GOVERNMENT OF JAMAICA

FISCAL POLICY PAPER FY 2017/18

9th February 2017

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FISCAL RESPONSIBILITY STATEMENT

Introduction

Under the enhanced fiscal rules, made effective via amendments to the Financial Administration and Audit (FAA) and Public Bodies Management and Accountability (PBMA) Acts in March 2014, the Minister is required to, within 6 months of the passage of the Appropriation Act for the financial year to which the relevant Estimates of Revenue and Expenditure relate, table in both Houses of Parliament, a Fiscal Policy Paper (FPP). The Minister duly complied with this requirement by laying a FPP Interim Report in Parliament on September 28, 2016.

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. As was noted in the Interim FPP, tabled on September 28, 2016, the FY 2016/17 Estimates of Revenue and Expenditure, as well as the FPP, were due to be tabled, as required under the enhanced rules, in February 2016 to allow for the approval of the budget by both Houses of Parliament by March 31, 2016. Due to the dissolution of Parliament on February 5, 2016 to facilitate the holding of general elections on February 25, 2016, this resulted in a delay in the tabling of the budget and associated FPP which was eventually tabled on April 14, 2016 with the Appropriation Act being passed on May 31, 2016.

The Government of Jamaica (GOJ) hereby ensures compliance with the budget calendar timetable with tabling of the FY 2017/18 FPP, during February 2017 as required.

With reference to the fiscal operations, the Provisional outturn for the period April-December 2016 indicates that performance is within the budgeted ceilings. The GOJ notes the sustained positive developments in the economy during 2016, including the seventh consecutive quarter of real growth in the economy, lower inflation, increased employment and the strong performance of revenue and grants. This bodes well for the GOJ's thrust to shift the tax burden from direct (personal income tax) to indirect taxation.

Commitment to Fiscal Responsibility

The GOJ, seized with the importance and need for continued confidence and support of its economic reform by both domestic and international investors, engaged the IMF to secure a successor programme to the Extended Fund Facility (EFF) (see below) which was due to expire in April 2017. The IMF approved a precautionary Stand-By Arrangement (PSBA) for Jamaica that should enable the Jamaican economy to weather unanticipated shocks to the external accounts.

Good fiscal management entails strict adherence to targets and involves continuous monitoring of fiscal events and a willingness to make timely and sound fiscal decisions. This fiscal management requires well-planned and clear actions to minimize or mitigate risks, which pose a threat to the sustainability of the public finances either in the current fiscal year or over the medium term. Within this context, the policy decisions that the GOJ takes now will not only be reflective of the immediate impact but will also have due regard to the financial implications or burden on future generations.

The GOJ is firmly committed to the tenet of fiscal prudence. Economic growth and job creation are dependent on stable economic conditions and sustainable public finances to propel the downward trajectory of public debt and enhance the prospects for productive public investments.

The GOJ fully recognizes that the pathway of fiscal prudence is not a smooth one and requires fortitude and vision of a country where entrepreneurship is facilitated by a transformed public sector. The alternative path of persistent, rising fiscal deficits and the continued assumption of the realized liabilities of public bodies is a recipe for macroeconomic instability, higher public debt and future tax burdens which are detrimental to Jamaica´s economic and social development. Accordingly, the GOJ's **priority objectives for FY 2017/18 and through the medium term are to grow the economy and create durable jobs thereby facilitating sustainable reduction of the public debt.** To that end, a transformed, efficient and facilitative public sector will be critical going forward**.** The GOJ's economic reform will continue to be anchored by fiscal discipline and reduction of the public debt. The objectives of the economic reform will continue to be underpinned by efficient expenditure management; progressive rebalancing of the tax burden toward indirect taxation, whilst protecting the vulnerable in the society; through significant increases in social expenditure. Implementation of a comprehensive reform of public sector pension arrangement as well as transformation of the public sector will be pursued during FY 2017/18 as the GOJ seeks to improve efficiencies within and across the public sector.

The GOJ's Economic Growth Council (EGC), has enunciated a broad list of structural growth reforms that are needed to clear supply-side bottlenecks and create further opportunities for private sector job creation. These strategic reforms are in synergy with the GOJ's thrust to generate sufficient fiscal space to drive economic growth, further reduce poverty and improve social well-being. The enhanced socio-economic infrastructure will help to create an enabling environment for improving the quality of life of Jamaica's citizens, thereby making ***Jamaica, the place of choice to live, work, raise families and do business.***

Economic Reforms

The GOJ recognizes that although fiscal consolidation that seeks to reduce the debt burden is necessary, it is not sufficient to overcome the economic challenges that the country faces. The FPP FY 2016/17 Interim Report that was tabled in September 2016 highlighted the performance of the government since the beginning of the fiscal year. It had also outlined a menu of economic reforms, in particular to bolster fiscal and debt sustainability and transform the Jamaican economy. The GOJ remains steadfast in implementing these alongside other structural reforms, which will create an efficient and transparent public administration; improve Jamaica's competitiveness; and provide the impetus for sustainable growth and development. Further details on these reforms are presented in the Fiscal Management Strategy and Appendices.

Economic Review and Outlook

FY 2016/17 was the fourth and final year of the EFF programme and also witnessed the start of the successor PSBA. Key performance targets have been met under the previous programme including 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 deficits, low inflation and strong Net International Reserves (NIR). The primary balance target for FY 2016/17 was relaxed to 7.0% of GDP to provide additional fiscal space for growth-enhancing capital expenditure.

The Jamaican economy has been showing improvements in real GDP growth, having registered positive quarterly year-over-year growth since the last quarter of FY 2014/15. For the most recent quarterly estimate, the growth rate in real GDP for the July-September quarter of 2016 over the corresponding quarter of 2015 was estimated at 2.0%. The sustained improvement in the economy is also reflected in the labour market with employment rising more rapidly than the labour force, resulting in an unemployment rate at July 2016, of 12.9%, compared to13.1% a year earlier. Risks remain, with oil price projected to rise over the medium term in addition to the potential impact of other exogenous geo-political factors. Notwithstanding, the GOJ remains steadfast in the pursuit of a firm foundation for sustainable economic growth.

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

- Real GDP growth under the EFF has averaged 0.6% (FY 2013/14 and FY 2014/15). Real GDP growth is recorded at 1.0% for FY 2015/16 and is expected to end FY 2016/17 at 1.6%, averaging 2.0% - 3.0% per annum over the medium term.

  Debt/GDP (current Jamaica definition) at end March 2017 is estimated at 124.1% of GDP, a 1.8 percentage point increase over the previous year, due primarily to depreciation of the Jamaica dollar and pre-financing of FY 2017/18. For FY 2017/18, the Debt/GDP of the Specified Public Sector is projected to be at 108.6% GDP.

- The Central Government's Primary Surplus Target for FY 2015/16 (both nominal and as a percent of GDP) were achieved at $120,795.9mn and 7.1% respectively. The outlook for FY 2016/17 is for the 7.0% of GDP Primary Surplus target to be met. Over the three year life of the SBA, a primary surplus target of 7.0% of GDP will be maintained.

- Central Government operations achieved a fiscal surplus of 0.1% of GDP in FY 2013/14. Since then**,** near zero fiscal balances (-0.5% and -0.3% of GDP) were generated for FY 2014/15 and FY 2015/16, respectively. For FY 2016/17, the fiscal deficit, as a percent of GDP is projected to be lower than budgeted. As the Debt Service/Tax Revenue ratio continues to decline, more fiscal space becomes available to boost social well-being programmes;

- For FY 2016/17, the overall Public Sector is projected to generate a surplus of 0.3% of GDP. The overall Public Sector is expected to generate surpluses over the medium term;

- Jamaica recorded a Current Account deficit of US$29.8mn or 0.2 percent of GDP for the June quarter of 2016. The current account of the Balance of Payments (BOP) is expected to record a deficit of US$375.4mn in FY 2016/17 representing a US$116.3mn deterioration from the US$259.1mn recorded for FY 2015/16;

- Over the three fiscal years prior to FY 2016/17, the Jamaica dollar has depreciated against the US dollar by an average of 8.4% per annum. As the inflation differential between Jamaica and its trading partners has narrowed, the rate of depreciation has slowed;

- Inflation in calendar year 2016 was 1.7%, (3.1% in 2015) the lowest rate since 1964. For the fiscal year to December 2016, inflation was 3.1% and is expected to end FY 2016/17 at 4.1%. Good fiscal management and complementary monetary policies, in tandem with fairly stable oil prices, have kept inflation at low single digits. Over the medium term inflation is expected to remain at low single digits.

- The NIR increased from US$2,437.0mn at end-December 2015 to US$2,719.4mn at end-December 2016 and is expected to end FY 2016/17 at US$2,659.0;

- The unemployment rate in July 2016 was 12.9%, compared to 13.1%, a year earlier. The July 2016 unemployment rate represents the lowest rate recorded since April 2011, when the unemployment rate was 12.4%. Strong growth initiatives are expected to positively impact unemployment.
- Jamaica received three (3) positive ratings action during FY 2016/17. Moody's Ratings Agency upgraded the country's sovereign ratings from Caa2 to B3 in November 2016. Standard and Poor's Global Rating and Fitch Ratings affirmed the country's 'B' ratings in September 2016 and February 2017, respectively. All outlooks are 'Stable".

Fiscal Developments

New Precautionary SBA (PSBA)

On November 11, 2016, the IMF Executive Board approved the GOJ's request for a precautionary Stand-By Arrangement valued at SDR 1,195.3mn (US$1.64bn), following the successful implementation and execution of the Extended Fund Facility (EFF). Objectives under the PSBA are to sustain macroeconomic stability, while supporting growth, social protection and job creation, thereby reducing unemployment and raising living standards. The arrangement will provide insurance against adverse economic shocks to the balance of payments.

The GOJ has, through sustained discipline and determination, established an outstanding track record of programme ownership and implementation under the EFF. The benefits of credible economic policies are evidenced by the macroeconomic stability, low inflation, strong international reserves and lower current account deficits. The macroeconomic stability has been supported by strong fiscal discipline which has delivered the requisite primary surpluses to put public debt on a firm downward trajectory. Fiscal discipline and public debt reduction will continue to anchor the economic reform under the PSBA, particularly with implementation of critical aspects of the enhanced fiscal rules which become effective on April 1, 2017.

The key pillars of the PSBA include;

(i) Support for economic growth and job creation, strengthening of social safety net provisions and the allocation of more public resources to growth-enhancing capital;
(ii) Reduction of the public debt to 60% of GDP by the maintenance of a primary balance of 7.0% over the life of the PSBA;
(iii) Modernization of the monetary policy framework to eventually incorporate inflation targeting; and
(iv) Strengthening resilience of the financial system.

Supplementary Estimates and Adjustment to Primary Balance Target

The Interim Fiscal Policy Paper (IFPP) tabled on September 28, 2016, noted that fiscal operations for the period April-August of the current FY had been "quite robust, particularly Revenue & Grants which was ahead of budget by $12,910.2mn or 7.3%". The IFPP stated that expenditure had performed below budget, due to a number of factors including the late approval of the budget, stemming from the supervening event. At the time of writing the IFPP, the expectation was for expenditures to pick up in the third and final quarters of the current FY and for revenues to be broadly in line with the budget. The IFPP also stated that since the approval of the FY 2016/17 Budget, the GDP growth rate for FY 2015/16 was recorded at a higher level than previously estimated. Consequent on this as well as the early performance for FY 2016/17, the estimated GDP for FY 2016/17 was revised upwards necessitating an increase in the nominal primary balance target to ensure consistency with the target as a percent. The IFPP indicated that additional expenditure pressures had emerged and that appropriate adjustments would be necessary to ensure achievement of the fiscal targets. The adjustments referenced were outlined in the First Supplementary Estimates tabled on January 10, 2017.

The First Supplementary Estimates reflected a nominal increase in expenditure of $12,800.0mn or 2.2% to generate a Revised Estimate of $592,700.0mn. The additional expenditure of $12,800.0mn will be financed from both revenue and loan resources such that achievement of the targeted primary surplus under the precautionary Stand-By Arrangement with the International Monetary Fund remains attainable.

Enhanced General Data Dissemination System (e-GDDS)

The IMF's Statistics Division conducted a Technical Assistance mission in December 2016 to assist the GOJ with the implementation of the Enhanced General Data Dissemination System (e-GDDS). The mission provided support for the development of the National Summary Data Page (NSDP) which visitors to the websites of the Ministry of Finance and The Public Service (MoFPS), Bank of Jamaica (BOJ) and the Statistical Institute of Jamaica (STATIN) will be able to view. The NSDP will serve as a one-stop publication vehicle for essential macroeconomic and fiscal data. Jamaica will be the first Caribbean country and the second country in the Western Hemisphere to implement the e-GDDS. The NSDP will provide national policy makers, domestic and international investors and rating agencies with timely information that has been deemed by the IMF as critical for monitoring the economic conditions and policies of a country. The NSDP facilitates greater transparency as the data will be able to be viewed in both human and machine readable formats and the data will be uploaded in accordance with an Advance Release Calendar. The implementation of the e-GDDS is a major milestone for Jamaica and the NSDP is expected to "go-live" during February 2017.

Public Sector Transformation

Over the medium term the public sector will have some challenging times ahead as the GOJ moves forward with the transformation of the public sector into a client centred, technology enabled provider of services. Business as usual is not sustainable. Some of the issues facing transformation are systemic issues, a risk averse public sector, change management capability and capacity and sometimes inflexible processes. However, the public sector will become focused on delivering excellent service in a cost – efficient manner. The GOJ aims to deliver a public sector that is lean, agile, focused on the goal of a satisfied cutomer (internal or external) and is a great place to work.

The GOJ has begun by examining the structure of the public service. Areas being examined include the sharing of services and expertise across the public service, the digital enabling of the delivery of some services and possible outsourcing of other services. The vision for the public service is one where the model of a permanent politically impartial public sector remains unchanged. However, that public sector will become more open, flexible and fast moving, doing fewer things better, partnering where necessary and finding the most efficient ways to deliver quality service.

FY 2016/17 (April-December 2016)

Provisional data indicates that Central Government operations for April to December 2016 generated a Primary Surplus of $76,788.1mn, which exceeded the $54,000.2mn target established under the new precautionary SBA. The fiscal deficit outturn of $23,489.3mn was better than budgeted by

$26,734.8mn or 53.2% and reflected the strong overall performance of Revenue and Grants combined with lower than budgeted expenditure (net of amortization).

The Fiscal Management Strategy provides a detailed assessment of the fiscal outturn to December 2016 as well as an estimate of the outturn to end March 2017, relative to the original budget. The Central Government's operations are projected to exceed the budgeted primary balance target of $122,126.0mn for the FY 2016/17 predicated on continued strong tax revenue performance and an expenditure profile that is projected to be lower than Budget, primarily due to under execution of the capital expenditures.

Revenue and Grants of $352,039.9mn was $17,575.3mn or 5.3% better than budget. This strong performance was led by Tax Revenue, Non-Tax Revenue and Grants which were ahead of budget by 3.3%, 30% and 90.5% respectively, outweighing the shortfalls in Capital Revenue and Bauxite Levy of 21.4% and 7.6% respectively. Expenditure of $375,529.2mn was $9,159.5mn or 2.4% lower than programmed and reflected lower spending in all areas except recurrent programmes, which recorded a 4.0% higher than budgeted expenditure.

The GOJ has completed approximately 99% of all negotiations for wage agreements for the 2015/2017 contract period, with the major bargaining units representing public sector workers. Formal negotiations for the 2017/19 contract period have not yet commenced, however some of the larger unions have submitted claims. It should be noted that the 2017/19 wage cycle coincides with the timeline for the achievement of the 9.0% Wage/GDP target under the Fiscal Responsibility Framework (FRF). The GOJ will negotiate with the various bargaining groups, within the context of the additional increase in the income tax threshold to $1.5mn, beginning April 1, 2017 and the lower inflation of recent years. These upcoming negotiations will be conducted in a manner consistent with achieving settlements that: reflect a mutual coincidence of benefits; and ensure attainment of the 9.0% Wage/GDP target. In the absence of signed agreements for the 2017/19 contract period, a contingency provision has been made in the FY 2017/18 expenditure budget.

The Overall Balance for the group of 65 Self Financing Public Bodies (SFPBs) is currently projected at a surplus of $17,986.8mn for FY 2016/17 compared to the budgeted surplus of $3,307.6mn. Contributing to this outturn was a Current Balance of $77,974.2mn which was 27.7% above budget with improvement in the collection of receivables being a significant contributor. The projected capital expenditure/investment of the group at $41,089.8mn reflecting a 69.8% achievement of the budgeted amount, also contributed to the higher than budgeted Overall Balance. The largest shortfalls on capital expenditure were reported by the PAJ and NWC. Estimated net transfers to Government of $33,681.6mn are lower by 5.6% against the budgeted amounts.

FY 2017/18 Budget and the Medium Term

Against the backdrop of the GOJ's fiscal stance, the programme targets agreed under the new PSBA, the macroeconomic assumptions outlined in the Macroeconomic Framework and the revenue and expenditure measures being implemented through the FY 2017/18 budget, the MOFP has developed the medium term fiscal and debt profile (Table 1A).

The macroeconomic forecast for FY 2017/18 includes, inter alia:

- Real GDP growth of 2.3% (up from an estimated 1.6% in 2016/17);
- Inflation rate (annual point to point) of 5.0% (4.1% estimated for 2016/17);
- Oil price (WTI) avg. of US$47.50 per barrel (avg. for 2016/17 US$46.30); and
- Core imports increasing by 1.9% relative to estimates for FY 2016/17.

The FY 2017/18 expenditure is programmed at $543,056.3mn (reflecting a 0.1 percentage point of GDP decline to 28.8% compared to the projected 28.9% for FY 2016/17) comprising: Recurrent Programmes of $162,736.2mn; Compensation of $193,184.7mn; Capital Expenditures at $49,282.5mn; and Interest Costs of $137,852.9mn. Capital Expenditure, is projected to increase from 2.5% of GDP to 2.6% of GDP. In nominal terms, Capital Expenditure is programmed to increase by $4,480.9mn or 10% over the projected outturn for FY 2016/17, consistent with the growth objectives of the GOJ. The Central Government budget includes contingency provisions for:

(i) Interest payments on guaranteed loans of $7,129.1mn, consisting of $1,030.9mn for domestic and $6,098.176mn for external interest;
(ii) Amortization (principal) payments on guaranteed loans of $6,994.6mn, with $6,058.3mn allocated for external and $936.3mn for domestic payments;
(iii) Liability management of the internal debt - amortization (principal) payments of $10,000.0mn and interest payments of $4.0mn;
(iv) Liability management of the external debt - amortization (principal) payments of $1,066.8mn and interest payments of $1,976.7mn; 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 $500.0mn.

Revenue & Grants are forecast to fall from 28.2% of GDP in FY 2016/17 to 27.9%, equivalent to $526,345.4mn in FY 2017/18. This forecast includes flows of $13,142.6mn expected to come from public bodies distributions as well as the bauxite sector whereby one of the players will make payments based on a profit share agreement. Compliance will continue to benefit, from the ongoing administrative and compliance actions being executed by the Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA). These strong enforcement actions have had considerable success in the April-December period of FY 2016/17 and are partly responsible for the GOJ exceeding its tax revenue target. Further details on the performance of tax revenue are provided in the Fiscal Management Strategy (FMS) while Appendix V outlines some key administrative initiatives of the TAJ and JCA. The passive forecasts for Revenue and Grants and the Expenditure requirements for FY 2017/18 generate a Primary Surplus of $121,142.0mn, which represents a shortfall of $10,724.0 or 0.6% of GDP on the primary balance target. The primary Balance target for FY 2017/18 is

$131,866.0mn or 7.0% of GDP. The revenue measures to close the primary balance gap will be provided on March 9, 2017.

The Public Bodies Regulations provide for the distribution of profit or surplus from public bodies to the Consolidated Fund. Additionally, transfers to the Consolidated Fund are made by some Executive Agencies. For FY-to-December 2016/17, an amount of $3,660.9mn was transferred to the Consolidated Fund from public bodies and executive agencies in addition to $8,550.0mn from the National Housing Trust (NHT). Additional transfers of $2,400.0mn are expected from the Public Bodies by March 2017 alongside the remaining $2,850mn due from the NHT. Programmed transfers from public bodies to the Consolidated Fund for FY 2017/18 amount to $21,535.6mn. These flows will augment the expected flows from improvement in tax compliance and contribute toward meeting the fiscal targets.

Table 1A: Medium Term Fiscal & Debt Indicators

	Actual	Actual	Est.	Proj.	Proj.	Proj.	Proj.
(J$mn)	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenue & Grants	**411,715.9**	**455,835.8**	**494,801.6**	**526,345.4**	**562,333.1**	**616,949.1**	**660,309.9**
of which Tax Revenue	370,877.5	411,854.0	451,712.8	478,930.6	529,047.8	582,418.8	624,805.4
Expenditure	**418,986.8**	**460,719.4**	**507,224.7**	**543,056.2**	**553,309.7**	**597,729.7**	**626,239.3**
of which Wages & Salaries	158,758.6	168,790.2	168,635.2	179,525.8	184,517.1	200,016.5	215,817.8
of which Interest	124,512.7	125,679.5	139,021.6	137,852.9	128,767.1	130,250.9	127,266.3
Cent Govt Fiscal Balance	**-7,270.9**	**-4,883.7**	**-12,423.1**	**-16,710.8**	**9,023.4**	**19,219.4**	**34,070.6**
Cent Govt Primary Balance	**117,241.8**	**120,795.9**	**126,598.5**	**121,142.0**	**137,790.5**	**149,470.3**	**161,336.9**
Domestic Debt	1,054,911.1	815,948.4	851,654.7	840,569.9	841,395.8	771,764.6	Data not available
External Debt	986,782.6	1,252,810.8	1,328,714.2	1,155,887.5	1,157,536.9	1,158,121.2	Data not available
Net Public Bodies				50,024.3	55,664.0	49,092.7	Data not available
Total Debt	**2,041,693.7**	**2,068,759.2**	**2,180,368.9**	**2,046,481.8**	**2,054,596.7**	**1,978,978.5**	-
(% GDP)							
Revenue & Grants	**26.2%**	**27.0%**	**28.2%**	**27.9%**	**27.6%**	**27.9%**	**27.7%**
of which Tax Revenue	*23.6%*	*24.4%*	*25.7%*	*25.4%*	*25.9%*	*26.3%*	*26.2%*
Expenditure	**26.7%**	**27.2%**	**28.9%**	**28.8%**	**27.1%**	**27.0%**	**26.2%**
of which Wages & Salaries	10.1%	10.0%	9.6%	9.5%	9.0%	9.0%	9.0%
of which Interest	7.9%	7.4%	7.9%	7.3%	6.3%	5.9%	5.3%
Cent Govt Fiscal Balance	**-0.5%**	**-0.3%**	**-0.7%**	**-0.9%**	**0.4%**	**0.9%**	**1.4%**
Cent Govt Primary Balance	**7.5%**	**7.1%**	**7.2%**	**6.4%**	**6.8%**	**6.8%**	**6.8%**
Domestic Debt	67.1%	48.3%	48.5%	44.6%	41.3%	34.9%	Data not available
External Debt	62.8%	74.1%	75.6%	61.4%	56.8%	52.4%	Data not available
Net Public Bodies	0.0%	0.0%	0.0%	2.7%	2.7%	2.2%	Data not available
Total Debt	**129.9%**	**122.3%**	**124.1%**	**108.6%**	**100.7%**	**89.5%**	-

Source: MoFPS

The policy measures to be implemented in FY 2017/18 will enable the GOJ to achieve the key fiscal targets of the primary balance and debt/GDP across the medium term. The policy measures are designed to deliver sustainable benefits to generate incremental surpluses over the medium term, thereby facilitating the achievement of the Debt/GDP legislated ceiling of 60% by

FY 2025/26. The expected reduction in debt and debt servicing costs will provide more fiscal space to support proper maintenance of the GOJ's physical assets and further provide enhanced social protection, as necessary. 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 necessary measures to correct any fiscal deviation that may emerge.

Fiscal Reporting

This Fiscal Responsibility Statement sets out projections for the Central Government's Fiscal Balance, Primary Balance, and Debt Stock for FY 2017/18 - FY 2020/21. The fiscal accounts are compiled on a cash accounting basis and are consistent with the IMF Government Finance Statistics (GFS) guidelines.

As required under the enhanced fiscal rules (Fiscal Responsibility Framework Regulations 2012), this FPP includes a Fiscal Risk Statement, which evaluates contingent liabilities and other risks that may affect the fiscal accounts but due to the uncertainty of an 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 PSBA. It is important, however, to note some differences with respect to presentations, as follows:

(i) As of April 1, 2017, a new public debt definition will become effective for the country. Public Debt will be defined as the consolidated debt of the Specified Public Sector (SPS) net of any cross holdings, except that of the Bank of Jamaica. The Specified Public Sector consists of the Public Sector excluding any public body certified by the Auditor General as primarily carrying out functions that are of a commercial nature. The country's current definition of Public Debt captures the debt of the Central Government, the Bank of Jamaica, and Government guaranteed external debt. References to public debt for any period beyond April 1, 2017 will relate to the new definition.

(ii) The Revenue and Grant figures for FY 2016/17 in this FPP represent actual collections by the revenue departments/agencies to December 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/projected revenue collections. Additionally, the estimated expenditure outturn for FY 2016/17 shown in Table 1A and upon which fiscal and primary balances are computed is based on actual cash expenditure to December 2016 and projections for the rest of the fiscal year.

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

1. At the start of FY 2016/17, the Central Government adopted a Revised Chart of Accounts (RCOA). Although the Estimates of Expenditure for FY 2016/17 were prepared and presented in the RCOA format, the Revenue Estimates were not. The RCOA establishes a set of standard accounting codes for revenue, expenditure, assets and liabilities to be used throughout the public sector in order to standardize Government's financial reports. The revenue estimates presented in this FPP and in the Revenue Estimates 2017/18 utilize the RCOA reflecting a number of changes in the classification of some revenue elements. For example, collections for Quarry tax, Telecommunications licences and import licences collected by the Trade Board and formerly captured as Non-Tax revenue will now need to be reflected as Tax Revenue. Additionally, Royalties will now be captured as Non-Tax Revenue rather than Capital Revenue.

2. In conformity with the enhanced fiscal rules, the MOFPS will commence monitoring and reporting on the Specified Public Sector (SPS) 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 (Amendment) Act 2014. Based on assessments done by the MOFPS and authenticated by the Auditor General's Department, no public body met the exclusion criteria to be exempt from the fiscal rules. Thus for FY 2017/18 – FY 2019/20 the SPS will equate to the Overall Public Sector.

Fiscal Responsibility with Flexibility

Maintaining a prudent fiscal policy stance with respect to revenue and expenditure is critical for the achievement of the medium term targets established under the economic reform programme. Any revenue or expenditure measure which poses a risk to the achievement of the targets will not be adopted without the identification and implementation of requisite offsetting measures. Note is also made of the impact of decisions for FY 2017/18 on the medium term.

The size and direction of the fiscal balance and public debt rely on the macroeconomic assumptions considered, including: inflation, exchange and interest rates; external and domestic demand and expectations for the price of oil and other key commodities. Based on the macroeconomic assumptions over the medium term (inclusive of higher growth) and the maintenance of a primary balance of no less than 7.0% of GDP in FY 2017/18 and over the medium term, the trajectory of Public Debt is downward toward meeting the FY 2025/26 ceiling of 60% . The macroeconomic forecasts may change in response to developments in world markets, particularly oil and other primary commodities markets. Such changes in world markets that lead to a material deviation in the macroeconomic variables will affect fiscal performance and necessitate adoption of the requisite fiscal response.

The enhanced fiscal rules are focused on fiscal consolidation to achieve debt sustainability. However, the rules allow for flexibility to deal with unanticipated events which have a bearing on fiscal outcomes.

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 has 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 international evidence has shown that countries facing protracted deficits and high debt have gained credibility and achieved fiscal objectives by adopting a well-designed FRF underpinned by transparency and fiscal rules. The GOJ embraces and commits to the following fundamental principles of good fiscal management:

- the elimination of high and protracted fiscal deficits, by striking the balance between the citizen's aspirations for public expenditure and the resources available for financing them;
- the targeting of the 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;
- the adoption of a sustainable tax burden and a stable tax policy;
- the preservation of public assets, including their proper maintenance, at a level compatible with the role assigned to the State; and
- increased transparency in the production and dissemination of information regarding budget preparation, presentation, execution and accounting.

Conclusion

The GOJ will continue to drive the implementation of those critical structural reforms deemed necessary to spur stronger economic growth and job creation. The economic growth momentum in the economy has continued, (with the most recent quarterly estimate of growth at 2.0%), inflation remains in low single-digit territory, unemployment is falling and Business and Consumer Confidence Indices are at their highest in fifteen years.

The administration is fully aware of the country’s tight fiscal situation and will remain fiscally responsible by adhering to the 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 understands its 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 continue its efforts toward robust tax reform, divestment of some public assets, cost containment in government operations and accelerating the economic growth momentum.

The GOJ is confident that these efforts will ensure a more stable macroeconomic environment, sustainable debt reduction 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 the Public Service
February 9, 2017

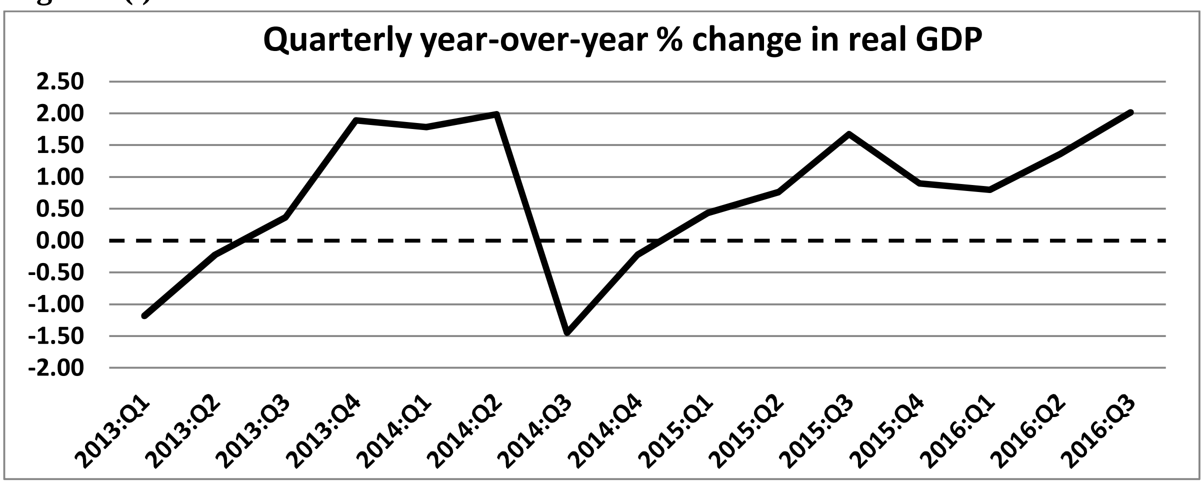
Part 2

MACROECONOMIC FRAMEWORK

Overview of Macroeconomic Developments FY 2016/17

The performance of the Jamaican economy over the first half of FY 2016/17 has been encouraging, with the rate of growth in real GDP accelerating relative to the comparable period of the previous fiscal year. The economic expansion recorded for both the first and second quarters of the current fiscal year maintained the recent positive trend in quarterly real GDP outturn, and extended the number of successive quarters of improvement in the real sector to seven (Figure 2(i)). This represents the longest period of consecutive quarterly real GDP growth in a decade.

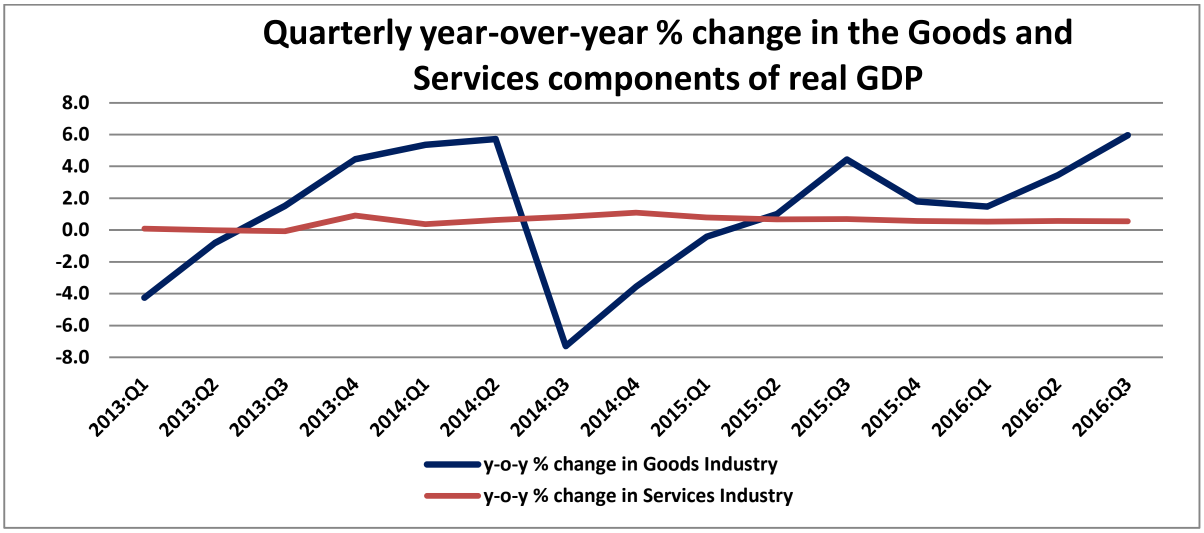
Figure 2(i)



Source: STATIN

The goods industry accounted predominantly for the pick-up in the pace of growth in real GDP over the period (Figure 2(ii)). Aided by improved weather conditions, the 'Agriculture, Forestry and Fishing' sub-industry flourished relative to the first half of the two previous fiscal years. The amplified growth in this sub-industry was the catalyst for the significant improvement in the goods industry overall, as output from 'Mining and Quarrying', 'Manufacturing' and 'Construction' remained relatively constant.

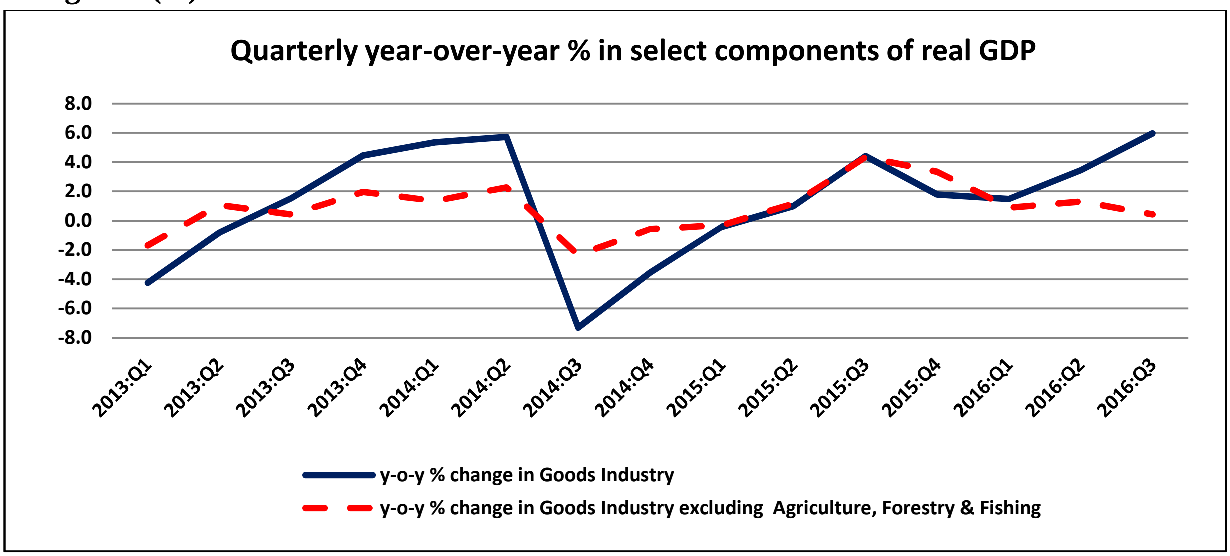
Figure 2(ii)



Source: STATIN

The significance of the contribution of 'Agriculture, Forestry and Fishing' to the increase in the goods industry is highlighted in Figure 2(iii).

Figure 2(iii)

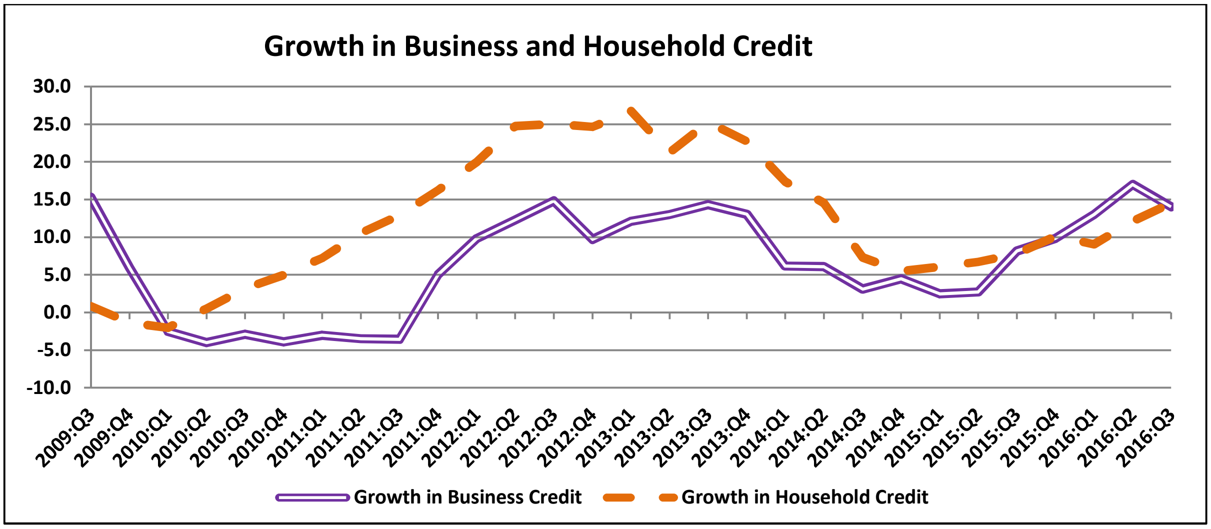


Source: STATIN

Growth in the services industry for the first half of FY 2016/17 was primarily driven by 'Electricity & Water Supply', 'Hotels and Restaurants' and 'Finance & Insurance Services'. A rise in electricity consumption, largely by residential customers, and higher levels of rainfall which led to increased water production accounted for the growth in 'Electricity & Water Supply'. The growing number of visitors to the country, particularly cruise ship passengers, continued to spur 'Hotels and Restaurants', while the main contributors to the increase in 'Finance & Insurance Services' were greater revenues from fees and commissions as well as the accrual of net interest income at deposit taking institutions.

The improvement in the real sector for the review period occurred within the context of a more enabling monetary environment. The Bank of Jamaica (BOJ) reduced the policy rate on its 30-day certificate of deposit during the first quarter of FY 2016/17. This followed two downward adjustments during the previous fiscal year, and reflected the bank's optimistic inflation outlook. The policy decision was also informed by other favourable economic developments including the sustained fiscal discipline of the Government as well as improvements in the external sector, evidenced by the continued decline in the current account deficit and the substantial build-up of net international reserves (NIR). Coinciding with the reduction in the signal rate, domestic currency lending rates have also been gradually declining. Within this context, credit to both households and businesses increased, with the rate of growth in business credit exceeding that for households for the first time in more than five years (Figure 2(iv)).

Figure 2(iv)



Source: BOJ

Labour market conditions continued to improve during the first half of the 2016 calendar year, consistent with the growth in the economy. There was an expansion in the total labour force over the period, with a larger share of the additional persons finding employment than those who did not. Consequently, the rate of increase in the number of employed persons exceeded the rate at which the total labour force grew. This resulted in an increase in the employment rate and an equivalent decrease in the unemployment rate, despite a slight increase in the unemployed labour force. There were fewer numbers of unemployed persons among both genders. Similarly, the unemployment rate fell among youths within the 14 to 24 years age group. The labour force participation rate also improved, indicating that as a percentage of the total working-age population, the number of persons becoming employed or seeking employment has increased. This reflects a renewed optimism about the possibility of finding work, based on employment gains and favourable economic prospects.

The fall in the calendar year inflation rate continued, with the 1.7% outturn registered for 2016 breaking the record 3.7% realized for 2015. Although there were upward pressures, primarily from higher electricity and petrol prices, the overall impact on inflation was relatively moderate. For the first three quarters of FY 2016/17, the rate of price increases slowed relative to the comparable period of FY 2015/16. On the contrary, the inflation rate in the US over the same period exceeded that for the corresponding period of last year. The consequent diminishing inflationary pressure, coupled with mounting reserves, should support the exchange value of the Jamaica dollar.

The positive performance of the fiscal operations is reflected in an improvement in the primary surplus for the current fiscal year to end-December 2016, compared to the corresponding period of the previous fiscal year. Revenue and grants outperformed budget, while total expenditure was below the April to December 2016 projections. This resulted in a higher primary balance than was programmed for the period.

Supported by more favourable weather conditions, increased domestic demand, enhanced business and consumer confidence and higher levels of employment, further economic expansion is anticipated. The projection is for real GDP growth of 1.6% for FY 2016/17, while the medium-term outlook is for average growth of 2.5%.

Table 2A provides a summary of the macroeconomic performance of Jamaica for FY 2014/15 to FY 2015/16, and projection for FY 2016/17.

Table 2A: Summary of Economic Performance

	Unit	FY 2014/15	FY 2015/16	FY 2016/17 (Proj.)
Real GDP Growth Rates	%	0.2	1.0	1.6
Inflation (Annual Pt to Pt)	%	4.0	3.0	4.1
Broad Money Supply (M2*) Growth	%	5.7	19.4	11.1
Unemployment Rate (July)	%	13.8	13.1	12.9
Exchange Rate (average selling rate)	J$=US$1	113.07	118.76	127.29
Treasury Bill (average 6-month)	%	7.8	6.3	6.1
Current Account Balance	% of GDP	-7.0	-1.8	-2.7
Net International Reserves (NIR); (e-o-p)	US$mn	2,293.7	2,415.5	2,659.0
Gross Reserves (Goods & Services Imports)	Weeks	21.6	23.4	23.0
Fiscal Accounts				
Central Gov't Fiscal Balance	% of GDP	-0.5	-0.3	-0.7
Central Gov't Primary Balance	% of GDP	7.5	7.1	7.2
Public Bodies Overall Balance	% of GDP	0.4	1.6	1.0
Debt Stock	% of GDP	129.9	122.3	124.1

Source: STATIN/MOFPS/BOJ/PIOJ

Jamaica's economic performance during FY 2016/17 is analyzed in greater details below through discussions on developments in the real sector, labour market, monetary sector and external sector. In addition, a medium-term macroeconomic profile analysis is provided, as well as an overview of international developments and movements in the commodities market.

Real Sector Developments

Economic Performance for the period April to September of FY 2016/17

Real GDP grew by 1.7% for the first half of FY 2016/17, reflecting acceleration in the pace of growth relative to the 1.2% achieved for the corresponding period of FY 2015/16 (Table 2B). Although the economic expansion is attributable to improvements in both the Goods Producing and the Services industries, the increased rate of growth is primarily the result of the former.

With the exception of Mining & Quarrying, all sectors within the Goods Industry recorded increased value added. Most prominent however, was the 17.4% expansion in 'Agriculture, Forestry and Fishing' which comprehensively outperformed the 2.2% growth registered for the similar period of last fiscal year. This performance was fuelled by increased output of vegetables, condiments and potatoes which are mainly for domestic consumption, as well as higher production of traditional export crops such as sugarcane, banana and coffee. The improvement in the sector reflects the continued recovery relative to the low output levels for the corresponding period of the two previous fiscal years, and was supported by more agreeable weather conditions as well as increased demand. The significant contribution of 'Agriculture, Forestry and Fishing' is highlighted in Figure 2(v) which shows that this industry accounted for 1.5 percentage points (75.6%) of the 2.0% growth in the third quarter of calendar year 2016.

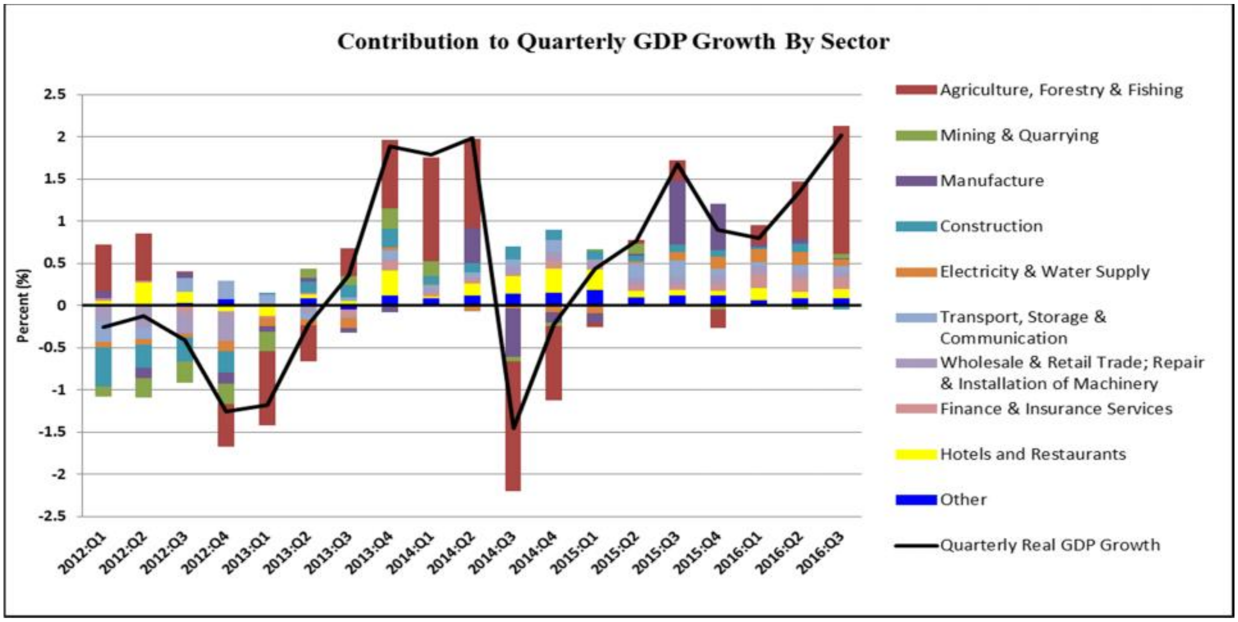
Despite an upturn in the processing of alumina, output for the sector overall remained stable as the positive impact of the increase was completely nullified by an offsetting decline in the production of crude bauxite. The reduction stemmed from lower demand, linked to financial challenges experienced by two major patrons of the bauxite industry – Sherwin Alumina Company and Noranda Bauxite Limited.

The Manufacturing industry grew marginally, influenced by higher output of products categorized as Other Manufacturing. These include non-metallic minerals, largely cement, and petroleum derivatives such as gasoline and fuel oil. There was a decline in Food, Beverages & Tobacco, due in part to reductions in the production of molasses, edible fats, rum and other alcohol products.

Modest growth was also recorded for Construction, proceeding primarily from an increase in residential developments by the National Housing Trust as well as private developers.

The Services industry recorded growth of 0.7% for the review period. The most significant contribution emanated from an increase in Electricity & Water Supply. Buoyed by strengthening demand, there was an upsurge in electricity consumption among residential customers, small and medium sized businesses as well as large power consumers. Additional stimulus was provided by a rise in water production, enabled by increased rainfall. The improved performance in Hotels & Restaurants, mainly due to an uptick in visitor arrivals, also boosted the growth in services. All other components within the services industry positively impacted the outturn, but to a lesser extent.

Figure 2(v)



Source: STATIN

Projected Performance for FY 2016/17[1]

An economic expansion of 1.6% is projected for FY 2016/17. Growth of 4.4% in the Goods Producing industry and 0.8% in the Services Industry is expected to contribute to the increase in real GDP. The Goods Producing Industry is expected to be stimulated by improvements in 'Agriculture, Forestry & Fishing', 'Manufacture' and 'Construction'. It is anticipated that increased value added in the Agriculture, Forestry & Fishing sector will be facilitated by improved weather conditions, an increase in the land area devoted to cultivation, greater efficiency which results in higher yields per unit area harvested and strengthened linkages with other sectors, particularly 'Hotels & Restaurants'. Growth in the manufacturing industry is expected to be supported by a rise in output of petroleum products and non-metallic minerals, as well as an increase in food processing. Construction will be driven mainly by the building and expansion of hotels, although the completion of work on the North-South leg of Highway 2000 is expected to subdue the improvement in the industry.

The Services industry is projected to grow by the same rate as the last fiscal year, with Hotels & Restaurants and Electricity & Water Supply being the main contributors to the expansion. Facilitated by additional room stock due to the construction of new hotels, an increase in visitor arrivals is expected to be the primary growth stimulus for Hotels & Restaurants. Electricity & Water Supply is expected to be driven by increased electricity demand associated with the pickup in economic activities.

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

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

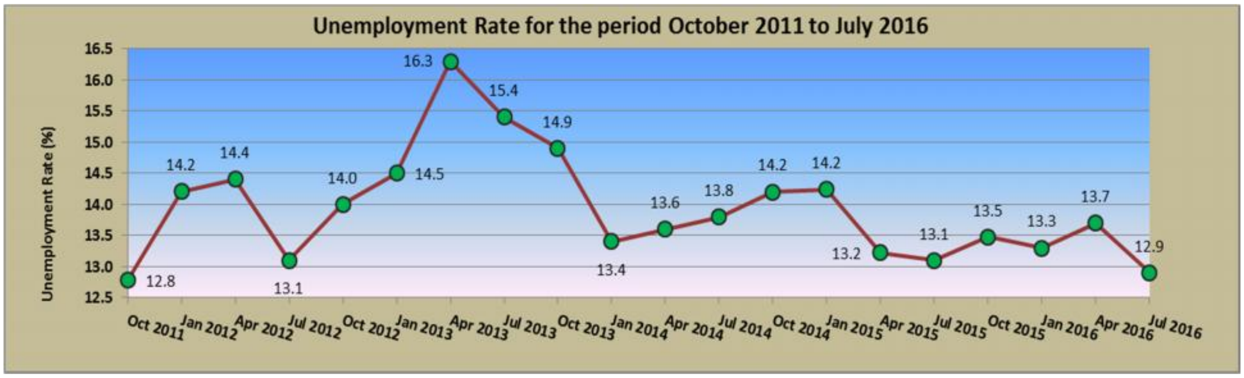
	FY 2015/16 April - September (Actual)	FY 2016/17 April - September (Actual)	FY 2015/16 Full Fiscal Year (Actual)	FY 2016/17 Full Fiscal Year (Projection)
GOODS PRODUCING INDUSTRY	2.7	4.8	2.0	4.4
Agriculture, Forestry & Fishing	2.2	17.4	1.1	15.7
Mining & Quarrying	2.5	0.0	0.5	-3.7
Manufacture	4.5	0.4	4.0	0.9
of which: Food, Beverages & Tobacco	3.0	-0.1	2.5	0.7
Other Manufacturing	6.8	1.0	6.0	1.1
Construction	1.1	0.4	0.8	0.7
SERVICES INDUSTRY	0.7	0.7	0.8	0.8
Electricity & Water Supply	1.9	3.8	3.4	2.8
Transport, Storage & Communication	1.6	0.6	1.1	0.7
Wholesale & Retail Trade; Repair and Installation of Machinery	0.6	0.5	0.6	0.5
Finance & Insurance Services	0.5	1.3	0.8	1.4
Real Estate, Renting & Business Activities	0.6	0.4	0.5	0.5
Producers of Government Services	-0.1	0.0	-0.1	-0.1
Hotels and Restaurants	1.3	1.7	1.5	2.2
Other Services	0.9	0.5	0.8	0.5
Less Financial Intermediation Services Indirectly Measured (FISIM)	0.5	1.7	1.4	1.6
TOTAL GDP AT BASIC PRICES	1.2	1.7	1.0	1.6

Source: STATIN & PIOJ

Labour Market Developments

Conditions in the labour market continued to improve in tandem with the pick-up in economic activities. The July 2016 Labour Force Survey conducted by the Statistical Institute of Jamaica (STATIN) revealed that the unemployment rate fell to 12.9%, the lowest level recorded since October 2011 (Figure 2(vi)).

Figure 2(vi)



Source: STATIN

Other labour force indicators also showed improvements (Table 2C). The unemployment rate for females was 0.8 percentage point lower than the rate reported for July 2015. Notwithstanding the increase in the number of employed males, there was a slight upward movement in the unemployment rate for that gender. This is attributed to the growth in the male labour force, with a smaller proportion of the additional participants finding employment than those who were unsuccessful. Compared to July 2015, the unemployment rate among youths aged fourteen to twenty-four years fell 1.3 percentage points to 29.9%. There were 42,600 more persons participating in the labour force in July 2016, equivalent to a growth of 3.2%. The number of working-aged persons estimated to be outside the labour force declined by 5.0%, reflecting a decrease for both males and females.

The employed population increased by 3.4%. The improvement was most evident in the occupation groups: Wholesale & Retail, Repair of Motor Vehicle & Equipment, Construction and Manufacturing (Table 2D). There were offsetting employment reductions, mainly within the Agriculture, Hunting, Forestry & Fishing occupation group. Employment also declined in the Education and Health & Social Work fields, having been negatively affected by an influx of foreign recruitment of personnel from these occupation groups.

TABLE 2C: SELECTED LABOUR FORCE INDICATORS		2015		2016	
		July	CY Average Up to July	July	CY Average Up to July
BOTH SEXES	**TOTAL POPULATION**	**2,726,100**	**2,724,667**	**2,731,800**	**2,730,333**
	Population 14 years and over	**2,086,000**	**2,084,900**	**2,090,400**	**2,089,300**
	Labour Force	**1,320,700**	**1,313,767**	**1,363,300**	**1,353,067**
	Employed Labour Force	**1,147,500**	**1,136,067**	**1,186,900**	**1,173,233**
	Unemployed Labour Force	**173,000**	**177,633**	**176,300**	**179,800**
	Outside The Labour Force	**765,300**	**771,133**	**727,100**	**736,233**
	Employment Rate	**86.9**	**86.5**	**87.1**	**86.7**
	Unemployment Rate	**13.1**	**13.5**	**12.9**	**13.3**
	Job Seeking Rate	**8.8**	**9.2**	**8.1**	**8.5**
	Percentage of Population under 14 years	**23.5**	**23.5**	**23.5**	**23.5**
	Percentage of Population 14 years & over	**76.5**	**76.5**	**76.5**	**76.5**
	Percentage of Population 14+ Outside LF	**36.7**	**37.0**	**34.8**	**35.2**
	Labour Force as a % age of Total Population	**48.4**	**48.2**	**49.9**	**49.6**
	Labour Force as a % age of Population 14+	**63.3**	**63.0**	**65.2**	**64.8**
MALES	**TOTAL POPULATION**	**1,348,500**	**1,347,867**	**1,351,300**	**1,350,667**
	Population 14 years and over	**1,023,500**	**1,023,000**	**1,025,600**	**1,025,133**
	Labour Force	**720,600**	**717,633**	**732,700**	**729,733**
	Employed Labour Force	**653,400**	**645,167**	**663,100**	**658,067**
	Unemployed Labour Force	**67,100**	**72,433**	**69,600**	**71,667**
	Outside The Labour Force	**302,900**	**305,367**	**292,900**	**295,400**
	Employment Rate	**90.7**	**89.9**	**90.5**	**90.2**
	Unemployment Rate	**9.3**	**10.1**	**9.5**	**9.8**
	Job Seeking Rate	**6.7**	**7.2**	**6.1**	**6.6**
	Percentage of Population under 14 years	**24.1**	**24.1**	**24.1**	**24.1**
	Percentage of Population 14 years & over	**75.9**	**75.9**	**75.9**	**75.9**
	Percentage of Population 14+ Outside LF	**29.6**	**29.9**	**28.6**	**28.8**
	Labour Force as a % age of Total Population	**53.4**	**53.2**	**54.2**	**54.0**
	Labour Force as a % age of Population 14+	**70.4**	**70.1**	**71.4**	**71.2**
FEMALES	**TOTAL POPULATION**	**1,377,600**	**1,376,800**	**1,380,500**	**1,379,667**
	Population 14 years and over	**1,062,500**	**1,061,900**	**1,064,800**	**1,064,167**
	Labour Force	**600,100**	**596,133**	**630,600**	**623,333**
	Employed Labour Force	**494,100**	**490,900**	**523,800**	**515,167**
	Unemployed Labour Force	**105,900**	**105,200**	**106,700**	**108,133**
	Outside The Labour Force	**462,400**	**465,767**	**434,200**	**440,833**
	Employment Rate	**82.3**	**82.3**	**83.1**	**82.7**
	Unemployment Rate	**17.7**	**17.7**	**16.9**	**17.3**
	Job Seeking Rate	**11.4**	**11.6**	**10.6**	**11.0**
	Percentage of Population under 14 years	**22.9**	**22.9**	**22.9**	**22.9**
	Percentage of Population 14 years & over	**77.1**	**77.1**	**77.1**	**77.1**
	Percentage of Population 14+ Outside LF	**43.5**	**43.9**	**40.8**	**41.4**
	Labour Force as a % age of Total Population	**43.6**	**43.3**	**45.7**	**45.2**
	Labour Force as a % age of Population 14+	**56.5**	**56.1**	**59.2**	**58.6**

Source: STATIN Labour Force Survey July 2016

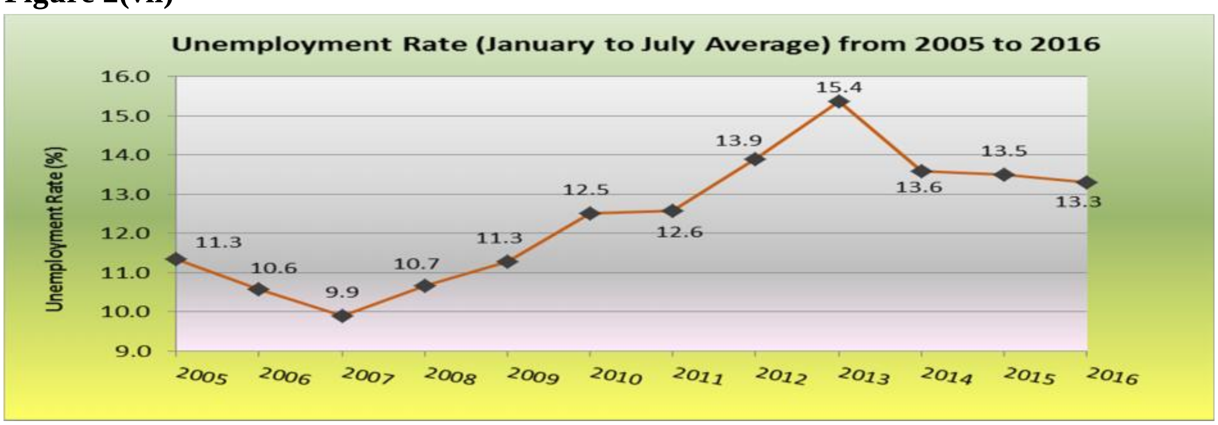
INDUSTRY GROUP	2015 July	2015 CY to July Average	2016 July	2016 CY to July Average	Absolute Change Jul-15 - July-16	Absolute Change CY to Jul Avg-15 - CY to Jul Avg-16
	BOTH SEXES					
Agriculture, Hunting, Forestry & Fishing	205,200	202,600	191,200	196,667	-14,000	-5,933
Mining & Quarrying	4,700	5,600	4,900	5,267	200	-333
Manufacturing	69,700	73,733	81,400	78,567	11,700	4,833
Electricity, Gas and Water Supply	9,000	8,767	5,800	7,000	-3,200	-1,767
Construction	87,600	82,067	99,600	93,500	12,000	11,433
Wholesale & Retail, Repair of Motor Vehicle & Equipment	220,200	227,500	233,500	236,967	13,300	9,467
Hotels & Restaurants Services	90,000	85,900	96,300	94,467	6,300	8,567
Transport, Storage and Communication	75,500	75,600	76,200	73,500	700	-2,100
Financial Intermediation	26,000	27,267	23,100	26,567	-2,900	-700
Real Estate, Renting & Business Activities	78,800	74,067	79,700	74,067	900	0
Public Administration & Defence; Compulsory Social Security	56,800	55,267	65,600	58,933	8,800	3,667
Education	69,600	70,333	65,700	68,667	-3,900	-1,667
Health & Social Work	33,400	32,200	29,600	31,500	-3,800	-700
Other Community, Social and Personal Service Activities	60,600	58,333	70,000	66,567	9,400	8,233
Private Households with Employed Persons	57,900	53,800	60,000	57,400	2,100	3,600
Industry Not Specified (Incl. Extra-Territorial Bodies)	2,500	3,033	4,300	3,600	1,800	567
TOTAL EMPLOYED LABOUR FORCE	**1,147,500**	**1,136,067**	**1,186,900**	**1,173,233**	**39,400**	**37,167**

TABLE 2D – EMPLOYED LABOUR FORCE BY INDUSTRY

Source: STATIN Labour Force Survey July 2016

The average unemployment rate for the calendar year up to July 2016 declined relative to the level attained for the comparable period of 2015 (Figure 2(vii)). This marked the third successive reduction, and is consistent with the growth in output for the first half of the last three calendar years. The outturn also represents the lowest January to July average since 2011. For the first half of 2016, the average unemployment rate decreased for men and women. In terms of employment, the average working population increased, reflecting more jobs for both males and females.

Figure 2(vii)



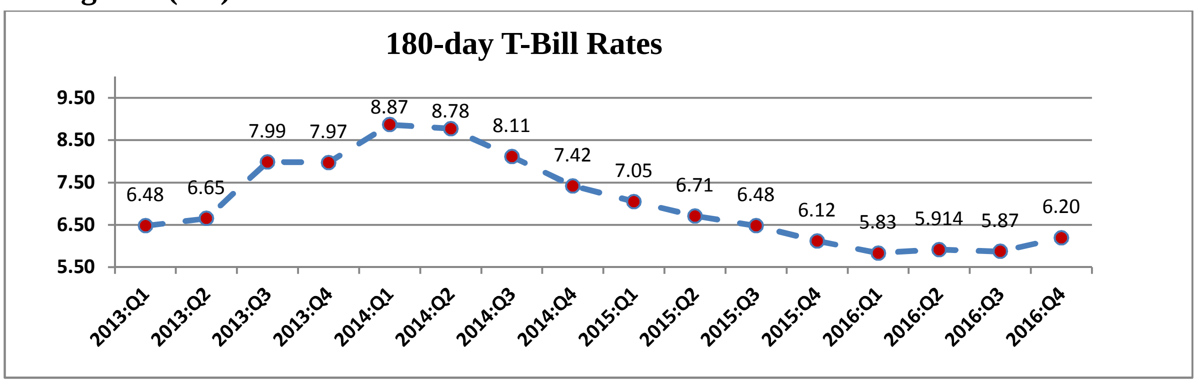
Source: STATIN

Monetary Development

Monetary policy remained broadly accommodative, encouraged by favourable inflation expectations and improvements in the local macroeconomic environment. The BOJ adjusted its signal interest rate downwards during the first quarter of FY 2016/17, lowering it by 25 basis points (0.25%) to 5.0%. This policy action reflects a continuation of the more accommodative policy stance of the central bank. The positive macroeconomic developments that supported the accommodative monetary stance included the sustained growth in the net international reserves and the continued strengthening in the current account position of the balance of payments. The interest rate on the 30-day certificate of deposit (CD) had been previously reduced on two occasions during FY 2015/16.

In addition to the policy rate reduction, the central bank lowered the rates on its lending facilities. Despite these actions, a positive response in the domestic financial market was not forthcoming. As a result of increased uncertainty, primarily regarding exchange rate movements, there was a general increase in market determined yields, particularly for short-term money market instruments. Similarly, a general increase in the average yield for the GOJ 180-day Treasury bill was observed for the quarters following the reduction of the policy rate (Figure 2(viii)). On the contrary, there has been a decline in the overall weighted average interest rate on domestic currency loans issued by commercial banks.

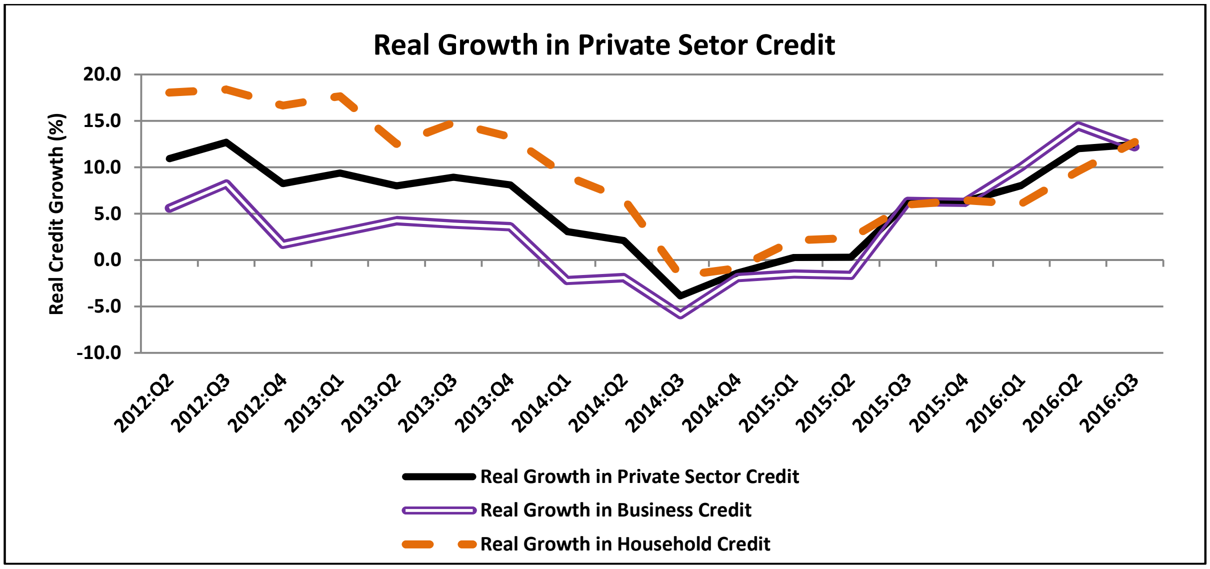
Figure 2(viii)



Source: BOJ

Consistent with the decreasing lending rates, growth in commercial bank credit to the private sector accelerated during the review period (Figure 2(ix)). Loans to both individuals and businesses grew, with the latter accounting for the larger share of the increase. Relative to the inflation-adjusted growth of 8.1% in business credit for the twelve-month period up to end-September 2015, there was a jump in the rate of increase to 14.0% for the corresponding interval up to end-September 2016. The sectors that recorded the most robust growth in business credit were Electricity, Gas & Water, Tourism and Entertainment. The positive impact of the increased lending is evidenced by the expansion in output from these sectors.

Figure 2(ix)



Source: BOJ[2]

Liquidity conditions within the financial system improved. For the first half of FY 2016/17, the operations of the central bank resulted in a net injection of J$66.6bn into the system. This was partially offset by the absorption of J$53.2bn, due to the Government's operations.

At end- September 2016, the money supply amounted to18.9% of GDP, exceeding the ratio at the corresponding point last year by 1.3 percentage points. This reflected an increase in demand and saving deposits, as well as currency in circulation. The monetary base also expanded, due to the combined effect of a positive change in net international reserves and net domestic assets (NDA). The increase in NIR was associated with the Bank of Jamaica's purchases of foreign currency from the market, while the change in NDA derived partly from a net draw-down in Government deposits.

Inflation

The All Jamaica 'All Divisions' Consumer Price Index grew by 1.7% for the 2016 calendar year (Table 2E). This outturn fell 2.0 percentage points below the remarkably low inflation rate achieved for 2015. The slow-down related primarily to a moderation in the rate of price increases for domestic agricultural products. Supported by an increase in the level of rainfall over the period, agricultural supplies were sufficient to meet the demands of consumers and resulted in a decline in inflationary pressures. The rate of increase in the price for processed food items also decelerated, mainly due to the impact of lower international grain prices.

Significant upward pressures emanated from energy related price increases. This was mainly due to an administrative decision made by the Office of Utilities and Regulations (OUR) to allow the raising of the tariff rate applied on the Jamaica Public Services (JPS) bills. Accordingly, the division 'Housing,

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

Water, Electricity, Gas and Other Fuels' recorded the highest rate of inflation for the year. Other divisions which reflected considerable price increases include 'Furnishings, Household Equipment and Routine Household Maintenance' and 'Education'.

The inflation rate for December 2016 was 0.3%, marginally higher than the rate reported for the same month in 2015. This outturn contributed to the 3.1% cumulative increase in the general price level from the beginning of FY 2016/17 up to the end of the third quarter. The division which recorded the highest movement for the month was 'Housing, Water, Electricity, Gas and Other Fuels', mainly due to increased electricity, water and sewage rates. Only the Transport division registered a decline, resulting from lower fuel prices on the local market.

Inflation for FY 2016/17 is projected to be within the 4.0% to 6.0% range. This forecast is predicated on the outlook for a moderate increase in international commodity prices, including crude oil. Stronger domestic demand is also expected to be a source of upward inflationary pressure. The overall risk to the inflation forecast for the remainder of the fiscal year is considered to be balanced. The upside risks include deteriorated weather conditions, greater than anticipated domestic demand, exchange rate depreciation beyond expectation and higher commodity prices than projected. Among the downside risks are: more favourable weather conditions, lower than anticipated international commodity prices, and weaker than expected demand conditions.

Table 2E

All Jamaica 'All Divisions' and Division Indices and Movements (Base period December 2006 = 100)	Dec 2015 Index	Mar 2016 Index	Nov 2016 Index	Dec 2016 Index	Monthly % change for Dec 2016	Calendar Year 2016 (% change)	FY 16/17 to Dec 2016 (% change)
ALL DIVISIONS - ALL ITEMS	232.3	229.3	235.6	236.3	0.3	1.7	3.1
1 Food and Non-Alcoholic Beverages	293.7	287.5	292.8	294.0	0.4	0.1	2.3
2 Alcoholic Beverages and Tobacco	286.6	288.7	294.3	294.7	0.1	2.8	2.1
3 Clothing and Footwear	231.0	231.8	234.6	234.8	0.1	1.6	1.3
4 Housing, Water, Electricity, Gas and Other Fuels	205.9	200.4	218.4	220.2	0.8	6.9	9.9
5 Furnishings, Household Equipment and Routine Household Maintenance	223.4	229.5	232.5	232.8	0.1	4.2	1.4
6 Health	142.7	143.1	144.9	145.5	0.4	2.0	1.7
7 Transport	200.3	195.6	203.9	202.9	-0.5	1.3	3.7
8 Communication	66.9	66.9	66.9	66.9	0.0	0.0	0.0
9 Recreation and Culture	182.2	183.1	186.6	186.7	0.0	2.5	1.9
10 Education	182.6	182.6	190.3	190.3	0.0	4.2	4.2
11 Restaurants and Accommodation Services	188.1	190.3	190.6	190.8	0.1	1.3	0.3
12 Miscellaneous Goods and Services	222.0	223.5	226.9	227.8	0.4	2.6	1.9

Source: STATIN

Exchange Rate

The selling rate of the US dollar at the end of December 2016 was US$1.00 = J$128.44. This reflects a 6.7% depreciation of the domestic currency for the 2016 calendar year, compared to the 5.6% devaluation for 2015. The faster pace of depreciation was mainly due to the impact of movements in the exchange rate during April and May, resulting from increased pressure associated with higher investor demand for income earning assets to replace the earlier huge maturity of GOJ securities. Since then, the exchange rate has remained relatively stable. In fact, there was a small appreciation of the Jamaica dollar towards the latter part of the calendar year.

There was a similar effect on the movement of the exchange rate between the beginning of FY 2016/17 and the end of the third quarter. Over the period, the domestic currency depreciated by 5.2% relative to 4.7% for the corresponding period of the previous fiscal year.

However, based on Jamaica's lower inflation outturn relative to its major trading partners and the consequent reduction in inflationary pressures, volatility in the foreign exchange market is expected to be further restrained.

External Sector Developments

The Current Account balance improved for the first quarter of FY 2016/17 when compared the corresponding period of the previous fiscal year (Table 2F). The outturn for the review quarter continued the upward trend seen since the corresponding quarter in 2014. Except for Primary Income, all the sub-accounts improved. The most significant positive change occurred in the Goods and Services sub-account. The improvement in goods largely reflected a decline in imports. The reduction in import payments was mainly due to lower expenditure on Mineral Fuel, although there were also declines in the imports of Miscellaneous Commodities as well as Miscellaneous Manufactured Goods and Food. This was partially offset by higher imports of Machinery and Transport Goods. The decline in exports mainly reflected lower earnings from Food and Crude materials. The increased surplus on the services sub-account relative to the comparable period last year was driven primarily by travel flows and reflected a growth in tourist expenditure.

The Secondary Income account benefited from higher Private Transfers associated with an increase in remittance inflows. Increased interest payments on GOJ Global bonds to non-residents for the quarter accounted chiefly for the worsening deficit on the Primary Income sub-account.

The improvement in the financial account reflected an increase in the holdings of Portfolio Investments by residents. However, the flows from official and private sources were not sufficient to finance the net deficit on the Current and Capital Accounts. As a result, the NIR declined.

Table 2F

Balance of Payments for the Final Quarter of FY 2016/17
April - June 2016

Balance of Payments (US$MN)	FY 2015/16 April - June	FY 2016/17 April - June	Change
Current Account Balance	**-128.5**	**-29.8**	**98.7**
Credits	1,795.1	1,849.0	53.9
Debits	1,923.7	1,878.8	-44.9
Goods & Services	-576.8	-440.9	136.0
Credits	1,087.9	1,117.7	29.8
Debits	1,664.8	1,558.6	-106.2
Goods	-823.8	-723.2	100.6
Exports	344.4	342.3	-2.1
Imports	1,168.2	1,065.5	-102.7
Services	247.0	282.3	35.4
Credits	743.6	775.4	31.8
Debits	496.6	493.0	-3.5
Primary Income	-144.6	-204.9	-60.4
Credits	62.8	62.4	-0.4
Debits	207.3	267.3	60.0
Secondary Income	592.9	616.0	23.2
Credits	644.4	668.9	24.5
Debits	51.5	52.9	1.3
Capital Account	**2.8**	**0.0**	**-2.8**
Credits	2.8	0.0	-2.8
Debits	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	**-125.7**	**-29.8**	**95.9**
Financial Account Net lending (+) / net borrowing (-) (balance from financial account)	**-289.0**	**-36.4**	**252.6**
Direct Investment	-207.8	115.7	323.5
Net acquisition of financial assets	-2.0	220.4	222.4
Net incurrence of liabilities	205.8	104.7	-101.1
Portfolio Investments	302.6	-242.0	-544.6
Net acquisition of financial assets	157.9	16.4	-141.5
Net incurrence of liabilities	-144.7	258.5	403.1
Financial derivatives	28.8	6.4	-22.4
Net acquisition of financial assets	21.1	4.0	-17.1
Net incurrence of liabilities	-7.7	-2.4	5.3
Other Investments	-260.1	157.9	418.0
Net acquisition of financial assets	-27.5	73.3	100.8
Net incurrence of liabilities	232.6	-84.6	-317.2
Reserve Assets	-152.5	-74.4	
Net Errors and Omissions	**-163.3**	**-6.6**	

Source: BOJ

The Commodities Market

The general decline in international commodity prices continued over the first three quarters of FY 2016/17, although at a slower pace relative to the corresponding period of the previous fiscal year. This is confirmed by the movement in the IMF's International Commodity Price Index which declined by 4.2%, a much smaller rate than last year (Table 2G). The fall in the Fuel (Energy) Price index primarily accounted for the decline, and continued to reflect the impact of high supplies in the market, with major oil producers such as Saudi Arabia and Russia having expanded output. Reductions in the price of wheat, maize and cocoa also contributed to the decrease in the All Commodity Price index. Average wheat prices declined due to increased wheat inventories and higher harvests, which improved supply. Average aluminium prices grew for the review period. This outturn largely reflected an increase in demand for light weight cars, particularly, in the United States and Europe.

Energy and non-energy commodity price indices are projected to increase in 2017. Following agreements among some Organization of the Petroleum Exporting Countries (OPEC) producers and non-OPEC producers to limit output in the first half of 2017, oil prices are projected to increase as the market tightens.

Box A: 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 it affects every aspect of the production process in Jamaica, mainly via electricity costs and gas at the pumps. When the dimension of adverse J$ foreign exchange rate movements is added, it brings into sharp focus the need to sustain relative stability in the foreign exchange market.

Table 2G: International Commodity Prices

Commodity	Unit	Average Percentage Change Apr-Dec FY 2015/16	Apr-Dec FY 2016/17
All Commodity Price Index		-35.3	-4.2
Non-Fuel Price Index		-18.4	1.9
Fuel (Energy) Price Index		-44.4	-9.1
Select Commodities			
Cocoa	Cents per Kg.	3.5	-10.8
Coffee, Arabica	Cents per Kg.	-26.8	9.1
Soybean meal	$/mt	-24.5	6.5
Maize/Corn	$/mt	-10.1	-5.6
Wheat, US, HRW	$/mt	-25.5	-23.7
Sugar, EU, domestic	Cents per Kg.	-6.8	-13.3
Sugar, World	Cents per Kg.	-24.9	50.8
Crude Oil	US$ per Barrel	-46.6	-4.6
Aluminum	US$/Tonne	-15.7	0.9

Source: IMF Primary Commodity Prices

The International Environment

Growth in the global economy for 2016 trailed initial projections. Based on the estimated 3.1% outturn published in the January 2016 issue of the World Economic Outlook (WEO) Update, global output fell 0.3 percentage point below the January 2015 target. This represents a marginal deceleration in the pace of growth relative to the previous year. Whereas there was a pronounced economic slow-down in advanced economies, as evidenced by the movement from 2.1% to 1.6%, the rate of growth in emerging markets and developing economies (EMDEs) was maintained at 4.1%. The United States experienced a strong rebound in the second half of the year compared to other advanced economies, as the country approaches full employment. Among emerging markets and developing economies, the growth rate in China was slightly higher than expected due mainly to continued policy stimulus. Economic activities were weaker in some Latin American countries including Argentina and Brazil, as a result of sharp declines in tourism revenues. There was a pick-up in oil prices towards the end of 2016, while long-term interest rates have trended upwards. These developments represent a downside risk to macroeconomic progress in Jamaica, particularly in the external context.

The outlook is for growth in world output of 3.4% and 3.6% in 2016 and 2017, respectively. Economic activity is forecast to accelerate in both advanced economies and EMDEs in 2017 and 2018. The risks to these forecasts are assessed to be skewed to the downside, with increased uncertainty surrounding new political developments in the United States, the exit of the UK from the European Union, as well as the existence of other geopolitical risks. The possibility of higher investments, if confidence in the recovery of global demand strengthens, represents an upside risk. There are also upside risks associated with increased support of economic activity through policy stimulus in the United States and/or China which would have positive spillover effects on the economies of their trading partners, including Jamaica.

Macroeconomic Outlook FY 2017/18 to 2020/21

Acceleration in economic activity is expected in the medium term, against the background of improvements in most industries. The Medium Term Macroeconomic Profile (Table 2H) summarizes the key macroeconomic projections that will underpin the development of the estimates of revenue and expenditure over the period from FY 2017/18 to FY 2020/21. Notwithstanding the existence of risks that could derail the profile, the outlook remains positive.

Table 2H: Medium Term Macroeconomic Profile

Macroeconomic Variables	2014/15 Actual	2015/16 Actual	2016/17 Proj.	2017/18 Proj.	2018/19 Proj.	2019/20 Proj.	2020/21 Proj.
Nominal GDP (J$bn)	1571.8	1691.0	1757.5	1883.8	2039.5	2211.5	2386.0
Nominal GDP growth rate (%)	7.5	7.6	3.9	7.2	8.3	8.4	7.9
Real GDP growth rate (%)	0.2	1.0	1.6	2.3	2.5	2.4	2.7
Inflation: Annual Pt to Pt (%)	4.0	3.0	4.1	5.0	5.5	5.5	5.0
Interest Rates:							
30-day repo rate (end-of-period)	5.75	5.25					
180-day Treasury Bill (average)	7.84	6.29					
Average Exchange Rate (J$=US$1.00)	113.07	118.76					
Current Account (%GDP)	-7.0	-1.8	-2.7	-3.1	-3.4	-3.7	-3.9
Net International Reserves (NIR) US$mn	2293.7	2415.5	2659.0	3363.8	3811.5	4094.9	4369.9
Oil Prices (WTI) (average US$/barrel)	81.2	45.0	46.3	47.5	55.0	57.5	59.0

Source: BOJ

Real GDP is projected to grow by an average of 2.5% over the next four fiscal years. Growth in both the goods and services industries is expected to drive the expansion. An uptick in inflation is expected, stabilizing within the 5.0% to 5.5% range over the medium term. This expectation is informed by assumptions of increasing domestic demand and anticipated increase in oil prices.

The current account deficit as a percentage of GDP is projected to remain relatively low, averaging 3.5% over the medium term. This is predicated on Jamaica's improved external competitiveness.

Medium Term Growth Projections

The projected real sector performances for FY 2017/18 through to FY 2020/21 are presented in Table 2I below.

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

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
	PIOJ's Estimates				
GOODS PRODUCING INDUSTRY	4.4	5.7	5.6	4.3	4.9
Agriculture, Forestry & Fishing	15.7	4.0	5.5	7.0	9.0
Mining & Quarrying	-3.7	40.0	25.0	6.9	2.9
Manufacture	0.9	1.9	2.2	2.8	3.8
of which: Food, Beverages & Tobacco	0.7	1.5	2.0	3.0	4.5
Other Manufacturing	1.1	2.4	2.5	2.5	3.0
Construction	0.7	1.4	1.6	2.0	2.5
SERVICES INDUSTRY	0.8	1.2	1.4	1.7	1.8
Electricity & Water Supply	2.8	3.0	2.5	3.5	3.8
Transport, Storage & Communication	0.7	2.0	2.3	2.5	2.5
Wholesale & Retail Trade; Repair and Installation of Machinery	0.5	0.8	1.0	1.0	1.4
Finance & Insurance Services	1.4	1.5	1.7	2.5	2.0
Real Estate, Renting & Business Activities	0.5	1.0	1.3	1.6	1.8
Producers of Government Services	-0.1	-0.4	-0.2	-0.1	0.0
Hotels and Restaurants	2.2	3.4	3.0	3.4	4.0
Other Services	0.5	0.8	1.2	1.8	2.0
Less Financial Intermediation Services Indirectly Measured (FISIM)	1.6	1.5	1.5	1.5	1.5
TOTAL GDP AT BASIC PRICES	1.6	2.3	2.5	2.4	2.7

Source: STATIN & PIOJ

FY 2017/18 Projected Performance

The Economy is expected to expand by 2.3% for FY 2017/18. This projection reflects improvement in most industries, resulting from increased domestic and external demand which is predicated on anticipated increases in consumer and business confidence and stronger growth in the global economy. These improvements will be facilitated by continued improvement in Jamaica's macroeconomic and business environment. Jamaica's main service and goods exporting industries are anticipated to be the key drivers of growth. The Goods Producing and Services Industries are estimated to increase by 5.7% and 1.2%, respectively. The following are expected to be the main drivers of growth:

- ✓ Mining & Quarrying - projected to grow by 40.0%. This is based on the expected commencement of alumina refining at the Alpart Plant during the July – September quarter, following the sale of the plant, which facilitated the injection of new capital to start operations.

- ✓ Output from Alpart will be sold to the largest Alumina Market, China, under an agreed contractual arrangement. Additionally, aluminium prices are projected to increase globally.
- ✓ Agriculture, Forestry & Fishing - projected to grow by 4.0%. This industry is expected to be propelled mainly by increased utilization of technology (irrigation) in Agro-parks and increased linkages with Hotels & Restaurants (Tourism) and Manufacture industries.
- ✓ Hotels & Restaurants - projected to grow by 3.4%. The main driver of this growth is expected to be increased stop-over arrivals as a result of higher global output and expansion into new markets which will be facilitated by an increase in the room stock and frequency of flights into Jamaica. General improvement in the wider economy will positively impact the Restaurants component.

FY 2018/19 Projected Performance

Real growth of 2.5% is being projected for FY 2018/19. This reflects continued strengthening of most industries. The expectation is that there will be increased global output, strengthening of competitiveness in some industries, improvements in the business environment, and the roll-out of major strategic investment projects. These developments are expected to result in a rise in domestic output and result in increased activities mainly in the following industries:

- ✓ Agriculture, Forestry & Fishing - with a growth projection of 5.5%. This is predicated on an increase in linkages between Agriculture and the Hotels & Restaurants and Manufacture industries and will be facilitated by increased capacity utilization and output from Agro Parks leading to import substitution, as well as increased roll out of irrigation infrastructure.
- ✓ Mining & Quarrying - with a growth projection of 25.0%. This growth reflects the increased utilization of capacity as well as, planned expansion by the Alpart plant. Expected increases in the price of aluminium will also contribute to the growth outturn.
- ✓ Hotels & Restaurants - with a growth projection of 3.0%. This is predicated on increased visitor arrivals that will be facilitated by an increase in the room stock and frequency of flights into Jamaica.
- ✓ Electricity & Water supply - with a growth projection of 2.5%. This increase will reflect higher electricity consumption, due to higher levels of production in the economy, as well as an increase in the housing stock.

FY 2019/20 Projected Performance

Economic growth of 2.4% is projected for FY 2019/20. This projection reflects growth in all industries. Increased capacity utilization in some industries, as a result of higher demand locally and externally will drive growth. The industries expected to spur growth are:

- ✓ Mining & Quarrying – projected to grow by 6.9%. Increased capacity utilization across all plants will be the main driver of growth, driven by increased global demand for aluminium.
- ✓ Agriculture, Forestry & Fishing – projected to grow by 7.0%. This growth will be fuelled mainly by expected increased utilization of Agro-parks and higher demand from the Hotels & Restaurants (Tourism) and Manufacture industries as well as continued import substitution.
- ✓ Hotels & Restaurants – projected to grow by 3.4%. This sector is expected to be driven by increased stop-over arrivals as a result of higher global output, and will be facilitated by an increase in the room stock, marketing and frequency of flights into Jamaica.

FY 2020/21 Projected Performance

Real GDP is projected to grow by 2.7% for FY 2020/21. This will reflect growth in all industries, continued strengthening of demand as well as increased capacity in some industries. Efficiency gains from public sector transformation will also contribute to the performance. The industries driving the growth will be:

- ✓ Agriculture Forestry & Fishing - projected to grow by 9.0%. This will be driven mainly by expected increase in the hectares of lands that are irrigated, increased usage of technology, product diversification and higher demand from the Hotels & Restaurants and Manufacture industries.
- ✓ Hotels & Restaurants - projected to grow by 4.0%. This is predicated on higher stop-over arrivals as a result of an increase in global output and will be facilitated by an expansion in the room stock, marketing and frequency of flights into Jamaica.
- ✓ Manufacture - projected to grow by 3.8%. This will be spurred by increased domestic and global demand for Jamaican goods as well as expansion of capacity. Additionally, gains are expected in the agro-processing industry, reflecting increase linkages with the Agriculture, Forestry & Fishing industry.

PART 3
FISCAL MANAGEMENT STRATEGY

Central Government Operations FY 2016/17

Background

Jamaica made significant economic progress under the Extended Fund Facility (EFF) with the IMF. At the 13th review of the EFF by the IMF, it was confirmed that all quantitative performance criteria/targets and structural benchmarks were met. Domestic confidence indicators were at an all-time high evidenced by increased economic activity. Across the programme period, the GOJ: implemented proactive debt management strategies, maintained macroeconomic stability and has enhanced fiscal discipline. In November 2016, the EFF arrangement was replaced with a three-year precautionary Stand-By Arrangement (PSBA). The new programme provides some insurance against global economic uncertainties that may generate a balance of payment need.

The Government of Jamaica (GOJ) has articulated its intent to take deliberate steps to create jobs, foster economic growth and maintain its commitment to fiscal responsibility. This growth agenda will be informed by the Economic Growth Council (EGC).

Fiscal discipline, public debt reduction and public sector transformation will continue to anchor Jamaica's reform program. The GOJ will seek to reorient public resource allocation towards infrastructure, social protection, and security-related spending, whilst delivering public services more efficiently.

Expenditure

Table 3A: FY 2016/17 Expenditure Budget vs. FY 2015/16 Outturn

	2015/16	2016/17	% Change
Expenditure	**460,719.4**	**502,373.8**	**9.0%**
Recurrent Expenditure	427,972.1	459,373.0	7.3%
Programmes	133,505.4	139,772.4	4.7%
Compensation of Employees	168,790.2	181,141.9	7.3%
Interest	125,679.6	138,458.7	10.2%
Capital Expenditure	32,747.3	43,000.8	31.3%

Source: MoFPS

Expenditure excluding Amortization was budgeted at $502,373.8mn for FY 2016/17. Capital Spending was earmarked as the instrument through which growth-enhancing activities would be supported. This priority was reflected through an increase in Capital Expenditure from 1.9% of GDP in FY 2015/16 to 2.4% in FY 2016/17. All other expenditure items saw either a decrease or marginal increases. Recurrent Programmes at 8.1% of GDP was budgeted at a 0.1 percentage point decline over the previous fiscal year. Non-Debt expenditure of $363,915.1mn in FY 2016/17 represented 21.1% of GDP, reflecting a 0.6 percentage point increase over the 20.5% recorded for FY 2015/16. Compensation of Employees and Interest Payments both increased by 0.2 percentage points and 0.3 percentage points of GDP respectively.

The Non-debt expenditure budget was comprised of Recurrent Programmes, Compensation of Employees and Capital Expenditure in the amounts of $139,772.4mn, $181,141.9mn and $43,000.8mn respectively.

The allocation attributed to recurrent expenditure included:

- Approximately $2,000.0mn to meet the new rates for travel and related allowances and arrears for the period August to October 2015;
- $2,5000.0mn under MoFPS' Contingency to meet the payment of General Consumption Tax (GCT) on goods and services purchased by MDAs;
- $550.0mn for weather-related risk mitigation (a statutory requirement under the Financial Administration and Audit (Amendment) Act 2014.

Expenditure for social programmes was increased by 5.6% in FY 2016/17 as the government continued efforts toward poverty reduction. To this end, $28,500.0mn was allocated to support youth employment, the purchase of drugs and medical supplies for the public health sector, poor relief, children homes, school feeding and the PATH programme.

The allocation for Compensation of Employees amounted to $181,141.9mn, reflecting an increase of 0.2 percentage points of GDP compared to the previous year. This category reflects an adjusted classification based on the new Chart of Accounts adopted in FY 2016/17 and captures the employer's contribution toward the Government Health Scheme which was previously classified under Recurrent Programmes. The new classification which is in line with the international public financial management standard is comprised of Wages and Salaries and Employers' Contribution. Wages & Salaries was budgeted at $170,193.5mn and Employer's Contribution at $10,948.4mn.

Interest Payments were budgeted at $138,458.7mn with domestic interest cost projected at $64,779.7mn and external interest cost at $73,679.0mn. Budgeted Interest Payments reflected a 10.2% increase over the outturn for FY 2015/16 and represented 8.0% of GDP. External interest cost at $73,679.0mn reflected a 35.7% increase over FY 2015/16 while domestic interest cost was budgeted at $64,779.7mn, 9.3% below that of FY 2015/16. The increase in external interest was largely attributable to the servicing due on the US$2,000.0mn global bonds raised on the ICM in 2015 while the decline in domestic interest cost was primarily related to the 2015 PetroCaribe liability management exercise and the repayment of maturing NDX instruments in February 2016.

Capital Expenditure (net of Appropriations-in-Aid) was projected at $43,000.8mn representing a 31.3% or $10,253.5mn increase over FY 2015/16. The priority accorded to the category of Capital Expenditure was reflected in the significant level of increase allocated over the prior year especially when compared to the overall expenditure increase of 9.0%.

Revenue and Grants

Table 3B: FY 2016/17 Revenue Forecast vs. FY 2015/16 Outturn

	2015/16	2016/17	% Change
Revenue and Grants	**455,835.8**	**486,041.1**	**6.6%**
Tax Revenue	411,854.0	446,767.0	8.5%
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: MoFPS

Revenue and Grant flows for FY 2016/17 was estimated at $486,041.1mn representing a 6.6% increase over FY 2015/16. At 28.2% of GDP, the estimate was 0.3 percentage point higher than FY 2015/16.

Tax Revenues at $446,767.0mn represented an 8.5% increase over FY 2015/16 and included amounts expected to flow from the revenue measures (see Table 3C) tabled by the Minister of Finance and the Public Service during the budget debate. Non-tax Revenue for FY 2016/17 was projected to be $30,537.2mn, representing a reduction of 14.6% on the outturn for FY 2015/16 (Table 3B). This forecast at 1.8% of GDP reflected a 0.4 percentage point reduction on the estimated 2.2% of GDP for FY 2015/16. The projected collection included:

- NHT transfers to the Consolidated Fund of $11,400.0mn;
- Custom Administrative Fees (CAF) of $5,607.1mn;
- Telecommunication licenses of $866.9mn; and
- Financial distributions from the public bodies of $3,089.7mn.

Bauxite Levy budgeted at $2,818.2mn represented an increase of 33.1% over the $2,116.9mn received in FY 2015/16 and a 0.1 percentage point increase in the GDP ratio.

Capital Revenue was programmed at $669.8mn for FY 2016/17 representing a 2.6% increase over FY 2015/16 while grants were estimated to decline by 3.9% primarily due to lower budget support from the European Union.

Table 3C: Summary of the Revenue Measures for FY 2016/17

TAX MEASURES – FY 2016/17	REVENUE IMPACT (-ve) / +ve (J$Million)
1. PIT reform phase 1: Increase the annual general income tax threshold to $1,000,272 and increase marginal tax rate on income above $6.0mn to 30%.	(-12,500)
2. Increase the Specific SCT component by $7.0 per litre on Petrol [$1.048 Billion yield per $1 per litre].	6,489
3. Introduce a SCT regime for LNG and revise the regime for HFO.	1,415
4. Increase the *Specific* SCT on cigarettes, cigars, cigarillos, cheroots [including Cigars, cheroots, cigarillos of tobacco substitutes] to $14 per stick.	574
5. Increase the Departure Tax to US$35.00 (current rate approx. US$14.53)	5,300
TOTAL	**1,278**

Source: MoFPS

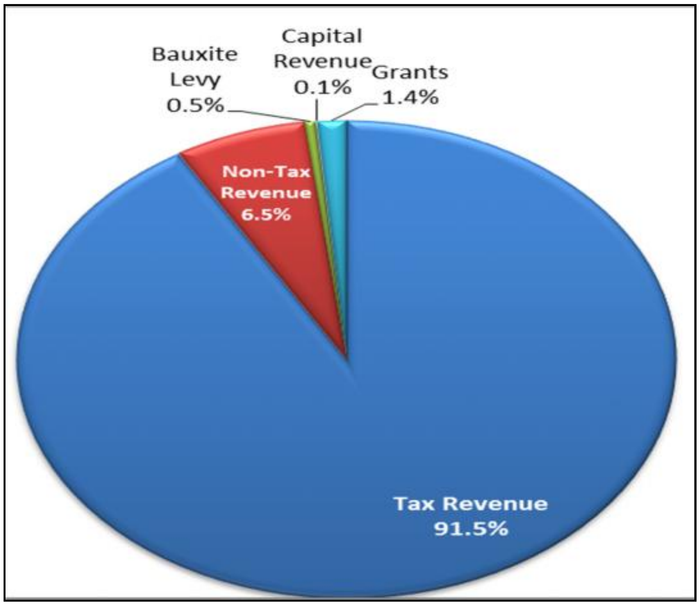
Fiscal Performance

Central Government Operations: April-December 2016

The fiscal consolidation process continued during FY 2016/17, with Revenue & Grant inflows over the April-December 2016 review period reflecting a strong performance attributable to: a substantial improvement in compliance, arising from both the policy and administrative actions undertaken over recent years; as well as an above average inflow of financial distributions from the Public Bodies. Expenditure during the review period was significantly below budget, which combined with the revenue performance generated a significantly higher than programmed primary surplus of $76,788.1mn, compared to the $54,000.2mn target.

Revenue & Grants have increased nominally by 10.5% over FY 2015/16. Tax Revenue, the largest contributor to the overall outturn, recorded flows at 3.3% higher than budget and 10.4% over the corresponding period of FY 2015/16. Non-Tax Revenues and Grants representing 6.5% and 1.4% (Figure 3(i)) of total revenue flows are significantly above their budgeted amounts by 30.0% and 90.5%, respectively (Table 3D). Bauxite Levy and Capital Revenue were both below budget recording shortfalls of 7.6% and 21.4% respectively.

Figure 3(i): Proportion of Revenue and Grants



Source: MoFPS

In recent years, the revenue authorities have implemented a number of reforms to improve revenue collection, transparency and consistency of tax receipts. Among the recent actions were:

- The implementation of Automated System for Customs Data (ASYCUDA) by the Jamaica Customs Agency;

- Implementation of the RAiS by Tax Administration of Jamaica;

  Legislative amendments undertaken to increase the tax base, reduce leakages, addresses business facilitation and simplify administrative processes.

Table 3D: Central Government Summary Accounts FY2016/17
(in millions of Jamaican dollars)

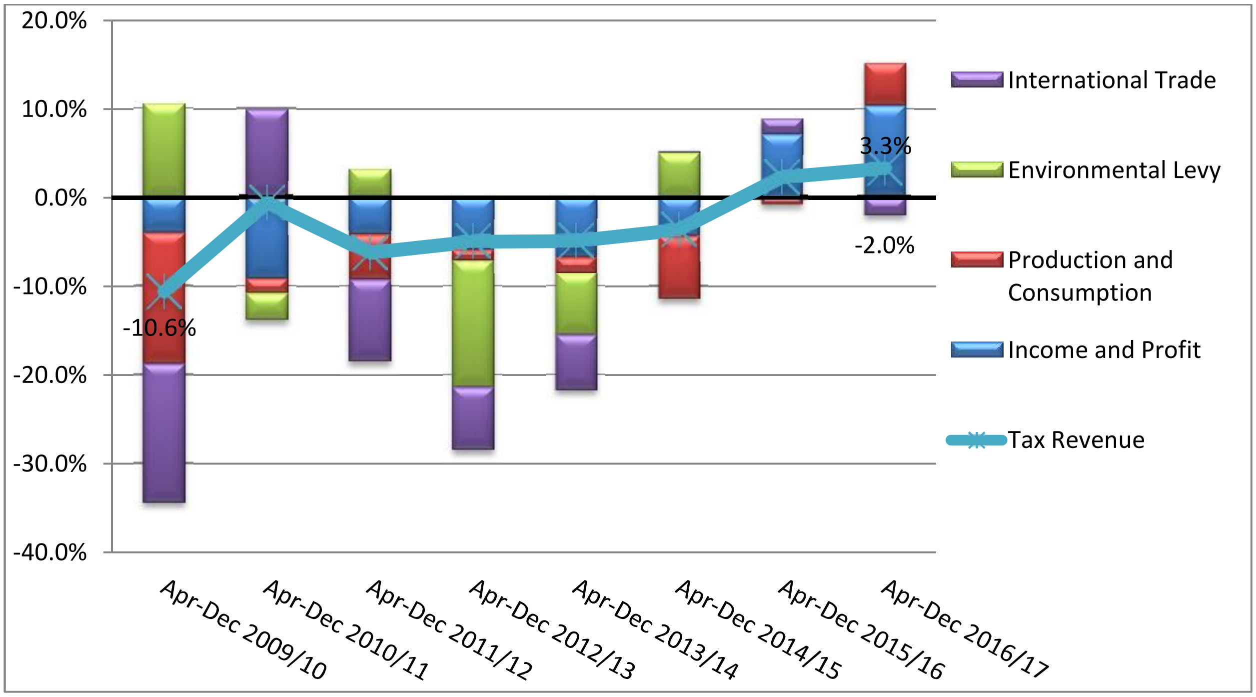
Item	Prov Apr - Dec	Budget Apr - Dec	Diff	Diff %	FY 15/16 Apr - Dec	Diff	Diff %
Revenue & Grants	**352,039.9**	**334,464.6**	**17,575.3**	**5.3%**	**318,709.7**	**33,330.2**	**10.5%**
Tax Revenue	322,067.9	311,821.6	10,246.3	3.3%	291,652.0	30,415.9	10.4%
Non-Tax Revenue	22,854.2	17,575.1	5,279.1	30.0%	20,962.5	1,891.7	9.0%
Bauxite Levy	1,830.9	1,980.9	-150.0	-7.6%	1,623.6	207.4	12.8%
Capital Revenue	416.0	529.6	-113.6	-21.4%	488.6	-72.7	-14.9%
Grants	4,870.9	2,557.5	2,313.4	90.5%	3,983.0	887.9	22.3%
Expenditure	**375,529.2**	**384,688.8**	**-9,159.5**	**-2.4%**	**343,601.0**	**31,928.2**	**9.3%**
Recurrent Expenditure	345,652.3	349,405.7	-3,753.5	-1.1%	317,583.9	28,068.4	8.8%
Programmes	113,107.3	108,774.9	4,332.4	4.0%	100,076.9	13,030.4	13.0%
Compensation of Employees	132,267.5	136,406.6	-4,139.1	-3.0%	126,627.3	5,640.2	4.5%
Wages & Salaries	122,929.7	128,130.4	-5,200.7	-4.1%			-
Employers Contribution	9,337.8	8,276.2	1,061.6	12.8%			-
Interest	100,277.5	104,224.3	-3,946.8	-3.8%	90,879.7	9,397.8	10.3%
Domestic	44,481.0	46,674.6	-2,193.6	-4.7%	51,554.3	-7,073.3	-13.7%
External	55,796.5	57,549.7	-1,753.2	-3.0%	39,325.4	16,471.1	41.9%
Capital Expenditure	29,877.0	35,283.0	-5,406.1	-15.3%	26,017.2	3,859.8	14.8%
Capital Programmes	29,877.0	35,283.0	-5,406.1	-15.3%	26,017.2	3,859.8	14.8%
Fiscal Balance (Surplus + / Deficit -)	**-23,489.3**	**-50,224.1**	**26,734.8**	**-53.2%**	**-24,891.3**	**1,402.0**	**-5.6%**
Loan Receipts	**69,109.8**	**63,330.6**	**5,779.2**	**9.1%**	**276,910.2**	**-207,800.5**	**-75.0%**
Domestic	38,006.0	31,206.2	6,799.8	21.8%	10,468.9	27,537.1	263.0%
External	31,103.8	32,124.4	-1,020.7	-3.2%	266,441.3	-235,337.6	-88.3%
Project Loans	11,968.8	13,290.4	-1,321.6	-9.9%	10,375.6	1,593.1	15.4%
Other	19,135.0	18,834.0	301.0	1.6%	256,065.7	-236,930.7	-92.5%
Divestment Proceeds/Other	14,604.7	14,539.2	65.5	0.5%	0.0	14,604.7	-
Amortization	**61,390.0**	**56,291.0**	**5,099.0**	**9.1%**	**266,465.4**	**-205,075.4**	**-77.0%**
Domestic	25,859.3	21,511.5	4,347.8	20.2%	13,166.93	12,692.4	96.4%
External	35,530.7	34,779.6	751.2	2.2%	253,298.46	-217,767.7	-86.0%
Overall Balance (Surplus + / Deficit -)	**-1,164.9**	**-28,645.4**	**27,480.5**	**-95.9%**	**-14,446.5**	**13,281.6**	**-91.9%**
Primary Balance (Surplus + / Deficit -)	**76,788.1**	**54,000.2**	**22,788.0**	**42.2%**	**65,988.4**	**10,799.8**	**16.4%**

Source: MoFPS

Tax Revenue

Tax Revenue continued to demonstrate an upward trend in the overall collection. Inland Revenue collections (which are comprised of Income and Profit & Production and Consumption taxes) surpassed their budgetary estimates for the April to December 2016 period; whilst International Trade recorded a shortfall.

Figure 3(ii): The components of Tax Revenue and how they deviated from budget for the period April- December FY 2009-FY 2016/17



Source: MoFPS

Income and Profit taxes demonstrated the highest performance over budget by 10.4% but had the lowest growth over the corresponding period of FY 2015/16 of 5.0% (Table 3E). Production & Consumption grew by 9.3% over FY 2015/16 while recording collections at 4.8% above budget. International Trade grew by 15.3% over FY 2015/16 reflecting improved compliance substantially related to the full operationalization of the ASYCUDA system. Despite this improvement however, International Trade recorded collections at 2.0% below budget (Figure 3ii). Since FY 2015/16 local collections of Environmental Levy have been captured under Production and Consumption while collections by Jamaica Customs are captured under International trade.

Income and Profit Taxes

The Income and Profit tax category was negatively impacted by the increase in the income tax threshold to $1.0mn which had an estimated loss of $12,500.0mn for FY 2016/17 (Table 3C). As a result of the threshold increase PAYE collections were 8.4% lower than the corresponding period of FY 2015/16. When compared to budget however, PAYE collections were $2,462.1mn or 5.4 % higher. Contributing to the PAYE performance is a 0.8 percentage point increase in employment between

April and July 2016, which is equivalent to an addition of 17,900 persons to the Employed Labour Force.

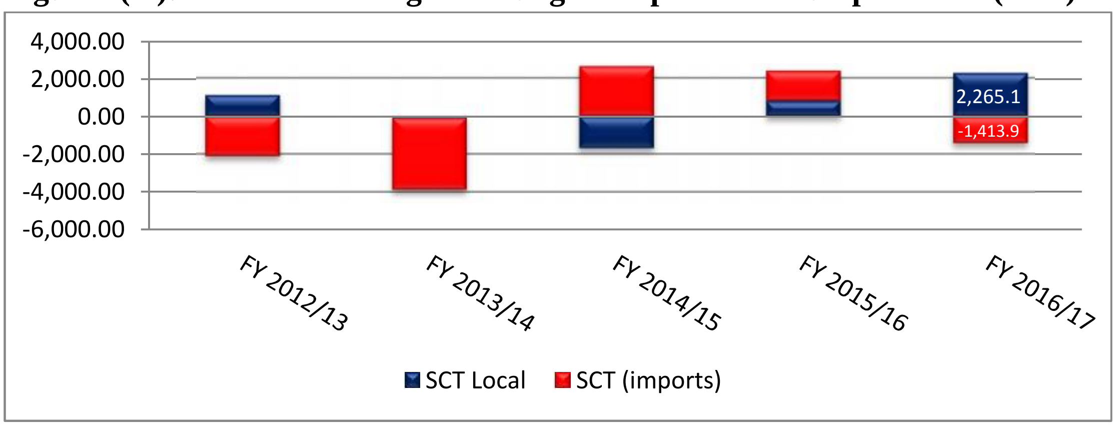
Compliance activities pursued by TAJ has continued with the roll-out of the “know-your-taxpayer” campaign; the mandating of several categories of taxpayers to file online; and the introduction and application of a $5,000 per month late fee for late filing. These measures have resulted in an increase in corporate income tax returns (IT07) filed through end-December 2016. This is consistent with the improvement in business confidence reflected in the movement from an average of 120.6 index points in FY 2015/16 (quarters 1 to 3) to 140.9 index points: Company Tax collections of $23,586.3mn were 11.5% more than budgeted.

Tax on Dividend and Tax on Interest performed significantly above budget at 49.1% and 33.3% respectively over the period April-December 2016.

Production and Consumption Taxes/International Trade Taxes

Within the Production and Consumption taxes most of the tax types performed above budget contributing to the favourable overall outcome for the category. Special Consumption Tax (SCT) which was one of the tax types utilized (new measures increased the SCT rates) to offset the reduced collections from the threshold increase recorded total inflows (local and imports) of $46,777.6mn, essentially in line with budget. SCT (local) collections amounted to $13,296.9mn or 20.5% higher than budget, whereas SCT (imports) fell $1,413.9mn short of budget (Figure 3(iii)).

Figure 3(iii): The deviation against budget of Special Consumption Tax (SCT) local vs. imports



Source: MoFPS

The Minimum Business Tax also contributed to the revenue performance aided by the sustained compliance activities of the TAJ. This tax collection was 22.6% above budget and 30.4% more than the corresponding period of FY 2015/16.

The service sector has also contributed to the improved economic performance. Over the last seven (7) quarters, Hotels and Restaurants have on average contributed 15.2% to growth. Growth during the review period occurred despite direct challenges to the tourism sector, most notably the Zika virus, the shift in travel due to the Rio Olympics, Brexit in the UK and the USA’s general election. The Accommodation Tax (room tax) benefited from the resilience of the Jamaican tourism product as demonstrated by the $122.5mn (or 7.7%) higher than budget collection and the $194.6mn (or 12.8%) increase over FY 2015/16.

Travel Tax for the review period grew by 34.7% over April to December 2015 due to increased visitor arrivals and the increase in the departure tax rate (Table 3C). Travel Tax when compared to budget, however, was $1,531.4mn or 13.3% lower than budget and perceived to be due to a greater proportion of travellers having purchased tickets prior to the effective date of the tax increase.

Collections for contractor's levy were higher than budget by $167.2mn (or 22.8%) and were $252.5mn (or 38.9%) above FY 2015/16.

With respect to Stamp Duty (local), collections were $1,284.3 (or 15.2%) higher than budget mainly driven by the improvement in market conditions; specifically the increased sale of high end properties and the increased issuance of shares.

Environmental Levy (local) was one of the few taxes to underperform relative to budget due to the limited information about the tax type from the previous year. The levy collections were 24.6% or $86.7mn below budget. Environmental Levy collected on international trade was broadly in line with budget.

Table 3E: Detail of Revenue FY2016/17

(in millions of Jamaican dollars)

Item	Prov. Apr - Dec	Budget Apr - Dec	Diff	Diff %	FY 15/16 Apr - Dec	Diff	Diff %
Revenue & Grants	**352,039.9**	**334,464.6**	**17,575.3**	**5.3%**	**318,709.7**	**33,330.2**	**10.5%**
Tax Revenue	***322,067.9***	***311,821.6***	**10,246.3**	**3.3%**	***291,652.0***	**30,415.9**	**10.4%**
Income and profits	85,448.9	77,418.8	8,030.1	10.4%	81,351.6	4,097.3	5.0%
Bauxite/alumina	0.0	0.0	0.0	0.0%	0.0	0.0	-
Other companies	23,586.3	21,152.0	2,434.3	11.5%	19,045.7	4,540.6	23.8%
PAYE	47,765.1	45,302.9	2,462.1	5.4%	52,140.4	-4,375.3	-8.4%
Tax on dividend	1,078.6	723.7	355.0	49.1%	685.2	393.4	57.4%
Other individuals	2,002.6	1,978.8	23.8	1.2%	1,967.4	35.2	1.8%
Tax on interest	11,016.2	8,261.4	2,754.9	33.3%	7,512.9	3,503.4	46.6%
Production and consumption	106,670.6	101,829.0	4,841.6	4.8%	97,622.5	9,048.2	9.3%
MBT	625.8	510.6	115.3	22.6%	480.0	145.8	30.4%
SCT	13,296.9	11,031.8	2,265.1	20.5%	10,142.4	3,154.5	31.1%
Environmental Levy	265.3	352.0	-86.7	-24.6%	125.1	140.2	112.1%
Motor vehicle licenses	2,302.4	2,224.4	78.0	3.5%	2,217.3	85.1	3.8%
Other licenses	324.1	320.0	4.0	1.3%	296.7	27.4	9.2%
Betting, gaming and lottery	2,142.1	2,118.7	23.5	1.1%	2,072.2	69.9	3.4%
Accommodation Tax	1,719.1	1,596.6	122.5	7.7%	1,524.4	194.6	12.8%
Education Tax	16,927.4	16,105.3	822.1	5.1%	15,326.9	1,600.6	10.4%
Telephone Call Tax	3,541.9	3,598.9	-57.0	-1.6%	4,540.3	-998.4	-22.0%
Contractors levy	901.8	734.7	167.2	22.8%	649.3	252.5	38.9%
GCT (Local)	54,884.2	54,780.9	103.3	0.2%	52,422.4	2,461.8	4.7%
Stamp Duty (Local)	9,739.4	8,455.2	1,284.3	15.2%	7,825.4	1,914.1	24.5%
International Trade	129,948.3	132,573.8	-2,625.5	-2.0%	112,677.9	17,270.4	15.3%
Custom Duty	27,026.1	25,954.0	1,072.1	4.1%	22,514.1	4,512.1	20.0%
Stamp Duty	1,657.2	1,736.7	-79.5	-4.6%	1,488.6	168.6	11.3%
Travel Tax	9,988.2	11,519.6	-1,531.4	-13.3%	7,412.8	2,575.4	34.7%
GCT (Imports)	55,708.3	56,377.8	-669.5	-1.2%	50,690.7	5,017.6	9.9%
SCT (imports)	33,480.7	34,894.6	-1,413.9	-4.1%	28,593.3	4,887.4	17.1%
Environmental Levy	2,087.9	2,091.1	-3.2	-0.2%	1,978.4	109.5	5.5%
Non-Tax Revenue	**22,854.2**	**17,575.1**	**5,279.1**	**30.0%**	**20,962.5**	**1,891.7**	**9.0%**
Bauxite Levy	**1,830.9**	**1,980.9**	**-150.0**	**-7.6%**	**1,623.6**	**207.4**	**12.8%**
Capital Revenue	**416.0**	**529.6**	**-113.6**	**-21.5%**	**488.6**	**-72.7**	**-14.9%**
Grants	**4,870.9**	**2,557.5**	**2,313.4**	**90.5%**	**3,983.0**	**887.9**	**22.3%**

Source: MoFPS

Other Revenue

Non-Tax Revenue flows performed above expectations with total collections of $22,854.2mn being $5,279.1mn (30.0%) better than budget. The financial distribution from NHT has contributed approx. 37.5% of the overall Non-Tax collection while the Custom Administration Fee (CAF) accounts for 14.6%. The CAF collections have performed below budget for the April to December 2016 period. The buoyant performance in Non-Tax Revenue is primarily due to the inflow of higher than programed financial distributions from the Public Bodies.

Bauxite Levy for April to December 2016 equalled $1,830.9mn and had a shortfall of $150.0mn or 7.6% of budget. During the fiscal year, quite a number of activities took place that has affected the levy flows. There was a downturn in crude bauxite production, reduced demand for bauxite from the United States of America and delays in the re-opening of Alpart.

Capital Revenue collections were $ 416.0mn or 21.5% below budget. The collection also represents 14.9% less than the corresponding period of FY 2015/16. Attributable to this deviation against budget is the lower than anticipated royalties collection. A sizable portion of the royalties are generated from the mining sector and as such the first quarter decline in the Mining and Quarrying industry; despite an upturn in the second quarter, affected collections.
Grant inflows to the end of December 2016, amounted to $4,870.9mn, reflecting an above programme performance of 90.5%. This higher inflow over the review period is primarily due to the earlier than programmed receipt of some grants and the significant over performance is not projected to carry through to the end of the fiscal year.

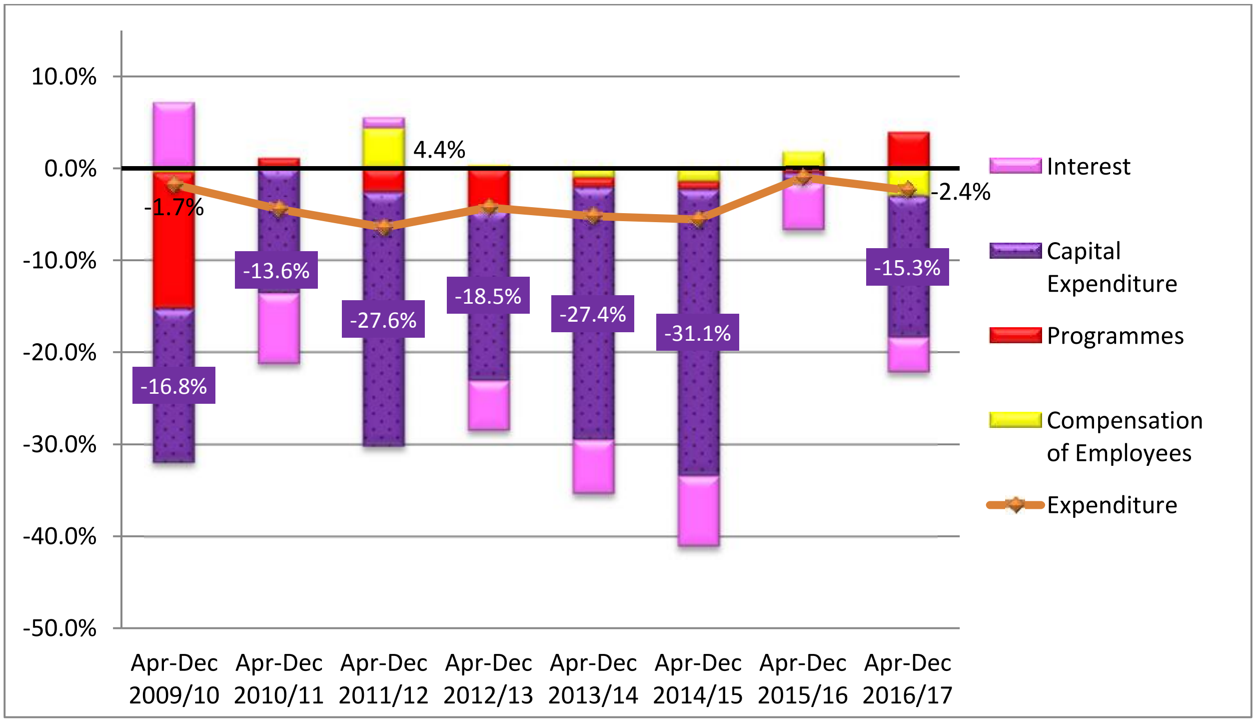
Expenditure

The Central Government expenditure (excluding amortization) during the period April-December 2016 was $375,529.2mn representing $9,159.5mn or 2.4% less than budgeted. Recurrent expenditure accounted for $3,753.5mn while Capital Expenditure accounted for $5,406.1mn.

Recurrent Expenditure

Recurrent Expenditures account for the bulk of the Expenditure category, representing 92.0% of total expenditure for the period and is comprised of Recurrent Programmes, Compensation of Employees and Interest Payments. Recurrent Expenditure during the review period was 1.1% lower than budget. Spending on Recurrent Programmes during the review period exceeded budget by $4,332.4mn or 4.0% reflecting inter alia higher than budgeted payments for pensions. Expenditure of $132,267.5mn for Compensation of Employees was $4,139.1mn or 3.0% below budget as a few groups have yet to settle wage negotiations and Interest Payments of $100,277.5mn were $3,946.8 or 3.8% lower than budget.

Figure 3iv: The components of Expenditure and how they deviated from budget for the period April- December FY 2009-FY 2016/17



Source: MoFPS

The lower than budgeted interest payments stemmed from both the domestic and external markets. Domestic interest payments were $2,193.6mn or 4.7% less than budget due to lower than budgeted Treasury bill rates. On the external side, a tender and exchange liability management operation in which near to maturity bonds were swapped over into longer term bonds as well as the buy-back of near to maturity high cost debt contributed to lower than budgeted external interest payments by$1,753.2mn.

Capital Expenditure

Capital Expenditure, used as the main vehicle to support growth and job creation, has been increasing since FY 2014/15 as a percentage of GDP following consecutive years of decline. The increase is directly attributable to the relaxation of the primary surplus target of 7.5% to 7.25% in FY 2015/16, and to 7.0% for FY 2016/17. This provided additional fiscal space for growth enhancing programmes.

Capital expenditure during the review period was $29,877.0mn reflecting a $5,406.1mn or 15.3% lower than budgeted spend (Figure 3iv). Delays in the procurement process have contributed to the under-execution of the capital programmes as well as the late start of the budget.

Amortization

Amortization payments of $61,390.0mn represented $5,099.0mn (or 9.1%) more than budgeted due to the execution of opportunistic liability management operations (LMO) as well as the impact of greater than anticipated depreciation of the Jamaica dollar. Domestic amortization was $4,347.8mn or 20.2% higher than budget while external amortization was $751.2mn or 2.2% higher.

Financing

The Fiscal deficit for the April to December 2016 period was $23,489.3mn, which was 53.2% better than programmed. Despite this better than programmed fiscal balance, however, Loan Receipts during the period were 9.1% (or $5,779.2mn) above budget reflecting the build-up of reserves to assist with financing FY 2017/18 maturing BMI bonds in the first quarter.

The above programme loan receipt was on the domestic side which exceeded programme by $6,799.8mn or 21.8% while external loan receipts were below budget by $1020.7mn or 3.2% reflecting the lower inflows related to the delays in capital expenditure.

Central Government Operations: Estimate to March 2017

Based on the fiscal performance to December 2016 and the macroeconomic indicators the fiscal balance is expected to be 23.9% less than budget whilst the primary balance is estimated to be 3.7% greater than programmed (Table 3F).

Revenue & Grants

Revenues & Grants for the FY 2016/17 is currently estimated at $494,801.6mn, a surplus of $8,760.6mn (or 1.8%) against the revised target (Table 3F). Tax Revenue, Non-Tax Revenue and Grants have all performed better than expected for the April to December period (Table 3D) and the full year performances are also projected to be above budget. Tax Revenue collections, is projected to be 1.1% or $4,945.8mn higher than budget at end-March 2016. Non-Tax Revenue is projected to be $4,095.9mn (or 13.4%) higher by the end of the fiscal year. Grants is projected to record a 10.7% increase over budget at the end of the fiscal year while Bauxite Levy and Capital Revenue are expected to be lower than budget by 24.7% and 22.1% respectively.

Expenditure

Expenditure for FY 2016/17 was revised to $507,224.7mn by the First Supplementary Estimates, and reflects an increase of $4,850.9mn over the approved budget in April 2016. The increased spending will be financed from the expected higher Revenue & Grant inflow and Loans Receipts. Recurrent Expenditure accounts for $3,050.0mn of the increase with Capital Expenditure accounting for $1,800.8mn.

Recurrent Programme expenditure is estimated at $143,467.9mn, $3,695.5mn (or 2.6%) above the approved budget. This is due to higher pension amounts of approximately $2.0bn and an allocation to complete the CCRIF premium payments for the fiscal year. Compensation of Employees is expected to be $1,208.3mn less than the approved budget. Interest payments are expected to be above the approved budget by $562.8mn.

Capital expenditure is programmed at $1,800.8mn higher than the approved budget primarily to facilitate the procurement of security equipment.

Amortization

Amortization payments are estimated at $79,859.5mn, of which $35,179.0mn represents domestic payments and $44,680.6mn external. This reflects a $2,299.5mn or 3.0% increase over the approved budget and is primarily due to the liability management operations undertaken throughout FY 2016/17.

Financing

Loan Receipts are projected to be $12,532.5mn or 14.0% higher than the approved budget due to pre-financing for FY 2017/18.

Table 3F: Central Government Summary Accounts FY 2016/17
(in millions of Jamaican dollars)

Item	Prov Apr - Mar	Budget Apr - Mar	Diff	Diff %	FY 15/16 Apr - Mar	Diff	Diff %
Revenue & Grants	**494,801.6**	**486,041.1**	**8,760.6**	**1.8%**	**455,835.8**	**38,965.8**	**8.5%**
Tax Revenue	451,712.8	446,767.0	4,945.8	1.1%	411,854.0	39,858.8	9.7%
Non-Tax Revenue	34,633.0	30,537.2	4,095.9	13.4%	35,748.6	-1,115.6	-3.1%
Bauxite Levy	2,121.6	2,818.2	-696.6	-24.7%	2,116.9	4.8	0.2%
Capital Revenue	521.8	669.8	-148.0	-22.1%	652.7	-130.9	-20.1%
Grants	5,812.3	5,248.9	563.4	10.7%	5,463.6	348.7	6.4%
Expenditure	**507,224.7**	**502,373.8**	**4,850.9**	**1.0%**	**460,719.4**	**46,505.3**	**10.1%**
Recurrent Expenditure	462,423.1	459,373.0	3,050.0	0.7%	427,972.1	34,451.0	8.0%
Programmes	143,467.9	139,772.4	3,695.5	2.6%	133,502.4	9,965.5	7.5%
Compensation of Employees	179,933.6	181,141.9	-1,208.3	-0.7%	168,790.2	11,143.4	6.6%
Wages & Salaries	168,635.2	170,193.5	-1,558.3	-0.9%			-
Employers Contribution	11,298.4	10,948.4	350.0	3.2%			-
Interest	139,021.6	138,458.7	562.8	0.4%	125,679.6	13,342.0	10.6%
Domestic	62,561.6	64,779.7	-2,218.1	-3.4%	71,391.3	-8,829.7	-12.4%
External	76,460.0	73,679.0	2,781.0	3.8%	54,288.3	22,171.7	40.8%
Capital Expenditure	44,801.6	43,000.8	1,800.8	4.2%	32,747.3	12,054.3	36.8%
Capital Programmes	44,801.6	43,000.8	1,800.8	4.2%	32,747.3	12,054.3	36.8%
Fiscal Balance (Surplus + / Deficit -)	**-12,423.1**	**-16,332.8**	**3,909.7**	**-23.9%**	**-4,883.7**	**-7,539.4**	**154.4%**
Loan Receipts	**101,917.1**	**89,384.6**	**12,532.5**	**14.0%**	**298,600.5**	**-196,683.3**	**-65.9%**
Domestic	67,155.4	41,921.9	25,233.5	60.2%	29,004.3	38,151.1	131.5%
External	34,761.8	47,462.7	-12,700.9	-26.8%	269,596.2	-234,834.4	-87.1%
Project Loans	15,626.8	17,579.4	-1,952.6	-11.1%	12,326.3	3,300.5	26.8%
Other	19,135.0	29,883.3	-10,748.3	-36.0%	257,269.9	-238,134.9	-92.6%
Divestment Proceeds/Other	**14,604.7**	**14,539.2**	**65.5**	**0.5%**	**6,071.2**	**8,533.5**	**140.6%**
Amortization	**79,859.5**	**77,560.1**	**2,299.5**	**3.0%**	**342,725.9**	**-262,866.4**	**-76.7%**
Domestic	35,179.0	26,811.6	8,367.4	31.2%	77,718.9	-42,539.9	-54.7%
External	44,680.6	50,748.5	-6,067.9	-12.0%	265,007.1	-220,326.5	-83.1%
Overall Balance (Surplus + / Deficit -)	**24,239.3**	**10,031.0**	**14,208.2**	**141.6%**	**-42,937.9**	**67,177.1**	**-156.5%**
Primary Balance (Surplus + / Deficit -)	**126,598.5**	**122,126.0**	**4,472.5**	**3.7%**	**120,795.9**	**5,802.6**	**4.8%**

Source: MoFPS

Public Debt Stock

Jamaica's stock of public debt under the existing Jamaica definition totalled, $2,150.0bn at end-December 2016 (Table 3G). This represents an increase of $81.2bn (or 3.9%) over FY 2015/16's total debt stock of $2,068.7bn. The GOJ foresees a total debt stock of $2,180.4bn by the end of the 2016/17 fiscal year, an increase of 5.4 % over end FY 2015/16's stock.

Table 3G: Total Debt Stock

	Mar. 2016	Dec. 2016
(J$bn)		
Domestic	815.9	834.3
External	1,252.8	1,315.7
TOTAL	**2,068.7**	**2,150.0**

Source: MoFPS

The increase in the debt stock over the first three quarters of the fiscal year is attributable to the issuance of new benchmark investment notes as well as depreciation of the Jamaica dollar vis-à-vis the US dollar. Depreciation of the currency added a total of $68.9bn dollars to the total debt stock, of which 95.0% of was to the external debt stock. The $68.9bn represents 84.8% of the overall increase in the Public Debt.

Table 3H: Stock of Debt at end Dec 2016 by Creditor

	End-December 2015	**End-December 2016**	**% of Total debt**
	J$ Billion	**J$ Billion**	**End-December 2016**
TOTAL DEBT*	**2102.3**	**2150.0**	**100.0%**
Total Domestic Debt	**860.3**	**834.3**	**38.8%**
Marketable Securities	857.4	831.7	38.7%
Bonds	853.4	826.8	38.5%
Treasury Bills	4.0	4.9	0.2%
Loans	2.9	2.6	0.1%
Total External Debt	**1242.0**	**1315.7**	**61.2%**
Marketable Securities	686.4	720.6	33.5%
Bonds	686.4	720.6	33.5%
Loans	555.6	595.1	27.7%
Bilateral	94.3	90.3	4.2%
Multilateral	425.0	475.7	22.1%
IMF	78.9	96.5	4.5%
IDB	188.3	217.4	10.1%
IBRD	99.4	103.9	4.8%
Other	58.4	57.9	2.7%
Private Creditors	36.3	29.1	1.4%

Source: MoFPS

*Debt as defined by the GOJ includes Central Government, Bank of Jamaica and external guaranteed debt.

The External debt continues to account for the larger share of total outstanding debt. At end-December 2016 the external debt stock totalled $1,315.7bn or 61.2% of the total outstanding debt (Table 3H). The domestic debt stock was recorded at $834.3bn or 38.8% of the total outstanding debt, a decline of $26.0mn from the $860.3bn recorded at end-December 2015. The external debt at end-December 2016 represents an increase of 5.9% over the $1,242.0bn recorded at end-December 2015. Domestic and External bonds are estimated to account for 38.5% and 33.5% of total debt. External loans also contributed to the increase in the debt stock, with loans received from the IMF, IDB and IBRD.

Table 3I: Total Debt Stock

	FY 2015/16 act.	**FY 2016/17 est.**
(J$bn)		
Domestic	815.9	851.7
External	1252.8	1328.7
TOTAL	**2068.7**	**2180.4**
(%GDP)		
Domestic	48.3%	48.5%
External	74.1%	75.6%
TOTAL	**122.3%**	**124.1%**

Source: MoFPS

Domestic and External portfolios are expected to grow by $17.4bn and $13.0bn respectively in the January to March quarter. By the end of the fiscal year, Domestic, External and the overall debt stock is expected to increase by 4.4%, 6.1% and 5.4% over FY 2015/16. Using the estimated figures for FY 2016/17, Domestic debt should represent 48.5% of GDP (0.2% increase over last year) and External debt should represent 75.6% of GDP (1.5% increase over last year) (Table 3I). Public Debt (current Jamaica definition) at March 2017 is anticipated to be 124.1% of GDP, a 1.8 percentage point increase over last fiscal year.

The debt forecast beyond FY 2016/17 continues to show a downward trajectory consistent with achieving the targeted debt level. For FY 2016/17 the ratio will increase temporarily as a result of the pre-financing referenced earlier as well as the impact of the currency depreciation. As the maturities in FY 2017/18 are paid the ratio will resume its downward trajectory.

SELF-FINANCING PUBLIC BODIES OPERATIONS - FY 2016/17

Public Bodies[3] as instruments of Government Policy have been established over the years to develop strategic sectors in Jamaica and thus contribute to the national economy as well as for fiscal and social considerations. Many are small corporate bodies that perform regulatory, advisory, supervisory, research, technical, administrative or quasi-judicial functions of a governmental nature. However

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

approximately 50 display the characteristics of commercial operations, that is, they deliver public policy objectives while engaging in commercial activity.

The Overall Balance[4] of sixty-four Self-financing Public Bodies (SFPBs) as approved by Parliament for FY 2016/17 was a surplus of $3,307mn.

SFPBs Performance

The estimated Overall Balance of the group is a surplus of $16,987.0mn, reflecting an improvement on the budget and a positive variance of $13,679.5mn. Contributing to this outturn is current balance of $77,974.2mn, 27.7% above budget with improved revenue inflows being a contributor. Additionally estimated capital expenditure/investment of the group at $41,089.8mn with 69.8% achievement of the budgeted amount, will contribute to the higher than budgeted Overall Balance. The largest shortfalls on capital expenditure were reported by Port Authority of Jamaica (PAJ) and the National Water Commission (NWC). Estimated net Transfers to/ (from) Government of $34,807.4mn was below budget of $35,686.7mn by 2.5% due primarily to increased support to the Jamaica Urban Transit Company Ltd (JUTC). The JUTC has been provided with increased budgetary support to finance operating expenses including the payment of fuel subsidy, importation of spares/maintenance activities as well as the cost for bus acquisition and related duties. The JUTC's revenue inflows continue to be inadequate to finance the operating expenses and to the extent that GOJ is unable to support there is a build-up in amounts due to suppliers.

Of note, three of the sixty-four entities were the main contributors to the higher than budgeted outturn. Namely PAJ, National Housing Trust (NHT), Airports Authority of Jamaica (AAJ) and National Health Fund (NHF). In the case of the PAJ significant under-expenditure on capital programme given the lag in project implementation was the main item accounting for the higher than budget outturn. The AAJ and NHT have estimated higher than budgeted revenue inflows which will contribute to the outturn at the end of FY 16/17. The NHF assumed responsibility for three of the six hospital pharmacies; consequently the Fund will incur lower operating costs.

The estimated performance of the Self Financing Public Bodies is shown in the Table 3J below.

[4] The Overall Balance reflects the financing of a PB; increase in use of credit or cash is represented by surplus or reduced use of credit or cash by a deficit.

Table 3J: Public Bodies: Summary of Estimated Outturn for Financial Year 2016/17 (Selected & Other)

Statement 'A' Flow of Funds	Actual 2015/16	Original 2016/17	Estimated 2016/17	Projected 2017/18
1 Current Revenue	363,577.95	386,453.15	371,465.62	391,654.65
2 Current Expenses	(288,075.35)	(325,401.94)	(293,491.40)	(325,884.53)
3 Current Balance	75,502.60	61,051.22	77,974.22	65,770.13
4 Adjustments	3,136.94	16,448.46	3,284.96	10,456.89
Change in Accounts	0.00	0.00	0.00	0.00
Receivable/Payable	(4,612.34)	(4,986.62)	(11,402.30)	(8,762.56)
Items not requiring outlay of cash:	0.00	0.00	0.00	0.00
Depreciation	15,480.93	17,283.30	12,470.42	14,195.95
Other Non-Cash Items	(7,761.51)	4,151.77	2,160.59	4,956.47
Prior Year Adjustment	29.87	0.00	56.25	67.03
5 Operating Balance	78,639.54	77,499.67	81,259.18	76,227.02
6 Capital Account	(16,719.98)	(38,505.43)	(29,464.73)	(41,010.04)
Revenue	15,329.57	17,701.90	16,812.47	19,118.63
Expenditure	(37,834.35)	(57,170.54)	(39,386.94)	(61,140.56)
Investment	(25.31)	(1,696.61)	(1,702.89)	(1,588.21)
Change in Inventory	5,810.12	2,659.82	(5,187.37)	2,600.10
7 Transfers from Government	15,933.28	14,790.28	17,373.73	23,432.43
Loans	0.00	3.00	0.00	0.00
Equity	0.00	0.00	0.00	2,827.82
On-Lending	0.00	0.00	0.00	0.00
Other	15,933.28	14,787.28	17,373.73	20,604.61
8 Transfers to Government	(44,274.13)	(50,476.95)	(52,181.13)	(56,944.02)
Dividend	(3,966.71)	(3,089.68)	(4,964.69)	(15,810.86)
Loan Repayments	0.00	0.00	0.00	0.00
Corporate Taxes	(827.22)	(1,617.52)	(2,139.05)	(2,770.65)
Other	(39,480.20)	(45,769.76)	(45,077.39)	(38,362.51)
9 OVERALL BALANCE (5+ 6+ 7+ 8)	33,578.71	3,307.57	16,987.04	1,705.39
10 FINANCING (11+ 15)	(33,578.71)	(3,307.57)	(16,987.04)	(1,705.39)
10a Total	(181,732.57)	14,230.01	(20,474.82)	(44,675.61)
Capital Revenue	(2,162.64)	11,914.18	(8,609.55)	(30,956.18)
Loans	5,770.22	1,915.83	4,478.73	4,319.39
Equity	(9,308.00)	400.00	(13,088.28)	(35,275.57)
On-Lending	(178,498.69)	0.00	(11,750.88)	(13,662.70)
Loan Repayments	(174,710.17)	0.00	(18,039.87)	(17,140.17)
11 Total Foreign (12+ 13+ 14)	(331,534.66)	(18,163.84)	(19,521.88)	(18,825.94)
12 Government Guaranteed Loans	(3,721.00)	(9,012.34)	6,324.50	3,477.47
Disbursement	(3,788.52)	3,910.60	6,288.99	3,477.47
Amortization	303.90	(12,922.94)	(114.39)	(56.73)
13 Direct Loans	148,406.69	(9,110.71)	(12,558.81)	38,953.48
Long Term:	454.44	(11,146.68)	(4,190.48)	15,153.80
Disbursement	(1,292.45)	7,601.00	2,468.26	25,913.29
Amortisation	(55.41)	(18,747.68)	21.92	44.50
Short Term:	1,802.30	2,035.97	(6,680.66)	(10,803.99)
Change in Trade Cre	(59.51)	2,035.97	(702.07)	(1,355.83)
14 Change in Deposits Abroad	148,011.77	(40.79)	(7,666.26)	25,155.51
15 Total Domestic (16+ 17+ 18)	(11,671.40)	626.25	(10,530.03)	33,045.01
16 Banking System	(533.99)	11,019.27	6,597.22	11,592.01
Loans (Change)	(1,240.85)	6,465.51	2,521.67	25,572.98
Overdraft (Change)	(41.57)	16.01	(0.60)	100.00
Deposits (Change)	748.43	4,537.75	4,076.15	(14,080.98)
17 Non-Banks (Change)	0.00	405.03	(653.75)	(1,156.00)
18 Other (Change)	(11,137.41)	(10,798.06)	(16,473.50)	22,609.00

Source: MoFPS

MEDIUM TERM FISCAL PROGRAMME

The GOJ's medium term fiscal programme has been crafted 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 the ceiling of 60% by end-FY 2025/26 as legislated by the fiscal rules. Underpinning the debt reduction commitments, will be the Central Government's Primary Surplus which is programmed at 7.0% of GDP for FY 2017/18 and the medium term. The Overall Balance of the public bodies is programmed to be in balance over the medium term.

The assumptions detailed in the Macroeconomic Framework and the expenditure and revenue strategies outlined below, underpin the formulation of the robust medium term fiscal profile, depicted in Tables 3K and 3L. The fiscal programme requires that a Central Government Primary Surplus equivalent to 7.0% of GDP be maintained from FY 2016/17 through the medium term. Central Government operations are expected to generate a Fiscal Surplus of 0.4% of GDP in FY 2018/19, with larger surpluses in the following years.

Revenue Strategy

The main thrust of the GOJ's revenue strategy continues to be the building of an efficient and equitable tax system that supports macroeconomic stability and facilitates a competitive business environment to support economic growth and development. This will ensure that Government's policies and programmes are adequately financed. To this end, the GOJ will continue to implement key policy, administrative and legislative reform actions to underwrite those various measures that have already been implemented.

Tax Policy Reform Package

During FY 2017/18, the GOJ will be continuing its tax policy initiative of moving from direct to indirect taxation. Adjustments to the Personal Income Tax (PIT) structure and other revenue measures to close the primary balance gap will be provided on March 9, 2017.

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)

TAJ's strategic focus will be to build on the significant gains achieved in FY 2016/17 in an effort to meet the expectations of both taxpayers and stakeholders. To this end, TAJ has identified 5 strategic objectives for the medium term:

- *Continuously improving voluntary compliance*: Ground work for the implementation of a transfer pricing regime is in progress and is scheduled for implementation during FY 2017/18. To accommodate this, audit processes and procedures are to be developed with a comprehensive work plan focused on specified sectors/taxpayers/issues to include tourism and bauxite.

- *Engendering a customer centric organization*: TAJ will be strengthening the scope and access of taxpayer services, partnership management, products and services. This will entail the development and implementation of customer centric compliance programmes, including a corporate social responsibility programme.
- *Institutional strengthening of the organization (people, processes, technology and physical infrastructure)*: TAJ will improve its internal controls and processes through effective enterprise risk management (ERM) and continue the phased implementation of the ERM framework (policy, plans, initiatives) across the organization in FY 2017/18.
- *Building human capital synergies*: This will involve implementation of a competency framework for all mission critical positions. In doing this, TAJ is aiming to empower staff to function efficiently, effectively and to be more responsive to the changing environment within which the organization operates.
- *Corporate governance and culture enhanced*: TAJ is establishing a new organizational philosophy as it seeks to build on, and, strengthen its guiding principles, shared core values and culture, to reflect its new semi-autonomous revenue authority status.

Jamaica Customs Agency (JCA)

In support of the GOJ's overarching revenue strategy, and, building upon its achievements in FY 2016/17, the JCA's strategies to be pursued over the medium term include, inter alia:

- Maximizing the collection of revenue;
- Ensuring the efficient and effective use of resources;
- Maximizing the rate of detection of illegal and prohibited goods;
- Improving voluntary compliance through ongoing public education and by initiating discussions with stakeholder groups/traders;
- Improving planning and research activities within the Agency;
- 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

Anchored by the aforementioned strategies and the macroeconomic assumptions outlined in Part II Macroeconomic Framework, Revenue and Grants are passively forecast: to be 27.9% of GDP in FY 2017/18, slightly below the projected outturn of 28.2% of GDP for FY 2016/17; and to average 27.7% of GDP across the medium term to FY 2020/21 (Tables 3K and 3L). Whereas Tax Revenue will remain broadly stable, averaging 26.1% of GDP over the medium term, Non-tax Revenue will increase to 2.2% of GDP in FY 2017/18 before declining over the medium term, from 2.2% of GDP in

FY 2017/18 to 1.2% in FY 2020/21. This projected fall off in Non-Tax revenue, assumes a lower distribution profile for the Public Bodies beginning in FY 2018/19.

The main factors that contribute to the stable tax revenue ratio are as follows:

- Reduced PAYE and Education Tax (as a percent of GDP) from the contraction of the Central Government wage bill; and
- A few tax types, including a significant portion of the SCT, that are fixed rates (not ad valorem) 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 continued implementation of administrative improvements to systems and enhancement of human competences at the TAJ and JCA. These efforts reaped rewards in FY 2016/17 based on the provisional outturn to December 2016 and projected outturn to March 2017 with the Tax Revenue exceeding the target.

Non-tax Revenue is projected to decline over the medium term, from 2.2% of GDP for FY 2017/18 to 1.2% of GDP by FY 2020/21. In FY 2016/17, the last of the annual $11,400.0mn transfers from the NHT to the Consolidated Fund will be made. Grants are projected to average about 0.2% of GDP over the medium term.

Expenditure Strategy

Expenditure management plays a pivotal role in the overall Fiscal Management Strategy for securing fiscal outcomes over the medium to long term. This expenditure management stance is reflected by a projected fall in Central Government primary expenditure from 21.5% in FY 2017/18 to 20.9% by FY 2020/21.

Total expenditure by Central Government is programmed to decline by 2.6 percentage points of GDP to 26.2% in FY 2020/21 from the budgeted 28.8% in FY 2017/18, with the main driver of the reduction attributable to lower interest payments.

The GOJ, mindful of the impact on the poor and vulnerable as it implements the necessary fiscal consolidation strategies alongside supporting structural reforms, remains committed to prioritizing expenditure through enhanced targeting of social spending and has increased its allocation in the FY 2017/18 Budget on specific social protection programmes.

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 2017/18 BUDGET – CENTRAL GOVERNMENT

The GOJ Budget for FY 2017/18 has been crafted to satisfy the requirements and fiscal targets outlined under the new PSBA with the IMF as well as the enhanced fiscal rules. The FY 2017/18 fiscal programme is designed to be consistent with the objectives of economic reform and the focus will be on strategies geared toward achieving the primary balance target of 7.0% of GDP. This primary balance target (alongside the fiscal balance), are the operational instruments utilized to attain the objective of Public Debt of 60.0% of GDP by the end of FY 2025/26. The fiscal deficit is budgeted at $16,710.9 million or -0.9% of GDP.

The GOJ is aware that challenges in the global economy remains, including: volatility or uncertainty in the movement of some commodity prices particularly oil and alumina; and subdued global economic growth in 2016 estimated at 3.1%. The outlook for 2017 is for marginally higher growth rates ranging between 3.4% - 3.6%. However, uncertainty remains with respect to the US policy stance. It is against this background that the FY 2017/18 Budget has been crafted.

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

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenue & Grants	**26.2%**	**27.0%**	**28.2%**	**27.9%**	**27.6%**	**27.9%**	**27.7%**
Tax Revenue	23.6%	24.4%	25.7%	25.4%	25.9%	26.3%	26.2%
Non-Tax Revenue	2.2%	2.1%	2.0%	2.2%	1.3%	1.2%	1.2%
Bauxite Levy	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Capital Revenue	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%
Grants	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
Expenditure	**26.7%**	**27.2%**	**28.9%**	**28.8%**	**27.1%**	**27.0%**	**26.2%**
Recurrent Expenditure	25.2%	25.3%	26.3%	26.2%	23.9%	23.5%	22.7%
Programmes	7.2%	7.9%	8.2%	8.6%	7.8%	7.8%	7.5%
Compensation of Employees	10.1%	10.0%	10.2%	10.3%	9.7%	9.8%	9.8%
Wages & Salaries	0.0%	0.0%	9.6%	9.5%	9.0%	9.0%	9.0%
Employers Contributior	0.0%	0.0%	0.6%	0.7%	0.7%	0.8%	0.8%
Interest	7.9%	7.4%	7.9%	7.3%	6.3%	5.9%	5.3%
Domestic	4.8%	4.2%	3.6%	3.3%	3.0%	2.8%	2.5%
External	3.1%	3.2%	4.4%	4.0%	3.3%	3.1%	2.9%
Capital Expenditure	1.5%	1.9%	2.5%	2.6%	3.2%	3.6%	3.6%
Fiscal Balance (Surp+/Def-)	**-0.5%**	**-0.3%**	**-0.7%**	**-0.9%**	**0.4%**	**0.9%**	**1.4%**
Loan Receipts	**10.7%**	**17.7%**	**5.8%**	**8.5%**	**4.6%**	**3.8%**	**5.3%**
Domestic	2.5%	1.7%	3.8%	4.7%	3.6%	2.9%	3.3%
External	8.2%	15.9%	2.0%	3.7%	0.9%	0.9%	2.0%
Divestment/Other	0.0%	0.4%	0.8%	0.6%	0.8%	0.7%	0.7%
Amortization	**5.6%**	**20.3%**	**4.5%**	**9.2%**	**6.5%**	**7.2%**	**8.1%**
Domestic	1.9%	4.6%	2.0%	5.4%	3.7%	4.5%	6.1%
External	3.7%	15.7%	2.5%	3.7%	2.8%	2.7%	2.0%
Overall Balance (Surp+/Def-)	**4.7%**	**-2.5%**	**1.4%**	**-1.0%**	**-0.7%**	**-1.8%**	**-0.6%**
Primary Balance(Surp+/Def-)	**7.5%**	**7.1%**	**7.2%**	**6.4%**	**6.8%**	**6.8%**	**6.8%**
GDP	1,571,800.0	1,691,000.0	1,757,500.0	1,883,800.0	2,039,500.0	2,211,500.0	2,386,000.0
TOTAL PAYMENTS	**32.2%**	**47.5%**	**33.4%**	**38.0%**	**33.6%**	**34.2%**	**34.3%**

Source: MoFPS

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

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenue & Grants	**411,715.9**	**455,835.8**	**494,801.6**	**526,345.4**	**562,333.1**	**616,949.1**	**660,309.9**
Tax Revenue	370,877.5	411,854.0	451,712.8	478,930.6	529,047.8	582,418.8	624,805.4
Non-Tax Revenue	34,311.5	35,748.6	34,633.0	40,703.6	26,094.2	27,167.2	27,842.8
Bauxite Levy	0.0	2,116.9	2,121.6	131.0	0.0	0.0	0.0
Capital Revenue	1,509.2	652.7	521.8	2,228.1	2,272.6	2,318.1	2,364.4
Grants	5,017.8	5,463.6	5,812.3	4,352.1	4,918.4	5,045.0	5,297.3
Expenditure	**418,986.8**	**460,719.4**	**507,224.7**	**543,056.2**	**553,309.7**	**597,729.7**	**626,239.3**
Recurrent Expenditure	395,967.8	427,972.1	462,423.1	493,773.7	487,236.3	519,130.9	541,438.7
Programmes	112,696.6	133,502.4	143,467.9	162,736.2	159,646.1	171,456.5	180,029.3
Compensation of Employees	158,758.6	168,790.2	179,933.6	193,184.7	198,823.1	217,423.5	234,143.1
Wages & Salaries			168,635.2	179,525.8	184,517.1	200,016.5	215,817.8
Employers Contribution			11,298.4	13,658.8	14,306.0	17,407.0	18,325.3
Interest	124,512.7	125,679.5	139,021.6	137,852.9	128,767.1	130,250.9	127,266.3
Domestic	76,052.1	71,391.3	62,561.6	62,903.4	60,946.3	62,090.9	58,817.9
External	48,460.5	54,288.3	76,460.0	74,949.5	67,820.8	68,160.0	68,448.4
Capital Expenditure	23,019.0	32,747.3	44,801.6	49,282.5	66,073.3	78,598.7	84,800.6
Fiscal Balance (Surp+/Def-)	**-7,270.9**	**-4,883.7**	**-12,423.1**	**-16,710.8**	**9,023.4**	**19,219.4**	**34,070.6**
Loan Receipts	**168,705.9**	**298,600.5**	**101,917.1**	**159,612.0**	**92,907.8**	**84,925.3**	**126,131.0**
Domestic	39,247.9	29,004.3	67,155.4	89,000.0	74,000.0	64,699.2	78,909.5
External	129,458.0	269,596.2	34,761.8	70,612.0	18,907.8	20,226.1	47,221.5
Divestment/Other		**6,071.2**	**14,604.7**	**11,701.3**	**15,729.5**	**16,270.3**	**16,816.8**
Amortization	**87,794.4**	**342,725.9**	**79,859.5**	**172,548.1**	**132,907.0**	**159,255.1**	**192,293.0**
Domestic	29,752.5	77,718.9	35,179.0	102,448.2	75,658.6	100,384.3	145,071.4
External	58,041.9	265,007.1	44,680.5	70,099.9	57,248.4	58,870.9	47,221.5
Overall Balance (Surp+/Def-)	**73,640.6**	**-42,937.9**	**24,239.3**	**-17,945.6**	**-15,246.3**	**-38,840.2**	**-15,274.5**
Primary Balance(Surp+/Def-)	**117,241.8**	**120,795.9**	**126,598.5**	**121,142.0**	**137,790.5**	**149,470.3**	**161,336.9**
TOTAL PAYMENTS	**506,781.2**	**803,445.3**	**587,084.2**	**715,604.3**	**686,216.7**	**756,984.8**	**818,532.3**

Source: MoFPS

The GOJ has settled with bargaining units representing 98% of public sector workers, with respect to the payment of new salary and allowances covering the contract period 2015/2017 which ends in

March 2017. The GOJ hopes to conclude with the remaining groups by March 2017 and for the related payments, a contingency has been factored into the FY 2017/18 Budget estimates. With respect to the new two-year contract period (2017/19), which starts on April 1, 2017, only one bargaining unit has to date submitted its claim. The GOJ will be seeking to settle claims as soon as is practicable in the new fiscal year.

The fiscal profile shows a Wage/GDP ratio of 9.5% of GDP for FY 2017/18, which falls to 9.0% of GDP by March 2019. The GOJ will be developing a wage policy, (informed by a Compensation review), that will guide the negotiation process for the public sector going forward. The GOJ will also seek to implement critical aspects of the public sector transformation initiative, starting in FY 2017/18 as part of the strategy to reduce the operating cost of Government.

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 2017/18 is projected at $405,203.4million. This includes Recurrent Expenditure of $355,920.9million and Capital of $49,282.5million.

Compensation of Employees

A total of $193,184.7million or 35.9% of the expenditure budget is allocated to Compensation of Employees. This allocation includes Wages and Salaries of $179,525.8million and $13,658.8million allocated for the GOJ's contribution toward statutory deductions and health insurance for employees. Provision has been made in the allocation for Compensation of Employees to meet the following obligations:

(a) Projected increase in wages and salaries (including allowances), to Public Sector employees;
(b) Arrears in compensation for groups whose arrangements were not settled in FY 2016/17;
(c) Arrears in Emergency Duty and Incentive Allowance payable to health groups under the 2008/10 Wage Agreement.

Recurrent Programmes

The total recurrent programmes proposed for FY 2017/18 is, $162.736 billion representing 40% of the total non-debt budget. Included in the provision is $34.535 billion (an increase of $4.298 billion over the 2016/2017 Revised Estimates), to meet pension payments for public sector employees, Among the other payments under recurrent programmes are: $1.2 billion in subsidies to the JUTC, an additional $1.3 billion to meet increased tuition grants in secondary schools and $700 million, to allow the EOJ to carry out preparatory works for a voter reverification exercise to commence in FY 2018/19 and over $1.75 billion in additional resources for the School Feeding Programme.

Capital Expenditure

Capital Expenditure is budgeted at $49.282 billion, an increase of $4.480 billion, or 10% over the 2016/2017 Revised Estimates of $44.801 billion. This level of capital spending represents 2.6% of GDP, up from 2.5% in FY 2016/17.

Spending on Capital A projects (financed by local resources only) amounts to $12.246 billion or 24% of the total Capital spending. The Ministry of National Security has been allocated $3.0 billion or 24% of the total Capital A budget while $1.3 billion or 11% has been allocated to the JUTC received for the purchase of spare parts for the maintenance of its fleet of buses; and $1.5 billion as a loan to the Port Authority of Jamaica to support the establishment of BPO facilities in Montego and Portmore.

Approximately $37 billion or 75% of the overall 2017/18 capital budget will be spent on Capital B projects (financed with support from multilateral/bilateral sources). Of this sum, approximately 50% or $18.518 billion, the largest share of the Capital Budget, has been allocated to the Ministry of Economic Growth and Job Creation.

Social Programmes

Social programmes for protected groups will continue to receive priority with respect to the allocation of resources, to ensure that overall spending in these areas is not eroded by inflation. Included are programmes for youth employment, 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.

To facilitate improved benefits under the PATH Programme in FY 2017/18, an additional $3.68 billion has been allocated, bringing the total provision to $11.47 billion, an increase of 47% over the provision in 2016/2017. The increase is allocated as follows:
(i) PATH School Feeding Programme - $1.75 billion; (ii) PATH Cash Grants - $1.9 billion.

Debt Servicing

Total provision for Debt Service is $310,401.0mn, or 43.7% of the budget, compared to 41.9% in FY 2014/15 (Debt Service spiked in FY 2015/16 at 58.3% of budget due to the Petrocaribe liability management exercise). Interest payments are budgeted to fall by 1.7% over the outturn for FY 2016/17 to $137,852.9mn (7.3% of GDP). Domestic Interest costs are budgeted to rise 0.7% to $62,903.4mn, while External Interest costs are budgeted to fall by 3.5% to $74,949.5mn.

The significant rise in budgeted amortization is due largely to maturing Benchmark Instruments (BMI) in the domestic debt as well as maturing Eurobonds (bullet payment) in the external debt. The marginally higher Domestic Interest payments are reflective of the GOJ's re-entry into the domestic market since February 2016. Notwithstanding, Domestic Interest costs are budgeted to fall from a projected 3.6% of GDP in FY 2016/17 to 3.3% of GDP in FY 2017/18.

Both Domestic and External Interest costs, as a percent of GDP, are expected to fall from 3.3% and 4.0% of GDP in FY 2017/18 to 2.5% and 2.9% of GDP, respectively, in FY 2020/21.

Revenue and Grants

Revenue and Grants for FY 2017/18 are passively forecast at $526,345.4mn, or 27.9% of GDP, compared to the projected outturn of 28.2% of GDP for FY 2016/17. The forecast for FY 2017/18 represents a 5.7% increase over the projected outturn for FY 2016/17, which is slightly below the average annual increase of 7.6% over the last 3 fiscal years.

Tax Revenue is budgeted at $478,930.6mn (25.4% of GDP) and is expected to account for 91.0% of total Revenue and Grants, compared to 91.3% of the projected outturn for FY 2016/17. This forecast for Tax Revenue represents an increase of 6.0% ($27,217.8) over projected collections in FY 2016/17 (Table 3M). Tax revenue receipts in FY 2016/17 are projected to increase by 9.7% over the previous year. The budgeted increase in Tax Revenue is predicated on; inter alia, a projected 7.2% growth in nominal income in FY 2017/18, movements in other economic variables, as well as enhanced compliance activities by TAJ and JCA.

Table 3M: FY 2017/18 Revenue Forecast

	2016/17	2017/18	% Change
Revenue & Grants	494,801.6	526,345.4	6.4%
Tax Revenue	451,712.8	478,930.6	6.0%
Non-tax Revenue	34,633.0	40,703.6	17.5%
Bauxite Levy	2,121.6	131.0	-93.8%
Capital Revenue	521.8	2,228.1	327.0%
Grants	5,812.3	4,352.1	-25.1%

Source: MoFPS

Contributing to the lower tax revenue growth in FY 2017/18, compared to the previous fiscal year, is the structure of some of the tax types, such as the specific SCT, which is comprised of fixed rates (not ad valorem) and accordingly will not grow in line with nominal GDP. Ceteris paribus, these taxes will therefore show a declining ratio in proportion to GDP, over time.

- Non-tax Revenue for FY 2017/18 is projected at $40,703.6mn, an increase of 17.5% from the projected outturn for FY 2016/17. This forecast amounts to 2.2% of GDP, up from the projected 2.0% of GDP in 2016/17. The projected increase is primarily due to enhanced distributions from the Self-Financing Public Bodies and Executive Agencies as well the de-earmarking of revenue flows to three Public Bodies.

The projected Non-tax Revenue for FY 2017/18 includes:

- $5,400.0mn from the CAF;
- Expected receipts for royalties of $675.2mn;
- Expected receipts of $407.1mn from a profit share agreement;
- Dividend distribution from public bodies of $21,535.6mn; and
- Expected increases in pension contributions of $2,931.0mn arising from the new pensions system.

For FY 2017/18, there will be limited payments of the Bauxite Levy based on the new agreements with the owners of Alpart and Noranda. These agreements reflect a temporary change in taxation regime for the bauxite sector wherein the companies will make payments based on arrangements specific to each.

Capital Revenue is budgeted at $2,228.1mn, which is significantly above the projected receipts for FY 2016/17 due primarily to a loan repayment to the GOJ from a public entity while Grants are forecast at $4,352.1mn, a decline of 25.1% below receipts in FY 2016/17. There are no Budget Support flows from the European Union (EU) programmed for FY 2017/18.

Financing

The borrowing requirement of the Central Government for FY 2017/18 amounts to $159,612.0mn. Of the budgeted Loan Receipts, $89,000.0mn is programmed to be raised domestically and $70,612.0mn is to be raised externally, inclusive of project/investment loans of $31,078.0mn. This borrowing requirement represents a 56.6% increase in total Loan Receipts when compared to FY 2016/17. The higher borrowing (year-over-year) requirement reflects the significantly higher Amortization costs for FY 2017/18.

SPECIFIED PUBLIC SECTOR DEBT

Effective April 1, 2017, a new definition of Public Debt will become effective. Public Debt will be defined as the consolidated debt of the Specified Public Sector (SPS) net of the cross-holdings of debt, except that of the Bank of Jamaica. The SPS consists of the Public Sector, excluding any public body certified by the Auditor General as primarily carrying out functions that are of a commercial nature.

FY 2017/18 BUDGET – SELF -FINANCING PUBLIC BODIES

The Overall Balance of the group of Self-financing Public Bodies is projected at a surplus of $1,705.4mn for FY 2017/18. Net flows from Public Bodies to GOJ are projected at $33,511.6mn, resulting from $56,944.0mn Transfers to GOJ and Transfers from GOJ of $23,432.4mn. 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 spare parts and fare subsidy.

Total capital expenditure/investment is forecast at $62,728.8mn, compared with estimated spend of $41,089.8mn for FY 2016/17. Three public bodies, namely the NHT ($26,157.0mn), NWC ($7,962.0mn) and PAJ ($9,660.0mn) account for 70.0% of the planned expenditure. Notably PAJ and the NWC expect that they will be able to implement the capital programme as scheduled during this FY given that requisite approvals have been received as well as other preparatory activities substantially completed.

Port Authority of Jamaica (PAJ)

PAJ's developmental projects are strategically aligned to the Government of Jamaica's growth and employment agenda and will be focused on Business Process Outsourcing (BPO). The development and expansion of Jamaica's outsourcing industry is expected to be achieved through the construction of two BPO facilities in Kingston and Montego Bay. Cargo and Cruise Port Developments to support and facilitate growth and development in trade, commerce, tourism and cruise are planned for Falmouth, Montego Bay and Ocho Rios. These projects are expected to account for 65.0% of planned capital expenditure of $9,660.0mn.

National Housing Trust (NHT)

The Trust will continue to pursue its drive to develop some 9,000 housing solutions by FY 2020/21; these solutions will comprise houses and residential lots in 42 developments over 11 parishes. It is expected that 2,159 housing solutions will be completed during FY 2017/18. Accordingly, the NHT is expected to spend $25,572.0 million on housing activities.

National Water Commission (NWC**)**

The NWC will continue the implementation of selected strategies and capital projects that are expected to reduce the level of non-revenue water (NRW), achieve energy and other efficiency targets, contain operating costs and enhance revenues. Capital projects are budgeted at $7,962.0mn and include financing for pipeline replacement along the major road works being undertaken by the National Works Agency as well as funding for the KMA Water Supply Improvement project.

The group's Overall Balance is projected at $1,705.4mn compared to estimated $16,987.0mn for FY 2016/17. The projected Overall Balance is driven primarily on the increased capital expenditure of the NWC and the PAJ. The Table following outlines the financial projection of the group of Public Bodies for FY 2017/18. The group is expected to return positive Overall Balances for the medium-term.

Table 3N: Summary of Financial Forecasts for Financial year 2017/18 (Selected & Other)

Public Bodies (Selected & Other) — ***Summary of Financial Forecasts for Financial Year 2017/18***

J$m

Statement 'A' Flow of Funds		SPBs Projected 2017/18	OPBs Projected 2017/18	TOTAL PBs 2017/18
1	Current Revenue	331,707.04	59,947.62	391,654.65
2	Current Expenses	(275,209.44)	(50,675.09)	(325,884.53)
3	Current Balance	56,497.60	9,272.53	65,770.13
4	Adjustments	9,444.14	1,012.75	10,456.89
	Change in Accounts	0.00	0.00	0.00
	Receivable/Payable	(7,740.34)	(1,022.22)	(8,762.56)
	Items not requiring outlay of cash:	0.00	0.00	0.00
	Depreciation	12,462.19	1,733.76	14,195.95
	Other Non-Cash Items	4,722.29	234.18	4,956.47
	Prior Year Adjustment	0.00	67.03	67.03
5	Operating Balance	65,941.74	10,285.28	76,227.02
6	Capital Account	(33,999.77)	(7,010.27)	(41,010.04)
	Revenue	19,117.88	0.75	19,118.63
	Expenditure	(54,928.08)	(6,212.48)	(61,140.56)
	Investment	(667.00)	(921.21)	(1,588.21)
	Change in Inventory	2,477.43	122.67	2,600.10
7	Transfers from Government	7,886.71	15,545.72	23,432.43
	Loans	0.00	0.00	0.00
	Equity	0.00	2,827.82	2,827.82
	On-Lending	0.00	0.00	0.00
	Other	7,886.71	12,717.90	20,604.61
8	Transfers to Government	(50,725.33)	(6,218.69)	(56,944.02)
	Dividend	(12,434.70)	(3,376.16)	(15,810.86)
	Loan Repayments	0.00	0.00	0.00
	Corporate Taxes	(2,430.68)	(339.97)	(2,770.65)
	Other	(35,859.95)	(2,502.56)	(38,362.51)
9	OVERALL BALANCE (5+ 6+ 7+ 8)	(10,896.65)	12,602.04	1,705.39
10	FINANCING (10a + 11+ 15)	10,896.65	(12,602.04)	(1,705.39)
10a	Total	1,915.30	2,101.44	4,016.74
	Capital Revenue	5,660.30	2,101.44	7,761.74
	Loans	(100.00)	0.00	(100.00)
	Equity	0.00	0.00	0.00
	On-Lending	0.00	0.00	0.00
	Loan Repayments	(3,645.00)	0.00	(3,645.00)
11	Total Foreign (12+ 13+ 14)	(24,063.66)	(20,611.95)	(44,675.61)
12	Government Guaranteed Loans	(26,367.88)	(4,588.30)	(30,956.18)
	Disbursement	4,319.39	0.00	4,319.39
	Amortization	(30,687.27)	(4,588.30)	(35,275.57)
13	Direct Loans	2,360.95	(16,023.65)	(13,662.70)
	Long Term:	(783.20)	(16,356.97)	(17,140.17)
	Disbursement	1,660.00	25.77	1,685.77
	Amortisation	(2,443.20)	(16,382.74)	(18,825.94)
	Short Term:	3,144.15	333.32	3,477.47
	Change in Trade Credits	3,144.15	333.32	3,477.47
14	Change in Deposits Abroad	(56.73)	0.00	(56.73)
15	Total Domestic (16+ 17+ 18)	33,045.01	5,908.47	38,953.48
16	Banking System	11,592.01	3,561.80	15,153.80
	Loans (Change)	25,572.98	340.31	25,913.29
	Overdraft (Change)	100.00	(55.50)	44.50
	Deposits (Change)	(14,080.98)	3,276.99	(10,803.99)
17	Non-Banks (Change)	(1,156.00)	(199.83)	(1,355.83)
18	Other (Change)	22,609.00	2,546.51	25,155.51

Source: MoFPS

APPENDIX I

Medium Term Expenditure Profile 2015/2016 – 2020/2021
Table IA – Non-Debt Recurrent Expenditure

Heads	Actual 2015/2016	Revised Estimates 2016/2017	Estimates of Expenditure 2017/2018	Projected 2018/2019	Projected 2019/2020	Projected 2020/2021
His Excellency the Governor-General and Staff	190,656	193,206	236,158	245,132	264,743	279,303
Houses of Parliament	820,722	852,708	860,286	892,977	964,415	1,017,458
Office of the Public Defender	86,831	99,259	107,557	111,644	120,576	127,207
Office of the Contractor-General	246,654	295,828	280,830	291,502	314,822	332,137
Auditor General	529,748	620,719	646,998	671,584	725,311	765,203
Office of the Services Commissions	185,328	198,444	205,955	213,781	230,884	243,582
Office of the Children's Advocate	134,885	157,545	175,850	182,532	197,135	207,977
Independent Commission of Investigations	349,267	366,492	353,350	366,777	396,119	417,906
Office of the Prime Minister	4,007,906	5,126,927	6,477,688	5,405,832	5,838,299	6,159,405
Office of the Cabinet	524,203	569,464	616,091	639,502	690,663	728,649
Ministry of Tourism	1,821,639	1,949,514	7,922,717	2,189,330	2,364,476	2,494,522
Ministry of Economic Growth and Job Creation	2,924,482	9,101,056	9,434,828	9,696,212	10,471,909	11,047,864
Ministry of Finance and the Public Service	50,903,718	53,958,829	68,171,297	71,263,648	77,698,004	83,875,394
Ministry of National Security	54,380,651	58,543,323	56,452,294	58,576,721	63,262,859	66,742,316
Ministry of Justice	6,138,923	6,449,832	6,857,101	7,117,671	7,687,085	8,109,874
Ministry of Foreign Affairs and Foreign Trade	4,035,672	3,949,208	4,179,682	4,303,945	4,648,260	4,903,914
Ministry of Labour and Social Security	2,604,952	2,719,406	3,046,096	3,161,848	3,414,795	3,602,609
Ministry of Education, Youth and Information	87,489,618	93,872,500	98,750,525	102,503,045	110,703,289	116,791,969
Ministry of Health	52,992,760	56,967,702	61,901,416	64,253,670	70,393,963	76,265,631
Ministry of Youth and Culture	1,987,229	-	-	-	-	-
Ministry of Culture, Gender, Entertainment and Sport	281,722	2,517,402	3,287,795	3,215,384	3,472,614	3,663,608
Ministry of Industry, Commerce, Agriculture and Fisheries	320,168	5,672,963	5,628,212	5,842,084	6,309,451	6,656,471
Ministry of Agriculture and Fisheries	4,377,685	-	-	-	-	-
Ministry of Industry, Investment and Commerce	1,899,129	-	-	-	-	-
Ministry of Science, Energy and Technology	7,342,146	5,116,877	4,967,280	5,104,137	5,512,468	5,815,653
Ministry of Transport, Works and Housing	4,133,628	-	-	-	-	-
Ministry of Water, Land, Environment and Climate Change	1,240,423	-	-	-	-	-
Ministry of Transport and Mining	181,163	3,203,140	6,292,785	2,807,473	3,032,071	3,198,835
Ministry of Local Government and Community Development	10,853,016	10,899,150	9,068,178	9,412,769	10,165,790	10,724,909
GRAND TOTAL RECURRENT	**302,984,924**	**323,401,494**	**355,920,969**	**358,469,200**	**388,880,000**	**414,172,400**

Medium Term Expenditure Profile 2015/2016 - 2020/2021
Table IB - Medium Term Capital Profile

Heads	Actual 2015/2016	Revised Estimates 2016/2017	Estimates of Expenditure 2017/2018	Projected 2018/2019	Projected 2019/2020	Projected 2020/2021
Office of the Prime Minister	2,294,767	1,915,176	1,979,103	2,528,608	2,980,494	1,506,000
Office of the Cabinet	293,557	571,254	652,421	900,592	919,060	352,454
Ministry of Tourism	17,758	17,000	-	-	-	-
Ministry of Economic Growth and Job Creation	2,543,669	13,698,985	20,125,595	30,224,307	24,687,841	21,270,063
Ministry of Finance and the Public Service	4,006,381	3,718,615	4,847,569	10,820,282	29,240,701	41,556,942
Ministry of National Security	2,404,924	6,250,342	4,257,792	4,406,991	3,549,682	3,150,000
Ministry of Justice	644,313	920,993	1,084,409	1,480,416	1,413,291	1,151,636
Ministry of Foreign Affairs and Foreign Trade	226,463	-	-	-	-	-
Ministry of Labour and Social Security	5,705,636	6,036,251	8,279,871	8,384,000	9,388,426	9,079,202
Ministry of Education, Youth and Information	2,313,483	2,598,175	1,579,409	2,654,920	2,150,373	1,320,000
Ministry of Health	1,168,653	1,626,990	1,854,929	1,730,505	1,267,278	1,900,000
Ministry of Youth and Culture	91,949	-	-	-	-	-
Ministry of Culture, Gender, Entertainment and Sport	21,500	188,516	16,080	-	-	-
Ministry of Industry, Commerce, Agriculture and Fisheries	586,118	3,375,250	1,867,366	904,779	1,150,000	1,688,312
Ministry of Agriculture and Fisheries	3,858,059	-	-	-	-	-
Ministry of Science, Energy and Technology	1,123,320	835,743	877,728	651,120	489,554	327,991
Ministry of Transport, Works and Housing	4,827,315	-	-	-	-	-
Ministry of Water, Land, Environment and Climate Change	145,049	-	-	-	-	-
Ministry of Transport and Mining	581	2,329,919	1,310,671	1,325,450	1,362,000	1,498,000
Ministry of Local Government and Community Development	473,807	718,410	549,591	61,330	-	-
TOTAL CAPITAL	**32,747,302**	**44,801,619**	**49,282,534**	**66,073,300**	**78,598,700**	**84,800,600**

Medium Term Expenditure Profile 2015/2016 - 2020/2021

Table IC - Economic Classification
Non-Debt Recurrent Expenditure 2015/2016 - 2020/2021

Object Classification	Actual 2015/2016	Revised Estimates 2016/2017	Estimates of Expenditure 2017/2018	Projected 2018/2019	Projected 2019/2020	Projected 2020/2021
Compensation of Employees	**168,787,400**	**179,933,615**	**193,184,740**	**198,823,100**	**217,423,500**	**234,143,100**
Recurrent Programmes (of which:)	**134,197,524**	**143,467,879**	**162,736,256**	**159,646,100**	**171,456,500**	**180,029,300**
Travel Expenses and Subsistence	13,640,750	14,090,310	14,890,038	15,296,614	16,443,860	17,348,272
Rental of Property and Machinery	3,862,027	3,996,625	4,095,333	4,249,986	4,568,735	4,820,016
Utilities and Communication Services	9,028,372	8,804,227	9,215,989	9,564,951	10,282,322	10,847,850
Use of Goods and Services	38,835,309	35,973,732	36,472,268	36,437,003	39,169,779	41,324,116
Grants, Contributions and Subsdies	31,485,897	36,565,296	46,057,175	38,118,809	40,977,720	43,231,495
Retirement Benefits	28,037,920	30,954,430	34,241,882	35,847,611	38,536,182	40,655,672
Awards and Social Assistance	7,026,194	8,120,560	8,017,944	8,322,626	8,946,823	9,438,898
Others	2,281,055	4,962,699	9,745,627	11,808,499	12,531,080	12,362,981
TOTAL RECURRENT	**302,984,924**	**323,401,494**	**355,920,996**	**358,469,200**	**388,880,000**	**414,172,400**

FUNCTIONAL CLASSIFICATION OF EXPENDITURE 2017-2018
RECURRENT AND CAPITAL
$'000

		Actual Estimates 2015-16	Approved Estimates 2016-2017	Revised Estimates 2016-2017	Estimates 2017-2018
1	**General Public Services**				
1	Executive and Legislative Services	2,258,488.0	2,437,857.0	2,557,531.0	3,078,845.0
2	Economic and Fiscal Policies Management	20,749,455.0	25,005,982.0	24,351,732.0	25,661,555.0
3	Personnel Management	4,968,483.0	6,165,377.0	6,528,825.0	7,194,976.0
4	Foreign Affairs	4,354,957.0	4,694,185.0	4,577,984.0	4,499,272.0
5	Economic Planning and Statistical Services	2,560,497.0	2,925,682.0	2,569,827.0	2,980,285.0
6	Public Works	810,994.0	1,628,653.0	1,559,069.0	1,119,663.0
7	Public Debt Management Services, Internal Debt	148,763,865.0	91,591,297.0	97,954,658.0	165,351,564.0
8	Public Debt Management Services, External Debt	322,049,827.0	124,427,483.0	126,586,132.0	145,049,387.0
99	Other General Public Services	39,203,034.0	56,429,766.0	43,213,681.0	59,557,565.0
	Total General Public Services	**545,719,600.0**	**315,306,282.0**	**309,899,439.0**	**414,493,112.0**
2	**Defence Affairs and Services**				
1	Military Defence	14,774,545.0	14,644,305.0	17,494,245.0	16,591,196.0
	Total Defence Affairs and Services	**14,774,545.0**	**14,644,305.0**	**17,494,245.0**	**16,591,196.0**
3	**Public Order and Safety**				
1	Police Services	39,065,755.0	40,338,787.0	43,000,875.0	40,802,371.0
3	Law Courts	7,086,927.0	7,238,638.0	7,739,012.0	8,515,660.0
4	Correctional Services	6,626,675.0	7,540,399.0	7,832,901.0	6,800,371.0
	Total Public Order and Safety	**52,779,357.0**	**55,117,824.0**	**58,572,788.0**	**56,118,402.0**
4	**Economic Affairs**				
1	Industry and Commerce	2,691,658.0	4,664,954.0	3,301,145.0	5,243,128.0
2	Labour Relations and Employment Services	1,310,775.0	1,330,703.0	1,424,520.0	1,466,908.0
3	Agriculture, Forestry and Fishing	12,244,452.0	11,670,328.0	11,849,879.0	10,302,519.0
4	Fuel and Energy	2,001,055.0	1,330,901.0	1,302,757.0	1,194,080.0
5	Mining, Manufacturing and Construction	187,031.0	177,894.0	188,329.0	185,949.0
6	Road Construction and Repairs	7,275,266.0	10,470,190.0	13,732,419.0	19,818,338.0
7	Road Transport	4,750,292.0	2,517,100.0	4,386,094.0	2,908,573.0
8	Rail Transport	178,835.0	178,835.0	178,835.0	168,882.0
9	Shipping, Ports and Lighthouses	1,088,804.0	1,287,838.0	1,377,677.0	1,522,686.0
10	Civil Aviation	-	-	-	3,588,090.0
11	Postal Services	2,425,921.0	2,337,408.0	2,421,591.0	2,363,956.0
12	Telecommunication Services	1,051,101.0	802,515.0	810,968.0	556,277.0
13	Tourism	4,608,167.0	5,326,740.0	5,898,557.0	8,202,216.0
14	Physical Planning and Development	581,881.0	508,791.0	553,738.0	627,386.0
15	Scientific and Technological Services	829,955.0	994,014.0	963,646.0	1,174,042.0
99	Other Economic Affairs	24,924.0	37,335.0	46,748.0	11,649.0
	Total Economic Affairs	**41,250,117.0**	**43,635,546.0**	**48,436,903.0**	**59,334,679.0**
5	**Environmental Protection and Conservation**				
1	Solid Waste Management	1,210,092.0	1,279,114.0	1,187,198.0	1,156,620.0
3	Pollution Abatement	20,136.0	16,700.0	17,182.0	13,341.0
4	Protection of Biodiversity and Landscape	1,187,426.0	1,557,160.0	1,403,633.0	1,374,475.0
99	Other Environmental Protection and Conservation	-	34,500.0	22,976.0	30,000.0
	Total Environmental Protection and Conservation	**2,417,654.0**	**2,887,474.0**	**2,630,989.0**	**2,574,436.0**

6	**Housing and Community Amenities**				
1	Housing Development	1,649,979.0	540,468.0	732,240.0	388,255.0
2	Community Development	7,184,351.0	7,344,552.0	7,531,989.0	6,970,622.0
3	Water Supply Services	908,188.0	978,565.0	1,125,019.0	795,990.0
	Total Housing and Community Amenities	**9,742,518.0**	**8,863,585.0**	**9,389,248.0**	**8,154,867.0**
7	**Health Affairs and Services**				
1	Health Administration	8,012,580.0	9,250,725.0	11,973,027.0	7,420,639.0
3	Outpatient Services	92,903.0	93,190.0	94,283.0	144,321.0
4	Hospital Services	4,861,062.0	5,324,647.0	5,558,638.0	5,639,527.0
5	Public Health Services	43,856,027.0	43,831,425.0	45,020,061.0	51,836,954.0
	Total Health Affairs and Services	**56,822,572.0**	**58,499,987.0**	**62,646,009.0**	**65,041,441.0**
8	**Recreation, Culture and Religion**				
1	Recreational and Sporting Services	729,513.0	768,538.0	786,215.0	697,912.0
2	Art and Cultural Services	1,308,224.0	1,408,031.0	1,491,315.0	2,052,181.0
3	Broadcasting and Publishing Services	1,039,240.0	980,216.0	1,033,475.0	1,003,719.0
4	Religious and Other Community Services	3,623,332.0	500,000.0	738,000.0	825,300.0
5	Youth Development Services	916,636.0	843,355.0	877,386.0	401,599.0
	Total Recreation, Culture and Religion	**7,616,945.0**	**4,500,140.0**	**4,926,391.0**	**4,980,711.0**
9	**Education Affairs and Services**				
1	Education Administration	2,800,971.0	2,548,811.0	2,713,556.0	3,122,901.0
2	Pre-Primary Education	2,982,083.0	3,011,740.0	3,146,488.0	3,509,776.0
3	Primary Education	25,767,553.0	28,319,078.0	29,137,824.0	27,981,506.0
4	Secondary Education	32,613,021.0	32,009,632.0	32,783,199.0	36,654,460.0
5	Tertiary Education	18,764,289.0	19,123,921.0	20,609,286.0	19,492,312.0
6	Education Not Definable by Level	1,378,549.0	1,513,110.0	1,693,797.0	1,235,610.0
7	Subsidiary Services to Education	7,233,031.0	7,110,457.0	7,183,244.0	9,326,937.0
	Total Education Affairs and Services	**91,539,497.0**	**93,636,749.0**	**97,267,394.0**	**101,323,502.0**
10	**Social Security and Welfare Services**				
1	Sickness and Disabled	265,243.0	229,277.0	231,387.0	294,351.0
2	Senior Citizens	435,198.0	462,127.0	483,397.0	553,478.0
3	Survivors Assistance	300,923.0	216,439.0	216,439.0	231,348.0
4	Family and Children	93,957.0	97,071.0	97,071.0	104,503.0
99	Other Social Security and Welfare Services	10,208,249.0	11,112,627.0	11,017,533.0	13,490,416.0
	Total Social Security and Welfare Services	**11,303,570.0**	**12,117,541.0**	**12,045,827.0**	**14,674,096.0**
99	Unallocated	-	-	-	-
	Total Unallocated	**-**	**-**	**-**	**-**
	Gross Total	**833,966,375.0**	**609,209,433.0**	**623,309,233.0**	**743,286,442.0**
	Less Apropriations-in-Aid	***25,545,044.0***	***29,275,576.0***	***30,565,330.0***	***27,681,988.0***
	Net Total	**808,421,331.0**	**579,933,857.0**	**592,743,903.0**	**715,604,454.0**

Appendix II

Public Financial Management (PFM) Reform Programme

Introduction

The GOJ remains committed to the comprehensive reforms of its public financial management (PFM) system during the current fiscal year and across the medium term. 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.

To this end, the GOJ has established essential monitoring and oversight mechanisms, chiefly: (i) the PFM Oversight Committee, which provides strategic direction and (ii) the PFM Secretariat and Monitoring Team which provides administrative support, coordinates donor and technical support as well as monitoring and reporting on the PFM Reform Action Plan (RAP).

Summary of Progress in Key PFM Areas

The PFM system has been strengthened through the Fiscal Responsibility Framework legislation. Significant progress was made in FY 2016/17 to strengthen core PFM functions, namely: accounting and cash/treasury management; budget management; revenue administration and procurement. Some key activities completed were:

- Implementation of a new Treasury-linked accounting and reporting system alongside the Treasury Single Account (TSA) to facilitate centralization of the government cash management function within the Accountant General's Department. A key focus going forward is the strengthening of this cash management function and the continuing modernization of the Accountant General's Department.

- Establishment of an Oversight Committee to develop a Code of Conduct for Public Bodies. Cabinet Office is currently making arrangements to negotiate with the Management Institute for National Development (MIND) to commence the assignment.

- Implementation of a Budget Preparation and Management System (BPMS) which has been procured and is now being configured and tested so that medium term results based budgeting can be developed to sustain the results of the reform program.

- Undertaking of training sessions and workshops for Budget analysts, Budget Officers and Corporate Planners to enhance staff capacity to implement the change management programme being undertaken across the Ministry of Finance and the Public Service.

- Full implementation of new revenue administration systems at both the TAJ (RAiS) and JCA (ASYCUDA):

Enforcement and taxpayer services were strengthened, particularly in regard to improved physical accommodation, introduction of third party payment options and other online services;

Introduction of an Electronic Content Management System (ECMS) thereby allowing for the digitization of records of the JCA, the Accountant General's Department (AGD) and the TAJ;

- Strengthening and modernization of the physical ICT infrastructure through upgrading and replacing IT equipment where necessary for the AGD, the Financial Systems Unit of the MFPS as well as the JCA.

- Launch of an e-tendering system. To enhance transparency, a procurement page was introduced in public media to provide procurement opportunities to potential suppliers.

- Establishment of a training lab at MIND to facilitate training in key PFM areas including the new Chart of Accounts (CoA), as well as the new Commitment and Purchase Order Modules.

- Establishment of the Revenue Appeals Division (RAD) with an organizational structure, business processes and automation (now integrated as part of the RAiS system).

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

(i) A new budget management system was procured and configured and is expected to be utilized during FY 2017/18.

(ii) Phase II of implementation of the Medium Term Results Based Budgeting (MTRBB) was completed in the December 2016 quarter. The consulting firm that was contracted to undertake the assignment has completed its deliverables and the contract is now 90% executed. The main outcomes of this phase are:

a) Readiness assessment reports of the MDAs that are to be targeted during this phase of the implementation;
b) Selection of the Ministry of Education, Youth and Information; Ministry of Industry, Commerce, Agriculture and Fisheries; Passport Immigration, and Citizenship Agency; and the JCA as the main MDAs for inclusion in the MTRBB process;
c) Selection of Officers for the "Training of Trainers" methodology that is to be used for the capacity Development elements;

d) Hosting of sensitization sessions with the senior management in the selected MDAs;
e) Completion of Training of Trainers modules for the staff that have been identified for the sessions: Introduction to MTRBB; Working with the Forward Estimates Tool; and Building Key Performance Indicators – one Training Session was completed with the remaining two sessions to be hosted in February and March of 2017;
f) Completion of Programme rationalization for all 5 targeted MDAs;
g) Review of the Forward Estimates tool and development of a new tool to prepare the 3-year expenditure forecast; and;
h) Completion of the buildout of the full MTRBB Budget for the Ministry of Industry, Commerce, Agriculture and Fisheries**.**

Near Term Implementation Outlook

Going forward, the Ministry of Finance and the Public Service will continue to emphasize:

- Strengthening of the Cash Management function and the transitioning of the Accountant General's Department into a modern Treasury;

- Continuing the roll-out of the Medium Term Results Based Budgeting;

- Strengthening of the Public Investment Management System (PIMS) Process through the development and implementation of a Public Investment Management Information System;

- Fully rolling out and utilizing the Central Payroll Processing System (CPPS);

- Building staff capacity and advancing change management;

- Enhancing the integration of respective financial information systems and business continuity management; and

Sustaining 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 2016/17, the Ministry of Finance and the Public Service (MoFPS) maintained its commitment to financial sector stability through efforts to improve the legislative framework and strengthen institutional capacity. To this end, various pieces of legislation were advanced through the legislative process. With the change in administration in February 2016, the legislative process was delayed as the new government reviewed the proposed pieces of legislation to ensure that they were aligned with their policy direction.

The Financial Investigations Division (FID) continued to actively pursue its mandate of dealing with matters relating to financial crimes, including money laundering, while the Financial Institutions Services (FIS) continued its winding down operations on behalf of the Financial Sector Adjustment Company (FINSAC).

The progress of the financial sector reforms undertaken during FY 2016/17, as well as some of the major activities and achievements of the FID and the FIS are highlighted below.

Banking Services Act (BSA)

In accordance with the provisions of the Banking Services Act, the **Banking Services (Deposit Taking Institutions) (Agent Banking) Regulations was approved by Parliament during FY 2016/17** and the Banking Services (Deposit Taking Institutions) (Customer Related Matters) Code of Conduct was issued. The **Banking Services (Deposit Taking Institutions) (Agent Banking) Regulations, which** was passed in November 2016, provide a framework that will allow some banking businesses to be undertaken through agents authorized by the Supervisory Authority. The objective is to allow a widening of banking access channels beyond existing deposit taking institutions' branch networks and electronic access channels. This will include the use of third-party-owned locations that will offer some banking services alongside their own products and services. These services include deposits and withdrawals, payments of bills, loan repayments, electronic transfer of funds, account balance enquiries, and the collection of "know your customer" and customer due diligence documentation. The agents could include institutions such as supermarkets, gas stations, hardware stores, and money transfer and remittance entities. The Agent Banking Regulations is also expected to facilitate financial inclusion.

The Banking Services (Deposit Taking Institutions) (Customer Related Matters) Code of Conduct, which was issued by the Bank of Jamaica (BOJ) in August 2016, establishes minimum standards of good banking practice for deposit taking institutions in respect to customer related matters.

The BOJ has also commenced work on developing the regime for financial holding companies and consolidated supervision under the Banking Services Act, with the release in November 2016 of the Consultation Paper on Consolidated Capital Adequacy for public feedback.

Private Sector Pension Reform

The second phase of private sector pension reform seeks to address issues such as vesting, portability and indexation. To achieve this objective, a Bill to amend the Pensions (Superannuation Funds & Retirement Schemes) Act was drafted in November 2016 and is expected to be tabled in FY 2017/18.

Insurance (Amendment) Act

During FY 2016/17, the Financial Services Commission (FSC) submitted a proposal for amendment of the Insurance Act to the MOFPS. The proposed amendment will facilitate the creation of a micro-insurance legislative framework and also pave the way for the introduction of regulations to govern the industry.

Proposed Micro Credit Act

The Chief Parliamentary Counsel (CPC) completed the second draft of the Microcredit Bill in July 2016. The Bill was thereafter circulated to key stakeholders for review and comments. Informed by these comments, the MOFPS issued further drafting instructions to the CPC in November 2016 for a revision of the Bill. The proposed new Act is intended to provide for the licensing and regulation of small privately-owned money lending institutions in an effort to address operational deficiencies in the industry. It will also seek to promote greater transparency, protect consumers and reduce or eliminate the risks of the industry being used as a vehicle for facilitating money laundering.

Public Sector Pension Reform

The Pensions (Public Service) Bill was resubmitted to the Legislation Committee in June 2016 for review by the new Committee in accordance with legislative procedures. The Bill was subsequently re-tabled in Parliament in July 2016. In addition, the CPC completed the draft accompanying Regulations in November 2016. Parliament is expected to pass the Pensions Act in the March 2017 quarter for implementation on April 1, 2017.

National Financial Inclusion Strategy (NFIS)

Cabinet approved a NFIS in May 2016. The strategy sets out a coordinated approach to encourage financial inclusion in Jamaica. However, the full implementation of the NFIS is contingent on the establishment of the National Financial Inclusion Council (NFIC), which will be ultimately responsible for implementation of the NFIS. The NFIC is expected to be appointed by March 2017. A Financial Inclusion Steering Committee (FISC) has been established to oversee the implementation of the NFIS and will report to the NFIC. The FISC will be supported by a technical secretariat that will monitor and evaluate the action items under the NFIS.

The NFIS seeks to create an environment in which under-served Jamaican citizens and micro, small and medium-sized enterprises (MSMEs) are provided with the relevant knowledge and access to financial products and services, which would enable them to save, invest and build economic wealth. The NFIS will focus on the following priority areas: MSME and agriculture finance, housing finance, consumer protection and financial literacy, and retail payment systems.

Enhancement of the Resolution Framework for Financial Institutions

Preliminary work commenced with the drafting of a concept paper proposing a special resolution regime (SRR) for financial institutions. This concept paper will inform the drafting of a consultation paper, which is expected to be released for public feedback by end February 2017. An inter-agency technical working group of the Financial Regulatory Committee is drafting the papers, with technical assistance from the International Monetary Fund.

The proposed SRR for financial institutions will provide a framework for the orderly resolution of distressed financial institutions in order to protect financial stability whilst minimizing recourse to public funds. The proposed SRR is in keeping with international best practices promoted by the Financial Stability Board in its guidance document "*Key Attributes of Effective Resolution Regimes for Financial Institutions*".

Financial Institutions Services Limited

During FY 2016/17, the FIS continued with the winding up of residual activities on behalf of FINSAC including selling remaining properties under its control. The following are some of its key achievements:-

- ✓ The audited financial statements for the year ended March 2016 for FIS and FINSAC were completed and submitted to the MOFPS in July 2016.

- ✓ The FIS sold the remaining 10 of the 31 Enchanted Gardens units, which netted $8.2mn. In addition, an agreement has been reached to sell the Mutual Life Warehouse Complex in Kingston which is expected to conclude by May 2017. The remaining properties in FINSAC's portfolio are four ½ acre lots at Drax Hall, St. Ann and a 16-acre lot at Culloden, Westmoreland.

- ✓ A total of $48.0mn was collected from the sale of shares in various listed companies and another $12.0mn is anticipated from remaining sales by March 2017. Listed shares for dissolved companies will be transferred to the Accountant General by March 2017.

- ✓ The FIS has received seven (7) payments totalling US$3.4mn as at October 2016 under a settlement reached in 2013 regarding a property in St. Lucia which was owned by International Hotels (St. Lucia) Limited. There are three (3) remaining payments due in April 2017, October 2017 and April 2018, totalling US$1.3mn.

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

    - Jamaica Mutual Life Staff Superannuation;
    - Eagle Merchant Bank Pension Scheme – Five (5) payments totalling $95.0mn were received as at December 2016 and GLL will pay the remaining surplus of approximately $227.0mn in 12 equal monthly instalments of approx. $19.0mn each ending July 2017.
    - Scheme for the Jamaica Mutual Properties Limited - Distribution of surplus to the beneficiaries commenced in June 2015 and efforts continue to locate the remaining beneficiaries to facilitate completion of the pay-out.

- ✓ A number of litigation matters being pursued in the Courts by or against FINSAC and its affiliated entities is at various stages of the litigation process and includes the following:

    - FINSAC had appealed the ruling in a case against the former Eagle Commercial Bank in respect of an amount payable of $3,800mn calculated by the claimant versus the $29mn, which FINSAC calculated and paid to the claimant. The appeal was heard in October 2016 and a decision is expected by March 2017.

    - During 2016, FINSAC sold five (5) of the remaining properties related to the Privy Council judgment handed down against Donovan Crawford in 2005 in the Century litigation, netting $18.0mn. The sale of another unit is expected by March 2017 with projected proceeds of $9.0mn. The two (2) remaining properties are expected to net about $3.0mn.

    - In 2015, FINSAC received its share of the net proceeds of US$855,000 from the sale of the Grenada Crescent building, following a favourable judgement in 2006 against Dr Paul Chen Young in the Eagle litigation. Dr Chen Young subsequently appealed the judgement and also brought a suit of bias claiming undue influence at the trial. Both matters were heard in late 2013 and the decisions are still pending.

    - With regard to a judgment that was granted in favour of the Workers Bank in the claim against the Bank for storage fees based on a storage agreement, the claimant is seeking to have the matter re-listed.

Financial Investigations Division

During FY 2016/17, 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 was instrumental in facilitating Jamaica's Mutual Evaluation that was conducted by the Caribbean Financial Assessment Task Force (CFATF) and which assessed the state of Jamaica's Anti Money Laundering and Countering the Financing of Terrorism Frameworks. The FID co-ordinated the Mission, including the finalization of several pre-Mission documentary requirements with other stakeholders and led the discussions on completing the report, which was finalized in November 2016.

- ✓ The FID made steady progress in preparing the roll out of the goAML software by acquiring key equipment, concluding service agreements with service providers, running security and other tests and providing industry training. The goAML system will see financial institutions and designated non-financial institutions filing statutory reports under the Proceeds of Crime Act (POCA) electronically.

- ✓ The FID in collaboration with U.S. authorities achieved notable success with the forfeiture of several real properties, the proceeds of which will be shared with the US authorities.

- ✓ The FID in collaboration with Major Organized Crime and Anti-Corruption Agency (MOCA) and the Office of the Contractor General (OCG) was successful in the identification, investigation and restraint of property valued in excess of J$220mn.

- ✓ The FID had success in several court cases including the conviction of three foreign nationals for money laundering and subsequent forfeiture of J$5.6mn and US$5,612.0 in September 2016.

- ✓ The FID successfully processed ten forfeited real properties, valued at J$230.0mn, with the intent of submitting to the Registrar of Titles for the vesting process to be completed.

- ✓ The FID conducted three hundred and twenty five (325) background checks for the BOJ, as part of a process to ensure that persons entering the financial sector in key positions are *Fit and Proper*.

Proposed Areas of Focus for Fiscal Year 2017/18

The MOFPS' efforts in FY 2017/18 will concentrate on the following key areas:

- ✓ Implementing the public sector pension reform;
- ✓ Enabling the second phase of private sector pension reform to address issues such as vesting, portability and indexation;
- ✓ Amending the Insurance Act to facilitate the creation of a micro insurance legislative framework;
- ✓ Enacting the Microcredit Bill to provide for the licensing and regulation of small privately-owned money lending institutions;

- ✓ Facilitating the development of Regulations for financial holding companies and consolidated supervision under the Banking Services Act;
- ✓ Assisting in the implementation of the Action Plan of the NFIS;
- ✓ Assisting in the various stages of the legislative process to develop appropriate legislation for the enhancement of the resolution framework for financial institutions;
- ✓ Continuing divestment of the 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 2017;
- ✓ Ensuring that the goAML application is instituted as quickly and as seamlessly as possible - to include the training of compliance personnel in all financial institutions via a sector based schedule;
- ✓ Pressing for the passage of procedural rules for POCA and other required legislative amendments;
- ✓ Facilitating industry outreach to improve the quality of reporting from reporting entities, including those sectors that are viewed as over-reporting and those that are under-reporting;
- ✓ Working on developing more typologies and strategic studies on money laundering and terrorism financing trends in Jamaica;
- ✓ Making greater use of facilities to share information with foreign counterparts and law enforcement - this includes making better use of the FIU's Egmont connections, the greater use of Mutual Legal Assistance Requests for investigations and the development of more formal information-sharing arrangements with domestic regulators and law enforcement bodies;
- ✓ Seeking better co-ordination of efforts among the FID, the Office of the Director of Public Prosecution (ODPP) and the various JCF branches to ensure that the FID is advised on a timely of feasible cases for post-conviction forfeiture;
- ✓ Focusing on proactive case development by investigators by the dedication of resources, better use of surveillance and research to develop high level targets. The Division will also focus on its JCF Liaison officers to work with JCF Operational Units to identify cases where proceeds of crime are likely to be identified for seizure and confiscation;
- ✓ Building the capacity of the FID's lawyers to handle complex criminal money laundering cases;
- ✓ Building the capacity of the Asset Management Unit to manage and dispose of seized property by recruitment, training, as well as the settling of procedures for sale, particularly with respect to properties that are subject to a confiscation order emanating from a foreign court;
- ✓ Enhancing the Digital Forensics capacity of the Information Technology Unit and the requisite implementation of new Cyber Security policies and a new case management system;
- ✓ Renovating the FID's infrastructure to enhance security, staff facilities and appearance.

Appendix IV

Strategic Human Resource Management

Public Sector Reform

Establishment of the Strategic Human Resource Management Division (SHRMD)

The development, including staffing, of the SHRMD remains a work-in-progress. Staffing at the senior management level of the new structure continued during FY 2016/17, with recruitment for some positions currently underway.

Public Sector Efficiency Programme (PSEP)

During FY 2016/17 work commenced on the development of a Capacity Enhancement Strategy and Plan for the SHRMD and HRM Units across Ministries, Departments and Agencies (MDAs), in keeping with the MOU signed by the MoFPS, Office of the Cabinet and Management Institute for National Development. This development is also in line with the PSEP which is being financed through an Inter-American Development Bank (IDB) loan.

Implementation of the PSEP began with the engagement of HR professionals in the SHRMD and MDAs to determine priority HR competencies at different levels. A comprehensive Learning Needs Analysis was also conducted to inform the Capacity Enhancement Strategy and Plan, through workshops, one-on-one interviews, focus groups, and surveys.

As part of the strategy to enhance capacity, 20 officers of the SHRMD and the wider MoFPS were trained in *Leadership Essentials* during January 2017.

Human Capital Management Enterprise System (HCMES)

The phased implementation of the integrated HR and payroll system continues with implementation for the Office of the Services Commissions (OSC) and eGov Jamaica Limited scheduled for February 2017. The more than 100 administrators trained on the new system are expected to train other persons in their respective MDAs.

Data migration from the old to the new system has commenced in 3 of 14 MDAs that have been selected for the first phase of system implementation. User Acceptance Testing (UAT) was conducted for 8 MDAs to verify that the systems reflect the actual HR and payroll processes and requirements.

The public sector transformation team is conducting Change Management and Communication assessments in the 14 MDAs. As part of this exercise, change and communication work streams are being established to support implementation of the system for each MDA based on its needs.

HR Operating Model

In June 2016 a team of HR practitioners, Permanent Secretaries and CEOs participated in a workshop to critically examine HR in the public sector. A key outcome of the workshop was the embracement of a shared vision for human resources. Specifically, the team sought to identify: what changes are needed; a vision for HR; a new HR operating model; and, to ascertain how such a model could best serve the Jamaican public sector.

The team considered the *Ulrich model* as most suitable for Jamaica, especially for enabling public sector transformation. This model entails HR focusing more on strategy rather than on administration.

Compensation Review

The MOFPS is well advanced in its work to review current practices and develop a compensation policy for the GOJ. This will be instrumental in informing the Government's medium term wages policy, consistent with the legislated wage ceiling. Cabinet is expected to approve the compensation policy before the end of FY 2016/17.

Public Sector Pension Reform

The reform of the public sector pension system is important to sustaining the country's fiscal programme. The proposed reform has been delayed to allow the new administration time to adequately review the Pensions Bill and to assess the attendant policy implications. In keeping with the legislative process, the Bill entitled "*The Pensions (Public Service) Act*", which outlines the proposed features of the reformed pension arrangement, was reviewed by the Legislation Committee and Cabinet. The Bill was subsequently re-tabled in the Lower House of the Parliament for debate.

The Bill seeks to, *inter alia:*

- establish a contributory pension scheme that will make it mandatory for all pensionable officers to contribute five percent (5%) of their basic salary towards their pension;
- establish a segregated fund for the contributions at a time to be determined by the Minister;
- gradually increase the retirement age by 5 years to age 65; and
- harmonize the legislation governing public sector pensions in a single statue while repealing several enactments which previously dealt with pensions.

Improvement in Pensions Administration

During FY 2016/17, the installation and commissioning of hardware and software required to establish the Staging and Hosting Environment for the *Public Employees Pensions Administration System* (PEPAS) at eGov Jamaica's data centre was completed. The final stage of the PEPAS application is scheduled for delivery in the fourth quarter of FY 2016/17.

In order to facilitate a smooth roll-out of the PEPAS application, 5 entities have been identified for a pilot implementation phase. In tandem with the pilot, User Acceptance Testing training for staff of the Pensions Administration Unit and other end users is scheduled for the period February 2017 – March 2017. Go-Live, a feature which will allow all authorized users' access to relevant modules of the application is scheduled for the first quarter of FY 2017/18.

Establishment Control

Post Operations Committee (POC)

The POC continues to monitor the Public Service Establishment and adjudicate on requests for the operation of vacant posts in the context of the country's Medium-term Economic Programme. This activity is integral to containing the size of the public sector and for enabling the achievement of Government's wage bill target.

Revised guidelines for the operation of posts in MDAs were issued in July 2016. These guidelines seek to enhance operational and manpower planning efficiencies in order to optimize service delivery by the public sector.

Establishment General (G) Order

The Parish Councils' Establishment Act was published during FY 2016/17. In addition, the Civil Service Establishment (General) Order, 2016 was laid in the Houses of Parliament for Affirmative Resolution, and passed into law in January 2017.

Scholarships and Assistance Awarded under GOJ and Donor Programmes

Scholarships

In excess of 600 public sector workers received financial assistance towards tuition fees for tertiary studies, in keeping with the negotiated Heads of Agreement. Between January 2016 and December 2016, scholarship offers were received from China, Cuba, Japan, Serbia, the Organization of American States (OAS), and the Commonwealth Scholarship to New Zealand and the UK. Applicants were shortlisted, interviewed and recommended on the basis of:

- The national training priorities;
- Merit and overall credentials, including academic and professional background; and
- Financial status.

A Partnership was forged with the PetroCaribe Development Fund for implementation of a formal and thematic tertiary programme, targeting Jamaican citizens from the lower socio-economic and vulnerable groups (including youth, youth at risk, women, persons with disabilities and persons impacted by HIV/AIDS) who are studying in the areas of Energy, Logistics, Spanish and Entrepreneurship.

Skills Training

Consistent with the 2015/17 Heads of Agreement signed between the GOJ and the Jamaica Confederation of Trade Unions, and in furtherance of the Government's commitment to ensuring that employees are constantly upgrading their professional and employable skills, the services of HEART Trust/NTA were engaged during FY 2016/17 to deliver training in Cake Baking, Floral Arrangements, Interior Decorating, Drape Making, Motor Vehicle Air Conditioning Repairs and Tile Laying. A total of 160 employees were trained during the period.

Employee Benefits

Funeral Grants, as well as 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 2016 period, total disbursements for loans and grants was $574,094,000.00, a 144% increase over the corresponding period in 2015. 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 49% increase in applications received for Funeral Grants. There is however a slight reduction in the number of applications received for the period under review for Tertiary Loans.

Industrial Relations

Wage Negotiations

As at January 31, 2017, a total of 29 Heads of Agreement were signed with Trade Unions representing employees in Central Government for the 2015/2017 contract period. This represents 98% of workers in Central Government. Approximately 95% of statutory bodies also signed agreements with their worker representatives.

The outstanding Central Government bargaining units are the Veterinarians, Veterinary Paramedics and the University of Technology Academic and Administrative Staff Unions, representing 2 bargaining Units. One (1) group, the Medical Technologists, has been referred to the Ministry of Labour and Social Security for conciliation. All other agreements were settled at the local level.

Industrial Harmony

Industrial harmony stood at 97% against a projected 95% target. This was achieved through continuous engagement with the unions, the provision of timely and sound advice to MDAs in the implementation of agreed benefits, as well as effective efforts to resolve grievances.

Appendix V

TAX ADMINISTRATION PROGRAMME

Tax Administration Jamaica

TAJ operates as the country's premiere revenue collecting authority and is responsible for collecting approximately 60% of total tax revenues. In keeping with the Tax Management Programme and its mission to collect the revenues due in an equitable and efficient manner and to foster voluntary compliance, TAJ contributes to a competitive business environment that facilitates and enhances economic growth and development. In accordance with its strategic objectives, TAJ continues to make it easier for persons to do business while reducing the cost of compliance, and has provided additional options for taxpayers to access information, file returns and pay their taxes. As a result, compliance rates and collections continue to improve.

FY2016/2017 PERFORMANCE

During FY 2016/2017, TAJ remained focused on its two strategic objectives: (1) Improving voluntary compliance and (2) Modernization of TAJ. The outlook for TAJ's core performance is positive as its risk-based compliance initiatives continue to drive its major programmes. TAJ's modernization programme is a significant contributor to its success. The modernization of TAJ's human resources, processes, physical infrastructure and systems has enabled it to broaden its reach and grow compliance across the population, and to efficiently and effectively respond to changes in the dynamic operating environment.

Revenue Administration Information System (RAiS)

Implementation of the Revenue Administration Information System (RAiS) signalled a change in the way TAJ does business. This change is manifested in a substantial transformation of the human and technological infrastructure, as well as improved and re-engineered business processes, which has enhanced TAJ's customer-centric focus and improved efficiency. The TAJ has made major strategic investments in customer service, and taxpayers are benefitting from online services with greater convenience and security.

The implementation of the RAiS has up-skilled over 1,000 team members in addition to upgrading computer systems island-wide. The advanced technological infrastructure has enabled TAJ to strengthen its efficiency and transparency, which are key elements of its National Compliance Plan.

Service and Education

The implementation of RAiS has encouraged and driven customers to use TAJ's eServices. As a result, outreach programmes focused on strengthening stakeholder engagements. TAJ provided specialized service to ensure that (a) the top 300 taxpayers of all Revenue Service Centres were registered for eServices (b) medium taxpayers mandated to efile GCT were empowered to do so and (c) filing centers/etaxspots/kiosks were made available to taxpayers in all Revenue Service Centres and/or Tax Offices.

TAJ continued to increase its service delivery across multiple channels in an effort to enhance the awareness of its diverse stakeholder groups. This is in keeping with, and building on, the model of improving compliance through service, education and enforcement.

While the TAJ continued public engagement by way of the traditional media, it also made a strategic move to engage younger, more computer-savvy professionals and business operators through social media platform, by intensifying the number of tweets, Facebook posts and the development of a YouTube series (tax tips in 60 seconds), which resulted in an increase in social media followers. The continuation of print and radio features with major media companies remained a key part of the strategy to having a sustained presence in the public domain, ensuring that taxpayers are more informed about their tax obligations as well as the required procedures and documentation relevant to the respective tax types.

Enforcement

A strong enforcement programme, supported by strengthened legislation to include garnishment and third party legislation, underpinned TAJ's notable performance. Programmes were utilized to address various issues across the 4 areas of compliance to include:

- Arrears programme;
- New taxpayer programme;
- Missing SO1 (TAJ & NHT), Missing IT07 and SO4a (filing and payment) programme; and
- A garnishment programme.

For the review period April – December 2016, 3,730 delinquent taxpayers were identified from these programmes with a tax liability of $11,400.0mn, of which $5,300.0mn was paid. Arrears collections during this period amounted to $14,600.0mn. Data mining analysis and data capture process supported these programmes in areas such as:

Identification of taxpayers incorrectly claiming allowable losses on income tax returns;
Results obtained from the arrears analytical model; and Analysis of all income tax and GCT returns. The TAJ placed sustained focus on tax violators and tax avoiders trading in taxable supplies who have not filed respective tax returns. Predominantly, activities centered on the informal economy and include but not limited to:

a) Intelligence referrals for assessment/prosecution of which 45 cases were referred for assessment/prosecution;
b) New registrations involving 64 taxpayers who violated several sections of the GCT Act, and contraventions of the Income Tax Act; and
c) Third Party Compliance Reports with 192 requests processed for partnering external agencies, including MOCA, RPD and FID.

There were 23 civil investigation cases completed with tax assessed of $600.0mn. These cases were predominantly from the entertainment, construction, in-bond and rentals sectors. In addition, 10 criminal cases were referred for prosecution for various breaches.

Enterprise Risk Management

TAJ continued to embed enterprise risk management within its culture. In this regard, the organization reviewed its enterprise risk management framework, advanced a risk management plan, conducted risk-based performance reporting, reviewed the disaster management plans and completed a comprehensive Business Continuity Management Plan (BCMP) to provide standardized guidance to respond to critical incidents that threaten the organization's resilience and ability to continue operations. The incident management aspect of the plan was tested with the close-passing of Hurricane Matthew and revealed efficacy in the planned responses.

Collections

For the first three quarters of FY 2016/2017, collections remained above target by 9.3%, 0.9% and 11.9%, respectively. As at December 2016, net collections stood at $191,798.8mn, which was $12,551.0 (7.0%) above the $179,247.8mn budgeted for the period. This is the first in 6 years that the collections target has been surpassed for at least seven (7) of the nine (9) months under review (Table V(a)).

Table V(a): Monthly Collections

Period	FY16/17	FY15/16	FY14/15	FY13/14	FY12/13	FY11/12
Apr	101.1%	99.2%	99.0%	105.1%	99.9%	100.0%
May	112.0%	111.6%	111.5%	105.1%	99.9%	90.8%
June	114.3%	100.6%	89.2%	89.6%	101.7%	92.8%
Qtr. 1	**109.3%**	**103.1%**	**98.3%**	**99.5%**	**100.6%**	**94.0%**
July	100.3%	99.7%	104.6%	106.8%	98.7%	103.0%
Aug	104.5%	93.3%	75.3%	77.3%	92.5%	107.6%
Sep	98.5%	113.8%	92.2%	102.0%	89.8%	89.1%
Qtr. 2	**100.9%**	**103.6%**	**90.4%**	**95.1%**	**93.4%**	**99.9%**
Oct	92.4%	103.5%	102.3%	94.5%	99.5%	91.6%
Nov	112.2%	97.8%	103.3%	92.3%	100.8%	99.9%
Dec	127.3%	102.2%	82.4%	92.4%	88.4%	85.0%
Qtr. 3	**111.6%**	**101.1%**	**94.2%**	**93.0%**	**94.4%**	**91.4%**
YTD	**107.0%**	**102.6%**	**94.1%**	**95.8%**	**96.3%**	**95.4%**

Compliance

Combined across all tax types and tax segments, on-time filing rate year to date (April-December 2016) was 47.2%, whereas on time payment rate year to date was 96.5%. Comparable rates for FY2015/2016 were 38.2% and 95.3% respectively. A closer examination of tax segment and tax type shows wide fluctuations especially within on-time filing rates, with the pattern ranging from the high 90s to low 40s as presented in Table V(b). The TAJ's strategies are geared toward compliance risk treatment across the 4 compliance areas by segment and tax type.

Table V (b) Comparative on time filing and on time payment rates by segment and tax type Apr- Dec

		Filing		Payment	
Segment	**Tax Type**	**FY16/17**	**FY15/16**	**FY16/17**	**FY15/16**
Large	GCT	92.3%	91%	98.6%	99.0%
	PAYE	71.0%	74%	96.4%	96.3%
	SCT	81.5%	79%	100%	100%
	GART	85.4%	76%	98.4%	99.7%
Upper Medium	GCT	88.0%	88%	98.8%	98.3%
	PAYE	66.1%	67%	94.5%	92.7%
	SCT	50.0%	100%	100%	89.0%
	GART	70.2%	70%	94.8%	99.3%
Lower Medium	GCT	84.9%	85%	97%	95.0%
	PAYE	61.8%	61%	93%	91.3%
	SCT	68.6%	78%	98.1%	33.3%
	GART	41.1%	75%	99.5%	98.7%
Small	GCT	74.5%	74%	95.5%	92.7%
	PAYE	54.4%	53%	88.3%	85.0%
	SCT	83.3%	51%	98%	72.7%
	GART	69.3%	66%	84.3%	72.3%
Micro	GCT	48.2%	48%	93.6%	79.0%
	PAYE	22.8%	18%	76.7%	70.3%
	SCT	55.6%	26%	50.0%	66.5%
	GART	55.9%	50%	95.3%	71.7%

FY 2017/2018 Strategic Focus and Medium Term Outlook

For the past 3 fiscal years, TAJ's strategic direction was built on two strategic objectives which guided the organization through its transitioning to a semi-autonomous revenue authority and re-engineering core business processes. TAJ will maintain this strategic focus as it seeks to build on current successes of meeting the needs and expectations of taxpayers and other stakeholders. In this regard, TAJ has identified the following 5 strategic objectives for the medium term.

1. **Continuously improving voluntary compliance:** TAJs primary mandate is improving voluntary compliance with the tax laws, i.e. ensuring that taxpayers are registered accordingly; returns are filed and paid on time; and that accurate amounts are paid. It has become necessary for TAJ to develop specific rules in creating the enabling environment for the implementation of a Transfer Pricing regime in FY2017/2018. TAJ will also continue to build on its forensic data mining capabilities, expand and strengthen the development of its risk-based compliance programme. Overall programme development will focus on improving on time filing and

payment rates for core tax types; improving the integrity of TAJs registration database; management of returns and ensuring greater accuracy of taxpayer reporting.

2. **Engendering a customer centric organization:** TAJ will be strengthening the scope and access of taxpayer services, partnership management, products and services. This will entail customer centric compliance programmes being developed and implemented, including a corporate social responsibility programme.

3. **Institutional strengthening of the organization (people, processes, technology and physical infrastructure):** TAJ will improve its internal controls and processes through effective enterprise risk management (ERM) and continue the phased implementation of the ERM framework (policy, plans, initiatives) across the organization in FY 2017/2018. An integrated ERM/Planning software will be procured to further enhance the ERM process. This automation is expected to improve enterprise wide risk-based performance management and enhance reporting, monitoring and evaluation. TAJ will continue to prudently manage its resources. In this regard, assessments of business processes will be conducted on RAiS and Enterprise Content Management (ECM), and TAJ will implement the government wide Human Capital Management Enterprise System (HCMES). Additionally, ICT systems will be refreshed. At least 3 major physical infrastructure projects will be undertaken to upgrade TAJ's current facilities. These projects will incorporate environmental awareness and Occupational Safety and Health (OSH) programmes.

4. **Building human capital synergies:** The major strategy will be the implementation of a competency framework for all mission critical positions. In doing this, TAJ is aiming to empower staff for them to function efficiently, effectively and to be more responsive to the changing environment within which the organization operates. This will be effected through training across all levels, starting with (a) a Senior Leadership Team development programme; and (b) a robust succession planning programme. Other supporting programmes will include strengthening of the staff awards and recognition system, as well as social welfare initiatives.

5. **Corporate governance and culture enhanced:** TAJ is establishing a new organizational philosophy as it seeks to build on, and, strengthen its guiding principles, shared core values and culture, to reflect its new semi-autonomous revenue authority status. These initiatives are expected to create the desired cultural norms that will guide TAJ's staff in their lives and in the daily execution of the Authority's mandate. The resulting shared philosophy and enhanced culture will establish standards and good practices to advance TAJs journey on the path to become a "World Class Tax Administration".

Jamaica Customs Agency

Introduction

The Jamaica Customs Agency (JCA) collects annually approximately 35% of the country’s tax revenue and works with other agencies to manage the flow of all people and goods crossing Jamaica’s border, while managing related risks. The JCA was established as an Executive Agency effective April 2, 2013 and 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.

Operating Environment

The JCA operates in a dynamic environment that requires continuous monitoring to identify and respond effectively to opportunities and risks. To this end, the Agency aims to maintain a workforce that is committed to excellent delivery of high quality services. The JCA collects and protects GOJ revenue and guards the country against smuggling through:

- routine operations;
- use of intelligence-led risk management and global connections;
- stakeholder engagement in developing JCA's strategic plan; and
- engaging regularly with industry groups and other organisations.

The JCA functions are mandated by the Customs Act 1941 and Customs Regulations 1955, which is currently being revised. Revision of the Customs Act and Regulations will assist the JCA to keep pace with rapidly changing technology, business practices, and border management requirements. In addition to the Customs Act, the JCA enforces over 125 other provisions of law on behalf of at least 20 agencies.

The JCA operations which represent challenges, include:

- Hiring, training and retaining qualified employees in a highly competitive marketplace;
- Reducing the amount of illegal drugs passing thru 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 preventing predatory and unfair trade practices;
- 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 blocking the trade of stolen property; and

- 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 JCA will nevertheless continue to adopt appropriate strategies and actions to address existing and potential threats to its operations.

JCA Achievements FY 2016/2017

During the period April 2016 to December 2016, the following were achieved:

Revenue Collection

As at December 31, 2016 net revenue collections amounted to $140,870.0mn, an increase of $17,655.0mn or 14% over collections for the comparable period in 2015. Tax revenue, which grew by 15.3% or $17,274.0mn, contributed 92% to the overall collections. The new revenue measures introduced in FY 2016/2017, robust information and communication technology platform, streamlined processes and strategic staff placement contributed largely to the revenue buoyancy.

ASYCUDA World

The ASYCUDA World project was substantially implemented by the end of FY 2015/2016. The project was however extended to December 2016 to refine and finalize some aspects of the system for Jamaica.

ASYCUDA as part of the national growth agenda has enhanced the JCA's business and operating procedures to the benefit of staff, customs brokers, importers and other stakeholders. It allows for greater visibility and enhanced controls to detect and purge tax evaders while at the same time removing the bureaucratic red tape that law abiding traders decry.

Legislative Amendments

The JCA continues the phased implementation of its legislative agenda. Phase Two relates to the Customs (Amendment) Bill 2015, which will revise some key provisions of the Act, simplify the language of some provisions and further support the implementation of ASYCUDA World. The Draft Bill was circulated to key stakeholders for comments and further drafting instructions, incorporated the stakeholders' feedback.

In Phase Three, further amendments to the Act focused on trade facilitation in accordance with Jamaica's international obligations and international best practices. These amendments seek to ensure alignment with the proposed Special Economic Zones (SEZ). A review of the subsidiary laws to the Act (regulations, orders and rules) will also be required. Consultation with external stakeholders commenced in April 2016. The World Bank provided technical assistance for drafting the Phase 3 Bill, which has been submitted to the independent legislative drafter for review, refinement and advice.

International Trade

The JCA through the International & Industry Liaison Unit has been engaged in a number of activities to assist the Trade Facilitation Task Force in fulfilling its mandate of capacitating the trade related agencies and regulatory bodies to effectively codify the products they regulate and to utilize risk management in restructuring the permit regimes. Some of the major accomplishments are listed below:

Conducted training in Tariff Classification for all departments under the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF) to provide for a harmonized system of classification wherein all entities will utilize the same language for product description

Classified and verified the listing of regulated products for several Departments of Government, e.g. Plant Quarantine, Veterinary Services Division, National Compliance, and Regulatory Authority (NCRA), and divisions of the Ministry of Health. The work will continue and forms the basis for the use of risk based approaches to regulation.

Engaged in building capacity in the area of advance binding rulings, the implementation of which is a mandatory requirement under Article 3 of the WTO Agreement on Trade Facilitation, which Jamaica ratified in January 2016. This was achieved through study tours which were facilitated by the Canada Border Services Agency (CBSA) and the United States Customs and Border Protection (CBP) and a national workshop on the Development of an Advance Ruling System in Jamaica conducted by the World Customs Organization in November 2016.

Memorandum of Understanding (MOU)

The JCA and the United Kingdom (UK) Border Force signed an MOU on July 21, 2016, which entails both organizations working together on cross-border initiatives to include combating transnational crime and cross-border illicit trading activities. The MOU will allow both countries to address major common threats at their respective seaports and airports. It will primarily enable the JCA and UK Border Force to share information and undertake joint activities to detect and manage security risks. In addition, the UK Border Force will provide technical assistance and training to officers of the JCA.

Human Resource Development

The Agency as at December 31, 2016 transitioned 1,090 or 76% of staff onto the Executive Agency structure. Sixty-nine (69) staff members have been appointed by the Agency while fifteen (15) staff members have enrolled in the Executive Agency Pension Scheme.

Expansion to the Sufferance Wharves

The JCA as at December 31, 2016 completed construction of a seawall and boundary fence at Sufferance Wharves, Port Royal to improve security and risk management and also facilitate efficient processing of pleasure crafts and cabin cruisers.

Strategic Objectives for FY 2017-2018 and the Medium Term

The JCA's strategic objectives and associated strategies for FY 2017/2018 to FY 2019/2020 are outlined as follows:

1. **To maximize collection of revenue -**

- Examining goods and ensuring that the correct amount of duty is collected before the goods are released from Customs control;
- Developing and managing a coordinated, risk-based approach to completing post clearance audits;
- Conducting joint post clearance audits with TAJ; and
- Identifying and initiating collection actions for revenue past due.

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

- Assessing budget execution and implementing cost-saving strategies; and
- Applying risk-based assessment and management methodologies to inform expenditure for customs controls.

3. **To maximize the rate of detection of illegal and prohibited goods -**

- 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 WCO standards and guidelines to utilize the advanced information from ASYCUDA World for effective risk management;
- Improving border security and countering drug trafficking through latest facilities, tactics, and strategies; and
- Enhancing and developing a mechanism to monitor the movement of cargo, passengers, crew and conveyances for effective profiling and targeting, by establishing and strengthening controls at the border.

4. **To maximize voluntary compliance in customs declaration -**

- Using ongoing public education through the various media, such as workshops, meetings, public forum, expos, print and electronic media;
- Broadcasting information through conducting client awareness surveys;
- Drafting, developing and implementing a robust national compliance plan;
- Encouraging voluntary compliance by initiating discussions with stakeholders;
- Reviewing and amending the Customs Act and Regulations in order to align legislation with best practices; and
- Updating, simplifying and standardizing systems, procedures and legislation.

5. **To minimize processing time of legitimate goods and persons -**

- Ensuring passengers and cargo are processed within the Citizen's charter and legal framework;
- Continuing to communicate customer charter standards both internally and externally;
- Developing and acquiring systems that will improve the detection, and, prevent the flow of prohibited and restricted goods;
  Conducting workshops in an effort to achieve high-quality customer service delivery;
- Placing greater focus on reducing the time taken to clear goods and passengers.

6. **To automate and strengthen information management, information and communication technology and financial management systems -**

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

7. **To develop and maintain a team of motivated, professional and competent staff -**

- Evaluating the performance management system as well as developing and implementing strategies to address poor performance areas;
- Formulating and implementing HR best practices, policies and initiatives aimed at enhancing employee welfare and satisfaction;
- Developing and conducting relevant training sessions;
- Filling vacant posts, especially for critical jobs;
- Revising existing SOPs and manuals where necessary;
- Developing and implementing staff satisfaction surveys; and
- Identifying and implementing training development intervention for each staff level.

8. **To adhere to occupational health, safety and environmental national, regional and international standards -**

- Developing and enforcing occupational health and safety plans and programmes.

9. **To improve and maintain the system of internal controls within Finance and Administration -**

- Producing and implementing agency-wide SOPs;
- Monitoring and evaluating systems of internal control to ensure compliance; and
- Ensuring that the JCA's financial statements are produced in accordance with the relevant accounting standards and GOJ guidelines.

10. **To improve planning and research activities within the Agency -**

- Developing and utilizing the Corporate/Operational Plans as a tool to guide the management decision making process; and
- Coordinating review sessions to assess divisional operational plan and KPIs.

11. **To assess and enhance the impact of the internal audit on the JCA operations -**

- Establishing a robust risk assessment and annual planning process to focus on existing and emerging high risk areas.

12. **To establish and maintain quality assurance mechanisms -**

- Establishing Quality Management Systems (ISO 9001:2015) consistent with national, regional and international standards.

13. **To maximize customer satisfaction -**

- Implementing Sysaid (Customer Relationship Management 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 Forums.

Appendix VI

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

Reform of Public Investment in Jamaica

The Ministry of Finance and the Public Service has successfully implemented many of the key activities in the Public Financial Management (PFM) Reform Programme. The primary objective of the Reform is to enhance efficiency of the process and one of its key elements is the establishment of the Public Investment Management System (PIMS).

In fiscal year 2014/15 the Ministry of Finance and Planning 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 PIMS. The legislation was Gazette in April 2014.

Through support from the Strategic Public Sector Transformation Project (supported by a World Bank Loan of US$35mn) in fiscal year 2015/16 the Ministry of Finance 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) - the Secretariat is housed in the Planning Institute of Jamaica, however, it is an agency of the Ministry of Finance and the Public Service. It is the central point of entry of **all projects** to be included 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. The Secretariat is fully equipped and is 80% staffed. Up to December 2016, the Secretariat reviewed over 80 investment projects with an approximated total value of US$700mn. These include major investments in transportation, infrastructure enhancement, social protection and governance.

Within the fiscal year 2017/2018 the PIMSEC plans to begin the mid-term assessments of key projects within the PSIP to ascertain their viability for continued support and to better advise the Ministries, Departments and Agencies of remedial actions that may be necessary so as to improve the effectiveness and efficiency of the investment in attaining its mandate.

Hosting of PIMS Committee Meeting - The Committee is chaired by the Minister of Finance and the Public Service and supports the review of all public investments. The Committee was reconstituted in Fiscal Year 2016/17 and now has membership from the Ministers of MICAF, Health, and MEGJC Under the amended FAA Act, all Pubic Investments must be reviewed by the PIMS Committee.

Development of PIMS Guidelines - After consultations that were completed in FY 2014/15 and 2015/16 the Cabinet has approved the guidelines for the Public Investment Management System. The guidelines, as defined by the amended FAA (2014), establishes some common parameters for the governance framework of the PIMS, and sets out the processes and procedures used by the GOJ to approve and manage Public Investments in Jamaica at all stages of the investment life cycle.

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 Ministry of Finance and the Public Service in collaboration with the Secretariat and the World Bank has established the PIEF. The mechanisms for the administration and operations of the fund were approved by the PIMC and funds are now available for access by MDAs who are in need of support. The fund will facilitate and provide resources for the implementation of technical assistance activities for the design, monitoring and evaluation of PIM Projects. These are projects that have been identified as having the capacity to deliver sound investments in quality infrastructure and public services. The fund will also assist in establishing a structure where limited public resources are allocated in the most efficient and effective manner. The 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 **$40mn** has been provided for the Fund in FY 2017/18.

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 Ministry of Finance and the Public Service 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. The Ministry has completed the user requirements for the system and is now in the process of completing the technical specifications that will form part of a Request for Proposal (RFP). Procurement of the system is delayed but is slated to begin in FY 2017/18.

The FY 2017/18 – FY 2021/22 presented in the table below, incorporates investment projects funded through GOJ resources, revenues generated by the public bodies as well as through loans and grants from multilateral/bilateral institutions.

The notes below represent some of the major development projects and programmes listed by sector which will be implemented by Central Government MDAs, with assistance from multilateral/bilateral institutions, through to FY 2021/2022.

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 programme commenced island wide in 2002 and cash grants are paid to beneficiaries every two months. The PATH is primarily funded 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).

Some of the achievements in the area of social safety include, the approval of a Social Protection Strategy in 2014 and the subsequent establishment of a committee to look at the social protection landscape in Jamaica and make suitable recommendations; providing labour activation services and skills training that can empower household members of PATH to seek and retain employment; and continued fiscal provisions in the form of an annual budget – for the 2017/18 FY this amounts to $7,010mn.

Jamaica Social Investment Fund (JSIF)

The JSIF has been tasked with the implementation of various projects which are geared towards addressing the socio-economic needs and provision of social services at the community level across Jamaica. The entity was allocated a budget of $2,105mn in FY 2016/17 to facilitate the completion of 169 sub-projects however, that amount was revised to $1,900mn based on the delays which affected the advancement of some procurement activities.

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 2017/18, $1,716mn has been provided to continue implementation of the aforementioned programmes. The Jamaica Social Investment Fund (JSIF) plans to achieve its mandate during the fiscal year by executing six major projects and a total of 61 sub-projects. The major projects include the Rural Economic Development Initiative, Poverty Reduction Project IV, Basic Needs Trust Fund Seven and Eight (BNTF7 & BNTF8), Integrated Community Development Project (ICDP), Disaster Vulnerability Reduction Project (DVRP). In addition $200.0mn has been provided from the Petro Caribe funds as Appropriations-in-Aid to implement the School Sanitation Programme which focuses on the replacement of pit latrines in primary schools.

Public Sector Transformation

Public Sector transformation is led by the Office of the Cabinet and the Ministry of Finance and the Public Service (MOFPS). Much of the efforts for the transformation are coordinated through the Public Sector Transformation and Modernization Programme (PSTMP) out of Cabinet Office and the Strategic Public Sector Transformation Project being implemented by the MOFPS. The total external financing provided to implement these programmes is US$67.56mn up to March 2020. 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. The financing provided will also support initiatives out of the Office of the Prime Minister. The interventions seek to generate and secure efficiency and fiscal gains through the merger, reorganization and closure of strategically identified government companies.

For FY 2017/2018 a budgetary allocation totalling $1,539mn 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: implementation of a Human Capital Management Enterprise System with Payroll (HCMES/Payroll), implementation of a Corporate Governance Framework for public bodies, supporting the enhancing of Parliament's Oversight Role, strengthening the Public Procurement Process, strengthening the Auditor General Department's capacity for performance and IT Audits, further development of GOJ Records and Information Management Programme, the design and implementation of the Public Investment Management Information System, execution of the activities funded by the Pre-investment and Evaluation Fund, Strengthening of eGov Jamaica Ltd, continue implementation of Medium Term Results Based Budgeting and Change management within various Ministries, Departments and Agencies.

EDUCATION (Additional school places, training and reform)

In FY 2016/17, the Ministry of Education was originally allocated a budget of $2,633mn which was later adjusted to $2,598mn to implement capital projects. The main projects executed and their activities included: (i) *Education Systems Transformation* **–** National Standard Curriculum rolled out in Grades 1,4 and 7-9, six agencies operational and structure of the modernized MOE developed and approved internally, 80 and 65% mastery of literacy and mathematics respectively achieved at Grade 4, commenced rollout of a document/file management system (Xythos), a human resource management system (Orange HR) and an enterprise school management system; (ii) *The University of Technology Enhancement Project* - completed construction of a Shared Facilities to provide additional classrooms and Laboratories upgrade; (iii) *USAID/MOE Education for Partnership for Improved Reading Outcome* - completed intervention in schools that needed assistance in improving reading levels and (iv) *Education Transformation Programme* - the provision of additional classroom blocks in 5 secondary schools to alleviate the shift system and procurement of science equipment for the Science Technology Engineering and Mathematics (STEM) Academies.

The Education Ministry's budget for F/Y 2017/2018 is $1,579mn to implement capital projects. The reduction of the budget when compared to the previous fiscal year is predicated on the position of two capital projects supported by external funders ending during FY2016/17 namely *USAID/MOE Education for Partnership for Improved Reading Outcome* and Technology to Empower Individuals and Communities for Development and the fact that the *University of Technology Enhancement Project* will wind down and terminate during the 2017/18 fiscal year. However, the allocation provided will continue to impact all levels of the education spectrum. 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 14 schools to accommodate an infant department is also scheduled for implementation via the *Renovation/Refurbishing of Infant Schools Project*. The primary sector will benefit from new bathroom facilities at 7 schools and construction of classroom blocks at 5 locations. The Secondary level will benefit from the construction of additional classrooms at 12 institutions to address the existing shift system as well as major revisions to the curriculum through projects such as the *Education Transformation Programme, the Education System Transformation Programme* and the *Promoting Quality Education and Advancing the reality of Child Friendly Environments 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 2017/18, $1,314mn 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 justice training institute.

Construction and Improvement of Correctional Facilities
The Department of Correctional Services has continued its initiative to upgrade and improve the physical conditions of several of the existing correctional facilities for adults and juveniles. The programmed works will occur at the Tower Street Adult Correctional Centre; St. Catherine Adult Correctional Centre; Horizon Adult Remand Centre; Metcalfe Street Secure Juvenile Remand Centre; Hilltop Juvenile Correctional Centre and the Rio Cobre Juvenile Correctional Centre.

The programme is allocated $180.75mn to facilitate these works which will include renovation/rehabilitation of existing buildings; refurbishing of 175 inmate cells and the construction of a new building to house 200 inmates, perimeter walls and emergency escapes staircases to address security and safety concerns.

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$60.0mn loan from the IDB over a 5-year period.

Major Achievements since the project began in 2012 include (i) the 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. The Integrated Tax Administration System (ITAS)/ Revenue Administration Information System (RAIS) at Tax Administration Jamaica (TAJ) has resulted in increased tax compliance, improvement in arrears collection and identification of tax dodgers; (ii) enhancement and upgrading of MDAs Accounting

System (FINMAN)- 37 ministries and departments and agencies (MDAs) on 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).

With a budget of $1,497mn in FY 2017/18, implementation will continue to reform, improve and strengthen the systems and processes of Tax Administration Jamaica (TAJ), the Jamaica Customs Agency (JCA), the Debt Management Branch (DMB) of the MOFPS and the Government's Central Treasury Management System (CTMS). Some of the additional major activities to be supported include – the implementation of an Asset, Facilities and Inventory Management System, implementation of a Document Management System for MOFPS, TAJ and JCA, the Rehabilitation of the TAJ East Street building, commence implementation of an Electronic Single Window for border agencies and acquisition of equipment for border protection.

ENHANCING COMPETITIVENESS AND GROWTH

Jamaica: Foundations for Competitiveness and Growth

The objective of this project is to strengthen the enabling environment for private sector competitiveness to help unleash growth and competitiveness in the Jamaican economy. These goals are expected to be attained by enhancing competition in the business environment, facilitating large-scale private investment and supporting Small and Medium Enterprises (SMEs) by providing low-cost financing.

This project is funded by a loan of US$50mn from the World Bank and will be implemented over a 6-year period.

During the 2016/2017 fiscal year, the development of the Application Management and Data Analysis (AMANDA) system continued with the approval of the functional requirements documents by the National Works Agency, negotiation with an information technology firm and the submission of justification for the Public Portal II and the establishment of a wide area network (WAN) among all the participating agencies. A second attorney was engaged and placed at the Attorney General's Chamber to review key commercial transaction documents.

The disbursement of loan funds from the Development Bank of Jamaica (DBJ) to SMEs was over $600mn.

In the 2017/18 fiscal year, the WAN for the AMANDA is scheduled to be established and this will facilitate the further development of Public Portal II in the Municipal Corporations and other referral agencies. The feasibility study to assess the viability of establishing a ship registry is scheduled to be implemented during the fiscal year. The Logistic Hub Initiative (LHI) Master Plan which started in the early 2016/17 is expected to be completed. The engagement and placement of two (2) attorneys at the Attorney General's Chamber will continue and this is expected to help clear the backlog of key commercial transaction documents to be reviewed. The drafting of the regulations governing of the Special Economic Zone (SEZ) Act and the subsequent promulgation of the Act are expected to be completed in fiscal year. The SEZ Authority is scheduled to be established and an interim head is to be appointed to lead the agency. The study to determine the feasibility of establishing the Caymanas Economic Zone (CEZ) is expected to commence after delays in completing the procurement processes. The firm managing the Jamaica Business Fund programme is scheduled to continue disbursing grants to eligible small and medium size enterprises (SMEs) and provide supply chain technical assistance to the grant beneficiaries. The Development Bank of Jamaica (DBJ) will continue the disbursement of loan funds to SMEs via approved financial institutions (AFI). Over $400mn is expected to be made available for onlending to SMEs.

Economic Partnership II (EPA II) Capacity Building Project

The objective of this project is to support the Government of Jamaica in addressing the trade deficits, accelerating exports, enhancing competitiveness and integrating the economy into global markets. This European Union (EU) funded project has been allocated the sum of $130mn for the 2017/2018 fiscal year. Some of the activities to be implemented include the completion of a contract 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 programme of upgrading several state owned laboratories to attain ISO 17025 accreditation and JANAAC certification are scheduled to be completed.

HEALTH

In FY 2017/18 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 a comprehensive 10 year strategic plan and a three year implementation plan as well as finalize activities related to the development of policies, protocols and modules for the screening of non-communicable diseases at health facilities. The Health Ministry will continue planned investment to rehabilitate primary health care facilities across the island. An allocation of $1,826mn (Grant-$1,568mn, GOJ-$257,474mn) 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)
With government's annual electricity costs showing an upward trajectory, this project has been involved in the application of simple but effective technologies to reduce energy usage and annual operating costs. The activities being implemented include the installation of solar control film, and roof membranes to reduce the effect of radiation on buildings, and the replacement of inefficient window and mini-split A/C units and the upgrading/replacement of chill water units. The major achievements for 2016/17 included: (i) the replacement of mini-split air conditioning units at several educational institutions; (ii) replacement of chill water systems and cassette unit with modern energy efficient units at the Office of the Prime Minister, Ministry of Finance, National Blood Bank, and the National Public Health Laboratory (NPHL). Three (3) hospitals also benefitted from air conditioning upgrades.

The 2017/18 fiscal year will be the final year of this project and several institutions will receive air conditioning upgrades. With an allocation of $252mn, the project will focus on the upgrade/replacement of air conditioning units at the May Pen Hospital, three (3) JCF facilities and two (2) JCDC facilities.

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

The main objective of this project is to strengthen the regulatory and institutional framework of the energy sector to improve performance, increase private sector investment and transition to cleaner fuels. During fiscal year 2016/17, the main focus of this project was procurement and installation of a new test chamber and the rehabilitation of an existing test chamber to test refrigerators, freezers and air conditioning units. The feasibility studies of six (6) potential hydroelectric power sites commenced and were at an advanced stage of completion. There was no new disbursement of loan funds to the DBJ from the line of credit but some of the funds remaining from that drawn down in the previous fiscal year were made available for onlending to SMEs via approved financial institutions.

With fiscal year 2017/18 scheduled to be the final year of project implementation, the project has been given an allocation of $215mn to complete all major activities. The project is scheduled to complete the installation and commissioning of the test chambers early in the fiscal year. The final tranche of approximately $60mn from the line of credit will be disbursed to the DBJ for on-lending to SMEs. With the Ministry of Science, Energy and Technology (MSET) assuming regulatory responsibility for several areas, as outlined under the new Electricity Act, consultants will be engaged to develop the framework under which these new responsibilities are carried out. The reports from the feasibility studies of the potential hydro sites are expected to be available for presentation to potential investors during the 2017/2018 fiscal year.

AGRICULTURE

Sugar Transformation Project

This project was given a one-year extension of time to complete the targets set out in the Accompanying Measures for Sugar Protocols (AMS 2013). The extension is from October 1, 2016 to September 30, 2017. Some of the indicators initially set were removed and new ones added.

At the start of fiscal year 2016/17, the project received a budgetary allocation of $2,388mn but this was subsequently reduced by $250mn in the 2016/17 First Supplementary Estimates and reallocated to support operations at the Monymusk sugar factory. Some of the achievements for the 2016/17 fiscal year were: (1) the partial completion of 80km of cane roads; (2) completion of works associated with construction of houses under the barracks relocation programme; (3) commencement of a training programme for a new cohort of over 600 persons from the SDAs; (4) provision of support to 80 new or existing business operators to start or expand their businesses; (5) provision of support to at least 80 community-type projects; (6) implementation of green harvesting methodologies on a minimum of 300 hectares of sugar cane; and (7) the installation of drip or centre pivot irrigation systems on at least 300 hectares of sugar cane.

The sum of $957mn has been allocated in the 2017/18 Estimates of Expenditure. This sum will be used to complete all of the activities above, since these were not completed in fiscal year 2016/17. In addition to completing the targets outlined above, other targets to be achieved by the sugar industry include: 1) the exportation of a minimum of 2,500 metric tonnes of sugar to countries other than the European Union and United States by September 30, 2017; 2) the development and promulgation of a mandatory standard for the packaging and labeling of sugar for the retail trade according to Codex Alimentarius CODEX STAN 212-1999 and JS CRS 5 2010 (Jamaican Standard Specification for Labeling of Pre-packaged Foods) by the end of September 2017.

Agricultural Competitiveness Programme (ACP)
This is the final fiscal year of the Agricultural Competitiveness Programme (ACP)
The ACP was allocated $465.8mn in the 2016/17 Estimates of Expenditure but this was subsequently reduced to $421.7mn in the First Supplementary Estimates. Some of the achievements during the fiscal year were: (1) construction of a contraband room at the Montego Bay export complex; (2) refurbishing of the Plant Health laboratory at Bodles, St Catherine and the quarantine facilities at Plumb Point, Kingston; (3) procurement of laboratory equipment and supplies for some laboratories at the MICAF; (4) further development of the export market platform for fresh produce; (5) commencement of the upgrading of four (4) agro parks to attain Global G.A.P. certification; and (6) Resumption of construction works on the New Forest packing house.

Fiscal year 2017/18 is the final year of the project and the following are expected to be implemented: (1) Establishment of infrastructure and complete training programmes for farmers at Ebony Park, Spring Plains, Yallahs and Plantain Gardens River Agro Parks to facilitate the attainment of Global G.A.P. certification; (2) Resumption of the Mediterranean and West Indian Fruit Fly surveillance programme; (3) Procurement of the remaining equipment and supplies for the plant health laboratories at the Bodles Research Facilities; (4) Engagement of a public relations consultant for the National Animal Identification and Traceability (NAIT) Programme; (5) Completion of the packing facility at New Forest/Duff House; (6) Development of access roads and drains to support the development of the Hounslow Agro Park.

INFRASTRUCTURE

For F/Y 2017/18 $**17,818mn** or **88%** of the **$20,126mn** 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 another two, and continue the construction of the Foreign Affairs Head office.

Details are as follows:

(a) ***Major Infrastructure Development Programme (MIDP)*** – the project as designed envisages the: upgrade 430km of key arterial roads, reconstruction of 27 critical bridges, and implementation of nine phases of the Employment Programme (JEEP/HOPE) – to 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).

Implementation commenced on this project during F/Y 2014/15, and as at the end of F/Y 2016/17 resulted in the completion of six of the nine programmed phases of the employment programme; completion of 5 of the 27 programmed bridges and rehabilitation of 74 km of the 430km of road.

For **F/Y 2017/2018** a total of **$16,070mn** is allocated to the project to: (i) commence rehabilitation of five prioritized (class 'A') main roads - complete three prioritized main roads and achieve approximately 20% and 10% completion respectively on the other two; (ii) continue and complete the construction of three bridges;(iii) commence and complete the rehabilitation of 22 class 'B' to class 'C' main roads, one retaining wall and a box culvert island wide; and (iv) commence and complete two cycles/phases of the employment component (rehabilitation of community roads, drainage structures, construction of retaining walls and river training) in 63 constituencies.

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

The activities of the project were focused mainly on the rehabilitation of approximately 10.4km of roadway along the Soursop to Chapleton road corridor in the parish of Clarendon.

Implementation of the civil works component along the 10.4km of roadway programmed for rehabilitation commenced during September 2014 of the FY 2014/15 and up to the end of the FY 2016/17 completion was approximately 85%. An allocation of $500mn is provided in FY 2017/18 to facilitate the continuation and completion of the Sour Sop Turn – Chapleton road works contract which is anticipated to be complete within the first half of the FY 2017/18.

(c) ***Road Rehabilitation Project II*** - the major objective of this project is to facilitate economic development/growth through improvements to 14.8 km of road network to support agricultural, industrial and tourism activities in the parish of St. Mary.

Broadgate to Agualta Vale, St. Mary; this project is allocated $167mn in FY 2017/18 to facilitate the commencement of:

- road rehabilitation works to 14.8km on the Broadgate to Agualta Vale road section
- the acquisition of land necessary for undertaking the works; and
- the relocation of utilities associated with the works.

(d) ***Southern Coastal Highway Improvement Project***

The main objective of the project is to improve and create suitable, efficient and improved road network in order to bolster commerce and spur economic growth and development.

The project envisaged the development of a new highway along the south-eastern section of the island commencing at Harbour View, St. Andrew to Port Antonio, Portland and continuation of the existing east-west highway westbound to the Parish of Manchester. The project is estimated to cost US$437mn and be undertaken in sections via phased implementation along the identified routes.

The project has been allocated $246mn for FY 2017/18 to support consultancies to conduct an environmental impact assessment for both road segments; surveying and valuation of the land parcels along the proposed road alignments and prepare surveyor reports for parcels identified for acquisition

(e) ***Construction of Ministry of Foreign Affairs Head Office***

The primary objective of this project is to provide the construction of a customized office facility/building 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 project has been allocated $232mn in F/Y 2017/18 to undertake site preparatory works and install coastal protection infrastructure and to continue construction related works necessary for the erection of the MFAFT office Building.

ENVIRONMENT PROTECTION/ DISASTER MITIGATION AND WATER

Jamaica Disaster Vulnerability Reduction Project

The 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 risk factors across the island in 11 parishes.

The DVRP achieved project effectiveness in September 2016. The targets for F/Y 2017/18 include: the construction of a new fire station in Montego Bay, St. James; the procurement of pumper fire engines (water tanker trucks) to bolster the Jamaica Fire Brigade's ability to protect life and property; the procurement of scientific equipment used in the collection of seismic data; conducting coastal micro-zonation studies for Alligator Pond and Savanna-la-Mar; eco-system based adaptation activities; and execution of training and awareness programmes. $236mn has been allocated in FY 2017/18 to facilitate the achievement of these targets.

Rehabilitation of Irrigation Infrastructure

The objective of this project is to reduce water losses and increase operational efficiencies in the Mid-Clarendon Irrigation System. The project has been allocated $150mn in the 2017/18 Estimates of Expenditure and will continue the replacement of several hundred metres of defective irrigation pipelines and repair damage sections of irrigation canals in the Mid-Clarendon Irrigation Area.

PPCR II Improving Climate Data and Information Management

The primary focus of this project is to improve the quality and use of climate related data and information for effective planning and action at the local and national levels. The Ministry of Economic Growth and Job Creation through the Planning Institute of Jamaica is spearheading the project activities with the support of Meteorological Services Division, the Water Resource Authority and the Rural Agricultural Development Agency. The entities will benefit from capacity building and direct investments in new and the replacement of weather radar equipment for data collection.

The project was allocated $250mn in the 2016/17 fiscal year. The main achievements were (i) engagement of an Advisory Services Consultant to provide guidance in the acquisition of weather radar equipment, (ii) the procurement of power supplies and (iii) completed tender process for equipment and software.

An allocation of $200mn for the F/Y2017/18 will facilitate the implementation of major activities namely, (i) the procurement of a Doppler Weather Radar, (ii) the renovations of radar stations, (iii) design of climate data platform, (iv) commence vulnerability assessment of the health sector and other sectors, (v) commence behaviour change campaign and (vi) commence the public education programme.

Adaptation Programme and Financing Mechanisms for PPCR II

The objective of the project is to increase Jamaica's resilience to climate change through enhancing the capacity of priority sectors, with direct focus on (i) mainstreaming climate change into development planning; (ii) provision of climate financing to overcome the challenges of climate change; and (iii) the dissemination of lessons learned from adaptation interventions. The project spans over a five-year period, and is being financed through grant and loan funding from the IDB, in the amount of $2,058mn.

The main achievements during the 2016/17 fiscal year were the establishment of two financing mechanisms – a *Line of Credit* and *Special Climate Change Adaptation Fund*. These financing arrangements will give Micro, Small and Medium Size Enterprises, non government organizations and selected public sector entities access to funds geared towards the implementation of innovative climate smart projects to combat the effects of climate change within their locale.

In FY 2017/18, J$338mn is allocated for the development of climate change strategies and action plans for climate resilience intervention across key sectors - *water, health, tourism, coastal resources, human settlements and agriculture*. The project will also focus on implementing climate change adaptation measures in the Rio Minho Watershed and continue financing climate change projects related to agriculture, water management and tourism through the Line of Credit and Special Climate Change Adaptation Fund.

FISCAL POLICY PAPER

Public Bodies Contribution to Public Sector Investment - FY 2017-18

Public Bodies[5] as instruments of Government Policy have been established over the years to develop strategic sectors in Jamaica and thus contribute to the national economy as well as for fiscal and social considerations. During the FY significant contributions to the PSIP will be made by the self-financing Public Bodies at a cost of $26,514 million with approximately $8,648 million or 33% being financed by loan funding.

The self-financing Public Bodies with significant contribution to Public Sector Investment is highlighted below:

HIGHLIGHTS

Airports Authority of Jamaica (AAJ)
Works will continue towards the implementation of the 20 year Capital Development Programme at the Norman Manley International Airport at a cost of $1,035 million. Additionally, there is budgeted expenditure of $638 million for investments at the Ian Fleming International Aerodrome. These account for approximately 78% of AAJ's expected capital expenditure of $2,141 million.

Jamaica Civil Aviation Authority (JCAA)
Under the modernization project in the delivery of Air Navigation Services, JCAA will pursue the implementation of satellite based air navigation and automation technologies. The Authority will also undertake measures geared towards improving air traffic management to first world standards. Capital expenditure is budgeted at $1,894.46 million for the year, $916.21 million of which relates to the planned upgrade and replacement of air navigation facilities.

Port Authority of Jamaica (PAJ)
PAJ's developmental projects are strategically aligned to the Government of Jamaica's growth and employment agenda and will be focused on Business Process Outsourcing (BPO). The development and expansion of Jamaica's outsourcing industry is expected to be achieved through the construction of two BPO facilities in Kingston and Montego Bay. Cargo and Cruise Port Developments to support and facilitate growth and development in trade, commerce, tourism and cruise are planned for Falmouth, Montego Bay and Ocho Rios. These projects are expected to account for 61% of planned capital expenditure of $9,660 million.

National Housing Trust (NHT)
The Trust has projected that it will construct and finance approximately 6,574 housing starts and 2,159 housing completions. This is consistent with the Trust's drive to develop some 9,000 housing solutions by FY 2020/21, which will comprise houses and residential lots in 42 developments over 11 parishes. Accordingly, in the FY the NHT plans to spend $24,572 million on housing activities, $10,481 million of which will be on direct construction activities.

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

National Water Commission (NWC)
The NWC will continue the implementation of selected strategies and capital projects that are expected to reduce the level of non-revenue water (NRW), achieve energy and other efficiency targets, contain operating costs and enhance revenues. Capital projects are budgeted at $7,962 million and include $2,200 million for pipeline replacement along the major road works being undertaken by the National Works Agency and $1,720 million for the KMA Water Supply Improvement project.

Urban Development Corporation (UDC)
A total of $1,451 million is budgeted to facilitate UDC's investments and infrastructural works, as well as the acquisition of fixed assets.

Financial Services Commission (FSC)
The FSC will increase its efforts towards the development of an automated Integrated Regulatory System which is expected to enhance its efficiency; the project is expected to be implemented over a four (4) year period.

National Health Fund (NHF)
NHF will continue initiatives to improve the health of and care for Jamaican citizens. Consequently
The Fund will spend an additional $714.32 million toward the completion of the Cancer Care Centre (CCC) at the St. Joseph's Hospital which is expected to be fully functional by September 2017. Renovation works will also continue of its corporate office.

Student Loans Bureau (SLB)
The SLB plans to advance the implementation of the new Loans Management System thereby enhancing the automation of its loan origination and servicing activities. Additionally the Bureau will renovate its corporate offices at Harbour Street, Kingston. $350 million has been budgeted to finance these activities during the FY.

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
OFFICE OF THE PRIME MINISTER							
Development of a National Identification System (Korea Poverty Reduction Fund)	***KPRF***	**14,984**	**262,723**	**0**	**0**	**0**	**0**
Projects Managed by JSIF:		**2,102,692**	**1,916,380**	**2,685,130**	**2,980,494**	**1,506,000**	**871,333**
Jamaica Disaster Vulnerability Reduction Project	***IBRD***	**40,000**	**236,167**	**950,000**	**1,050,000**	**530,000**	**521,333**
Rural Economic Development Initiative	***IBRD***	**493,795**	**126,567**	**0**	**0**	**0**	**0**
Poverty Reduction Project III	***EU***	**116,012**	**0**	**0**	**0**	**0**	**0**
Poverty Reduction Project IV	***EU***	**100,000**	**100,000**	**578,608**	**554,494**	**0**	**0**
Basic Needs Trust Fund (BNTF7)	***CDB***	**609,217**	**234,426**	**0**	**0**	**0**	**0**
Basic Needs Trust Fund (BNTF8)		**192,000**	**119,415**	**0**	**0**	**0**	**0**
School Sanitation Programme	***PDF***	**202,500**	**200,000**	**156,522**	**0**	**0**	**0**
Jamaica Integrated Community Development Project	***IBRD***	**349,168**	**899,805**	**1,000,000**	**1,376,000**	**976,000**	**350,000**
Sub-Total Capital B		**2,117,676**	**2,179,103**	**2,685,130**	**2,980,494**	**1,506,000**	**871,333**
Less AIA		**202,500**	**200,000**	**156,522**	**0**	**0**	**0**
TOTAL OFFICE OF THE PRIME MINISTER		**1,915,176**	**1,979,103**	**2,528,608**	**2,980,494**	**1,506,000**	**871,333**
OFFICE OF THE CABINET							
Public Sector Transformation and Modernization Programme (PSTMP)		**571,254**	**652,421**	**900,592**	**919,060**	**352,454**	**0**
TOTAL OFFICE OF THE CABINET		**571,254**	**652,421**	**900,592**	**919,060**	**352,454**	**0**
MINISTRY OF TOURISM							
Enhancing the Resilience of the Agri Sector and Coastal Areas	***Ad/ Fund***	**17,000**	**0**	**0**	**0**	**0**	**0**
TOTAL MINISTRY OF TOURISM		**17,000**	**0**	**0**	**0**	**0**	**0**
MINISTRY OF ECONOMIC GROWTH & JOB CREATION							
General		***1,051,222***	***1,352,805***	***2,807,418***	***2,111,105***	***995,102***	***210,750***

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Understanding Social Effects of Financial Crisis	***IDB***	**10,000**	**0**	**0**	**0**	**0**	**0**
Building Capacity in Post Disaster Needs Assessment	***CDB/GOJ***	**0**	**8,500**	**0**	**0**	**0**	**0**
Development of National Policy and Plan Action on International Migration and Development	***GOJ/ IOM***	**26,350**	**37,250**	**0**	**0**	**0**	**0**
PPCR II - Improving Climate Data & Information Management	***CIF/IBRD***	**150,000**	**200,000**	**244,858**	**228,545**	**225,102**	**210,750**
Economic Partnership (EPA) Capacity Building Project	***EU***	**18,660**	**17,000**	**0**	**0**	**0**	**0**
Economic Partnership II (EPA II) Capacity Building Project	***EU***	**167,476**	**130,000**	**200,000**	**150,000**	**0**	**0**
Enhancing the Resilience of the Agri Sector and Coastal Areas	***AdFund***	**19,600**	**20,019**	**362,560**	**362,560**	**0**	**0**
Jamaica Foundation for Competitiveness and Growth	***IBRD***	**600,000**	**850,000**	**1,740,000**	**1,270,000**	**770,000**	**0**
PIOJ		**250,000**	**450,000**	**1,040,000**			
DBJ		**350,000**	**400,000**	**700,000**			
Technical Cooperation Facility (TCF) IV	***EU***	**20,158**	**0**	**0**	**0**	**0**	**0**
Technical Cooperation Facility (TCF) V	***EU***	**20,000**	**80,000**	**160,000**	**0**	**0**	**0**
Technical Cooperation Facility (TCF) VI		**0**	**10,036**	**100,000**	**100,000**	**0**	**0**
Strengthening the Capacity to Manage Environmental and Social Risks - PIOJ	***CDB***	**5,247**	**0**	**0**			
Institutional and regulatory Framework for Jamaica's ICT/BPO Industry	***CDB***	**13,731**	**0**	**0**			
Works		***11,937,595***	***17,818,162***	***24,906,827***	***19,068,425***	***18,121,651***	***12,956,600***
Southern Coastal Highway Improvement Project		**40,000**	**246,000**	**8,483,950**	**17,503,425**	**17,121,651**	**11,756,600**
National Microwave Radio Backbone Programme	***GOJ***	**23,144**	**0**	**0**	**0**	**0**	**0**

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Construction of Ministry of Foreign Affairs Head Office	***GOJ/PRC***	**540,271**	**232,000**	**1,392,000**	**760,000**	**0**	**0**
Islandwide Flood Damage Mitigation & Vector Control		**1,362,739**	**600,000**	**700,000**	**800,000**	**1,000,000**	**1,200,000**
Palisadoes Shoreline Protection & Rehabilitation Works Project	***GOJ/ CEXIM***	**8,000**	**3,000**	**5,000**	**5,000**	**0**	**0**
Road Rehabilitation Project II	***GOJ/ OPEC***	**748,201**	**500,000**	**0**	**0**	**0**	**0**
Road Rehabilitation Project	***GOJ***	**18,462**	**167,000**	**474,967**	**0**	**0**	**0**
Jamaica Economical Housing Project	***EX-IM (China)***	**182,000**	**0**	**0**	**0**	**0**	**0**
Transportation Infrastructure Rehabilitation Programme	***GOJ/IDB***	**176,000**	**0**	**0**	**0**	**0**	**0**
Major Infrastructure Development Programme	***GOJ/CHINA EXIM***	**8,838,778**	**16,070,162**	**13,850,910**	**0**	**0**	**0**
Land, Environment and Climate Change		**406,457**	**499,799**	**742,918**	**823,311**	**553,310**	**331,529**
Strengthening the Operational and Financial Sustainablity of the National Protected Area System	***GOJ/GEF/ UNEP***	**69,151**	**0**	**0**	**0**	**0**	**0**
National Quick Start Programme Trust Fund (Formerly Globally Harmonised System of the Classification and Labelling of Chemicals)	***UNEP***	**7,292**	**3,269**	**0**	**0**	**0**	**0**
National Biodiversity Planning Project	***UNDP***	**14,900**	**0**	**0**	**0**	**0**	**0**
Hdrochloro Fluoro Carbon (HCFC) Phase-out Mgmt Plan	***UNDP/ MLF***	**16,251**	**11,790**	**15,728**	**13,912**	**12,398**	**11,596**
Integrated Management of Yallahs/Hope River Watershed Management Area	***GOJ/GEF***	**65,520**	**80,000**	**66,328**	**144,696**	**112,218**	**106,673**
3rd National Communication & Binnial Report to the UN Framework Convention on Climate Change (UNFCCC)	***GOJ/GEF UNDP***	**35,555**	**19,160**	**0**	**0**	**0**	**0**
PPCR II - Mainstreaming Climate Change Adaptation	***CIF/IDB***	**194,182**	**338,000**	**544,598**	**509,627**	**373,694**	**213,260**

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Integrating Water, Land and Ecosystems Management in Caribbean Small Island Developing States (IWEco)	***UNEP***	**3,606**	**28,000**	**103,344**	**155,076**	**55,000**	**0**
Developing a Comprehensive Bush Fire Warning Index for Effective Bush Fire Management	***CDB***	**0**	**19,580**	**12,920**	**0**	**0**	**0**
Housing		***50,000***	***0***	***0***	***0***	***0***	***0***
Social Housing Rehabilitation Programme		**50,000**	**0**	**0**	**0**	**0**	**0**
Water		***253,711***	***454,829***	***1,767,144***	***2,685,000***	***1,600,000***	***400,000***
Hermitage Dam Rehabilitation Study	***CDB***	**38,735**	**39,829**	**0**	**0**	**0**	**0**
Rehabilitation of Irrigation Infrastructure (NIC)	***GOJ***	**196,520**	**150,000**	**250,000**	**300,000**	**350,000**	**400,000**
Support to Update the Jamaica Water Resources Development Master Plan	***GOJ/IDB***	**18,456**	**5,000**	**17,144**	**0**	**0**	**0**
Essex Valley Irrigation Infrastructure Development Prog.	***CDB***	**0**	**70,000**	**1,500,000**	**2,385,000**	**1,250,000**	**0**
Construction/Maintenance of Water Supply Systems	***GOJ***	**0**	**190,000**	**0**	**0**	**0**	**0**
TOTAL MINISTRY OF ECONOMIC GROWTH & JOB CREATION		**13,698,985**	**20,125,595**	**30,224,307**	**24,687,841**	**21,270,063**	**13,898,879**
MINISTRY OF FINANCE & THE PUBLIC SERVICE							
Construction of Falmouth Tax Office	***GOJ***	**50,653**	**158,483**	**20,000**	**0**	**0**	**0**
Upgrading of the Jamaica Conference Centre	***GOJ***	**224,124**	**0**	**0**	**0**	**0**	**0**
Support to the SMEs Sector	***GOJ***	**400,000**	**0**	**0**	**0**	**0**	**0**
Support for PIMC Approved Projects	***GOJ***	**16,037**	**300,000**	**4,067,002**	**27,248,467**	**39,921,942**	**58,817,888**
Contingency for Natural Disasters/Infrastructure Rehabilitation	***GOJ***	**0**	**491,000**	**700,000**	**800,000**	**1,000,000**	**1,200,000**

PROJECTS	*Funding Agency*	Revised 2016/2017 Total	2017/2018 Total	Projection 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total	Projection 2021/2022 Total
Build-out of the Accountant General Dept. Offices	***GOJ***	**437,992**	**40,008**	**0**	**0**	**0**	**0**
Fiscal Administration Modernization Programme(FAMP)	***IDB***	**1,500,000**	**1,497,000**	**2,771,280**	**0**	**0**	**0**
FID/Caribbean Criminal Asset Recovery Programme (CCARP)	***DFID***	**26,694**	**0**	**0**	**0**	**0**	**0**
Jamaica Business Taxation Reform (JAMTAX)	***GOJ/IFC***	**20,526**	**2,400**	**0**	**0**	**0**	**0**
Strategic Public Sector Transformation	***IBRD***	**506,085**	**837,000**	**1,392,000**	**1,192,234**	**635,000**	**0**
Support to the MoF&P Transformation Programme	***IDB***	**35,534**	**21,678**	**0**	**0**	**0**	**0**
Institutional and regulatory Framework for Jamaica's ICT/BPO Industry	***CDB***	**970**	**0**	**0**	**0**	**0**	**0**
Loan to PAJ - BPO Expansion		**500,000**	**1,500,000**	**1,870,000**	**0**	**0**	**0**
TOTAL MINISTRY OF FINANCE & THE PUBLIC SERVICE		**3,718,615**	**4,847,569**	**10,820,282**	**29,240,701**	**41,556,942**	**60,017,888**
MINISTRY OF NATIONAL SECURITY							
Construction of JDFLathbury Barracks	***GOJ***	**0**	**350,000**	**600,000**	**617,916**	**0**	**0**
Purchase and Overhaul of Aircraft	***GOJ***	**550,000**	**1,717,850**	**500,000**	**0**	**0**	**0**
Purchase and Overhaul of Ships	***GOJ***	**2,676,750**	**0**	**0**	**0**	**0**	**0**
Acquisition of Vehicles	***GOJ***	**490,000**	**284,400**	**350,000**	**400,000**	**450,000**	**500,000**
Upgrade of Telecommunications and Vehicle Tracking System	***GOJ***	**855,000**	**367,000**	**603,750**	**935,813**	**1,200,000**	**1,400,000**
Constrution and Improvement of Police Buildings	***GOJ***	**190,000**	**103,000**	**180,000**	**0**	**0**	**0**
Construction and Improvement of Correctional Facilities	***GOJ***	**253,000**	**180,750**	**248,250**	**170,000**	**0**	**0**
Justice, Security Accountability and Transparency Project (JSAT)	***EU***	**177,000**	**140,915**	**364,061**	**257,400**	**250,000**	**115,000**
Rehabilitation & Reintegration of Local Offenders & Deported Persons Programme	***FCD/ DFID***	**6,297**	**0**	**0**	**0**	**0**	**0**

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Jamaica National Crime Victimization Survey 2015	***DFID***	**32,295**	**0**	**0**	**0**	**0**	**0**
Reintegration and Rehabilitation of Involuntary Returned Migrants in Jamaica	***UNDP***	**0**	**13,877**	**15,000**	**0**	**0**	**0**
Citizens Security and Justice Programme III	***GOJ/DFATD/ IDB/DFID***	**1,020,000**	**1,100,000**	**1,525,930**	**1,168,553**	**1,250,000**	**1,300,000**
Reintegration and Rehabilitation of Involuntary Returned Migrants in Jamaica	***UNDP***	**0**	**13,877**	**0**	**0**	**0**	**0**
TOTAL NATIONAL SECURITY		**6,250,342**	**4,257,792**	**4,406,991**	**3,549,682**	**3,150,000**	**3,315,000**
MINISTRY OF JUSTICE							
Construction and Improvement of Courthouses - Justice Square	***GOJ***	**149,679**	**130,000**	**425,000**	**475,000**	**500,000**	**530,000**
Motor Vehicle for Judges	***GOJ***	**137,029**	**157,660**	**150,000**	**0**	**0**	**0**
Refurbishing of Hagley Park Road Complex	***GOJ***	**6,000**	**0**	**0**	**0**	**0**	**0**
Citizens Security and Justice Programme III	***GOJ/DFATD/ IDB***	**181,000**	**213,799**	**328,540**	**244,150**	**196,991**	**0**
Justice Sector Reform Programme	***GOJ***	**0**	**137,000**	**150,000**	**200,000**	**0**	**150,000**
Justice, Security Accountability and Transparency Project (JSAT):	***EU***	**145,589**	**325,000**	**286,279**	**193,515**	**145,000**	**0**
MOJ		**91,083**	**300,000**	**243,082**	**163,515**	**145,000**	**0**
INDECOM		**54,506**	**25,000**	**43,197**	**30,000**	**0**	**0**
Justice Undertakings for Social Transformation	***CIDA***	**125,088**	**120,950**	**140,597**	**136,687**	**140,788**	**145,011**
JCF Accountability Programme (Support to INDECOM)	***DFID***	**21,581**					
Caribbean Anti-Corruption Programme (Support to INDECOM)	***DFID***	**150,027**	**0**	**0**	**163,939**	**168,857**	**173,922**
Community Empowerment and Transformation (COMET) Project Phase II	***USAID***	**5,000**	**0**	**0**	**0**	**0**	**0**

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
TOTAL MINISTRY OF JUSTICE		**920,993**	**1,084,409**	**1,480,416**	**1,413,291**	**1,151,636**	**998,933**
MINISTRY OF LABOUR & SOCIAL SECURITY							
Integrated Social Protection and Labour Programme	***GOJ/IDB***	**243,000**	**211,315**	**0**	**0**	**0**	**0**
Social Protection Project II	***G0J/IBRD***	**4,224,394**	**6,416,013**	**120,000**	**0**	**0**	**0**
Developing an Energy Services Company Industry in Jamaica	***GOJ/EU***	**4,546**	**0**	**0**	**0**	**0**	**0**
Social and Economic Inclusion of Persons with Disabilities	***JICA/IBRD***	**70,877**	**130,000**	**0**	**0**	**0**	**0**
Integrated Support to Jamaica Social Protection Strategy	***IDB***	**1,493,434**	**1,522,543**	**8,264,000**	**9,388,426**	**9,079,202**	**8,847,934**
TOTAL MINISTRY OF LABOUR & SOCIAL SECURITY		**6,036,251**	**8,279,871**	**8,384,000**	**9,388,426**	**9,079,202**	**8,847,934**
MINISTRY OF EDUCATION, YOUTH & INFORMATION							
Establishment of Diagnostic Centres (Special Education)	***GOJ***	**50,500**	**32,000**	**50,000**	**60,000**	**0**	**0**
Sanitary Block Project (Renovation/Refurbishing of Primary Schools)	***GOJ***	**96,000**	**38,000**	**50,000**	**60,000**	**70,000**	**80,000**
Education Transformation Programme I	***GOJ***	**547,409**	**541,500**	**750,000**	**800,000**	**900,000**	**1,000,000**
CASE Facilities Upgrade	***GOJ***	**67,000**	**23,000**	**0**	**0**	**0**	**0**
Renovation/Refurbishing of Infant Schools	***GOJ***	**50,000**	**50,000**	**55,000**	**60,000**	**150,000**	**0**
National Education Trust Solar School Project	***GOJ***	**35,000**	**61,940**	**551,000**	**800,000**	**200,000**	**0**
Renovation & Modification of Caenwood Office	***GOJ***	**90,000**	**108,000**	**300,000**	**140,000**	**0**	**0**
Electrical Upgrading Project	***GOJ***	**115,000**	**50,000**	**0**	**0**	**0**	**0**
Education System Transformation Programme	***IBRD/IDB/ GOJ***	**588,632**	**455,899**	**69,431**	**0**	**0**	**0**

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	Total	Total	Total	Total	Total
Early Childhood Development Project	***IBRD***	**36,500**	**45,000**	**29,489**	**30,373**	**0**	**0**
University of Technology Enhancement Project	***CDB***	**601,788**	**56,045**	**0**	**0**	**0**	**0**
Primary Education Support Project	***IDB***	**52,795**	**0**	**0**	**0**	**0**	**0**
Strengthening the School Feeding Programme in Jamaica	***FAO***	**13,372**	**11,065**	**0**	**0**	**0**	**0**
USAID/MOE Education Partnership for Improved Reading Outcomes	***GOJ/USAID***	**53,412**	**0**	**0**	**0**	**0**	**0**
Promoting Quality Education and Advancing the reality of a Child Friendly Environment	***UNICEF***	**29,637**	**6,960**	**0**	**0**	**0**	**0**
Technology to Empower Individuals & Communities for Development	***GOJ /B& M Gates Found.***	**112,048**	**0**	**0**	**0**	**0**	**0**
Youth Development Programme	***IDB***	**24,082**	**0**	**0**	**0**	**0**	**0**
Construction of Early Childhood Institutions	***GOJ/ China***	**35,000**	**100,000**	**800,000**	**200,000**	**0**	**0**
TOTAL MINISTRY OF EDUCATION, YOUTH & INFORMATION		**2,598,175**	**1,579,409**	**2,654,920**	**2,150,373**	**1,320,000**	**1,080,000**
MINISTRY OF HEALTH							
Upgrading of Water Supply System -Bellevue Hospital	***GOJ***	**24,000**	**24,000**	**0**	**0**	**0**	**0**
Health Services Improvement	***GOJ/ NHF***	**1,317,310**	**1,059,170**	**1,500,000**	**1,500,000**	**1,000,000**	**0**
Inner City Focus	***GOJ***	**4,262**	**5,000**	**0**	**0**	**0**	**0**
Transformational Fund Mechanism - Jamaica HIV	***Global Fund***	**315,385**	**0**	**0**	**0**	**0**	**0**
HIV Prevalence in most-at-risk population reduced	***USAID***	**361,582**	**492,258**	**274,000**	**224,000**	**300,000**	**0**
Programme for Reduction of Maternal and Child Mortality (PROMAC)	***EU***	**256,722**	**549,594**	**700,260**	**643,278**	**800,000**	**0**

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Institutional Strengthening to Improve National Surveillance, Prevention and Control of Infectious Diseases	***IDB***	**15,000**	**10,132**	**0**	**0**	**0**	**0**
Strengthening of Health Systems in Jamaica	***IDB***	**26,040**	**29,722**	**0**	**0**	**0**	**0**
Support to the National HIV/AIDS Response in Jamaica (formerly New Funding Mechanism)	***Global Fund***	**623,999**	**744,223**	**756,245**	**400,000**	**800,000**	**0**
Sub-Total MINISTRY OF HEALTH		**2,944,300**	**2,914,099**	**3,230,505**	**2,767,278**	**2,900,000**	**0**
Less AIA		**1,317,310**	**1,059,170**	**1,500,000**	**1,500,000**	**1,000,000**	**0**
TOTAL MINISTRY OF HEALTH		**1,626,990**	**1,854,929**	**1,730,505**	**1,267,278**	**1,900,000**	**0**
MINISTRY OF CULTURE, GENDER, ENTERTAINMENT & SPORT							
Improvements to the Water Distribution System for the National Stadium	***GOJ***	**28,500**	**0**	**0**	**0**	**0**	**0**
Upgrading of the National Arena Facility	***GOJ***	**30,000**	**0**	**0**	**0**	**0**	**0**
Construction of Irrigation Infrastructure for Trelawny Stadium	***GOJ***	**31,000**	**0**	**0**	**0**	**0**	**0**
Revitilization of the Institute of Jamaica	***JICA***	**96,000**	**16,080**	**0**	**0**	**0**	**0**
Addressing the Gap of Gender-based Violence between the State and Vulnerable women and girls	***UNESCO***	**3,016**	**0**	**0**	**0**	**0**	**0**
TOTAL MINISTRY OF CULTURE, GENDER, ENTERTAINMENT & SPORT		**188,516**	**16,080**	**0**	**0**	**0**	**0**
MINISTRY OF INDUSTRY, COMMERCE, AGRICULTURE & FISHERIES							

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Major Rural Farm Roads Rehabilitation/Devt Programme	***GOJ***	**250,000**	**150,000**	**250,000**	**300,000**	**400,000**	**500,000**
Production Incentives to farmers	***GOJ***	**439,000**	**385,000**	**450,000**	**500,000**	**600,000**	**700,000**
Sugar Transformation Programme	***GOJ***	**1,988,269**	**956,948**	**0**	**0**	**0**	**0**
Diversification of the Caribbean Livestock Sector through the Production of Small Ruminants	***GOJ/CFC***	**34,769**	**0**	**0**	**0**	**0**	**0**
Agricultural Competitiveness Programme	***GOJ/IDB***	**421,701**	**180,000**	**150,000**	**200,000**	**400,000**	**500,000**
Bannna Accompaning Measures (BAMS)	***GOJ/EU***	**146,772**	**131,701**	**0**	**0**	**0**	**0**
Enhancing the Resilience of the Agricultural Sector and Coastal Areas	***Ad Fund***	**75,800**	**59,717**	**0**	**0**	**0**	**0**
Promoting Community Based Climate Resilience in the Fisheries Sector	***IBRD***	**18,939**	**4,000**	**54,779**	**150,000**	**288,312**	**154,500**
TOTAL MINISTRY OF INDUSTRY, COMMERCE, AGRICULTURE & FISHERIES		**3,375,250**	**1,867,366**	**904,779**	**1,150,000**	**1,688,312**	**1,854,500**
MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY							
Energy Efficiency & Conservation Programme	***GOJ/IDB***	**285,000**	**251,881**	**0**	**0**	**0**	**0**
E-Learning Project	***GOJ /USF***	**700,000**	**700,000**	**700,000**	**0**	**0**	**0**
Energy Security Efficiency Enhancement Project:	***GOJ/ IBRD***	**359,704**	**215,228**	**0**	**0**	**0**	**0**
MSTEM		**359,704**	**156,048**	**0**	**0**	**0**	**0**
DBJ		**0**	**59,180**	**0**	**0**	**0**	**0**
Establishment of Latin America and the Caribbean Organisation's (OLADE)	***OLADE***	**8,410**	**0**	**0**	**0**	**0**	**0**

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Enhancing the ICT Regulatory Environment	***IDB***	**2,585**	**0**	**0**	**0**	**0**	**0**
Improving Innovation Capacities in the Caribbean	***GOJ/ ACP Group***	**29,033**	**19,269**	**0**	**0**	**0**	**0**
Energy Management and Effciency Programme	***IADB***	**0**	**36,000**				
Cyber Security Capacity Building		**0**	**4,274**				
Youth Employment in Digital and Creative Industuries	***IBRD***	**112,100**	**304,400**	**651,120**	**489,554**	**327,991**	**166,433**
Upgrade to the International Postal System	***ITU***	**38,911**	**46,676**	**0**	**0**	**0**	**0**
Sub-Total MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY		**1,535,743**	**1,577,728**	**1,351,120**	**489,554**	**327,991**	**166,433**
Less A/A		**700,000**	**700,000**	**700,000**	**0**	**0**	**0**
TOTAL MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY		**835,743**	**877,728**	**651,120**	**489,554**	**327,991**	**166,433**
MINISTRY OF TRANSPORT & MINING							
Portmore Transportation Hub - Feasibility Study	***GOJ***	**14,357**	**10,000**	**0**	**0**	**0**	**0**
JUTC - Acquisition of spare parts and special tools	***GOJ***	**1,508,809**	**1,300,000**	**1,325,000**	**1,362,000**	**1,498,000**	**0**
Acquisition of Buses (JUTC)	***GOJ***	**806,087**	**0**	**0**	**0**	**0**	**0**
Trifold National Transport Repository Project	***GOJ***	**666**	**671**	**450**	**0**	**0**	**0**
TOTAL MINISTRY OF TRANSPORT & MINING		**2,329,919**	**1,310,671**	**1,325,450**	**1,362,000**	**1,498,000**	**0**
MINISTRY LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT							
Acquisition of Garbage Trucks - NSWMA	***GOJ***	**100,000**	**250,000**	**0**	**0**	**0**	**0**

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Fixed Asset Acquisition - Jamaica Fire Brigade	***GOJ***	**319,867**	**187,111**	**0**	**0**	**0**	**0**
Fixed Asset Acquisition - Ministerial vehicles	***GOJ***	**14,000**	**0**	**0**	**0**	**0**	**0**
Improvement of Emergency Communication System in Jamaica	***GOJ***	**819**	**10,000**	**0**	**0**	**0**	**0**
Drop-in-Centres - homeless people	***GOJ***	**27,915**	**24,000**	**0**	**0**	**0**	**0**
Community Based Landslide Risk Reduction	***GOJ/IBRD***	**119**	**0**	**0**	**0**	**0**	**0**
Riverton Landfill Access Road Concrete Pavement	***Mexican Govt***	**182,500**	**0**	**0**	**0**	**0**	**0**
Portmore-Hagen Climate Change Park	***German Govt***	**22,976**	**30,000**	**36,000**	**0**	**0**	**0**
Emerging and Sustainable Citiies Initiative	***EU***	**50,214**	**48,480**	**25,330**	**0**	**0**	**0**
TOTAL MINISTRY OF LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT		**718,410**	**549,591**	**61,330**	**0**	**0**	**0**
TOTAL CENTRAL GOVERNMENT		**47,021,429**	**51,241,704**	**68,429,822**	**80,098,700**	**85,800,600**	**91,050,900**
LESS AIA		**2,219,810**	**1,959,170**	**2,356,522**	**1,500,000**	**1,000,000**	**0**
Loan to PAJ							
GRAND TOTAL CENTRAL GOVERNMENT		**44,801,619**	**49,282,534**	**66,073,300**	**78,598,700**	**84,800,600**	**91,050,900**
				0		**0**	**0**
				0	**0**		
	Projects	**Revised 2016/17**	**2017/2018**	**Projected 2018/2019**	**Projected 2019/2020**	**Projected 2020/2021**	**Projected 2021/2022**
		Total	**Total Budget**	**Total Budget**	**Total Budget**	**Total Budget**	**Total Budget**
PUBLIC ENTERPRISES							
			-	-	-	-	
Airport Authority of Jamaica			-	-	-	-	

PROJECTS	***Funding Agency***	**Revised 2016/2017**	**2017/2018**	**Projection 2018/2019**	**Projection 2019/2020**	**Projection 2020/2021**	**Projection 2021/2022**
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Phase 1b -Fire Suppression System Upgrade	Petrocaribe/AAJ	20,020	133,250	133,250	19,500	-	-
Phase 1b - 4kv to 24kv Substation, 4kv line & PHB Substation	Petrocaribe/AAJ	53,950	312,000	130,000	52,000	-	-
Phase 1b - HVAC System balancing	AAJ	-	10,400	-	-	-	-
Other sections of NMIA -CDP Project	AAJ		579,390				
Ian Fleming Airport Expansion	AAJ	-	638,000	520,000	442,000	-	-
AAJ SubTotal		**73,970**	**1,673,040**	**783,250**	**513,500**	**-**	**-**
Jamaica Civil Aivation Authority (JCAA)				-	-	-	
Radar/Air Nav. and Communication Automation System etc	JCAA	454,770	895,930	482,430	-	-	
Demolish & reconstruct building at 2 Winchester Road	JCAA	50,000	396,200	475,440			-
AIM Automation	JCAA		216,690	-	-	-	-
Upgrade A/C - NMIA & Norwood	JCAA	38,740	45,140	-	-	-	-
Telephone System (VOIP)	JCAA	-	29,130	-	-	-	-
Standby Generators at all Radar sites	JCAA	67,710	27,250	-	-	-	
Transition from TDMA to IP environment	JCAA	-	23,690	-	-	-	
ADS-B Stations	JCAA	-	21,220	21,860	22,510	22,510	-
ICAO Project Management	JCAA	28,770	20,280	-	-	-	-
Enterprise Resource Planning System	JCAA	-	19,220		-		-
COSPAS SORSAT Search and Rescue system	JCAA	-	17,260	17,780	-	-	-
JDF RCC IP Based Voice Communication	JCAA	-	3,760	3,870	-	-	-
JDF RCC Air to Ground Radio (VHF)	JCAA	-	3,760	3,870	-	-	-
Utilization of Dark Fiber to create an alternative Communication underground path	JCAA	11,530	3,310	2,400	8,650	-	-
JDF RCC AMHS Terminal	JCAA	-	1,500	1,550	-	-	-
SIA ILS Montego Bay	JCAA	109,780	-	-	-	-	-
IT Network upgrade (Server, Switches & Firewall)	JCAA	59,050	-	-	-	76,760	-
Replacement of High Energy A/C with Inverter type A/C	JCAA	58,700		-	-	-	-
Renovation of Space for Training Simulators	JCAA	30,000	-	-	-	-	-
Replacing all Mux-Routers Catalyst Switches	JCAA	6,020	-	-	-	-	-
NMIA Instrument Landing System (ILS)	JCAA	-		113,790	-	-	-
New Consoles & STVS Tinson Pen	JCAA	-		38,740	79,500	-	-
JDF RCC Radar Suite	JCAA	-	-	24,800	25,540	-	-
NMIA & SIA DVOR Replacement	JCAA	-	-	111,580	172,390	-	-

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Low level wind shear automatic system SIA/NMIA	JCAA	-	-	85,390	77,770	-	-
A-G Radio CPDLC Compatible	JCAA	-	-	77,490	-	-	
TRACON - New Staff Cottages	JCAA	-			283,000	283,000	
Two new microwave radio for new building	JCAA	-			-	-	
New Meva Mode to facilitate smooth transistion	JCAA	-			-	-	
Standby Generators	JCAA	-			-	-	
	JCAA	-	-	-	-	-	-
JCAA - Subtotal	JCAA	**915,070**	**1,724,340**	**1,460,990**	**669,360**	**382,270**	98,220.00
Port Authority of Jamaica:			-	-	-	-	
Upgrade & Renovation of Reynolds Pier	Debt	88,133	2,051,171	-	-	-	
Fisherman Village Land Acquisition/civil works/ consultancy	Loan	168,090	259,527	-	-	-	
Dredging of East Berth - Falmouth	PAJ	-	375,786	-	-		
BPO MBFZ 63000 sqt ft Building	Loan/MOFPS	676,850	745,341	-	-		
BPO Portmore Informix centre	Loan/MOFPS	273,760	1,132,838	-	-		
MOBAY CRUISE AND CARGO DEVELOPMENT	PAJ	-	1,295,168	-	-		
		-	-	-	-		
PAJ Sub-Total		**1,206,833**	**5,859,830**	**-**	**-**	**-**	**-**
			-	-	-	-	
National Water Commission			-	-	-	-	
Rural Water Supply Improvement Project (RWSIP)	-	64,330	-	2,417,000	3,949,000	3,226,000	-
ICT- Sundry	NWC		13,710	600,000	1,904,000	600,000	-
Port Antonio Water Supply Sewerage & Drainage	NWC	-	14,000	800,000	338,000	120,000	-
KMA Water Supply Improvement – Rio Cobre (content) water Treatment Plant	PPP - Agency to be determined	-	35,000	3,935,000	2,000,000	530,000	-
KMA Water Supply Improvement – Transmission Pipelines	IDB	2,847,000	1,719,848	1,053,000	1,063,000	1,063,000	
NWA/NWC Road Works & Pipeline	Loan	109,840	2,200,000	2,757,000	-	-	-
Caribbean Regional Fund for Wastewater Management (CReW)	IDB/NCB	670,000	237,437	1,454,000	1,007,000	769,560	-

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Portmore Sewerage		487,700	500,000	-	-	-	-
			-	-	-	-	-
NWC Sub-Total		**4,178,870**	**4,719,996**	**13,016,000**	**10,261,000**	**6,308,560**	**-**
Urban Development Corporation -				-	-	-	
Caymanas Primary Infrastructure Storm Water Drain	UDC	22,560	17,440	-	-	-	-
Caymanas Primary Infrastructure Potable water pipeline	UDC	20	18,273	-	-	-	-
Caymanas Golf Club Sewage	UDC	217,840	11,682	-	-		
Dunns River Public Restroom Expansion & Upgrading	UDC	60	94,552	2,120	-	-	-
Dunns River Repaving of Exit Driveway & Courtyard	UDC	8,600	43,000	1,000	-	-	-
Dunns River Central Garden	UDC	94,480					
Fort Clarence Beach Park Upgrade phase 2	UDC	12,770	-	494,509	12,588	-	-
Hellshire Sewage Treatment Plant expansion	UDC/NHT	650	288,786	15,172	-	-	-
Montego Bay Waterfront Protection Infrastructure - Groynes	UDC	70	-	12,802	-	-	-
Ocho Rios Main Street and Promenade Improvement	UDC/TEF	370	94,630	36,729	-	-	-
Ocho Rios Main Street and Promenade Improvement Link	TEF	-	40,000	4,550	-	-	-
Pearly Beach Product line expansion	UDC	20	38,661	3,462	-	-	-
Port Royal Museums & historic walkway phase 2	TEF		20,000	43,739	34,283	-	-
UDC Sub-Total		**357,440**	**667,024**	**614,083**	**46,871**	**-**	**-**
			-				
					-		
NATIONAL HOUSING TRUST							
Small Contractors Programme							
Granville, Trelawny	NHT		**301,600**	**-**	**-**	**-**	**-**
Nashville, St. Mary	NHT	70,770					
Longville 2A Clarendon	NHT		**-**	**87,500**	**-**	**-**	**-**
Darliston, Westmoreland	NHT		**132,000**	**-**	**-**	**-**	**-**
Friendship Phase 1, St. Elizabeth	NHT		**-**	**270,000**	**180,000**	**-**	**-**
Hellshire Phase 2, St. Catherine	NHT		**60,000**	**440,000**	**-**	**-**	**-**
Perth 2 - Villages 1-5, Manchester	NHT		**-**	**-**	**300,000**	**-**	**-**
Windsor - Duncans, Trelawny	NHT		**-**	**165,000**	**-**	**690,000**	**-**

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Sheckles 1, Clarendon	NHT		**110,000**	**120,000**	**-**	**-**	**-**
Interim Financed Projects							
The Meadows of Irwin	NHT	871,570	**907,510**	**50,000**	**-**	**-**	
Green Village Development	NHT	490,330	**200,000**	**18,000**	**-**	**-**	
Winchester Estate	NHT		**307,500**	**-**	**-**	**-**	
Jacaranda Phase 3	NHT	30,060					
Heathfield	NHT	20,650					
NHT Joint Venture							
Monymusk Country Estate	NHT		**-**	**-**	**-**	**-**	**-**
The Villages of Colbeck Castle - Ph 1 & 2, Clarendon - Infr	NHT	220	**-**	**527,000**	**310,000**	**51,000**	**-**
The Villages of Colbeck Castle - Ph 1 & 2, Clarendon - House	NHT		**1,194,790**	**1,231,690**	**895,770**	**-**	**-**
The Villages of Colbeck Castle - Commercial and Lots Clarendon	NHT		**2,320**	**-**	**-**	**-**	**-**
The Villages of Colbeck Castle - Ph 3 & 4, Clarendon	NHT		**115,040**	**938,930**	**1,950,000**	**645,270**	**-**
The Villages of Colbeck Castle - Ph 5, Clarendon	NHT		**-**	**-**	**-**	**245,160**	**-**
Colbeck NHT/NWC/ J/V	NHT		**-**	**600,000**	**300,000**	**100,000**	
Caymanas 2	NHT		**-**	**-**	**-**	**-**	
Friendship, St. James	NHT	1,153,660	**1,800,000**	**3,200,000**	**230,000**	**39,000**	
Cashew Grove, St. James	NHT		**50,000**	**-**	**-**	**-**	
NHT Projects - General							
Barrett Hall Phase 1	NHT		**17,090**	**1,413,320**	**4,163,320**	**2,850,000**	**-**
Barrett Hall Phase 2	NHT		**-**	**3,000**	**12,000**	**650,000**	**-**
Darliston	NHT		**58,500**	**5,600**	**3,000**	**-**	**-**
Dry Valley - Phase 1	NHT		**23,000**	**800,000**	**640,000**	**61,000**	**-**
Eltham Farms, St. Catherine	NHT	447,610	**69,000**	**12,500**	**200**	**-**	**-**
Friendship - Phase 1, St. Elizabeth	NHT		**120,200**	**300,000**	**40,000**	**-**	**-**
Friendship - Phase 2, St. Elizabeth	NHT		**-**	**-**	**5,000**	**750,000**	**-**
Granville, Trelawny		174,100					
Hellshire 2, St. Catherine	NHT	5,060	**122,960**	**75,000**	**20,000**	**-**	**-**
Hellshire 3, St. Catherine	NHT		**324,500**	**800,000**	**58,000**	**-**	**-**
Industry Cove, Hanover	NHT		**264,100**	**269,000**	**17,500**	**2,800**	**-**

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
Longville 3A Clarendon	NHT	65,880	**147,200**	**17,000**	**-**	**-**	
Longville 2A Clarendon	NHT	62,720	**267,400**	**90,000**	**-**	**-**	
Longville 4A Clarendon	NHT		**30,000**	**50,000**	**4,000,000**	**5,000,000**	
Caymanas Phase 1, St. Catherine	NHT		**7,000**	**50,000**	**500,000**	**650,000**	
Caymanas Phase 2, St. Catherine	NHT		**14,000**	**1,800,000**	**1,200,000**	**250,000**	
Minard, St. Ann	NHT		**10,900**	**10,000**	**2,120,000**	**1,900,000**	
Mary Field, St. Catherine	NHT		**16,600**	**3,500**	**-**	**-**	
Monymusk Country Estate, Clarendon	NHT		**310,000**	**50,000**	**20,000**	**-**	
Perth 1A, Manchester	NHT	6,070	**13,600**	**95,000**	**210,000**	**24,000**	
Perth 2 - Villages 1-5, Manchester	NHT	8,940	**1,130,000**	**2,800,000**	**1,580,000**	**218,000**	
Sevens Village1, Clarendon	NHT	1,620	**340,500**	**234,000**	**34,000**	**11,700**	
Sheckles 1, Clarendon	NHT	500	**8,100**	**7,000**	**3,000**	**-**	
Sheckles 2, Clarendon	NHT		**1,500**	**190,000**	**760,000**	**855,000**	
Twickenham Park Phase 4, St. Catherine	NHT		**103,200**	**400,000**	**450,000**	**25,000**	
Windsor - Duncans, Trewlawny	NHT		**175,000**	**122,500**	**21,000**	**13,000**	
Ruthven Road Phase 1	NHT	28,130	**348,900**	**580,800**	**102,200**	**-**	
Ruthven Road Phase 2	NHT		**25,000**	**-**	**845,800**	**991,200**	
Vineyard Town - Central Avenue	NHT		**42,030**	**1,050**	**1,050**	**-**	
Vineyard Town - Third Avenue	NHT		**28,020**	**700**	**700**	**-**	
INNER CITY HOUSING / COMMUNITY RENEWAL PROG.			**-**				
Majestic Gardens	NHT		**164,000**	**6,000**	**-**	**-**	
White Wing	NHT		**180,000**	**125,450**	**165,000**	**8,000**	
Maxfield Park (Frog City)	NHT	7,510	**265,000**	**187,000**	**80,000**	**-**	
Arnold Road	NHT		**28,000**	**125,000**	**10,000**	**-**	
Rasta City	NHT		**20,000**	**180**	**155,000**	**8,000**	
Mona Commons	NHT		**100,000**	**350,000**	**195,000**	**-**	
SUGAR HOUSING PROGRAMME			**-**				
Jacksonville, Clarendon	NHT		**500**	**114,000**	**8,000**	**6,500**	
Yeast Plant, Westmoreland	NHT		**74,000**	**3,000**	**-**	**-**	
Fontabelle, Westmoreland	NHT	9,050	**72,000**	**220,000**	**120,000**	**-**	
Shewsbury, Westmoreland	NHT	-	**42,990**	**3,000**	**-**	**-**	
Barham, Westmoreland	NHT	13,720	**10,300**	**3,500**	**-**	**-**	
Masemure, Westmoreland	NHT		**120,000**	**5,000**	**-**	**-**	

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	Total	Total	Total	Total	Total
						-	
FIRST STEP HOUSING PROGRAMME						-	
Reddington, St. Mary	NHT		**80,000**	-	-	-	
Sevens, Village 1, Clarendon	NHT		-	**144,000**	-	-	
Bourkesfield, St. Catherine	NHT	27,340					
Orange Park, St. Catherine	NHT	86,600					
Caymanas Estate, St. Catherine	NHT	27,910					
Jacksonville, Clarendon	NHT		-	-	**72,000**	-	
Shrewsbury, Westmoreland	NHT		**48,000**	-	-	-	
Barham, Westmoreland	NHT		**24,000**	-	-	-	
Masemure, Westmoreland	NHT		**30,000**	**72,000**	-	-	
Yeast Plant, Westmoreland	NHT		**24,000**	-	-	-	
The Villages of Colbeck, Clarendon	NHT		-	**120,000**	-	-	
Monymusk Country Estate, Clarendon	NHT		-	**540,000**	-	-	
			-	-		-	
			-	-	-	-	-
NHT TOTAL		**3,610,020**	**10,481,850**	**19,846,220**	**21,777,540**	**16,044,630**	-
Road Maintenance Fund - Acquisition of Building	RMF		**10,000**	**80,000**	-	-	-
Petroleum Corporation of Jamaica (PCJ) - Laughlands 2 MegaWatt HydroPower Plant	PCJ		-	-			
Financial Services Commission							
Integrated Regulatory System	FSC	-	**64,461**	67,516	45,045	46,995	
			-				
National Health Fund (NHF)							
LINEAR ACCELERATOR / Cancer Treatment Centre Project	NHF/CHASE	1,219,640	714,320	-	-	-	-
Corporate Office Space	NHF	-	200,000	-	-	-	-
NHF Warehouse Renovation	NHF	63,300	7,000	-	-	-	-
National Health Fund (NHF)		**1,282,940**	**921,320**	-	-	-	-
			-	-	-	-	

PROJECTS	*Funding Agency*	Revised 2016/2017	2017/2018	Projection 2018/2019	Projection 2019/2020	Projection 2020/2021	Projection 2021/2022
		Total	**Total**	**Total**	**Total**	**Total**	**Total**
			-	-	-	-	
			-	-	-	-	
			-	-	-	-	
				-	-		
CHASE FUND/NHF - West End Basic School	CHASE/NHF		41,850				
					-	-	
Students Loan Bureau (SLB)					-	-	
New Loans Management Sytem	SLB	1,935	200,000	-	-	-	
Renovation of Building at 82-86 Harbour Street, Kingston	SLB	200	150,000	-	-		
Students Loan Bureau (SLB)			**350,000**	-	-	-	-
			-				
Total Public Bodies		**11,625,143**	**26,513,710**	**35,868,059**	**33,313,316**	**22,782,455**	**98,220.00**
Grand Total PSIP		**56,426,762**	**75,796,244**	**101,941,359**	**111,912,016**	**107,583,055**	**91,149,120**

Appendix VII
FISCAL RISK STATEMENT

The Government of Jamaica (GOJ) is committed to maintaining fiscal discipline and to prudent debt management practices to reduce the public debt. In this regard, there is growing interest in understanding, monitoring and managing fiscal risks as this will strengthen fiscal policy management and analysis. This Fiscal Risk Statement identifies the various sources of risk to facilitate the monitoring and appropriate management of the risks. It therefore seeks to outline the GOJ's exposure to fiscal risks originating from various sources such as the macroeconomic assumptions used in preparing the FY 2017/18 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 risk and outlines 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 Table VII (A) highlights some of these sources currently being monitored and managed by the MOFPS. Effective management of these risks is important due to their potentially large impact on public finances and their interrelationships

Table VII (a)

Sources of Fiscal Risk	
Macroeconomic Risks	**Specific Risks**
GDP Growth	Government Guarantees
Interest Rates	- Explicit
Exchange Rates	- Implicit
Inflation	Public Private Partnership
Commodity Price Movements	
	Natural Disasters
	Judicial Awards
	Wage Settlements
	Transfer/Subsidies
	Monetary Policy
	Changes in Government Policy

Macroeconomic Risks

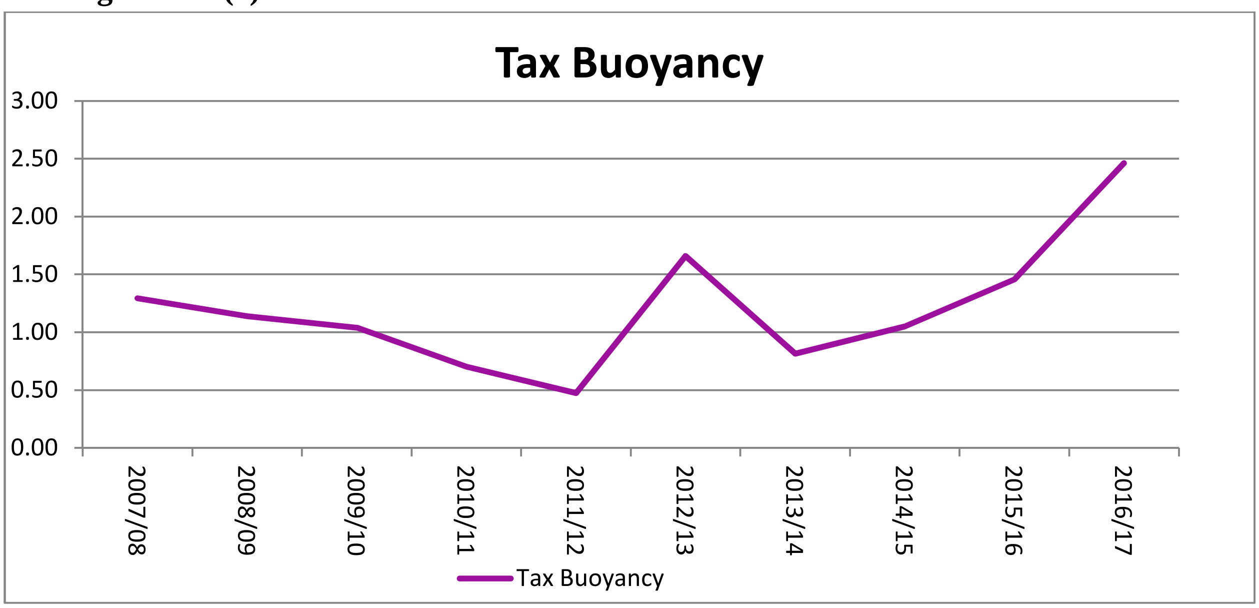
Economic Growth

Uncertainty about future tax revenue is one of the main sources of risk to the fiscal position. Tax revenue on average accounts for 90.0% of the GOJ's revenue collection and therefore it is important to assess its sensitivity to changes in the macroeconomic environment. Jamaica's tax revenue is closely linked to nominal GDP growth. The extent of this relationship can be measured by the tax buoyancy.

Tax buoyancy is defined as an indicator to measure the efficiency and responsiveness of changes in tax revenue to changes in nominal GDP. A tax buoyancy of one (1) signifies that a 1.0 percentage point increase in nominal GDP would increase tax revenue by 1.0 percentage point, thus leaving the tax to GDP ratio unchanged. However, a tax buoyancy greater than one (1) means that for a 1.0 percentage point increase in nominal GDP, tax revenue grows by more than 1.0 percentage, and could potentially result in an improvement in the fiscal balance.

Figure VII (A) shows a plot of the tax buoyancy for the period FY 2007/08 to FY 2016/17. Tax buoyancy over the past three fiscal years has been above 1.0 and is estimated at 2.3 for FY 2016/17. The figure also shows that with the exception of FY 2010/11-FY 2011/12 and FY 2013/14 tax revenue growth exceeds nominal GDP growth. This is an import factor in the long-run for fiscal sustainability.

Figure VII (a)



The medium term revenue projections presented in this FPP are prepared based on a range of macroeconomic parameters, which includes forecast for nominal GDP growth. Table VII (B) shows the changes in one-year growth projections for both nominal and real GDP growth for the period FY 2012/13 to FY 2016/17 reported in successive FPP publications. These unanticipated changes in economic conditions, as reflected in table VII (B), represent a substantial risk to the Government's fiscal position.

Table VII (b): 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	9.2	-1.2	0.8	1.0	0.2
FY 2014/15	9.6	7.5	-2.1	1.4	0.2	-1.2
FY 2015/16	7.3	7.6	0.3	1.6	0.9	-0.7
FY 2016/17	5.8	3.9	-1.9	1.8	1.6	-0.2

Source: STATIN/PIOJ

The results of sensitivity test done to assess the impact on tax revenue from a one percentage point increase in nominal GDP in each year over the medium term are reported in table VII (C) below.

Table VII (c)

1 percentage Point Annual Increase in Nominal GDP Growth				
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Tax Revenue ($mn)	1,579.9	3,629.3	6,007.5	8,754.8
% Increase	0.3	0.7	1.0	1.4

The results show that for a 1 percentage point annual increase in baseline nominal GDP growth tax revenue is expected to increase by approximately $8,754.8mn or 1.4% in FY 2020/21. Since tax revenue sensitivity to changes in nominal GDP is broadly symmetric, it is expected that a 1 percentage point annual reduction in nominal GDP growth, will result in a reduction of tax revenue by approximately $8,000.0mn in FY 2020/21, 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, in particular the U.S. The IMF's January 2017 publication of the World Economic Outlook Update reported that there is some uncertainty surrounding the policy position of the new U.S. administration and its global impact. However, economic activity is expected to improve in 2017 and 2018. If this expectation holds, then this could result in positive spill-overs for the

Jamaican economy. Similarly, lower than expected growth in the U.S. will 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 macroeconomic assumptions 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, which 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

During 2016, there was a 44 percent surge in crude oil prices, which had been on the decline since the second half of 2014. The IMF's January 2017 Commodity Market Monthly report stated that on November 30, 2016, the Organization of Petroleum Exporting Countries (OPEC) agreed to reduce crude oil output from its October 2016 production levels. Similarly, Russia and other non-OPEC countries agreed to reduce production levels. These decisions are expected to put upward pressure on crude oil prices. For oil-importing countries like Jamaica, increasing oil prices will result in higher inflation rates, as well as current account and fiscal balance pressures.

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 ad valorem. On the expenditure side, oil prices will influence transportation and energy cost for the Government, and hence 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.

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

Table VII (d): Interest Rate Composition of Debt Stock

Interest Rate Composition of Debt Stock (%)	
	end-December 2016
Total Debt	
Fixed Rate	65.7
Floating Rate	34.3
Domestic Debt	
Fixed Rate	59.6
Floating Rate	40.4
External Debt	
Fixed Rate	69.6
Floating Rate	30.4

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 MTDSFY 2017/18 – FY 2019/20 is to gradually reduce the floating rate composition to 30.0% in order to optimize the interest rate structure of the portfolio. Therefore, maturing floating rate debt will be replaced with fixed rate debt.

With respect to the broader fiscal impact, there is a negative correlation between interest rates and the fiscal balance. With the medium term projections showing an uptick in interest rates, especially in the external market, interest cost will rise and hence will put pressure on 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. 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-December 2016, 64.3% of the GOJ's total debt portfolio was denominated in foreign currency.

For the CY 2016 the Jamaica dollar depreciated by 7.0% vis-à-vis the US dollar, moving from an average selling rate of J$117.28=US$1.00 to J$125.48=US$1.00. For the fiscal year to end-December 2016, the average selling rate depreciated by 6.7% and contributed an additional $68.9bn 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. The MTDS FY 2017/18 – FY 2019/20, indicates that the Government will try to reduce this risk by refinancing maturing external debt with foreign currency loans from official sources which generally offer more attractive borrowing terms, such as long tenor and/or lower interest rates.

The foreign currency debt portion of the debt portfolio is expected to increase marginally, but will be no more than 65.0% by end-March 2020. 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's 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 of 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 significant impact on debt service. However, higher tax revenue collections, particularly from international trade, will partly offset this higher debt service cost. A prior exercise done by the MOFPS 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, as defined by the IMF, are obligations that do not arise unless a particular, discrete event(s) occur in the future. 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. The GOJ's exposure to contingent liabilities may arise from various sources such as natural disasters, state-owned enterprises, public-private partnerships, and legal cases to name a few.

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 occurs.

For the 2016/17 policy year of the CCRIF SPC programme, which started June 1, 2016, the government has renewed the policy coverage for Jamaica for Tropical Cyclone (TC), Earthquake (EQ) and Excess Rainfall (XSR) at a premium cost of US$4.9mn after traditional discount (full premium is US$6.3mn).

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 2017/18 is $500.0mn for weather related events, $50.0mn below the $550.0mn allocated in FY 2016/17.

Disaster Risk Financing Technical Assistance (DRFTA)

The GOJ continues to receive technical assistance (TA) from the World Bank (WB) under the Disaster Risk Financing Technical Assistance program (DRFTA) to better identify and manage fiscal risks associated with natural disasters. The TA support includes: (i) understanding and quantifying fiscal risk of disasters; (ii) analysis and review of existing market conditions for the provision of catastrophe risk insurance; (iii) analysis and development of a cost-effective sovereign financial protection strategy against disasters; and (iv) integration of disaster risk into a wider risk management strategy within the MOFPS.

Significant progress has been made in the last 12 months in all four (4) areas:

1: Understanding and quantifying fiscal risk of disasters:

In this key and critical area of support most needed, the DRFTA custom-built a Country Disaster Risk Profile (CDRP) for earthquake and hurricane risks for Jamaica at the national level. The CDRP was based on probabilistic and historical data, and the results and methodology were discussed and validated with the Government, in particular with the MOFPS, Insurance Association of Jamaica, and the Financial Services Commission of Jamaica (FSC). These results show that in Jamaica, the long term Annualized Average Loss (AAL) related to hurricanes is US$67.3mn (0.5% of GDP) and for earthquakes is US$36mn (0.3% of GDP). However, the economic losses from a single event could be as large as US$3.5bn (25.3% of GDP) at the 250 year return period for hurricanes, and for earthquakes it is US$2.0bn (14.6% of GDP). Hence, this means that, for example, if Hurricane Gilbert that devastated Jamaica in 1988 were to happen now, it would cause a loss of US$1.3bn, amounting to 9.6% of GDP. This would be a significant setback to the macro-economic stability of Jamaica. Currently, the TA is finalizing the quantification of government's direct contingent liability based on historic government expenditure and these results.

2: Analysis and review of existing market conditions for the provision of catastrophe risk insurance:

Discussions with local insurance companies on risk appetite for insurance of public assets were conducted, which also facilitated discussions related to the validation of CDRP profile information. The review of the private insurance sector reveals that the current penetration of non-life products is relatively low in Jamaica (2.2%), and remains so due to several factors: (i) 20% of the population lives below the poverty line; (ii) reinsurance rates remain high as Jamaica is considered high risk by reinsurers due to its exposure to earthquakes and hurricanes, and (iii) the development of alternative risk transfer mechanisms is limited. The majority of the catastrophe risk is transferred using traditional reinsurance techniques with a blend of proportional and non-proportional reinsurance for catastrophic exposures.

3: Analysis and development of a cost-effective sovereign financial protection strategy against disasters:

Preliminary analysis suggests that existing instruments for disaster-related fiscal protection are not yet optimized to address Jamaica's disaster risk profile. The National Disaster Fund (NDF) is the main budget instrument for the GOJ to finance public post-disaster expenditure, but it is undercapitalized at US$2.0mn as of March 2015[6]. A Contingencies Fund, established in the Constitution and capitalized at US$825,000 in 2014, can be disbursed for unforeseen expenditures such as natural disasters, but to-date, there has been no payments made for weather-related events. Jamaica is also a member of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), paying an annual premium of US$6.3mn.

The DRFTA also presents options for combinations of new, existing, and re-furbished risk retention and risk transfer instruments that could help the GOJ increase its immediate financial response capacity against natural disasters and better protect its fiscal balance. Progress on this activity has led to discussions with MOFPS about financial protection strategy against disasters and is to be pursued in the next few months. This activity is to be completed when the underpinning cost-effective analytical information is analyzed and processed.

4: Integration of disaster risk into a comprehensive risk management strategy.

Under the guidance of the MOFPS, the TA has identified several internal public financial management practices that could be implemented to improve understanding and management of the GOJ's fiscal risk associated with natural disasters. It could provide inputs to a Jamaican national disaster risk financing strategy, and incorporate disaster risk into a wider risk management framework within MOFP. The TA also supports capacity building on disaster risk management of natural disasters and supports the GOJ with its national disaster risk financing strategy.

Following on from the WB's support and development in these four (4) areas, the team will build the final report summarizing results, findings and key recommendations, with a first draft expected within the next three (3) months. To inform the final output, sub-output deliverables from the following sources will be compiled:(i) Jamaica CDRP for earthquake and hurricane;

[6] ODPEM Annual report 2014-2015

(ii) country diagnostic on financial protection against disasters; (iii) analysis on post –disaster expenditures and budget management; and (iv) the analysis and review of existing market conditions for the provision of catastrophe risk insurance. All the components will be integrated as inputs for the MOFPS to develop a financial protection strategy against disasters as part of the wider risk management strategy.

The report will be peer-reviewed with the WB towards the end of this fiscal year. A mission in 1st half of 2017 to discuss the first draft will be undertaken, to work with MOFPS counterparts to jointly review the findings and recommendations, and work on capacity building in this area. Given the success of the CDRP and its value, the DRFTA, jointly with MOFPS, will conduct a workshop to disseminate the CDRP knowledge product and DRFTA objectives to other line ministries as well.

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 debt 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.

During FY 2016/17, the government did not issue any new guarantees nor assume any guaranteed loans on behalf of public entities. As at end-December 2016, the stock of government guaranteed debt as a percent of GDP was 9.9%, 0.5 percentage points below the 10.4% reported for end-March 2016.

Table VII (e) presents the payments made in FY 2016/17 and provisions for the FY 2017/18 budget for guaranteed debt payments on behalf of public entities.

Table VII (e): Central Government FY 2016/17 Debt Payments on behalf of Public Bodies and FY 2017/18 Budgetary Provisions

	FY 2016/17 Actual	**FY 2017/18 Budget**
	J$mn	
Interest	**7,072.0**	**7,106.6**
Domestic	986.6	908.3
External	6,085.4	6,198.3
Principal	**5,724.2**	**7,161.3**
Domestic	1,189.1	900.0
External	4,535.1	6,261.3

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[7]. 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 VII (e) provides a list of public entities currently receiving financial support from the government.

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

Public Entity	**FY 2017/18 (J$mn)**
Jamaica Urban Transit Company Ltd.	2584.8
Students' Loan Bureau	2977.8

Source: MOFPS

Public Private Partnership (PPP)

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 3.0% of GDP for user-pays projects.

The Development Bank of Jamaica's function is complemented by the work of the PPP Unit within the MOFPS which assesses value for money of the projects and ensures they are aligned with the Government's fiscal programme for debt reduction and sustainability. Both Units assess transactions consistent with the PPP criteria established in the Policy. The Units will continue the on-going sensitisation programme within MDAs during the financial year.

PPPs Finalized

The Kingston Container Terminal (KCT) PPP transaction achieved financial close during the first quarter of FY 2016/17. Consequently the Concessionaire, Kingston Freeport Terminal Limited (KFTL) took over the operations of the Port on July 1, 2016 and has commenced expansion works.

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

PPPs In Progress

The following PPP transactions are currently in progress:

- ***Norman Manley International Airport (NMIA) PPP*** **–** The Enterprise Team was constituted and has been working toward the development of an appropriate transaction structure. It is anticipated that the transaction will be re-tendered in FY 2017/18.

- ***Jamaica Railway Corporation (JRC) PPP*** **-** The Memorandum of Understanding (MOU) between the GOJ and Herzog International Inc. was updated in December 2016. Herzog is now completing due diligence activities to facilitate submission of a revised business plan by the first quarter of FY 2017/18. The development of the rail network will be undertaken on a phased basis.

- ***Schools Solar Energy PPP***

  During the third quarter of FY 2016/17 an examination of the structural integrity of the roofs of the 30 schools under the Solar Energy Pilot Project was completed. Additionally, work has been advanced to undertake the energy audits by the first quarter of FY 2017/18. The National Education Trust is also in the process of seeking approval for the engagement of a Transaction Advisor.

Projects Being Assessed

- Subsequent to Request for Proposals for consultancy for the Caymanas Special Economic Zone (CSEZ), six firms were shortlisted, four of which submitted proposals. The proposals should be evaluated and the contract awarded by the first quarter of 2017/18. The Public Private Infrastructure Advisory Facility of the World Bank has provided funding for consultancy for the CSEZ.

- Other PPP projects continue in the assessment phase including the Milk River Hotel & Spa, Bath Fountain Hotel and Spa, NSWMA Waste Management, Mandeville Municipal Commercial Hub and water projects including the Northern Parishes Water Supply and the Rio Cobre Water Treatment Plant.

Wage Settlements

The wage bill can be a major source of risk to the expenditure budget especially as it relates to negotiations and disputes where the outcome is uncertain. As the FY 2015/17 Heads of Agreement (HOA) comes to an end, a new round of negotiations is about to start for the FY 2017/19 HOA. Therefore, at this time, the FY 2017/18 budget includes a contingency provision for wage adjustment, which is not based on settlements for the new contract period. Final wage settlement rates for the new contract period could exceed the contingency provisions for the

FY 2017/18 budget, thus highlighting the risk to the expenditure budget and the overall fiscal programme.

The wage/GDP ratio is directly affected by the economic output 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. A wage/GDP of 9.0% is currently legislated for FY 2018/19.

Monetary Policy

As outlined in Part III "Capital and Reserves" of the Bank of Jamaica Act, profits or losses of the Central Bank are transferrable to the Central Government at the end of each fiscal year. 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

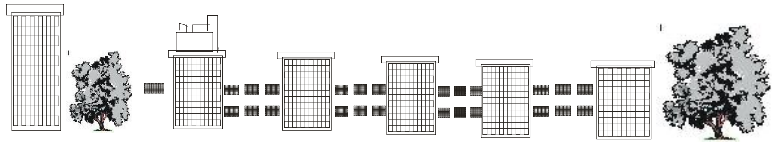
Commitment to fiscal responsibility and prudence as it relates to revenue and expenditure management of the country's fiscal resources is important as government policies change. This is essential for the achievement of fiscal and debt targets.

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.

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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