (PPP) and contingent liabilities.

For the purpose of this statement, fiscal risks refer to the probability of deviations of fiscal outturns or other fiscal forecasts from expectations or budget. This Fiscal Risk Statement notes the major risks the MOFPS/GOJ is monitoring and provides a general outline on how fiscal risks may originate from numerous sources and how their impact can be transmitted to the fiscal framework. The Statement also describes each category of risks, quantifying them where practicable and outlining the risk management strategies which are already in place or which are being explored to cushion the fiscal programme from any realization of these risks.

Fiscal Risk Sources and Disclosure

Fiscal risks may emanate from a wide range of sources and Box VII (A) highlights some of these sources currently being monitored and managed by the MOFPS.

The GOJ's estimates of revenue and expenditure and medium term projections prepared for the FY 2016/17 Budget are underpinned by a range of economic and other assumptions and therefore reflect the best information available at the time of preparation. If the economic outturns vary from those utilized in preparing the budget, then their impact will flow through to actual government revenue and expenditure. The probability of deviations in these parameters that inform the budget therefore represents a risk to the fiscal estimates programmed and the risk gets progressively larger for the latter years of the medium term programme.

Box VII(A): Sources of Fiscal Risks

- Judicial Awards
- Wage settlements
- Un-Budgeted Obligatory Expenditures
- Transfer/Subsidies
  - Assumption of Public Bodies debt
  - Financial Assistance to Public Bodies
- Tax Expenditure (Discretionary)
- Guarantees:
  - Interest
  - Amortization
- Arrears/Pending Obligations:
  - Wages & Salaries
  - Other Expenditure Arrears
  - Tax Refund Arrears
- Public Private Partnership
- Adverse macroeconomic developments
  - Commodity Price movements eg. oil, bauxite
  - Exchange rate, inflation, interest, real GDP
- Natural Disasters
- Government Policy Changes
- Monetary Policy

Source: MOFPS

Macroeconomic Risks

Economic Growth

The GOJ's tax revenue is largely linked to nominal GDP growth (which encompasses real GDP growth and inflation). Therefore, any variation in outturn of real GDP or inflation from forecast would lead to deviation in tax revenue from budget. An assessment of the one-year growth projections for the period FY 2012/13 to FY 2015/16 reported in successive FPP publications reveal that actual annual growth has consistently been below projection, with FY 2013/14 being an exception with actual real growth being greater than projection (see table II (a)). This underperformance in growth occurred against the backdrop of a weak global environment, prolonged drought conditions in the domestic economy, high oil prices, and robust fiscal consolidation.

Table II (a): Nominal and Real GDP Growth Projection vs. Actual

Period	Nominal GDP Growth (%)			Real GDP Growth (%)		
	Projection	Actual	Percentage Point Change	Projection	Actual	Percentage Point Change
FY 2012/13	7.3	6.2	-1.1	1.0	-0.8	-1.8
FY 2013/14	10.4	9.4	-1.0	0.8	1.0	0.2
FY 2014/15	9.6	6.9	-2.7	1.4	0.2	-1.2
FY 2015/16	7.3	4.3	-3.0	1.6	0.9	-0.7

Source: STATIN/PIOJ

These unexpected changes in growth outturn imply substantial fiscal risk for Jamaica. Most of the GOJ's tax revenue items have a one-to-one relationship with changes in GDP. That is, if forecasted nominal GDP growth varies by 1 percentage point, it is expected that most tax revenue items will also change by 1 percentage point in the same direction of the change in nominal GDP. For FY 2016/17, nominal GDP growth is forecasted at 5.2%. Thus if nominal GDP were to grow at 4.2%, tax revenue would be expected to fall by $2,291.6mn, assuming all else remains constant.

It is also important to note that growth in the Jamaican economy is linked to the economic activities of its major trading partners, notably the US economy. The IMF's January 2016 publication of the World Economic Outlook Update reported that economic activity in the US is expected to gradually improve during 2016. If this expectation holds, then this could result in positive spill-overs for the Jamaican economy. Similarly, lower than expected growth in the US will be expected to have a negative effect on Jamaica's economy, and hence on revenue collections, the budget balance and debt levels.

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 expenditure if revenue performs below expectations.

Commodity Prices

Oil Prices

Crude oil prices, which have been on the decline since the second half of 2014, largely reflect expectations of sustained increases in production by the Organization of Petroleum Exporting Countries (OPEC) members despite global supplies outstripping demand. Oil prices are expected to remain low over the medium term with futures market suggesting only modest increases in prices in 2016 and 2017. For oil-importing countries like Jamaica, this sharp decrease in oil prices have contributed to a lower inflation rate, a narrowing of the current account deficit and an improvement in the fiscal balance. Households and businesses benefit from reduced oil prices through reduced energy and transportation costs, thereby increasing the disposable income of household and boosting business profitability. This benefit on household and businesses is expected to have an impact on government revenue.

Changes in oil prices will directly impact both government revenue and expenditure. As it relates to revenue, this direct impact is reflected mainly in SCT collections on petroleum and petroleum products. The structure of the SCT on petroleum and petroleum products helps to buffer the impact of a reduction in oil prices on revenue collections as a portion is fixed and the remainder advalorem. The fixed portion of the SCT contributed an estimated 74.9% of the total SCT collections for FY 2015/16. On the expenditure side, lower oil prices will contribute to reduced transportation and energy cost for the government, thereby reducing overall "housekeeping" expenses.

It should be noted that the GOJ is cognizant of the generally high levels of uncertainty in oil supply forecast and the risk that prices could rebound faster than expected over the medium term. Volatilities could arise from geopolitical tensions and changes in the supply conditions by OPEC and non-OPEC members.

In June 2015, the GOJ entered into a set of hedging contracts to provide coverage of 8 million barrels of crude oil imports to Jamaica over a period of 18 months, from June 2015 to December 2016. The weighted average premium cost for the contracts was US$3.48/barrel at a weighted average strike price of US$66.53/barrel. With the current medium term forecast for oil prices to remain low (below the average strike of US$66.53/barrel), it is not expected that the GOJ will enter into a new set of hedging contracts after the expiration of the current contracts by December 2016. The GOJ will however monitor and assess developments in world oil prices and the market, and if deemed appropriate, will consider a future hedge arrangement.

Bauxite/Alumina Prices

Aluminium prices continue to fall on the world market largely due to ongoing oversupply from China. This had a negative impact on the price of bauxite, the ore used to produce alumina and ultimately aluminium, resulting in reduced revenue collections from the bauxite levy. The falling prices have also adversely impacted investment decisions leading to curtailment/cutback in production. For FY 2015/16, the central government collection from bauxite levy was $2,116.9mn or 55.7% below the budgeted amount. As a result of this lower than expected performance of the bauxite levy, the GOJ has made appropriate budgetary adjustments through cuts to primary expenditure and tapping other revenue sources to ensure that the primary surplus target is maintained.

Interest Rates

Interest rate risks refer to the risk that arises from having higher than expected debt service as a result of increases in interest rates. The Public Debt Management Act, 2012 (PDMA) requires that the government prepare annually the Medium Term Debt Management Strategy (MTDS) outlining the optimal strategy, given the macroeconomic environment, to facilitate the reduction of the public debt to a sustainable level. This objective is to be achieved at minimum cost and prudent levels of risk. The MTDS for FY 2016/17 – FY 2018/19 aims to: (i) mitigate foreign exchange risks; (ii) manage interest rate risk; (iii) extend maturity profile; (iv) develop a monitoring framework for guaranteed and non-guaranteed debt; and (v) promote the development of the domestic capital market.

The GOJ's debt portfolio is exposed to interest rate risks. Table II (b) below shows the interest rate composition of the GOJ's debt stock as at end-March 2016:

Table II (b): Interest Rate Composition of Debt Stock

Total Debt	**end-March 2016 (%)**
Fixed Rate	65.4
Floating Rate	34.6
Domestic Debt	
Fixed Rate	58.7
Floating Rate	41.3
External Debt	
Fixed Rate	69.8
Floating Rate	30.2

Source: MOFPS

With a larger share of the portfolio contracted on a fixed rate basis, for both domestic and external debt, this allows for greater predictability and certainty of the interest cost for the budget. The GOJ's benchmark for the fixed/variable rate portfolio mix is 70:30.

The GOJ's strategy to manage the interest rate risk, as outlined in the MTDS FY 2016/17 – FY 2018/19 is to maintain the fixed/floating rate composition on the domestic portfolio during FY 2016/17 in order to optimize on the interest rate structure of the portfolio and based on investor demand for fixed rate debt.

On the external side, international interest rates are currently very low but are expected to rise in the near future. With this uncertainty surrounding global interest rates, the MTDS FY 2016/17 – FY 2018/19 outlines that the GOJ's strategy will be to only issue fixed rate debt in the external market.

With respect to broader fiscal impact, there is a negative correlation between interest rates and the fiscal balance. With the medium term projections showing lower interest rates, interest cost will reduce and hence result in an improvement in the fiscal balance.

Exchange Rates

Exchange rate risk refers to the risk that the fiscal and debt profile will deteriorate as a result of a depreciation of the Jamaica dollar against other relevant currencies. The share of foreign currency debt in the total debt portfolio is a good measure of the foreign currency risk. Currently, the US dollar still remains the major currency in Jamaica's debt portfolio, followed by the Jamaica dollar and the Euro currency accounting for the third largest share. As at end-March 2016, 64.0% of the GOJ's total debt portfolio was denominated in foreign currency compared to the 60.9% recorded at end-March 2015. This therefore represents a 3.1 percentage point increase in the GOJ's exposure to foreign exchange risk.

For the fiscal year to end-March 2016 the Jamaica dollar depreciated by 6.1% vis-à-vis the US dollar, moving from J$115.04=US$1.00 to J$122.04=US$1.00, and contributing an additional $75.9bn to the debt stock. This highlights Jamaica's high exposure to exchange rate risk. It is, however, important to note that Jamaica's domestic capital market is not sufficiently deep and liquid enough to accommodate the GOJ's demand for financing without causing adverse movements in domestic interest rates and crowding out of the domestic private sector. In addition, domestic investors have expressed their interest to diversify their portfolios by holding foreign currency assets.

During FY 2015/16, the GOJ was able to significantly reduce the foreign exchange risk in its domestic debt portfolio, moving from a share of 24.3% of domestic debt denominated in foreign currency as at end-March 2015 to a share of 8.6% of domestic debt denominated in foreign currency as at end-March 2016. This 15.7 percentage point reduction was achieved through the government being able to extinguish 74.2% of its debt owed to the PetroCaribe Development Fund (PCDF) in the Petrocaribe Liability Management Transaction during the second quarter of the fiscal year.

The MTDS FY 2016/17 – FY 2018/19, outlines that the GOJ's strategy for FY 2016/17 is to maintain the proportion of foreign currency denominated debt in the domestic portfolio. The foreign currency debt portion of the debt portfolio is expected to increase marginally, but will remain within the targeted range of 61.0% to 65.0%. It is important to note that a natural hedge against foreign currency risk lies in the fact that Jamaica's major export revenues are earned in US dollars and its international reserves are held in US dollars.

On the fiscal side, changes in the exchange rate translate directly into changes in the government tax collections. As it relates to international trade taxes, for a given level of imports and non-direct export taxes, a depreciation in the Jamaica dollar vis-à-vis the US dollar would increase the base of trade taxes in Jamaica dollar terms. For taxes on goods and services (indirect taxes), a depreciation in the Jamaica dollar vis-à-vis the US dollar would result in increased collections in taxes by JCA. The GOJ's Grant receipts are also positively impacted from exchange rate depreciation as a result of higher domestic currency values.

Overall, depreciation in the value of the Jamaica dollar has a negative impact on the fiscal balance through its huge effect on debt service. However, higher tax revenue collections will partly offset this higher debt service cost. A previous exercise done by the MOFP to assess the fiscal impact of a sharp exchange rate depreciation indicated that the primary surplus improved due to higher revenue outweighing non-debt (primary) expenditure, while the fiscal deficit worsened due to higher interest cost. While revenue/GDP improved, this was countered by an increase in expenditure/GDP, thus worsening the deficit and the debt. Further work is to be undertaken to continually assess this impact of exchange rate depreciation.

Contingent Liabilities

Contingent liabilities have the potential to cause severe strain on the fiscal resources as they expose the government to unexpected and substantial obligations over a short period of time.

Natural Disasters

Jamaica's location in a multi-hazard zone makes it quite susceptible to natural disasters, mainly hurricanes, excess rainfall, flooding, earthquakes and drought. One mechanism that Jamaica has used to manage losses from catastrophic events is through its insurance policy with the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC) (formally the Caribbean Catastrophe Risk Insurance Facility). The CCRIF SPC is an insurance facility that will provide rapid pay-outs to help member countries finance their initial disaster response and maintain basic government functions after a catastrophic event. CCRIF SPC will make pay-outs within 14 days after a hazard event triggers a country's policy. A country's policy is triggered when a pre-established trigger event loss is attained.

Prior to CCRIF SPC 2015/16 policy year, which started June 1, 2015, the CCRIF SPC facility that Jamaica had been using only provided coverage for hurricanes/tropical cyclones (TC) and earthquakes (EQ) - TC/EQ of a predefined magnitude. For the 2015/16 policy year, Jamaica, after careful risk assessment, expanded the coverage to include excess rainfall at an additional cost of US$1.7mn. This excess rainfall coverage enhances the existing options as it provides protection against damage resulting from extreme rainfall events causing floods and landslides. Overall, for the 2015/16 policy year, Jamaica purchased coverage for the impacts of tropical cyclones, earthquakes and excess rainfall peril at a cost of US$3.7mn. The provision for FY 2016/17 is US$4.0mn. Estimates of the cost of damage caused by recent natural disasters are set out in Table II (c).

Table II (c): Selected Natural Disasters and Estimated Economic Impact

Event	Year	Intensity	Cost (J$bn)	Impact (%GDP)
Hurricane Michelle	2001	Category 4	2.52	0.8
May/June Flood Rains	2002	-	2.47	0.2
Hurricane Charley	2004	Category 4	0.44	0.0
Hurricane Ivan	2004	Category 3	36.9	8.0
Hurricanes Dennis & Emily	2005	Category 4	5.98	1.2
Hurricane Wilma	2005	Category 5	3.6	0.7
Hurricane Dean	2007	Category 4	23.8	3.4
Tropical Storm Gustav	2008	-	15.5	2.0
Tropical Storm Nicole	2010	-	20.6	1.9
Hurricane Sandy	2012	Category 2	9.9	0.8

Source: PIOJ

The enhanced fiscal rules also require that the government allocate funds in the budget for weather related events and for such amounts to be transferred to the Contingencies Fund. The budget allocation for FY 2016/17 is $550.0mn for weather related events, $450.0mn above the $100.0mn allocated in FY 2015/16.

Disaster Risk Financing Technical Assistance (DRFTA)

The FY 2015/16 FPP Interim Report noted that the GOJ is receiving technical assistance (TA) from the World Bank (WB) to better identify and manage fiscal risks associated with natural disasters. Through direct collaboration with the MOFPS, the WB Disaster Risk Financing Technical Assistance (DRFTA) Project aims to support Jamaica: (i) in assessing the fiscal shocks derived from natural disasters; (ii) in strengthening institutional and technical capacity of MOFPS in financial protection against natural disasters; and (iii) in assessing current available disaster risk financing tools and identifying affordable, effective financial protection options based on understanding of the fiscal exposure to natural disasters (direct contingent liabilities from natural disasters).

During 2015, the WB DRFTA team (herein after WB) has focused on data collection and analysis to understand the historical impact of natural disasters in Jamaica. Through collaboration with the MOFPS, the Office of Disaster Preparedness and Emergency Management (ODPEM) and other agencies, the WB has finalized/achieved: (i) the assessment, in terms of budgetary impact, of the historical post disaster physical and economical losses and post disaster expenditure; (ii) the review of external post-disaster aid inflows, and (iii) the review of the budgetary processes of emergency and disaster response. Additionally, the WB has started the development of a Country Disaster Risk Profile[11] for Jamaica which will support the quantification of the GOJ's contingent liabilities associated with natural disasters.

Initial diagnostics on Public Financial Management (PFM) findings were presented, discussed and validated with the MOFP in October, 2015. Continued analysis has presented several gaps and challenges in public financial management response to natural disasters, which will help focus the efforts on developing a cost-effective sovereign financial protection strategy against natural disasters for Jamaica. Key initial findings related to fiscal risk are:

a) Quantifying sovereign explicit and implicit contingent liabilities associated with natural disasters is necessary to better manage fiscal risk. Based on in-country data collection at ODPEM and MOFPS, the WB project has taken the first steps in quantifying contingent liabilities by analyzing historical physical and financial losses from natural disasters, as well as the amounts allocated and spent by the GOJ for relief and reconstruction. Using data from DesInventar[12], ODPEM's Damage Assessment and Situation Reports and the Planning Institute of Jamaica's (PIOJ) ECLAC Report, this exercise considered 26 natural disasters[13] between the period 1993 and 2013. Total economic loss for those events was estimated at US$2,220mn, showing economic losses of approximately US$110.0mn per annum. However, this figure does not clarify what percentage of US $110mn is a contingent liability of the GOJ. Despite regulations defining the limits of government responsibility, political and social pressures often lead the government to accept additional liabilities after a major disaster—for example, low-income housing. These implicit contingent liabilities are often the most difficult to assess and can have implications for debt management and fiscal sustainability.

b) The existing Contingencies Fund and National Disaster Fund (NDF) could be improved to be the backbone of the financial protection strategy against natural disasters. The Contingencies Fund was established by the Financial Administration and Audit Act in 1959 and allows the MOFPS to make disbursements for any unforeseen expenditure, such as expenditure arising

[11] Probabilistic disaster risk profiles will provide risk assessments and estimates of potential damage to property caused by earthquakes and hurricanes.
[12] DesInventar is a conceptual and methodological tool for the generation of National Disaster Inventories and the construction of databases of damage, loss and in general the effects of disasters.
[13] Natural disasters were included in the analysis if data on physical losses, economic losses, or relief and reconstruction spending could be verified by at least two sources for that particular event.

from a natural disaster. However, based on analysis of historical uses of the fund, the Contingencies Fund has been capitalized at a level well below average natural disaster losses per annum, and the fund has historically been disbursed for unforeseen administrative expenditure. As of March 2014, the Contingencies Fund was capitalized at US$0.8mn. The NDF, created by executive decision in 1995 and managed by the National Disaster Committee sub-committee, Finance & Administration (F&A), can also provide rapid liquidity after a natural disaster. The F&A subcommittee is responsible for the growth of the Fund as well as approval of disbursements. Requests for disbursements from the Fund are routed through ODPEM by way of a formal letter to the Chairman of the F&A committee. There is agreement within the government that the NDF is not adequately capitalized for comprehensive relief and recovery from major natural disasters, and it is primarily used for operational and administrative costs of immediate disaster response. As of March 2014, the NDF was capitalized at US$2.6mn.

An improved budget management system will help the Fiscal Policy Management Unit (FPMU) to monitor natural disaster-related fiscal risks to the budget. The Budget Preparation and Management System (BPMS), slated to take effect after July 1, 2016, could include using the Programme 005 designation in the Chart of Accounts to track disaster-related expenditure from source of funds to activity and object of expenditure. Continued efforts to examine the Chart of Accounts approach and other budget management efforts has potential for shifting actual practice closer to best practice and an optimal financial protection strategy against disasters. Improved tracking of post-disaster expenditures is an important step in understanding the impact of disaster on a year-to-year basis. Comparing the GOJ's quantified contingent liabilities associated with natural disasters to actual government expenditure will highlight short term and medium term gaps in financing disaster response. Ultimately, identifying these gaps will assist in optimizing cost-efficient rules for pre-event allocations and post-disaster re-allocations and disbursements.

State Owned Enterprises

Public Entities have often been a significant source of contingent liabilities for the GOJ, as they may sometimes require unplanned cash infusion to operate, or will require some form of debt relief. As such, the government has developed a comprehensive framework to: properly account for guaranteed funds and their associated risks; analyze, monitor and control them; and, set targets or caps for each fiscal year as a share of GDP. The PDMA mandates that public bodies submit reports to the Minister of Finance, providing details of all their debts and liabilities. The PDMA also outlines the targeted debt guarantees as a percent of GDP to be no more than 8.0%, 5.0% and 3.0% at end-FY 2016/17, end-FY 2021/22 and end-FY 2026/27, respectively.

For FY 2015/16, the government did not issue any new guarantees nor assume any guaranteed loans on behalf of public entities. As at end-March 2016 the stock of government guaranteed debt as a percent of GDP was 10.4%, 1.1 percentage points below the 11.5% reported for end-March 2015.

Table II (d) presents the payments made in FY 2015/16 and provisions for the FY 2016/17 budget for guaranteed debt payments on behalf of public entities.

Table II (d): Central Government FY 2015/16 Debt Payments on behalf of Public Bodies and FY 2016/17 Budgetary Provisions for Debt Payments on behalf of Public Bodies

	FY 2015/16 Actual	FY 2016/17 Budget
	J$mn	
Interest	**6,524.5**	**7,647.6**
Domestic	1,554.6	1,703.4
External	4,969.9	5,944.2
Principal	**19,092.5**	**5,015.2**
Domestic	680.9	737.5
External	18,411.6	4,277.7

Source: MOFPS

There is strong supervision and monitoring of the public entities by the MOFPS, with the MOFPS taking the necessary steps to adequately control, account for and reduce the stock of guaranteed debts. In addition to these explicit contingent liabilities, the GOJ is often required to inject significant financial support to capitalize or recapitalize a public entity. If a public entity runs a deficit each year as a matter of economic or social policy objectives, and the deficit is covered by regular transfers from government to match this deficit, the payment is regarded as a subsidy[14]. The case of JUTC furnishes a clear example. In exchange for a reduced fare for students and the elderly, the Government commits itself to replace JUTC's rolling stock and infrastructure as necessary to maintain its operations and provide funding support for operations in the form of a subvention. With a growing fleet, this leads not only to a large upfront cost in terms of new buses, but to growing purchases of rolling stock and infrastructure costs as well as to larger operational losses and therefore larger amounts of funding support. Table II (e) provides a list of public entities currently receiving financial support from the government.

[14] Government Finance Statistics Manual 2014, pg. 133.

Table II (e): Central Government Budgetary Support to Public Entities

Public Entity	FY 2015/16 (J$mn)	FY 2016/17 (J$mn)	Purpose
Jamaica Urban Transit Company Ltd.	5,348.3	2,244.6	Subsidy
National Road Operating & Constructing Company Ltd.	4,846.5	-	Debt Servicing
National Export -Import Bank of Jamaica Ltd.	1,065.0	400.0	Capital Transfer
Students' Loan Bureau	2,915.0	3,077.0	Subsidy
Road Maintenance Fund	5,236.0	-	Debt Servicing
Caymanas Track Limited	-	153.0	Redundancy Cost
Montego Bay Metro Ltd.	44.7	30.0	Subsidy

Source: MOFPS

Public Private Partnership (PPP)

Investment in public infrastructure is vital to sustainable growth and development of the Jamaican economy. Jamaica's PPP programme represents a critical path to the development and maintenance of its infrastructure. A 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." The GOJ's PPP programme started in November 2012 and provides a framework to engage the private sector in investing in the country's public infrastructure projects and services.

However, PPP projects have gained importance due to their potential to impose significant fiscal risks on the government if not appropriately designed and financed. It is therefore 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 PBMA Acts in March 2014, have put in place institutional changes to strengthen financial and risk analysis of projects, risk sharing arrangements and project assessments. The PBMA Act provides for a ceiling of 3% of GDP for user-pays projects. The Kingston Container Terminal (KCT) remains the only PPP Contract that has been executed under the Contingency Ceiling as at end-March 2016.

Close monitoring of PPP projects is facilitated through the establishment of a PPP Unit within the Development Bank of Jamaica (DBJ) with responsibility for the transaction management of the programme, and the establishment of a PPP Unit within the MOFPS responsible for assessing value for money on the projects and ensuring their alignment with the government's fiscal programme. In keeping with the fiscal rules, all PPPs are continually assessed by the MOFPS's PPP Unit and are included in the PSIP and subject to the standards set out in the Public Investment Management System (PIMS).

The following PPP transactions are currently in progress:

- **Kingston Container Terminal (KCT)** - During 2015/16, PAJ executed a thirty-year Concession Agreement with Kingston Freeport Terminal Limited to finance, expand, operate, maintain and transfer the KCT. It is anticipated that financing for the project will be finalized by the end of April 2016. The PAJ is also undertaking preparatory works for the transfer of KCT's operations to the Concessionaire.

- **Norman Manley International Airport (NMIA**) – The initial drive to identify a long-term concessionaire to operate, finance, develop and maintain the NMIA did not materialize. However, a holistic evaluation is being undertaken with the aim of identifying a concessionaire. Most of the pre-qualified bidders continue to show interest. The Government upon review will decide on the way forward.

- **Jamaica Railway Corporation (JRC) -** GOJ has entered into a Memorandum of Understanding with Herzog International Inc. to undertake detailed due diligence to facilitate the preparation of a proposal to the GOJ. Herzog has undertaken the necessary due diligence and at December 31, 2015, the company submitted a revised business plan to rehabilitate approximately 207km of the 334.9km rail track. The work will be undertaken on a phased basis.

The following project is being assessed for possible PPP Development:

- The Schools Solar Energy and Energy Efficiency Pilot Project, led by the National Education Trust (NET) in collaboration with the DBJ, have received approval from the Public Investment Management Committee of Cabinet to advance to the transaction phase. Interested investors will be sought, through a competitive tender process, to finance and maintain solar energy systems in 30 schools. The NET has received financial support from the Inter-American Development Bank's Multilateral Investment Fund (MIF), the GOJ's Project Preparation Facility (PPF) and the DBJ's Grant Facility to conduct the business case and preliminary energy audits.

Wage Settlements

A key risk to the wage bill relates to negotiations and disputes where the outcome is uncertain. With the ending of the 2012/15 Heads of Agreement (HOA) with unions representing public sector workers on March 31, 2015, a new round of negotiations started in FY 2015/16 for a new HOA for the 2015/17 contract period. At the time the FY 2015/16 budget was presented, this new round of wage negotiations had not yet started. As such, the government included a contingency provision for wage adjustments in the FY 2015/16 budget. However as at end-March 2016, with approximately 97% of all wage negotiations completed, the estimated cost associated with settlements under the new

HOA exceeded the contingency provision by $7.5bn, thus highlighting the risk to the wage bill and the overall fiscal programme. The next contract period will be FY 2017/19, with negotiations expected to commence towards the middle of FY 2016/17.

The wage/GDP ratio is directly affected by the output of production and the actual spending on remuneration by the government. As such, any underperformance of the economy and over-spending on wages will inextricably inflate this ratio. The government's medium term fiscal profile outlined in 2010 targeted a wage/GDP ratio of 9.0% by FY 2015/16. The annual average wage to GDP ratio for the 20-year period FY 1988/89 to FY 2007/08 was 8.9%. In addition, for the five year period prior to FY 2008/09, the wage to GDP ratio has been on the decline moving from 10.6% in FY 2003/04 to 9.4% in FY 2007/08. This historical wage/GDP ratio, the 2008 agreement on wage restraint between the government and trade unions, as well as the projections for growth in GDP provided grounds to support achieving the 9.0% ratio target by March 31, 2016, a key deliverable/target under the FRF.

Table II (f) shows that the government's spending on the wage bill has been generally contained within targeted levels; however, GDP outturn has consistently been lower than expected, thus undermining efforts to achieve the legislated wage/GDP ratio. The lower GDP arose from:

(i) A revision to the historical GDP series by STATIN;

(ii) Real economic growth being lower than expected due to, inter alia, the extent of the global economic recession that significantly affected Jamaica, adverse weather conditions (Hurricane Sandy in 2012, severe drought in 2014 and 2015) and slower than expected recovery in the Bauxite/Alumina industry; and

(iii) Significantly lower than expected inflation, especially in 2014 and 2015.

Table II (f): Wage and GDP forecast in April 2011 vs. Actual Wage and GDP Outturn

	Wage/GDP (Projected) April 2011			Wage/GDP (Actual)		
FY	Wage Bill ($bn)	GDP ($bn)	Wage/GDP (%)	Wage Bill ($bn)	GDP ($bn)	Wage/GDP (%)
2010/11	127.9	1,224.0	10.4	127.9	1,173.1	10.9
2011/12	133.7	1,334.7	10.0	139.6	1,259.1	11.1
2012/13	151.7	1,450.8	10.5	147.4	1,336.6	11.0
2013/14	156.7	1,576.0	9.9	156.4	1,462.8	10.7
2014/15	161.2	1,726.9	9.3	158.8	1,563.9	10.2
2015/16	168.6	1,881.6	9.0	168.3	1,638.7	10.3

Source: MOFPS, PIOJ/STATIN

Going forward, the Revised COA requires some adjustments of the components currently captured as Wages and Salaries. These adjustments are to be consistent with the IMF's Government Finance Statistics guidelines and will change the value captured as Wages and Salaries, as well as the associated Wages/GDP ratio. In light of these changes, during the first quarter of FY 2016/17, the MOFPS will be in consultation with key stakeholders, including the IMF staff, regarding other classification issues in respect of Wages and Salaries, which will have important bearing on the targeted Wage/GDP ratio of 9.0%. The MOFPS has already commenced the legislative process to adjust the timeline for the 9.0% of GDP Wage ceiling. However the outcome of the stakeholder consultations will help to guide the determination of a new timeline, which will be reported in the Interim Fiscal Policy Paper to be tabled in September 2016.

Arrears

Tax Refund Arrears – this refers to obligations on tax refunds in accordance with tax legislation that remain unpaid 90 days after the due date (EFF). These arrears are being closely monitored by the GOJ to ensure that there is no accumulation. In addition, monitoring of the tax refund arrears forms a part of the quantitative targets under the EFF programme. Of note, the GOJ has been satisfying these performance criteria under successive IMF reviews. The stock of tax refund arrears was recorded at $15.8bn as at end-February 2016, representing a $5.9bn reduction from the $21.7bn recorded at end-March 2015.

Domestic Arrears – this is defined as payments to residents determined by contractual obligations that remain unpaid 90 days after the due date (EFF). The due date refers to the date in which domestic debt payments are due according to the relevant contractual agreement, taking into account any contractual grace periods. Included in this category are arrears on domestic central government direct debt, including to suppliers and all recurrent and capital expenditure commitments. This category of arrears also forms a part of the quantitative targets under the EFF programme, with all requirements being met under successive IMF reviews. The stock of domestic arrears was recorded at $20.8bn as at end-January 2016, representing a $723.5mn reduction from the $21.5bn recorded at end-March 2015.

Monetary Policy

The Bank of Jamaica Act outlines that, profits or losses of the Central Bank are transferrable to the Central Government. The medium term fiscal profile presented in this FPP does not assume any transfer of profits from the BOJ nor does it include provisions for BOJ losses. Therefore, any unanticipated losses may have to be picked up by the Central Government, which inherently poses a risk to the fiscal accounts. However, with improving economic conditions it is anticipated that the fiscal risks associated with the prudent conduct of monetary policy will be minimal.

Changes in Government policy

On March 3, 2016, a new administration comprised of Jamaica Labour Party (JLP) members, became the government of Jamaica following victory in the General Elections held on February 25, 2016. Changes in government policies are expected with any change in administration. The new administration has however reaffirmed its commitment to fiscal responsibility and prudence as it relates to revenue and expenditure management of the country's fiscal resources. This is essential for the achievement of fiscal and debt targets.

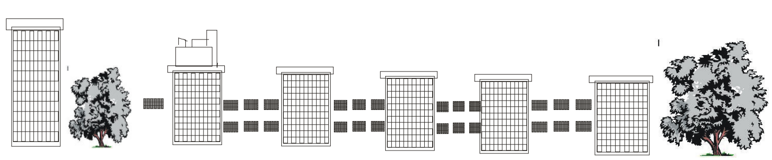
Changes in government's policy may also become necessary, in response to changes in economic and other conditions, however, where these policy changes lead to an adverse material impact on either revenue or expenditure, then the GOJ will take the necessary "compensating measures" to ensure that the fiscal programme maintains its integrity.

Judicial Awards

This relates to current and potential legal or judicial claims against the GOJ with potentially costly implications should the plaintiffs win their case. Therefore, any court judgement against the GOJ poses a risk to achieving the fiscal targets due to its potential to cause significant increases in unplanned expenditure. There have been a number of such unfavourable awards in recent years which had to be covered by the budget thereby crowding out other needed expenditure or necessitating additional revenue measures.

On the positive side however, the GOJ got a favourable ruling in December 2015 against a bauxite company, which is expected to result in increased bauxite levy flows to the Capital Development Fund.

Going forward, the MOFPS plans to work closely with the Ministry of Justice (MOJ) to keep track of current and pending cases against the GOJ so that proper expenditure planning can be executed should there be a ruling against the government.



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