GOVERNMENT OF JAMAICA

FISCAL POLICY PAPER FY 2019/20

14th February 2019

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PART 1

FISCAL RESPONSIBILITY STATEMENT

Introduction

Within six (6) months of the passage of the Appropriation Act for the respective fiscal year, the Minister is required to table in both Houses of Parliament, a Fiscal Policy Paper (FPP). This requirement arose under the enhanced fiscal rules, which were made effective through amendments to the Financial Administration and Audit (FAA) and Public Bodies Management and Accountability (PBMA) Acts in March 2014. The Minister duly satisfied this requirement for FY 2018/19 by tabling a FPP Interim Report in Parliament on September 25, 2018.

Also a requirement under the FAA Act is that the annual Estimates of Revenue and Expenditure and the accompanying FPP be tabled simultaneously in February of each year such that passage of the budget prior to the start of the new fiscal year is facilitated. The tabling of both the annual Estimates of Revenue and Expenditure and the accompanying FPP affords both Houses of Parliament the opportunity to examine both sides of the budget. This complete information satisfies the need for transparency and robust debate among parliamentarians who are entrusted with oversight of the management of public funds and have ultimate responsibility for the performance of the economy.

Tabling of the FY 2019/20 FPP and accompanying documents during February 2019 represents the Government of Jamaica's (GOJ) compliance with the legislation.

Provisional data on fiscal operations of the Central Government, over the period April-December 2018 indicates that the performance has comfortably met the primary balance and tax revenue fiscal targets. The GOJ notes the continued positive developments in the economy during 2018, including the strong positive quarterly real growth (2.2% in the April-June quarter and 1.8% in the July –September quarter), low inflation, increased employment and the sustained strong performance of tax revenues. This bodes well for the GOJ's thrust to generate fiscal surpluses over the medium term to facilitate gradual and sustained reductions in the debt/GDP ratio.

Commitment to Fiscal Responsibility

Prudent fiscal management requires that there be strict adherence to targets, the continuous monitoring of fiscal events and a willingness to make timely and sound fiscal decisions. It also requires well-planned and clear actions to minimize or mitigate fiscal risks, which pose a threat to the sustainability of public finances either in the current fiscal year or over the medium term or both. GOJ policy decisions must therefore be informed by the expected impact in the current fiscal year, as well as the fiscal implications across the medium term.

The GOJ remains unequivocally committed to the tenet of fiscal prudence. Economic growth and job creation are dependent on stable economic conditions. Sustainability of the fiscal operations is an essential requirement for stability of the economy and reduction of the debt-to-GDP ratio.

The GOJ's priority objectives for FY 2019/20 and throughout the medium term are to ensure continuation of the growth momentum in the economy and facilitate the further creation of durable jobs through actions such as the expansion of the Business Process Outsourcing (BPO), Knowledge Process Outsourcing (KPO) and Information Process Outsourcing (IPO) sectors.

The pathway of fiscal prudence is never easy and requires fortitude and vision of a country where entrepreneurship is embraced and facilitated through a transformed and efficient public sector**.** To that end, a flexible public sector continues to be critical to the process going forward and public sector transformation will therefore receive increased focus in FY 2019/20**.** The GOJ's economic programme will continue to be anchored by fiscal discipline and fiscal prudence as it relates to the management of public finances and the execution of the expenditure budget.

Economic Programme Update and Outlook

There have now been four reviews since the Precautionary Stand-By Arrangement (PSBA) with the International Monetary Fund (IMF) commenced in late 2016. All performance criteria to end June 2018 were met and programme implementation remains strong. Tax revenues have continued their robust performance which has been bolstered by the continued profitability of companies, increased employment levels and higher consumption. At end-December 2018, lower than budgeted expenditure alongside the strong revenue performance has contributed to the primary balance outturn exceeding target.

Jamaica's gross domestic product for FY 2017/18 recorded growth of 0.9 percent. The current fiscal year is now projected to record real growth of 1.8%, 0.6 percentage points below the projection of 2.4% indicated at the time of the tabling of the FY 2018/19 Budget. Notwithstanding the lower projection for real growth, the Jamaican economy has now registered fifteen (15) consecutive quarters of real growth, with the outturn at the end of the June 2018 and September 2018 quarters being 2.2% and 1.8% respectively. The Goods Producing Industry predominantly accounted for the pick-up in the pace of growth in real GDP over last fiscal year, with Mining & Quarrying, Agriculture, Forestry & Fishing as well as Construction, being the main drivers for growth over the review period.

During the review period, the industry benefited from:

- Increased capacity utilization at the Alpart and Jamalco plants resulting in increased alumina and crude bauxite production;
- Improved weather conditions boosting domestic crop production; and
- Increased civil engineering activities, reflecting the continued expansion and upgrade of road infrastructure, the Rehabilitation of Water Supply Systems Project and power plant construction.

Within the Services Industry, all the sectors recorded increased levels of output, with the exception of Producers of Government Services, which remained unchanged for the review period. The expansion in the Services Industry was led by the Transport, Storage & Communication Sector and was primarily due to an increase in the Transport Sub-Sector as there was growth in the total volume of cargo moving through the ports, coupled with an increase in the number of passengers travelling through both international airports. Hotels & Restaurants also recorded strong performance, and was influenced primarily by an increase in foreign national arrivals.

Conditions in the Labour market continued to improve during the fiscal year, with unemployment falling to historic levels. While both males and females shared in the improvement, the decline in unemployment was more pronounced among females. Correspondingly, female employment rose more sharply than that of males. During the review period, youth unemployment continued its downward trend.

The October 2018 Labour Force Survey revealed that unemployment fell by 1.8 percentage points to 8.7% compared to the rate of 10.5% in October 2017, and represents the second lowest monthly rate recorded in Jamaica's history (lowest rate was 8.4% recorded in July 2018)

Risks to the economy remain, with oil prices projected to rise over the medium term in addition to the potential impact of other exogenous geo-political factors, particularly in the energy sector. Downside risks to the latest projection for FY 2018/19 include, weaker than expected global demand, partly associated with the partial Government shut-down in the United States of America (estimated to lower growth in the US by 0.08% for every week of the shut-down) and weather related shocks, which can lead to slower than anticipated growth in the Agriculture, Forestry & Fishing industry. The GOJ continues to monitor these and other risks (see Appendix on Fiscal Risks) with a view to taking mitigating actions to limit the negative impact should these risks materialize.

Part 2 and Part 3 of the FPP, on the Macroeconomic Framework and Fiscal Management Strategy, respectively, provide an assessment of the performance and outlook of the economy and fiscal operations. The main points of these sections are summarized below:-

- Real GDP growth of 0.9% was recorded for FY 2017/18. The expectation for FY 2018/19 is growth of 1.8%, an increase of 0.9 percentage point over FY 2017/18. Over the medium term growth is expected to range between 1.5-2.6% per annum;
- Debt-to-GDP for FY2018/19 is projected at 96.4%, a reduction of 4.6 percentage points compared to the 101.0% recorded for FY2017/18. This expected outcome is however slightly higher than the initially-projected 94.3% which informed the FY 2018/19 budget.

- The Central Government recorded a Primary Surplus of $143,904.5mn (7.4% of GDP) for FY 2017/18, surpassing the target of $122,126.0mn (7.0% of GDP) The current outlook for FY 2018/19 is that the fiscal operations will generate a Primary Surplus of $142,137.8mn which is equivalent to 7.0% of GDP;

- Central Government operations are estimated to achieve a fiscal surplus of $5,933.1mn, or 0.3% of GDP in FY 2018/19, in line with budget. This will represent two consecutive years of fiscal surplus, having achieved a surplus of 0.5% of GDP for FY 2017/18;

- For FY 2018/19, the overall Public Sector is projected to generate a deficit of 0.1% of GDP. This is consistent with the fiscal policy stance aimed at lowering the debt burden and creating space for private sector-led growth;

- Jamaica recorded a Current Account deficit for the April-September period of FY 2018/19 of US$183.6mn, an improvement of US$59.4mn when compared to the corresponding period of FY 2017/18. The current account of the Balance of Payments (BOP) is expected to record a deficit of US$389.1mn for FY 2018/19 representing a US$64.3mn improvement over the deficit of US$453.4mn recorded for FY 2017/18;

- At end-December 2018, the end of period selling rate of the US dollar was US$1.00 =J$127.72, compared to US$1.00 =J$125.00 at the end of December 2017, representing a 2.2% depreciation;

- Inflation for calendar year (CY) 2018 was 2.4%, 2.8 percentage points lower than the 5.2% recorded for calendar year 2017 and below the medium term inflation target range of 4.0% to 6.0%. For the fiscal year to December 2018, inflation was 2.7% and is projected to be 3.7% for FY 2018/19, below the lower limit of the inflation target range. Over the medium term inflation is expected to moderate to 5.0%;

- The NIR decreased from US$3,208.3mn at end-December 2017 to US$3,005.4mn at end-December 2018 and is expected to end FY 2018/19 at US$2,914.1mn;

- The unemployment rate in October 2018 was 8.7%, compared to 10.5%, a year earlier. The October 2018 unemployment rate, represents the second lowest monthly rate recorded in Jamaica's history (lowest rate was 8.4% recorded in July 2018). Strong growth initiatives are expected to continue to positively impact unemployment; and
- Jamaica received three (3) positive ratings actions during FY 2018/19 as follows:

    - On July 7, 2018, Moody's Investors Service (Moody's) affirmed Jamaica's 'B3' long-term issuer ratings and revised the outlook from Stable to Positive. Jamaica's senior unsecured ratings were also affirmed at B3, and its senior unsecured shelf ratings were affirmed at '(P) B3'.
    - On September 25, 2018, S&P Global Ratings revised its outlook on Jamaica to positive from stable. At the same time, S&P Global Ratings affirmed its 'B' long- and short-term foreign and local currency sovereign credit ratings, and its 'B+' transfer and convertibility assessment on the country.

- Fitch Ratings Agency on January 30, 2019, upgraded the Government of Jamaica's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'B+' from 'B', with the outlook being Stable. This is the highest rating for the country in over ten (10) years. The Agency also upgraded the country ceiling to 'BB-'from 'B'.

Fiscal Developments

Second Supplementary Estimates

The Second Supplementary Estimates FY 2018/2019 was tabled in Parliament on January 8, 2019 and indicated total Central Government expenditure of $802,563.1mnm, thus resulting in an overall net increase of $11,451.0mn above the First Supplementary Estimates of $791,112.1mn. It should be noted that the First Supplementary Estimates 2018/2019, had reflected a total Central Government expenditure for the fiscal year of $791,112.0mn comprising: Non-Debt Expenditure of $501,249.2mn; and Public Debt Service of $289,862.9 billion;

With the further adjustments made in the Second Supplementary Estimates, the projected outturn for the expenditure budget in FY 2018/19 is now comprised of Non-Debt Expenditure of $516,891.9mn; and Public Debt Service of $285,672.3mn. The additional expenditure is driven by the adjustments to the Non-Debt Expenditure, which has increased by $15,641.7mn (3.1%) over the $501,2492.mn in the First Supplementary Estimates. The increase in Non-Debt Expenditure is offset by a reduction of $4,190.6mn in public debt spending.

Special Data Dissemination System (SDDS)

The IMF's Statistics Department conducted a second (follow-up) government finance statistics (GFS) Technical Assistance (TA) mission during August 13-24, 2018, to support the GOJ authorities in improving GFS reporting to meet the requirements of the IMF Special Data Dissemination Standard (SDDS). The Mission met with officials from the Ministry of Finance and the Public Service (MOFPS), Bank of Jamaica (BOJ), and the Statistical Institute of Jamaica (STATIN).

The GOJ is committed to the improvement of its macroeconomic and fiscal statistics and as such, with the support of the IMF, developed a National Summary Data Page (NSDP), which went live on February 15, 2017. The NSDP serves as a one-stop publication vehicle for essential macroeconomic and fiscal data. The MOFPS is responsible for the publication of fiscal data, and currently publishes central government operations (CGO) data for the budgetary central government (BCG) and central government debt (CGD) data, and has been making monthly updates to the NSDP. The MOFPS also has responsibility for monitoring the operations of the wider public sector, which includes state owned enterprises and local government. In an effort to produce comprehensive and consolidated reporting on the wider public sector, the MOFPS has been receiving technical assistance from the IMF to begin compiling and publishing general government operations (GGO) data. The MOFPS aims to begin the routine compilation and publication of GGO data by end-FY 2019/20 within the framework of the IMF Government Finance Statistics Manual 2001/2014 (GFSM 2001/2014).

Jamaica has a large and diverse public sector, which comprises over 100 state owned enterprises. The first GFS mission worked with the BOJ, MOFPS, and STATIN to determine the perimeter of general government (GG) and confirmed the classification for many existing units. The second mission continued these discussions and reached new classification recommendations for several of the borderline entities. A follow-up GFS TA mission is being planned for FY 2019/20.

FY 2018/19 (April-December 2018)

Central Government operations for April to December 2018 generated a Primary Surplus of $107,684.4mn, which exceeded the $88,987.0mn budget target and the $68,000.0mn target established under the PSBA. The fiscal surplus outturn of $19,191.9mn was better than the budgeted fiscal deficit of $3,873.4mn by $23,065.2mn 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 2018 as well as the estimated outturn to end March 2019, consistent with the Second Supplementary Budget. The Central Government's operations are projected to meet the revised budgeted primary balance target of $142,137.8mn for FY 2018/19 predicated on the robust tax revenue performance.

Revenue and Grants of $448,772.7mn was $11,470.8mn or 2.6% better than the First Supplementary Budget target of $437,301.8mn. This strong performance was led by Tax Revenue, Capital Revenue and Non-Tax Revenue which were ahead of budget by 2.8%, 241.1%, and 0.5% respectively. The only shortfall was Grants, by $1,121.9mn or 13.9%. Expenditure of $429,580.8mn was $11,594.4mn or 2.6% lower than programmed and reflected lower spending in all areas.

The GOJ continues negotiations with the unions representing public sector workers for wage settlements with four-year contract periods, covering FY 2017/18 to FY 2020/21. Whereas the GOJ has settled with the larger public sector groups, a number of smaller bargaining units are yet to settle. The GOJ is currently in communication with the unsettled groups, regarding payment of the offered 2.0% increase for FY 2018/19 by the end of the fiscal year under a non-prejudicial arrangement.

The Group of Self-financed Public Bodies (SFPBs) is expected to generate an Overall Balance deficit of $8,676.1mn for FY 2018/19. This estimated outturn is approximately $1,688.0mn better than the budgeted deficit of $10,364.0mn. Contributing to the estimated outturn is a reduction of $9,887.2mn on the capital expenditure budget of $68,374.3mn. Capital Expenditure of $58,487.1mn is estimated at 85.5% of the budgeted amount for the period, with significant underperformance expected chiefly from the National Water Commission (NWC) which has an estimated outlay of $3,042.9mn compared with budget of $6,666.7mn, while Petrojam has an estimated $2,100.8mn compared with budget of $7,949.5mn. The variation between the actual and budgeted expenditure for Petrojam will arise from the deferral of the commencement of Phase 1 of the refinery upgrade project (Vacuum Distillation Unit).

Net Transfers to Central Government are estimated at $63,940.5mn compared with budget of $57,262.7mn; this increase of $6,677.8mn is due primarily to the increased transfer from the PetroCaribe Development Fund (PCDF).

FY 2019/20 Budget and the Medium Term

Building on the strong performance of tax revenues over the last four consecutive fiscal years (FY2015/19) and the GOJ's unwavering adherence to fiscal discipline, the FY 2019/20 budget has been crafted to be consistent with the achievement of the programme targets agreed under the PSBA with the IMF. The medium term Macroeconomic Framework that has informed development of the medium term fiscal and debt profile is outlined in Table 1A.

The macroeconomic forecast for FY 2019/20 includes, inter alia:

- Real GDP growth of 1.5% (down from a projected 1.8% for FY 2018/19);
- Inflation rate (annual point to point) of 4.3% (3.7% estimated for FY 2018/19);
- Oil price (WTI) avg. of US$54.92 per barrel (avg. for FY 2018/19 of US$62.01); and
- Core imports increasing by 1.8% relative to estimates for FY 2018/19.

The FY 2019/20 expenditure is programmed at $629,396.3mn (reflecting a 1.2 percentage point of GDP decline to 29.2% over the projected 30.4% for FY 2018/19) comprising: Recurrent Programmes of $210,717.5mn; Compensation of $210,442.8mn; Capital Programmes at $72,110.6mn; and Interest Costs of $136,125.4mn. Capital Programmes is projected to average 3.3% of GDP over the medium term, consistent with the growth objectives of the GOJ. The Central Government budget includes contingency provisions for:

(i) Interest payments on guaranteed loans of $5,983.4mn, consisting of $1,063.4mn for domestic and $4,920.0mn for external interest;
(ii) Amortization (principal) payments on guaranteed loans of $3,516.2mn, with $1,967.4mn allocated for external and $1,548.8mn for domestic payments;
(iii) Liability management of the debt;
(iv) The new salary rates for FY 2019/20; and
(v) Recovery from natural disasters of $500.0mn.

Revenue & Grants are projected to be at $623,864.2mn or 30.7% of GDP in FY 2018/19. For FY 2019/20, Revenue & Grants are forecast at $644,205.3, equivalent to 29.9% of GDP. Further details on the performance of tax revenue are provided in the Fiscal Management Strategy while Appendix V outlines some key administrative initiatives to be pursued by Tax Administration Jamaica

(TAJ) and Jamaica Customs Agency (JCA). The passive forecasts for Revenue and Grants and the Expenditure requirements for FY 2019/20 generate a Primary Surplus of $150,934.3mn, which is in line with achieving a primary balance equivalent to 7.0% of GDP.

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 and the 3 public bodies that were de-earmarked during the last fiscal year. For April-to-December FY 2018/19, an amount of $25,494.1mn was transferred to the Consolidated Fund from Public Bodies and Executive Agencies including $8,550.0mn from the National Housing Trust (NHT). Additional transfers from the de-earmarked entities amounted to $9,580.2mn. Programmed transfers from Public Bodies (including NHT) and Executive Agencies to the Consolidated Fund for FY 2019/20 amount to $26,658.0mn. These flows will augment additional flows from ongoing improvement in tax administration and contribute toward meeting the fiscal targets.

Table 1A: Medium Term Fiscal & Debt Indicators

	Actual	**Est.**	**Proj.**	**Proj.**	**Proj.**	**Proj.**	**Proj.**
(J$mn)	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Revenue & Grants	**499,879.9**	**560,773.6**	**623,864.2**	**644,205.3**	**685,593.2**	**729,867.9**	**776,588.3**
of which Tax Revenue	458,323.4	496,894.6	537,465.5	575,710.5	612,185.9	651,910.3	693,337.7
Expenditure	**503,356.0**	**552,050.1**	**617,931.1**	**629,396.3**	**662,287.2**	**687,029.8**	**716,122.7**
of which Wages & Salaries	166,484.7	178,366.3	183,403.9	193,958.3	208,772.0	223,380.1	239,283.0
of which Interest	139,356.2	135,181.0	136,204.7	136,125.4	138,083.4	130,564.8	124,965.3
Cent Govt Fiscal Balance	**-3,476.1**	**8,723.4**	**5,933.1**	**14,809.0**	**23,306.0**	**42,838.0**	**60,465.5**
Cent Govt Primary Balance	**135,880.1**	**143,904.4**	**142,137.8**	**150,934.4**	**161,389.4**	**173,402.9**	**185,430.8**
Domestic Debt	848,505.9	756,864.5	746,231.5	729,165.4	730,717.9	743,066.1	702,366.1
External Debt	1,311,431.2	1,184,846.4	1,211,173.3	1,157,993.2	1,185,285.2	1,167,329.3	1,181,426.7
Net Public Bodies		10,437.8	3,590.5	72,285.1	72,285.1	92,557.2	84,164.4
Total Debt	**2,159,937.1**	**1,952,148.7**	**1,960,995.3**	**1,959,443.7**	**1,988,288.2**	**2,002,952.6**	**1,967,957.2**
(% GDP)							
Revenue & Grants	**27.9%**	**29.0%**	**30.7%**	**29.9%**	**29.6%**	**29.4%**	**29.2%**
of which Tax Revenue	*25.6%*	*25.7%*	*26.4%*	*26.7%*	*26.4%*	*26.3%*	*26.1%*
Expenditure	**28.1%**	**28.6%**	**30.4%**	**29.2%**	**28.6%**	**27.7%**	**26.9%**
of which Wages & Salaries	9.3%	9.2%	9.0%	9.0%	9.0%	9.0%	9.0%
of which Interest	7.8%	7.0%	6.7%	6.3%	6.0%	5.3%	4.7%
Cent Govt Fiscal Balance	**-0.2%**	**0.5%**	**0.3%**	**0.7%**	**1.0%**	**1.7%**	**2.3%**
Cent Govt Primary Balance	**7.6%**	**7.4%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**
Domestic Debt	47.4%	39.2%	36.7%	33.8%	31.5%	29.9%	26.4%
External Debt	73.3%	61.3%	59.5%	53.7%	51.1%	47.0%	44.4%
Net Public Bodies		0.5%	0.2%	3.4%	3.1%	3.7%	3.2%
Total Debt	**120.7%**	**101.0%**	**96.4%**	**90.9%**	**85.7%**	**80.7%**	**74.0%**

Source: MOFPS

The policy measures to be implemented in FY 2019/20 will enable the GOJ to achieve the key fiscal targets for the primary balance and debt/GDP across the medium term. These policy measures are designed to deliver sustainable incremental surpluses over the medium term, to facilitate the achievement of the Debt/GDP legislated ceiling of 60.0% by or before end-FY 2025/26. The GOJ stands ready to take the necessary fiscal actions to keep the fiscal operations on a sustainable path. The projected reduction in the debt/GDP ratio 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.

Fiscal Reporting

This Fiscal Responsibility Statement sets out projections for the Central Government's Fiscal Balance, Primary Balance, and Debt Stock for FY 2019/20 - FY 2022/23. 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 presentation, as follows:

(i) The actual Revenue and Grant figures referenced in this FPP represent actual collections by the revenue departments/agencies to December 2018. 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 2018/19 shown in Table 1A and upon which fiscal and primary balances are computed is based on actual cash expenditure to December 2018 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 2018/19 utilize the RCOA reflecting a number of changes in the classification of some revenue elements. For example, effective FY 2017/18, collections for Quarry tax, Telecommunications licences and Import licences collected by the Trade Board and formerly captured as Non-Tax revenue are now reflected as Tax Revenue, while Royalties are now captured as Non-Tax Revenue rather than Capital Revenue. As of FY 2018/19, the GOJ has formally reflected the revenues from three de-earmarked entities, CHASE Fund, Tourism Enhancement Fund and the Jamaica Civil Aviation Authority (JCCA) as Non-Tax Revenue flows. These entities were, in the past allowed to retain their revenues to carry out their activities. However, with the advent of the de-earmarking policy, these three entities are now fully reflected in the Central Government's Estimates of Expenditure.

2. In conformity with the enhanced fiscal rules, the MOFPS will continue monitoring and reporting on the Specified Public Sector (SPS) in FY 2019/20. Reporting on Central Government operations and on public bodies will continue; however, these will be augmented by the compilation of the Fiscal Balance and Public Debt for the SPS which started in FY 2017/18, as required by the FAA Act 2014. Based on assessments done by the MOFPS and authenticated by the Auditor General's Department, no public body meets the criteria to be excluded from the SPS. Thus for the FY 2018/19 –FY 2022/23 forecast, the SPS equates to the Overall Public Sector.

3. The Estimates of Expenditure as of FY 2018/19 includes Forward Expenditure Estimates or 'Forward Estimates' and covers three future financial years. The forward estimates are aligned with the medium term aggregate expenditure ceilings as reflected in the Fiscal Management Strategy (*Table 3J: Central Government Summary Accounts*) and in the summaries at Appendix 1 (*Medium Term Expenditure Profile 2019/2020 – 2022/2023*). These estimates are indicative and are not voted on by the Parliament. The Parliament will continue, as it currently does, to vote only on the expenditure presented for the budget year (in this case FY 2019/20. The spending authorization by Parliament will continue to be only in respect of the expenditure for the budget year. The Appropriations Bill will continue to reflect only the appropriations for the budget year.

4. Presentational Changes to the Estimates of Expenditure

The following changes will be implemented in the Estimates of Expenditure, beginning in FY 2019/20:

a) Amalgamation of the Capital A & Capital B Budgets of each Ministry, into a Single Capital Budget Head for the Ministry;

b) Removal of Amortization from the Capital Budget to a new Head: 20017 – Public Debt Service (Amortization), under the Recurrent Budget to allow the Capital Budget to exclusively reflect the Central Government's Public Investment Projects. The inclusion of amortization under the Capital Budget has over the years been a source of confusion to users of the Estimates of Expenditure.
c) Amalgamation of the Budgets of the Courts under a Single Head 28058 - The Judiciary. This will affect the following Courts and Court Management Services, each of which previously appeared as individual Heads of Estimates and received separate budgetary allocations :

  i. Head 28023 – Court of Appeal
  ii. Head 28027 – Parish Courts
  iii. Head 28026 – Family Courts
  iv. Head 28028 – Revenue Court
  v. Head 28029 – Supreme Court
  vi. Head 28054 – Court Management Services

5. Citizen's Guide to the Budget

Starting this fiscal year, the Ministry of Finance & the Public Service will launch a Citizen's Guide to the Budget. This is an innovation which is designed to present the budget in simple non-technical terms for the benefit of all segments of the Jamaican population. The document is expected to be published on the Sunday following the tabling of the Budget in Parliament.

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 2018/19 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 2019/20 and over the medium term, the trajectory of Public Debt continues to be downward toward being within the FY 2025/26 ceiling of 60.0%. The macroeconomic forecast 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, severe economic contraction or a financial sector crisis, which have potentially severe impacts on fiscal operations.

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 through 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;
- Targeting of the Public Debt ratio at prudent levels, compatible with revenue and public assets, while providing a safety margin to absorb the effects of contingent liabilities and other fiscal risks;
- Adoption of a sustainable tax burden and a stable tax policy;
- Preservation of public assets, including their proper maintenance, at a level compatible with the role assigned to the State; and
- 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 and inflation remains in low single-digit territory, unemployment is at its lowest in 10 years, and Business and Consumer Confidence Indices continue to be high.

The administration is fully aware of the country's fiscal constraints 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 rapid and sustainable reduction in the public debt. The GOJ understands its responsibility to provide a safe and stable environment that will allow persons to use their talents to create wealth. It is within this context that the GOJ will continue its efforts toward further 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 citizens to realize the vision of making **Jamaica, the place of choice to live, work, raise families and do business.**

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.

Nigel Clarke, DPhil, MP
Minister of Finance and the Public Service
February 14, 2019

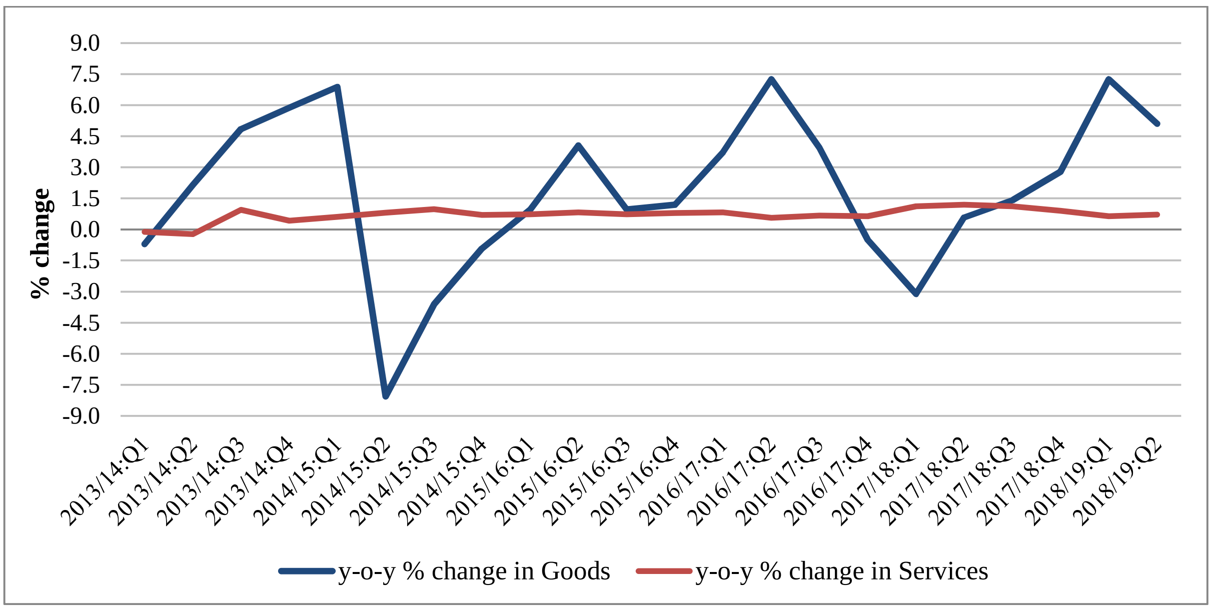
PART 2

MACROECONOMIC FRAMEWORK

Overview of Macroeconomic Developments FY 2018/19

The Jamaican economy continued to perform positively over the first half of FY 2018/19, with a strengthening in the pace of real GDP growth relative to the comparable period of the previous fiscal year. Economic expansion was recorded for both the first and second quarters of the current fiscal year, continuing the positive trend in quarterly real GDP outturn since the fourth quarter of FY 2014/15. This positive performance reflected growth in both the Goods Producing and Services Industries (see Figure 2(i)).

Figure 2(i) Quarterly year-over-year % change in the Goods and Services components of real GDP



Source: STATIN

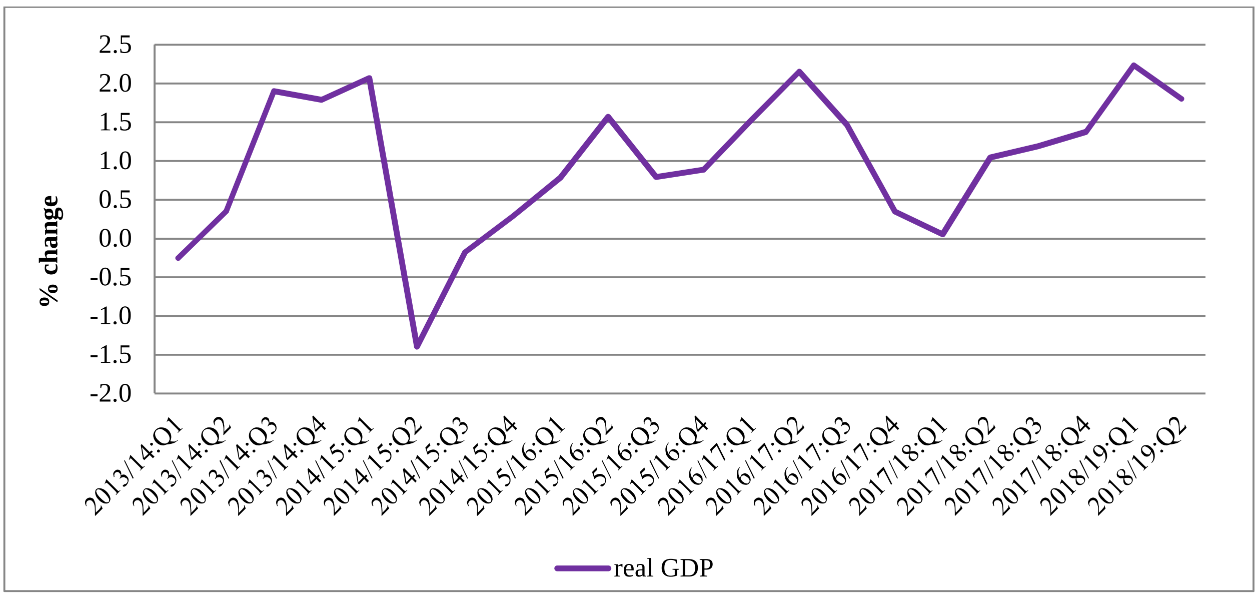
The Goods Producing Industry predominantly accounted for the pick-up in the pace of growth in real GDP, with Mining & Quarrying, Agriculture, Forestry & Fishing as well as Construction being the main drivers for growth for the review period. During the review period, the industry benefited from:

- Increased capacity utilization at the Alpart and Jamalco plants resulting in increased alumina and crude bauxite production;
- Improved weather conditions boosting domestic crop production;
- Increased civil engineering activities, reflecting the continued expansion and upgrade of road infrastructure, the Rehabilitation of Water Supply Systems Project and power plant construction.

Within the Services Industry, all the sectors recorded increased levels of output, with the exception of Producers of Government Services, which remained unchanged for the review period. The expansion in the Services Industry was led by the Transport, Storage & Communication industry and was primarily due to an increase in the Transport sub-industry as there was growth in the total volume of cargo moving through the ports, coupled with an increase in the number of passengers travelling through both international airports. Hotels & Restaurants also recorded strong performance, and was influenced primarily by an increase in foreign national arrivals.

In terms of quarterly outturns, the Jamaican economy expanded during the first quarter of the fiscal year, and represented the largest quarterly growth experienced since the September 2016 quarter. However, as illustrated in Figure 2(ii) there was a slight slow-down in the pace of growth during the second quarter of the fiscal year.

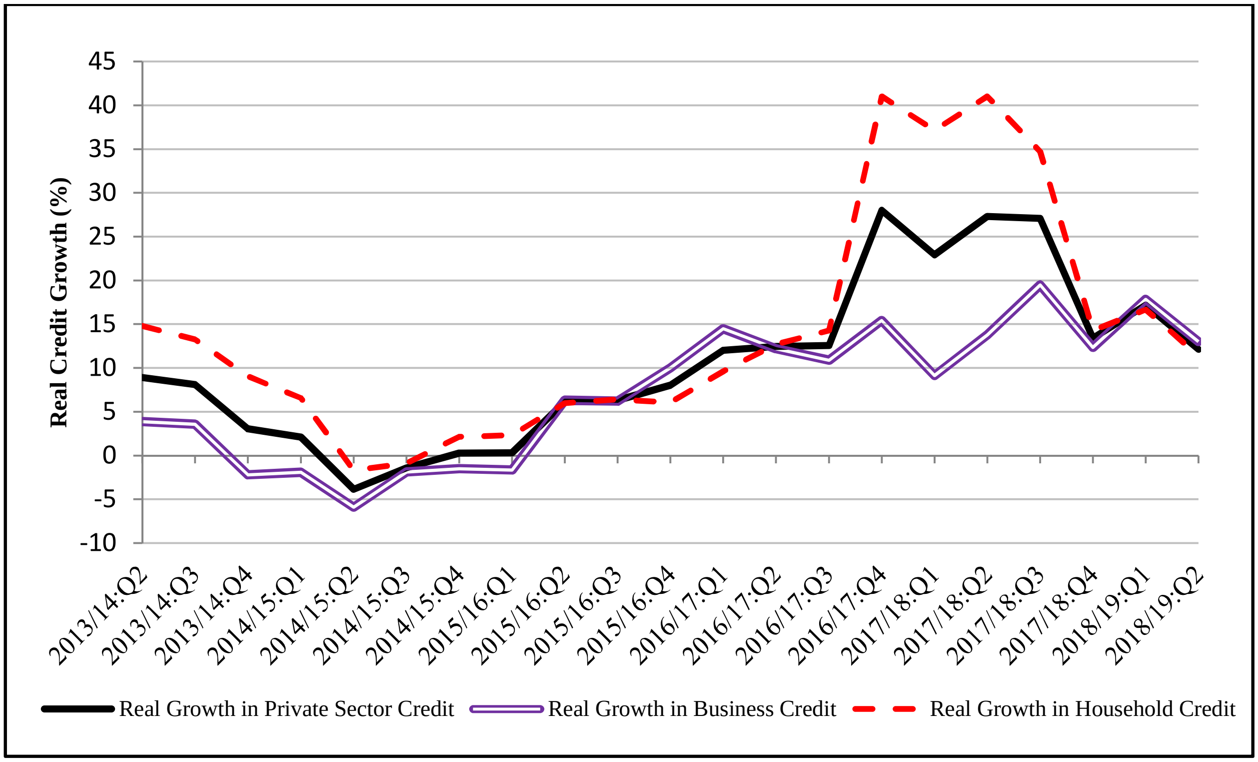
Figure 2(ii): Quarterly year-over-year % change in real GDP



Source: STATIN

The real sector developments for the review period occurred within the context of an accommodative monetary environment. The BOJ reduced its signal rate on two occasions during the June 2018 quarter of FY 2018/19, and maintained this rate throughout the September 2018 quarter. The lowering of the signal rate was aimed at encouraging faster credit growth and a faster pace of GDP growth that would support inflation being recorded within the target range. Consistent with the decline in the signal rate and strong demand for liquid assets, market rates have been trending downwards. This has stimulated loan activity, as evidenced by the strong growth in Commercial Banks credit to the private sector, with the rate of increase in business credit now higher than that of household credit (see Figure 2(iii)). Increased growth in business credit would be economically beneficial, contingent on greater investment in growth-inducing activities.

Figure 2(iii) Real Growth in Business and Private Sector Credit, Quarterly y-o-y % change



Source: BOJ

The external accounts continued to show improvements as evidenced by the narrowing in the current account deficit for the April to September period of the fiscal year (see Table 2F).

Conditions in the Labour market continued to improve during the fiscal year, with unemployment falling to historic levels. While both males and females shared in the improvement, the decline in unemployment was more pronounced among females. Correspondingly, female employment rose more sharply than that of males. During the review period, youth unemployment continued its downward trend. Despite the improvement in the number of persons being employed, the size of the Labour Force declined over the review period. Of concern, is the growth in the number of persons in the category “Just don’t want to work”, which is an indication of the number of persons who are capable of, but not contributing to Jamaica’s growth and development.

For the first five months of the fiscal year, the annual point-to-point inflation rate fell below the lower limit of the target range and largely reflected lower than expected prices for agricultural food crops and electricity.

The Government of Jamaica’s strong commitment to fiscal consolidation contributed to a positive fiscal performance for the fiscal year to end-December 2018. Revenue and Grants exceeded budget, while Expenditure (above-the-line) was below. Interest payments over the period were lower than budget, partly due to lower than anticipated T-bill rates. Consequently, the primary balance and the fiscal balance performed better than programmed for the period.

Further economic improvement is expected, conditional on favourable weather conditions, increased domestic demand, enhanced business and consumer confidence and higher levels of productivity.

A summary of the macroeconomic performance of Jamaica for FY 2016/17 to FY 2017/18 is provided in Table 2A, along with the estimated outturn for FY 2018/19.

Table 2A: Summary of Economic Performance

	Unit	FY 2016/17 (Actual)	FY 2017/18 (Actual)	FY 2018/19 (Projection)
Real GDP Growth Rates	%	1.4	0.9	1.8
Inflation (Annual Pt to Pt)	%	4.1	3.9	3.7
Broad Money (M2*) Growth	%	19.5	18.9	12.9
Unemployment Rate (October)	%	12.9	10.5	8.7
Exchange Rate (weighted average selling rate)	J$=US$1	127.14	127.97	
Treasury Bill (average 6-month)	%	6.32	3.17	
Current Account	% of GDP	-1.2	-3.1	-2.5
Net International Reserves (NIR), (e-o-p)	US$mn	2,769.2	3,074.5	2,914.1
Gross Reserves (Goods & Services Imports)	Weeks	23.2	24.5	23.3
Fiscal Accounts				
Central Government Fiscal Balance	%GDP	-0.2	0.5	0.3
Central Government Primary Balance	%GDP	7.6	7.4	7.0
Public Bodies Overall Balance	%GDP	1.1	0.5	-0.4
Debt Stock	%GDP	120.7	101.0	96.4

Source: MOFPS/BOJ/PIOJ

Subsequent sections of this Macroeconomic Framework provide further details on developments in the real sector, labour market, monetary sector and external sector. In addition, a medium-term macroeconomic profile is provided, as well as an overview of international developments and changes in international commodity prices.

Real Sector Developments

Economic Performance for the period April to September of FY 2018/19

Real GDP grew by 2.0% for the first half of FY 2018/19, reflecting an acceleration in the pace of growth relative to the 0.3% achieved for the corresponding period of FY 2017/18 (Table 2B). The economic expansion is attributable to improvements in both the Goods Producing industries the Services industries (see Table 2B).

The Goods Producing Industry grew by 6.2%, with Mining & Quarrying, Agriculture, Forestry & Fishing as well as Construction being the main drivers of growth. The Agriculture, Forestry and Fishing industry grew by 6.6%, reflecting the impact of more favourable weather conditions as well as the GOJ's assistance (in response to flood damage in 2017). This resulted in increased production, particularly domestic crop production which increased by 9.4%. The Export Crops and Animal Farming sub-components also contributed to the industry's growth with respective increases of 4.1% and 4.9%.

Mining & Quarrying recorded growth of 41.3% for the review period which largely reflected a 50.8% increase in alumina production due to the resumption of operations at the Alpart refinery.

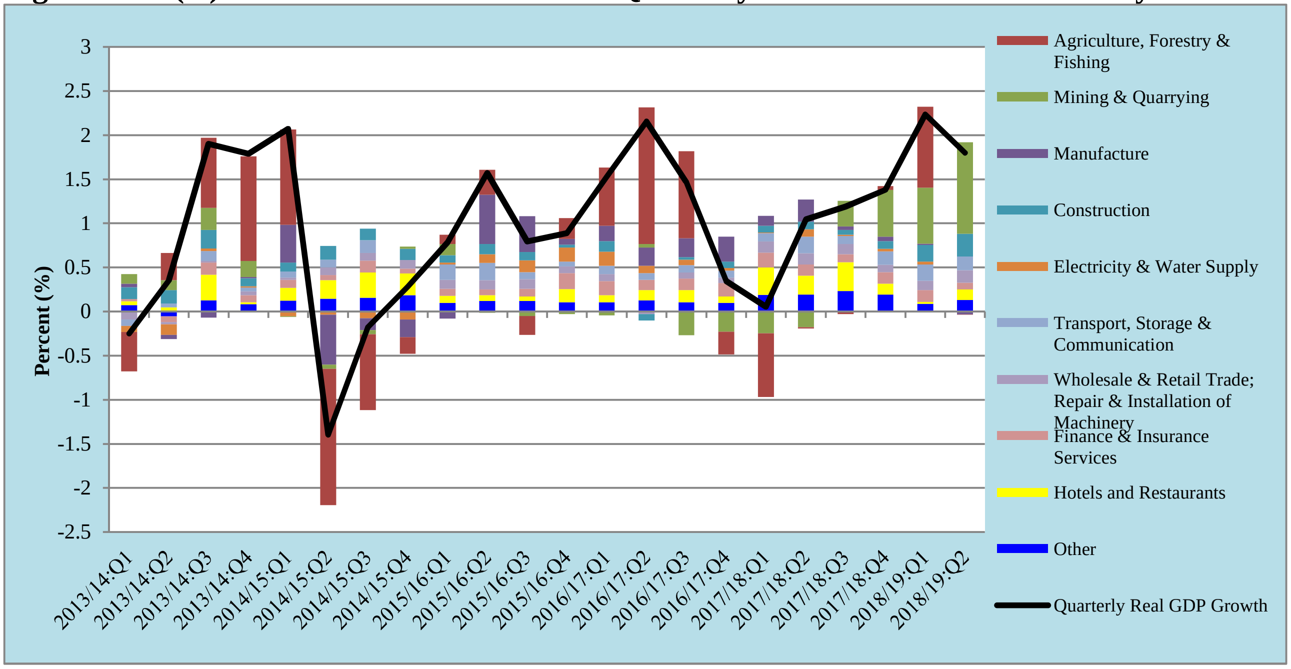
There was modest growth in the Manufacturing industry, influenced by output expansion in the Food, Beverages & Tobacco component. The growth in Food, Beverages & Tobacco category reflected higher production of sugar, molasses, animal feeds, poultry meat, dairy products, beer & stout and carbonated beverages. There was also an increase in the production of Non-metallic Minerals as well as Chemicals & Chemical Products.

Modest growth of 3.3% was also recorded for Construction, proceeding primarily from the Civil Engineering sub-industry which was spurred by infrastructural developments in the form of roads, water supply improvement and power plant construction. Additional growth impetus stemmed from Building Construction due to increased activity in the residential and non-residential categories.

The Services Industry recorded growth of 0.7% for the review period. The most significant contribution emanated from the Transport, Storage and Communication industry which increased by 1.5% due to growth in the Transport and Storage sub-industry, as the Communication sub-industry declined. Increases in the volume of cargo handled at the island's ports as well as the number of passengers moving through airports were the main drivers of growth.

There was also growth of 1.2% for Hotels & Restaurants, which resulted primarily from a 4.4% increase (to 1,140,889 persons) in the number of Foreign Nationals who visited the island during the period, as well as increased activities at canteens, restaurants and bars. Stronger growth was hindered by a 4.2% decline in the average length of stay of Foreign Nationals.

Figure 2(iv) Contribution to Quarterly GDP Growth by Industry



Source: STATIN

Projected Performance for FY 2018/19[1]

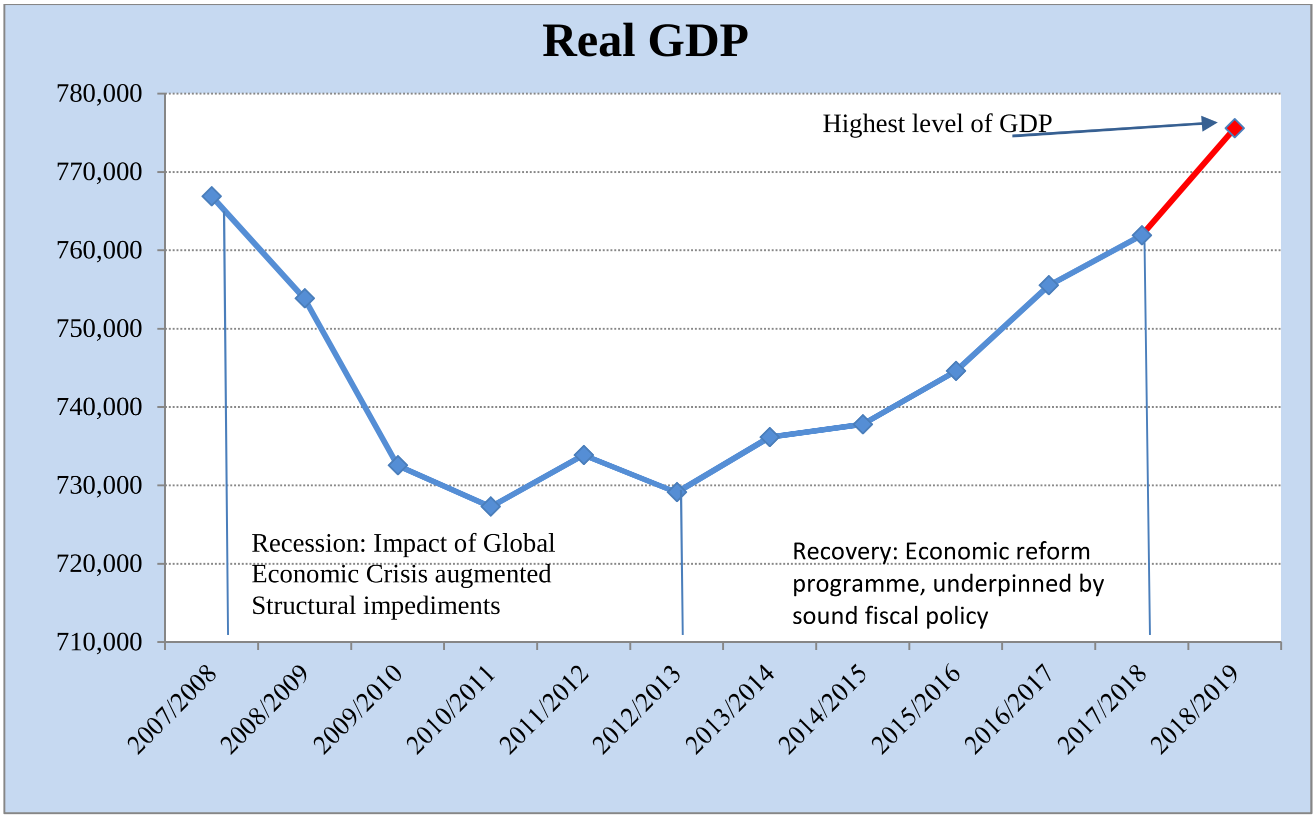
An economic expansion of 1.8% is projected for FY 2018/19, provided there are no unforeseen shocks during the remainder of the fiscal year. Growth of 4.9% in the Goods Producing industry and 0.8% in the Services Industry is expected to contribute to the increase in real GDP. The Goods Producing Industry is expected to benefit from improvements in all industries; while growth in the Services Industry is expected to be driven by the Transport, Storage & Communications and Hotels & Restaurants Industries.

The projection for FY 2018/19 reflects a slowing in the second half of the fiscal year (October 2018 to March 2019), as the economy is expected to grow by 1.6% compared with the 2.0% in the first half of the fiscal year. This mainly reflects the anticipated slowing in the growth rate of the Mining & Quarrying industry, as the impact of the Alpart refinery reopening in October 2017, would have partly cycled out by October 2018. Despite this slowdown, growth in the second half of the fiscal year is expected to be led by Mining & Quarrying, along with, Agriculture Forestry & Fishing and Construction industries.

If achieved, growth of 1.8% FY 2018/19 will result in Jamaica achieving its highest level of real GDP (Figure 2(v)).

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

Figure 2(v) Real GDP by Fiscal Year at Constant (2007) Prices



Source: STATIN/PIOJ

Upside Potential and Downside Risks to FY2018/19 Projections

There are both upside potential and downside risks to the revised projection for FY 2018/19. The upside potential for a stronger growth impetus could come from:

- Higher than expected capacity utilization at production plants, especially, within the Mining & Quarrying industry;
- Stronger than projected domestic demand associated with the expected increase in employment, reflected in higher business and consumer confidence, as well as an increase in the access to loans; and
- Stronger than expected external demand, especially within the Tourism sector.

The possible downside risks to growth include:

- Plant down-time associated with aged equipment, especially in the Mining & Quarrying (e.g. JISCO Alpart) and Manufacturing industries (Petrojam);

- Weaker than expected global demand, partly associated with the partial Government shut-down in the United States of America (estimated to lower growth in the US by 0.08% for every week of the shut-down); and
- Weather related shocks, which can lead to slower than anticipated growth in the Agriculture, Forestry & Fishing industry.

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

	FY 2017/18 April - September (Actual)	FY 2018/19 April - September (Actual)	FY 2017/18 Full Fiscal Year (Actual)	FY 2018/19 Full Fiscal Year (Projection)
GOODS PRODUCING INDUSTRY	**-1.3**	**6.2**	**0.4**	**5.0**
Agriculture, Forestry & Fishing	-5.0	6.6	-2.5	5.4
Mining & Quarrying	-9.4	41.3	4.8	27.0
Manufacture	2.1	-0.1	1.3	0.6
of which: Food, Beverages & Tobacco	2.1	1.3	0.7	1.3
Other Manufacturing	2.0	-2.0	2.1	-0.3
Construction	1.2	3.3	1.1	3.1
SERVICES INDUSTRY	**1.2**	**0.7**	**1.1**	**0.8**
Electricity & Water Supply	1.3	0.5	1.0	0.3
Transport, Storage & Communication	1.3	1.5	1.2	1.5
Wholesale & Retail Trade; Repair and Installation of Machinery	0.7	0.7	0.6	0.7
Finance & Insurance Services	1.4	1.0	1.2	1.0
Real Estate, Renting & Business Activities	0.7	0.6	0.7	0.6
Producers of Government Services	0.2	0.0	0.2	0.0
Hotels and Restaurants	4.6	1.2	4.2	1.7
Other Services	1.4	0.7	1.4	1.0
Less Financial Intermediation Services Indirectly Measured (FISIM)	1.2	2.1	1.1	1.6
TOTAL GDP AT BASIC PRICES	**0.5**	**2.0**	**0.9**	**1.8**

Source: PIOJ

Labour Market Developments

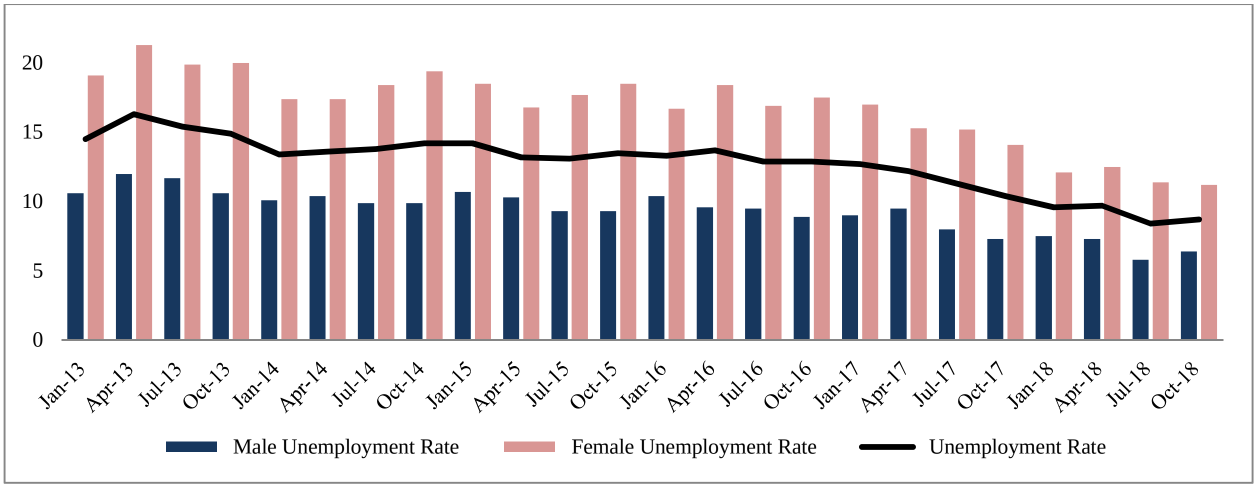
The labour market continues to progress alongside the expansion of domestic economic activities see Table 2C). The October 2018 Labour Force Survey revealed that unemployment fell by 1.8 percentage points to 8.7% compared to the rate of 10.5% in October 2017; and represents the second lowest monthly rate recorded in Jamaica's history (lowest rate was 8.4% recorded in July 2018) (see Figure 2(vi)). This outturn reflects an improvement in male (down 0.9 percentage point) and female (down 2.9 percentage points) unemployment rates to 6.4% and 11.2%, respectively, as well as in the youth unemployment rate which declined by 0.5 percentage point to 24.9%. The size of the labour force decreased by 10,700 persons, from 1,346,000 to 1,335,300 persons, when compared to October 2017, with females accounting for 81.3% (8,700 persons) of this reduction. The number of persons in the working age population (14 years and over) estimated to be outside the labour force increased by 1.4% when compared to the number reported in October 2017, and was due to an additional 8,600 females being outside the labour force. This brings the number of persons classified as being Outside the Labour Force to 752,800.

TABLE 2C: SELECTED LABOUR FORCE INDICATORS

		2017		2018	
		Oct	CY Average Up to Oct	Oct	CY Average Up to Oct
BOTH SEXES	**TOTAL POPULATION**	2,728,900	2,728,950	2,728,700	2,728,800
	Population 14 years and over	2,088,200	2,088,200	2,088,100	2,088,100
	Labour Force	1,346,000	1,359,050	1,335,300	1,337,575
	Employed Labour Force	1,205,300	1,200,575	1,219,700	1,215,975
	Unemployed Labour Force	140,600	158,400	115,600	121,625
	Outside The Labour Force	742,200	729,150	752,800	750,525
	Employment Rate	89.5	88.3	91.3	90.9
	Unemployment Rate	10.5	11.7	8.7	9.1
	Job Seeking Rate	6.4	7.3	4.8	5.4
	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	35.5	34.9	36.1	36.0
	Labour Force as a % age of Total Population	49.3	49.8	48.9	49.0
	Labour Force as a % age of Population 14+	64.5	65.1	63.9	64.1
MALE	**TOTAL POPULATION**	1,350,100	1,350,000	1,350,000	1,350,025
	Population 14 years and over	1,024,700	1,024,625	1,024,700	1,024,700
	Labour Force	720,700	730,200	718,700	721,100
	Employed Labour Force	668,100	668,500	672,400	672,350
	Unemployed Labour Force	52,500	61,625	46,300	48,725
	Outside The Labour Force	304,000	294,425	306,000	303,600
	Employment Rate	92.7	91.6	93.6	93.3
	Unemployment Rate	7.3	8.5	6.4	6.8
	Job Seeking Rate	4.4	5.4	3.6	4.1
	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	29.7	28.8	29.9	29.6
	Labour Force as a % age of Total Population	53.4	54.1	53.2	53.4
	Labour Force as a % age of Population 14+	70.3	71.3	70.1	70.4
FEMALE	**TOTAL POPULATION**	1,378,800	1,378,950	1,378,700	1,378,775
	Population 14 years and over	1063500	1,063,575	1063400	1,063,400
	Labour Force	625300	628,850	616600	616,475
	Employed Labour Force	537200	532,075	547300	543,625
	Unemployed Labour Force	88100	96,775	69300	72,900
	Outside The Labour Force	438200	434,725	446800	446,925
	Employment Rate	85.9	84.6	88.8	88.2
	Unemployment Rate	14.1	15.4	11.2	11.8
	Job Seeking Rate	8.9	9.7	6.1	6.8
	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	41.2	40.9	42	42.0
	Labour Force as a % age of Total Population	45.3	45.6	44.7	44.7
	Labour Force as a % age of Population 14+	58.8	59.1	58	58.0

Source: STATIN Labour Force Survey Jan 2017-Oct 2018

Figure 2(vi) Evolution of Unemployment over Calendar Year 2013 - 2018



Source: STATIN

The employed labour force grew by 1.2%, increasing from 1,205,300 in October 2017 to 1,219,700 in October 2018. This growth was reflected in eight (8) of the 16 industry groups. The industries which recorded the highest increase in employment for the period were ‘Real Estate Renting & Business Activities’ (up 11.9%), and ‘Hotels & Restaurants Services’ (up 5.7%), with over 50.0% of the increase in employment being attributed to females. However, the industry groups ‘Transport Storage and Communication’ (down 9.4%) and ‘Manufacturing’ (down 3.6%) recorded the largest declines (see Table 2D). These declines in employment were primarily among males.

TABLE 2D – EMPLOYED LABOUR FORCE BY INDUSTRY

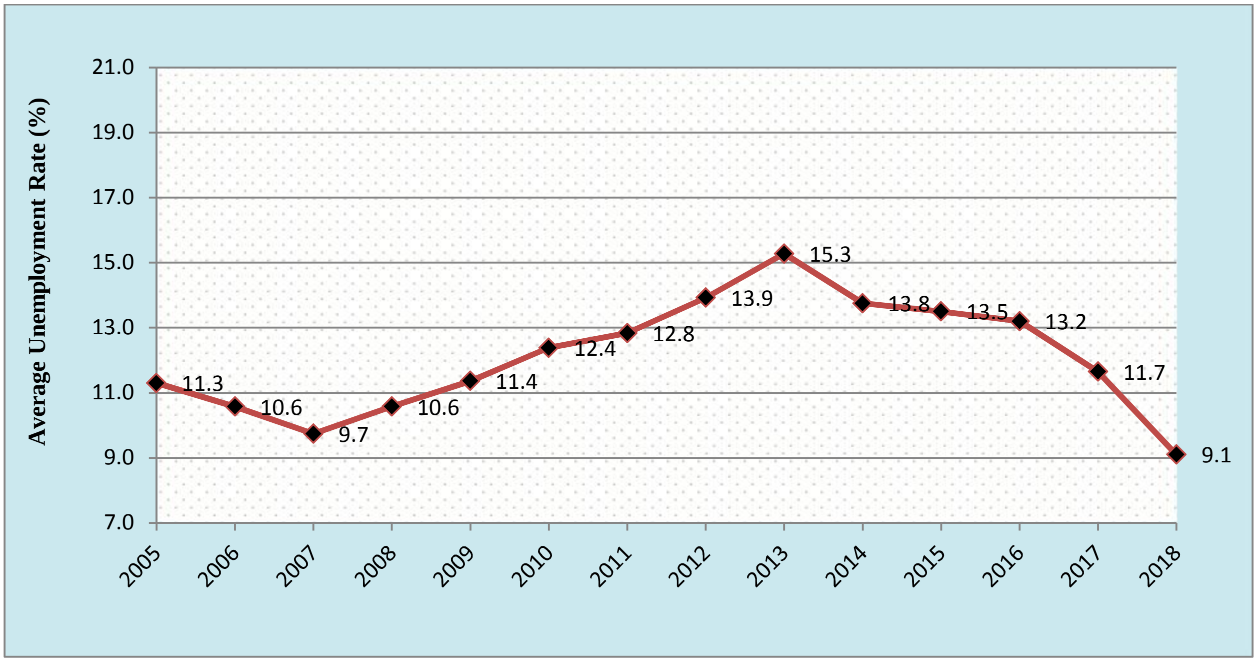
INDUSTRY GROUP	2017		2018		Absolute Change	
	Oct	CY to Oct Average	Oct	CY to Oct Average	Oct-17 - Oct-18-	CY to Oct Avg 17 - CY to Oct Avg 18 -
	BOTH SEXES					
Agriculture, Hunting, Forestry & Fishing	194,800	201,125	194,200	196,325	-600	-4,800
Mining & Quarrying	5,200	5,150	8,700	6,350	3,500	1,200
Manufacturing	78,800	79,425	76,000	79,600	-2,800	175
Electricity, Gas and Water Supply	5,500	5,850	6,800	6,450	1,300	600
Construction	102,900	97,825	102,700	103,450	-200	5,625
Wholesale & Retail, Repair of Motor Vehicle & Equipment	245,900	238,125	241,900	242,525	-4,000	4,400
Hotels & Restaurants Services	95,100	99,225	100,500	102,325	5,400	3,100
Transport, Storage and Communication	79,500	77,100	72,000	73,700	-7,500	-3,400
Financial Intermediation	25,700	27,000	27,900	26,275	2,200	-725
Real Estate, Renting & Business Activities	81,700	81,925	91,400	85,275	9,700	3,350
Public Administration & Defence; Compulsory Social Security	60,400	60,425	60,200	59,750	-200	-675
Education	69,700	69,325	72,100	72,125	2,400	2,800
Health & Social Work	32,400	30,775	33,700	33,475	1,300	2,700
Other Community, Social and Personal Service Activities	68,200	67,250	72,900	70,775	4,700	3,525
Private Households with Employed Persons	56,000	56,975	55,900	55,125	-100	-1,850
Industry Not Specified (Incl. Extra-Territorial Bodies)	3,500	3,075	2,800	2,450	-700	-625
TOTAL EMPLOYED LABOUR FORCE	**1,205,300**	**1,200,575**	**1,219,700**	**1,200,575**	14,400	0

Source: STATIN Labour Force Survey Jan 2017-Oct 2018

The average unemployment rate for the calendar year 2018 declined by 2.6 percentage points relative to the levels attained for calendar year 2017, and was the lowest average outturn to date (see Figure

2(vii)). The average unemployment rate decreased for both males and females during calendar year 2018.

Figure 2(vii) Unemployment Rate (January to Oct Average) from 2005 to 2018

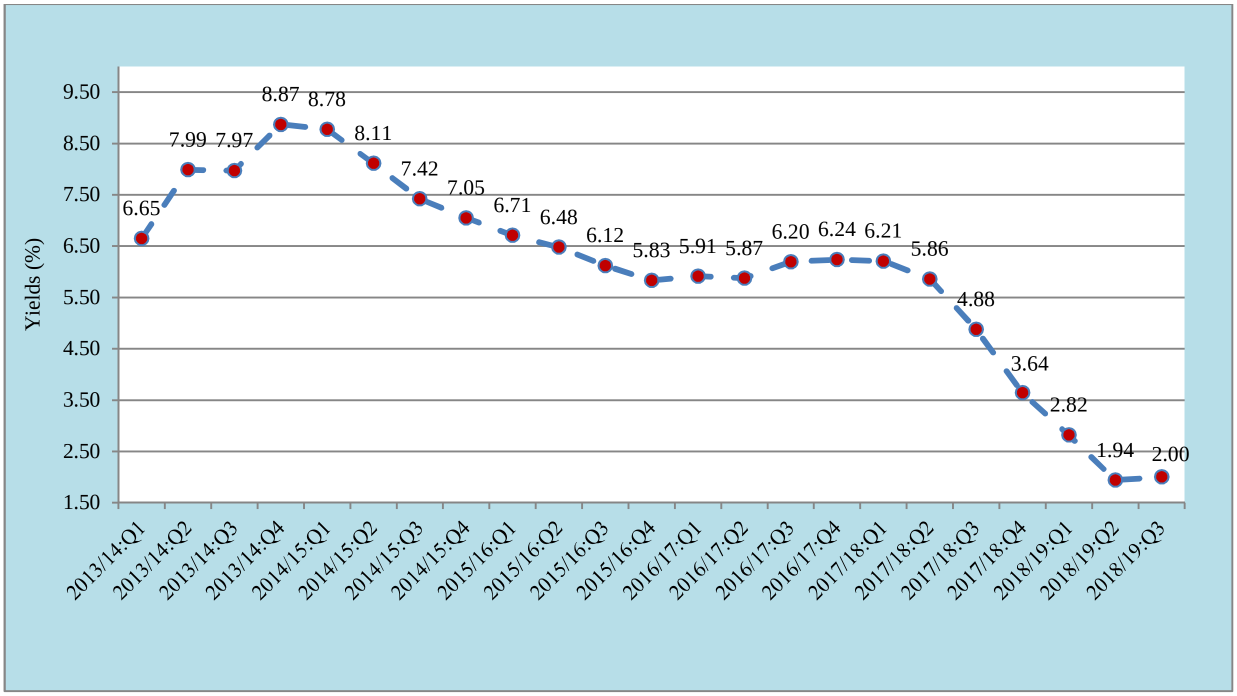


Source: STATIN

Monetary Developments

Monetary policy remained broadly accommodative, with the BOJ lowering its signal rate by 75 basis points on two occasions during the June 2018 quarter to 2.0% and maintaining this rate throughout the September 2018 quarter. The reduction in the signal rate was based on the BOJ's assessment that inflation would moderate to the 4.0% to 6.0% target range over the medium term. Consistent with the signal rate decline, market rates and commercial bank lending rates fell, as evidenced by the downward trend in T-Bill rates (see Figure 2(viii)). This has stimulated loan activity, as evidenced by the strong growth in Commercial Bank credit to the private sector, with growth in business credit now outpacing growth in household credit since the start of theFY 2018/19 (see Figure 2(iii)).

Figure 2(viii) 180-day T-Bill Rate



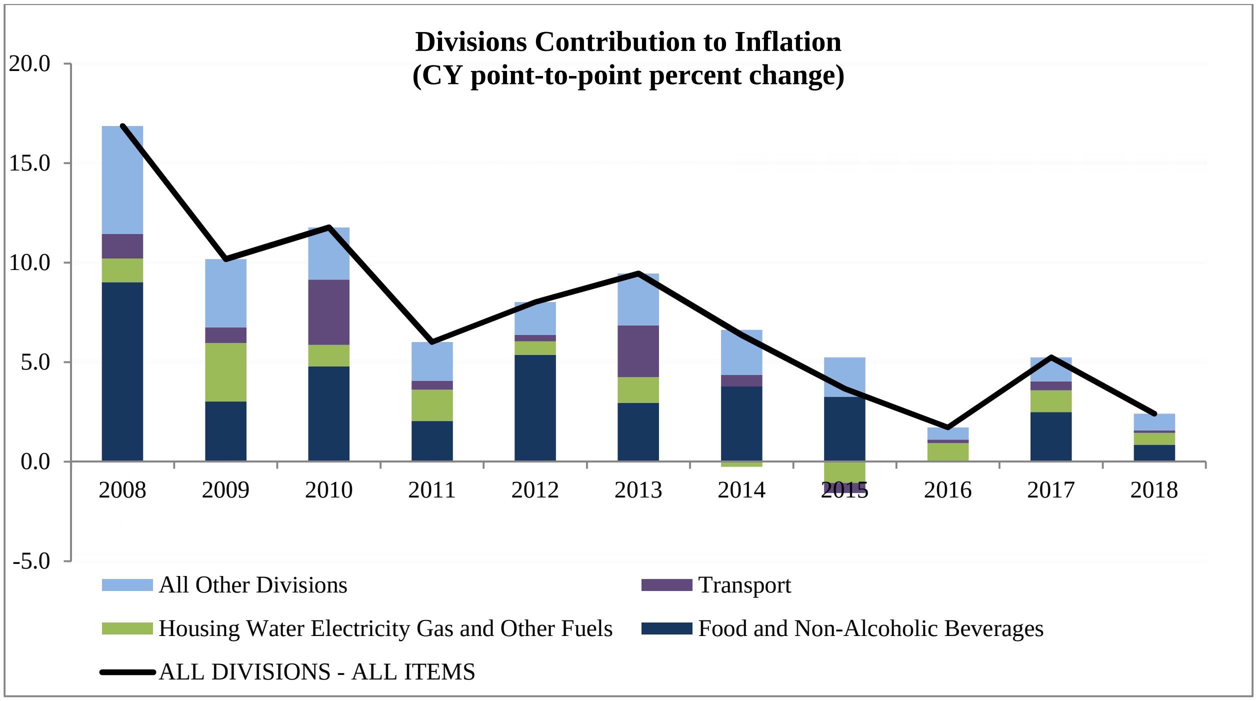
Source: BOJ

The continued robust growth in private sector loans was also reflected in the performance of the monetary aggregates, as evidenced by expansion in the monetary base. This increase was reflected in larger currency stock and higher levels of commercial banks' cash reserves. The main source of growth in the monetary base was the increase in net domestic assets (NDA), the impact of which was partially offset by a contraction in NIR. The increase in NDA resulted from an increase in Net Claims on Public Sector, driven by a drawdown in Central Government Deposits.

Inflation

The All Jamaica 'All Divisions' Consumer Price Index increased from 248.7 in December 2017 to 254.7 in December 2018, representing a year- over- year increase of 2.4% (see Table 2E). This outturn is below the medium term inflation target range of 4.0% to 6.0% and 2.8 percentage points lower than the inflation rate of 5.2% recorded for CY 2017.

Figure 2(ix)



Source: STATIN

All divisions of the CPI posted moderate increases during CY 2018, however, inflationary pressure was highest within the divisions "Food and Non-Alcoholic Beverages", the highest weighted division, which increased by 2.3% during the year, and the 'Housing, Water, Electricity, Gas and Other Fuels' division which increased by 4.7%. The increase within "Food and Non-Alcoholic Beverages" was primarily influenced by the class 'Fruit' which increased by 11.4%. The increase in 'Housing, Water, Electricity, Gas and Other Fuels' division was largely due to a 5.6% increase in the class 'Electricity, Gas and Other Fuels', which reflected the impact of the increase in electricity cost (see Figure 2(ix)).

Inflation for FY 2018/19 to end-December 2018 was recorded at 2.7%, 1.5 percentage points lower than the 4.2% recorded for the corresponding period of 2017. Jamaica's annual point to point inflation for April, May and June 2018 were recorded at 3.2%, 3.1% and 2.8%, respectively, all falling below the lower limit of the continuous medium term inflation target range set by the Government. The breach of the inflation target required that the Governor of the BOJ provide the Minister of Finance and the Public Service and the Jamaican public with a full report of the performance relative to the objectives, as well as the Bank's expectation of the future path for inflation and possible policy actions needed for inflation to be within the target range. Provision of a letter and a comprehensive report dated August 7, 2018, by the Governor met the requirement arising from the breach.

Table 2E

All Jamaica 'All Divisions' and Division Indices and Movements (Base period December 2006 = 100)								
		Dec 2017 Index	Mar 2018 Index	Nov 2018 Index	Dec 2018 Index	Monthly % change for Dec 2018	FY 18/19 to Dec 2018 (% change)	CY 2018 to Dec 2018 (% change)
	ALL DIVISIONS -ALL ITEMS	248.7	248.1	257.4	254.7	-1	2.7	2.4
1	Food and Non-Alcoholic Beverages	313.6	308.2	325.6	320.7	-1.5	4.1	2.3
2	Alcoholic Beverages and Tobacco	310.8	312.5	314.7	315.2	0.2	3.4	1.4
3	Clothing and Footwear	240.1	241.2	245	245.1	0.2	1.6	2.1
4	Housing, Water, Electricity, Gas and Other Fuels	239	247	253.6	250.2	-1.3	-0.8	4.7
5	Furnishings, Household Equipment and Routine Household Maintenance	236.7	237.7	247.3	247.5	0.1	4.1	4.6
6	Health	147.6	147.8	149.5	149.6	0.1	1.2	1.4
7	Transport	210	210	215.5	212.2	-1.5	1	1
8	Communication	67.1	67.1	67.1	67.1	0	0	0
9	Recreation and Culture	192.2	192.7	195	195.1	0.1	1.2	1.5
10	Education	194.4	195.4	200.7	200.7	0	2.7	3.2
11	Restaurants and Accommodation Services	196.1	196.5	198.5	198.6	0.1	1.1	1.3
12	Miscellaneous Goods and Services	232.5	235	237.7	238.1	0.1	1.3	2.4

Source: STATIN

The Central Bank's report noted that the lower inflation outturn at June 2018, relative to the target, largely reflected the impact of a stronger-than-anticipated reversal in agricultural prices in the March 2018 quarter, lower-than-forecasted imported inflation and a reduction in the pass-through of oil prices to inflation. In addition, domestic demand conditions were assessed to be weaker than originally anticipated.

Annual point-to-point inflation for June, July, August and December 2018 were 2.8%, 3.2%, 3.9% and 2.4%, respectively, all below the lower bound of the continuous medium term target. The inflation outturn for FY 2018/19 is projected at 3.7%, below the lower limit of the target range. Inflation is projected to rise to the midpoint of the target range (5.0%) by June 2019, and remain constant over the medium term. The medium term forecast is predicated on expected normalization in agricultural prices, higher oil prices and stronger domestic economic activity.

Exchange Rate

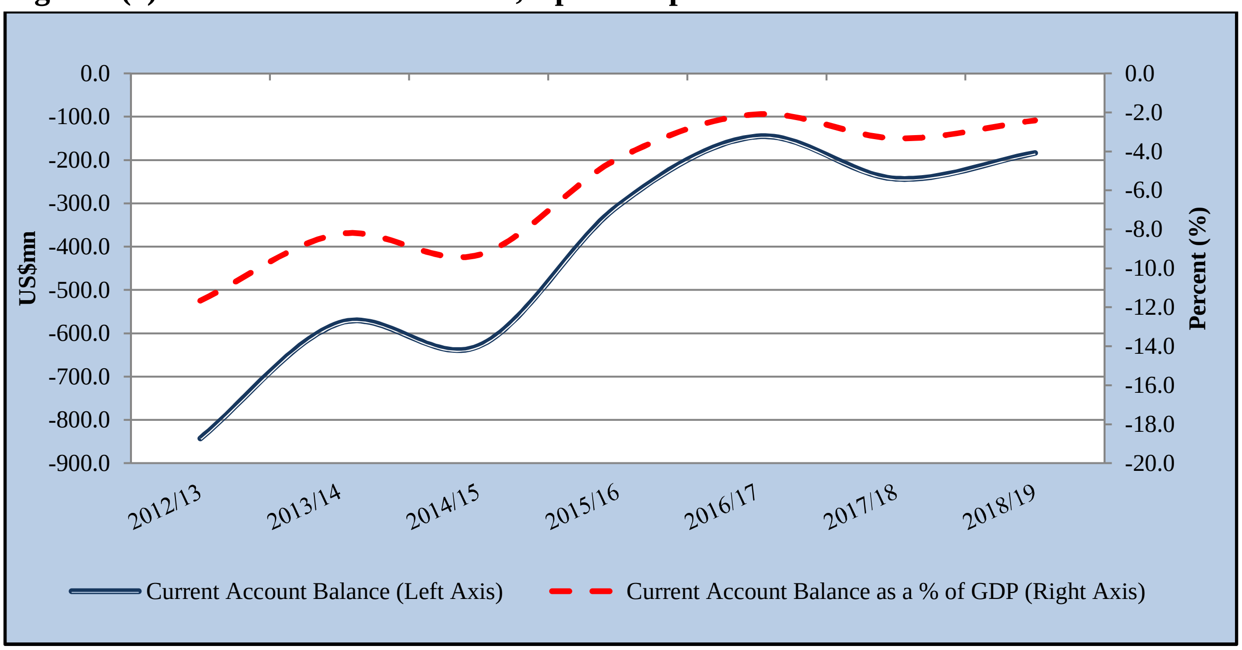
At end-December 2018, the end of period selling rate of the US dollar was US$1.00 =J$127.72, compared to US$1.00 = J$125.00 at the end of December 2017, representing a 2.2% depreciation. The domestic currency vis-à-vis its US counterpart recorded strong two-way movements: The Jamaica dollar appreciated between February and April and again from September to December, however, the Jamaica dollar weakened from May to August. This greater two-way movement between the Jamaican and US currencies reflects the expectations of an inflation targeting regime within the context of a low interest rate environment.

Appreciation of the domestic currency from September to December was supported by reduced end-user demand and increased supply of the US currency.

External Sector Developments

The Current Account balance improved for the first half of FY 2018/19, recording a deficit of US$183.6mn, an improvement of US$59.4mn over the deficit recorded for the comparable period of FY 2017/18 (see Table 2F). As a percentage of GDP, the current account deficit decreased from 3.3% in FY 2017/18 to 2.4% in FY 2018/19 (see Figure 2(x)). With the exception of the Primary Income sub-account, the balance on all sub-accounts improved. The most significant positive change occurred in the Goods and Services sub-account, with export earnings growing faster than imports. The expansion in exports was largely driven by increased earnings from alumina. Of note, higher earnings from alumina reflected the effect of increases in both volume and value.

Figure 2(x) Current Account Balance, April – September FY 2012/13 – FY 2018/19



Source: BOJ

Over the review period, the deficit on the Primary Income sub-account deteriorated by US$63.2mn or 28.0%. This was primarily due to higher investment outflows. The Secondary Income account benefited from higher inflows to general government.

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 First Half of FY 2018/19: April – September 2018

Balance of Payments (US$MN)	FY 2017/18	FY 2018/19	Change
Current Account Balance	**-243.0**	**-183.6**	**59.4**
Credits	3828.5	4193.3	364.8
Debits	4071.5	4377.0	305.4
Goods & Services	-1250.7	-1147.6	103.1
Credits	2340.5	2662.2	321.7
Debits	3591.2	3809.8	218.6
Goods	-1799.7	-1757.9	41.7
Exports	663.1	860.0	196.9
Imports	2462.8	2617.9	155.1
Services	549.0	610.3	61.3
Credits	1677.3	1802.2	124.9
Debits	1128.4	1191.9	63.5
Primary Income	-225.5	-288.7	-63.2
Credits	135.9	153.8	18.0
Debits	361.3	442.5	81.2
Secondary Income	1233.1	1252.7	19.5
Credits	1352.2	1377.3	25.1
Debits	119.1	124.7	5.6
Capital Account	**4.5**	**11.3**	**6.8**
Credits	4.5	11.3	6.8
Debits	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	**-238.5**	**-172.4**	**66.2**
Financial Account			
Net lending (+) / net borrowing (-) (balance from financial account)	**-104.3**	**-305.6**	**-201.4**
Direct Investment	-399.6	-335.7	63.8
Net acquisition of financial assets	27.0	8.1	-18.8
Net incurrence of liabilities	426.5	343.9	-82.7
Portfolio Investments	-580.6	413.2	993.8
Net acquisition of financial assets	51.6	-209.4	-261.0
Net incurrence of liabilities	632.2	-622.6	-1254.8
Financial derivatives	31.7	2.1	-29.6
Net acquisition of financial assets	10.2	58.5	48.3
Net incurrence of liabilities	-21.5	56.4	77.9
Other Investments	462.0	-297.2	-759.2
Net acquisition of financial assets	328.4	-168.8	-497.2
Net incurrence of liabilities	-133.7	128.3	262.0
Reserve Assets	382.1	-88.1	
Net Errors and Omissions	134.2	-133.3	

Source: BOJ

The Commodities Market

International commodity prices saw a general increase over the first three quarters of the fiscal year. This is reflected in the World Bank's International Commodity Price Index which saw growth in the Non-Fuel and Fuel Price Index by 1.1% and 30.0%, respectively, with the growth in the Fuel Price Index doubling the growth recorded in the corresponding period of the previous fiscal year (see Table

2G). Prices of agricultural commodities strengthened during the first half of CY 2018 before significantly weakening during the third quarter of the year. In addition, the price of several internationally traded agricultural commodities with significance for Jamaica continued the declining trend observed in FY 2017/18. In particular, world sugar prices fell by 17.7% and coffee by 10.0%. However, average cocoa prices increased by 16.0% for the April to December period of FY 2018/19. Average aluminum prices grew by 4.8% for the review period. The lower growth in aluminum prices relative to the growth recorded for the comparable period of FY 2017/18 reflected disruptions in the supply of alumina, which is a key component in the production of aluminum.

Table 2G: International Commodity Prices

Commodity	Unit	Average Percentage Change	
		Apr-Dec FY 2017/18	Apr-Dec FY 2018/19
Non-Fuel Price Index		3.4	1.1
Fuel (Energy) Price Index		15.1	30.0
Select Commodities			
Cocoa	US$ per Kg	-29.9	16.0
Coffee, Arabica	US$ per Kg	-13.3	-10.0
Soybean meal	US$/metric tonne	-11.3	14.8
Maize/Corn	US$/metric tonne	-4.0	8.0
Wheat, US, HRW	US$/metric tonne	14.0	19.5
Sugar, EU, domestic	US$ per Kg	3.8	1.3
Sugar, World	US$ per Kg	-23.2	-17.7
Crude Oil	US$ per Barrel	8.8	29.4
Aluminum	US$/metric tonne	22.8	4.3

Source: World Bank Commodity Prices

Fuel and Non-fuel commodity prices are projected to increase in 2019. Oil prices are expected to rise at the same pace as 2018, driven by demand from Asia. The downside risks to the fuel price forecast include weaker global growth and lower oil demand, particularly from emerging markets. There are also substantial risks to the forecast as supply to the global market from oil producers such as Venezuela continues to decline and the impact of US sanctions on Iranian oil exporters manifests. Other factors affecting general commodities market prices include weak global trade, global tensions and the imposition of commodity specific tariffs.

Box A: International Commodity Prices

Jamaica remains a price taker for a variety of internationally traded primary commodities (see 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, maize/corn 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 this affects every aspect of the production process in Jamaica, mainly via electricity costs and gas at the pumps. When the dimension of foreign exchange rate movements is added, it brings into sharp focus the need to sustain relative stability in the foreign exchange market.

The International Environment

Growth in global economic activity is estimated at 3.7% in 2018, 0.2 percentage point less than the 3.9% projected in January 2018. This global outturn is similar to the 2017 level of economic growth of 3.7%; and is reflective of:

- the negative effects of the trade measures implemented between the United States (US) and China in April 2018;
- a weaker outlook for some key emerging markets and developing countries arising from country-specific factors;
- tighter financial conditions, geopolitical tensions, and higher oil import bills.

Slower momentum was registered among some advanced economies such as in the Euro area and the United Kingdom. However, this was not the case for the United States which observed higher than anticipated growth.

The weakening of global expansion is expected to continue in 2019 and 2020. Global growth projections for 2019 and 2020 are estimated at 3.5% and 3.6%, respectively, reflecting 0.2 and 0.1 percentage point less than last October's IMF World Economic Outlook (WEO) projections. Growth in advanced economies is projected to decelerate from an estimated 2.3% in 2018 to 2.0% in 2019 and 1.7% in 2020. This downward revision is, primarily, attributed to the slowing in demand and political uncertainty in the Euro Area. With regards to the US, growth is expected to decline to 2.5% in 2019 and to 1.8% in 2020 as the fiscal stimulus declines and the federal funds rate temporarily overshoots the neutral rate of interest. For the emerging markets and developing economies, growth is expected to be 4.5% in 2019, slightly less than the 4.7% previously forecasted in the October 2018 WEO. An improvement to 4.9% in 2020 is anticipated. The risks to the economic forecast are skewed toward the downside and include weak global growth, along with the uncertainty of the US-China trade negotiation and the associated financial market volatility, resurgence of the US government shutdown, uncertainty regarding ‘Brexit’ and geopolitical tensions in the Middle East and East Asia.

Macroeconomic Outlook FY 2019/20 to 2022/23

Economic activity is expected to accelerate over the medium term, predicated on improvements in most industries. The Medium Term Macroeconomic Profile summarizes the key macroeconomic projections that will underpin the development of the estimates of revenue and expenditure over the period from FY 2019/20 to FY 2022/23 (see Table 2H). Notwithstanding the existence of risks that could derail the profile, the outlook remains positive.

Table 2H: Medium Term Macroeconomic Profile

Macroeconomic Variables	2016/17 Actual	2017/18 Actual	2018/19 Proj.	2019/20 Proj.	2020/21 Proj.	2021/22 Proj.	2022/23 Proj.
Nominal GDP (J$bn)	1,788.8	1,933.0	2,034.2	2,156.2	2,319.7	2,482.0	2,658.7
Nominal GDP growth rate(%)	5.9	8.1	5.2	6.0	7.6	7.0	7.1
Real GDP growth rate (%)	1.4	0.9	1.8	1.5	2.6	2.0	2.0
Inflation: Annual Pt to Pt (%)	4.1	3.9	3.7	4.3	5.0	5.0	5.0
Interest Rates:							
180-day Treasury Bill (end-period)	6.32	3.17					
90-day Treasury Bill (end-period)	6.10	2.98					
Average Selling Exchange Rate (J$=US$1)	127.14	127.97					
NIR (US$mn)	2,769.2	3,074.5	2,914.1	3,044.9	3,133.6	3,266.0	3,530.6
Gross International Reserves (In weeks of imports)	23.2	24.5	23.3	22.2	21.8	21.3	21.8
Current Account (%GDP)	-1.2	-3.0	-2.5	-1.5	-2.0	-1.7	-1.6
Oil Prices (WTI) (Average US$/barrell)	47.91	53.69	62.01	54.92	57.8	58.5	59.2

Source: STATIN/BOJ/PIOJ

Real GDP is projected to grow by an average of 2.0% over the fiscal years 2019/20 to 2022/23. Growth in both the goods and services industries is expected to drive the expansion. Inflation is expected to stabilize at around 5.0% over the medium term. This expectation is made against the background of the country’s inflation -targeting regime.

The current account deficit as a percentage of GDP is projected to remain relatively low, averaging 1.7% over the medium term. This is predicated on the expectation of improvements in Jamaica’s external competitiveness.

Medium Term Growth Projections

The projected real sector performances for FY 2019/20 through to FY 2022/23 are presented in Table 2I below.

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

	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
	PIOJ's Projections				
GOODS PRODUCING INDUSTRY	5.0	3.2	6.5	4.3	5.0
Agriculture, Forestry & Fishing	5.4	5.0	5.0	8.0	10.0
Mining & Quarrying	27.0	2.0	36.9	6.3	3.2
Manufacture	0.6	1.8	2.2	2.7	2.8
of which: Food, Beverages & Tobacco	1.3	2.0	2.5	3.0	3.0
Other Manufacturing	-0.3	1.5	1.8	2.2	2.5
Construction	3.1	2.0	2.5	2.0	3.0
SERVICES INDUSTRY	0.8	1.1	1.6	1.7	1.9
Electricity & Water Supply	0.3	1.0	1.5	1.8	2.0
Transport, Storage & Communication	1.5	1.8	2.0	2.0	2.5
Wholesale & Retail Trade; Repair and Installation of Machinery	0.7	0.7	1.4	1.5	1.6
Finance & Insurance Services	1.0	1.0	2.0	2.0	2.0
Real Estate, Renting & Business Activities	0.6	0.8	1.0	1.2	1.3
Producers of Government Services	0.0	0.0	-0.2	0.0	0.1
Hotels and Restaurants	1.7	4.0	4.5	5.0	6.0
Other Services	1.0	1.4	2.0	2.1	2.0
Less Financial Intermediation Services Indirectly Measured (FISIM)	1.6	1.5	1.5	1.0	1.5
TOTAL GDP AT BASIC PRICES	1.8	1.5	2.9	2.5	2.8

Source: STATIN & PIOJ

FY 2019/20 Projected Performance

- **Economic growth of 1.5% is projected**. Growth is expected to result from greater utilization of expanded capacity in some industries as a result of higher demand. The industries expected to spur growth are:
  - ✓ **Agriculture Forestry & Fishing is expected to grow by 5.0% driven by** increased demand, especially from stronger linkages between the Hotels & Restaurants industry and Manufacturing industry (i.e Agro processing). This will be supported by measures

to strengthen resilience of the Agriculture, Forestry & Fishing industry, as the effect of climate smart technology begins to have a greater impact.

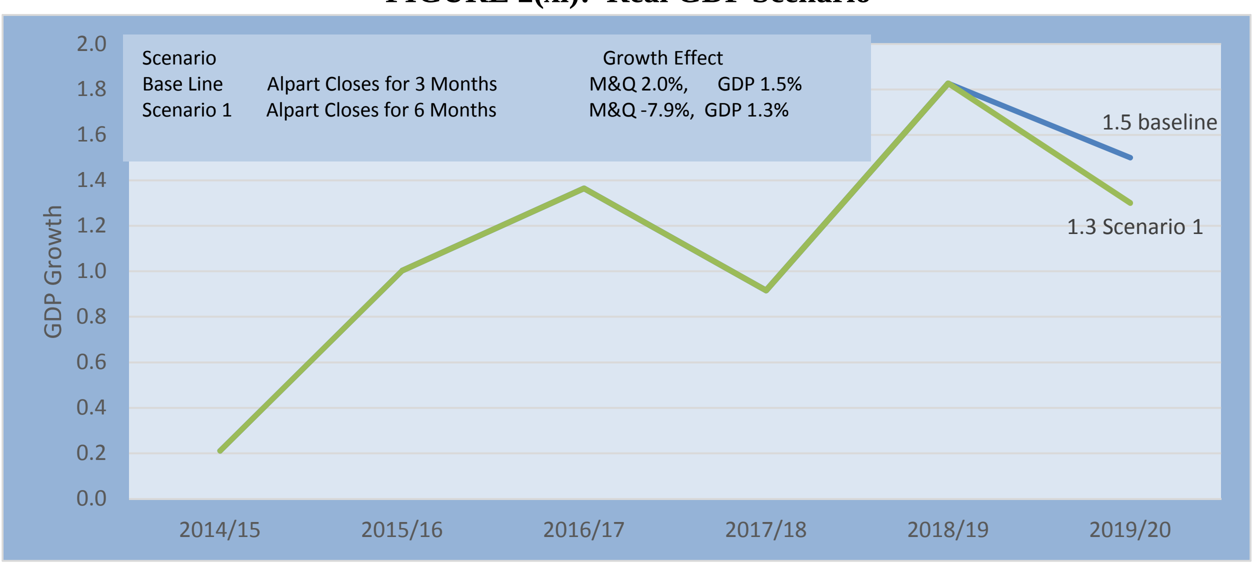
- ✓ **Hotels & Restaurants is expected to grow by 4.0%** led by increased visitor arrivals, associated with continued growth for Jamaica's main trading partners. This is expected to be facilitated by increased flight frequency, room stock and heightened marketing efforts in new and existing markets.

- ✓ **Mining & Quarrying is expected to grow by 2.0%** due to increased capacity utilization as a result of increased global demand for Aluminium. Production disruptions at Alpart are expected as planned upgrades of the production chain are implemented.

- o The baseline forecast for FY 2019/20 carries the assumption that production will likely be disrupted at the Alpart plant for a total of three months due to the installation of various pieces of equipment. In consideration of the possibility of a longer downtime, Scenario 1 assumes that the production is affected for a total of six months.

  - ✓ If the risk of the Alpart alumina refinery closing for six months materialises in FY2019/20 (Scenario 1), real GDP for FY2019/20 is projected to grow by 1.3%, instead of the baseline forecast of 1.5%. This reflects mainly a downward revision of the expected Real Value Added out-turn of the Mining & Quarrying industry from growth of 2.0% to a decline of 7.9% (see Figure 2(xi)).

FIGURE 2(xi): Real GDP Scenario



Source: PIOJ

FY 2020/21 Projected Performance

- o **Economic growth of 2.9% is projected**. This reflects growth in both the Goods Producing and Services industries. Increased external and domestic demand associated with growth in main trading partners and higher levels of employment, as well as increased linkages between industries. Growth will be supported by increased capacity in some industries, and higher capacity utilization. Improvements in the business environment are also expected to aid in economic expansion.

- ✓ **Mining & Quarrying is expected to grow by 36.9%** driven by increased capacity following the installation of key equipment at Alpart as well as greater capacity utilizations at other refineries in response to growth in global demand. Additionally, growth should be viewed against planned production disruptions in the previous fiscal year to expand capacity.

- ✓ **Agriculture, Forestry & Fishing is projected to grow by 5.0%** due to increased use of technology aimed at building the industry's resilience to shocks. Import substitution and increased linkages with the other industries will be the main drivers.

- ✓ **Hotels & Restaurants is projected to grow by 4.5%** driven by increased foreign national arrivals as a result of global economic growth and increases in the room stock, marketing and greater frequency of flights into Jamaica.

- ✓ **Manufacturing is projected to grow by 2.2%** stemming from increased domestic and international demand for Jamaican goods. Increased linkages with other industries as well as improved capacity and efficiency will also contribute to growth.

FY 2021/22 Projected Performance

- **Economic growth of 2.5% is projected**. Growth is projected for all industries and is expected to be driven by higher external and domestic demand and stronger linkages between industries. This will be supported by efficiency gains from investments in increased capacity, as well as the completion of major infrastructure projects.

  - ✓ **Agriculture, Forestry & Fishing is projected to grow by 8.0%** due to increased output of all crop types following the completion of the ESSEX valley irrigation project in 2021, in addition to the impact of other climate smart technology used to strengthen resilience and increase output.

  - ✓ **Mining & Quarrying is projected to grow by 6.3%** as continued growth in global demand for Aluminium is expected to drive increased capacity utilisation at all plants.

  - ✓ **Hotels & Restaurants is projected to grow by 5.0%** as the industry is expected to benefit from product diversification, which is expected to lead to further increases in visitor arrivals.

FY 2022/23 Projected Performance

- **The economy is expected to grow by 2.8%**. Growth in both the Goods Producing and Services industries is projected with all industries expected to grow. Wide spread growth and expanded employment, alongside research and development and efficiency gains is expected.

PART 3

FISCAL MANAGEMENT STRATEGY

Central Government Operations FY 2018/19

Background

The Government of Jamaica (GOJ) remains steadfast in maintaining fiscal discipline and ensuring public debt reduction. This discipline, coupled with improvements in the macro economy has afforded the Government the opportunity to channel more resources into transforming the economy, with specific focus on economic growth and job creation. Acknowledging the thrust towards improving the business environment, the World Bank's Doing Business Report 2019 has indicated an improvement in the ease of doing business in Jamaica with the country's overall score increasing by 0.55 points. The upgrade was based on Jamaica's improved access to credit information. While the country acknowledges its position as the top performer in the Caribbean, it continues to pursue an acceleration of the implementation of business reforms to facilitate a higher level of competitiveness in the global economy.

The country's credit worthiness has also seen improvement as highlighted by Standard and Poor's adjustment to the outlook in September 2018 from "Stable" to "Positive", while affirming the country's short and long-term sovereign credit ratings at B. Fitch Ratings Agency in January 2019 upgraded Jamaica from "B" to "B+", with the outlook moving from "Positive" to "Stable". The country ceiling was also upgraded by Fitch to "BB-" from "B", the highest rating in over 10 years.

The GOJ's discipline is entrenched in the strategy to address distortions and contain pressures to overspend.   The fiscal rules target the attainment of a fiscal balance to Gross Domestic Product (GDP) that allows for the achievement of a progressive reduction in the debt stock to 60.0% of GDP or less by FY 2025/26. Consistent with this fiscal balance target, the GOJ has been pursuing a primary balance target of 7.0% of GDP. Currently, achievement of the primary balance target is on track, and the debt/GDP continues to trend downwards and is estimated to fall to double digits by the end of fiscal year 2018/19, after nearly two decades of triple digit debt ratios. Jamaica's economic reform programme remains steadfast and the International Monetary Fund (IMF) has commended the country for the commitment to the programme which continues to anchor macroeconomic stability.

Fiscal Developments

Jamaica's fiscal performance during FY 2018/19 continues to reflect the positive effects of the fiscal discipline being exercised by the GOJ. The Central Government's Primary and Fiscal Surpluses have performed better than budgeted over the last three quarters of the fiscal year. This has, in addition to the reallocation of budget space within and between MDAs, prompted two revisions to the budget. The first Supplementary Budget was tabled in September 2018 and the second Supplementary in January 2019 (see Table 3A).

Table 3A: Central Government Summary Accounts FY 2018/19 (Original, 1st and 2nd Supplementary Budget)

	Original Budget	1st Suppl Budget	2nd Suppl Budget
Revenue and Grants	**590,588.3**	**609,069.4**	**623,864.2**
Recurrent Revenue	579,315.5	597,946.6	611,120.1
Tax Revenue	518,435.1	526,943.9	537,465.5
Non-Tax Revenue	60,880.4	71,002.7	73,654.6
Bauxite Levy	126.0	126.0	126.0
Capital Revenue	2,088.1	1,631.2	3,680.5
Grants	9,058.7	9,365.6	8,937.6
Expenditure	**586,480.6**	**604,236.4**	**617,931.1**
Recurrent Expenditure	**526,655.4**	**539,075.6**	**549,128.0**
Primary Recurrent Expenditure	389,707.5	400,923.8	412,923.3
Programmes	188,656.1	199,872.4	212,442.7
Compensation of Employees	201,051.4	201,051.4	200,480.6
Wages and Salaries	185,274.7	185,274.7	183,403.9
Interest	136,947.9	138,151.7	136,204.7
Capital Expenditure	**59,825.1**	**65,160.9**	**68,803.1**
Primary Expenditure	**449,532.7**	**466,084.7**	**481,726.4**
Fiscal Balance	**4,107.8**	**4,832.9**	**5,933.1**
Overall Balance	**-65,312.6**	**-57,276.8**	**-38,376.8**
Primary Balance	**141,055.6**	**142,984.7**	**142,137.8**

Source: MOFPS

Expenditure

The Central Government's above-the-line expenditure budget[2] of $617,931.1mn for FY 2018/19 increased by 11.9% over the $552,050.1mn expenditure outlays for FY 2017/18 (see Table 3B.1). This represents an increase of 1.8 percentage points to 30.3% of GDP from 28.6% at the end of FY 2017/18 (see Table 3B.2). Of this Expenditure budget, Recurrent Expenditure increased to $549,128.0mn from $505,244.0mn last fiscal year representing an increase of 0.8 percentage point of GDP. Capital Expenditure also increased with greater allocations going toward security equipment and growth inducing capital projects.

[2] Budget represents the 2nd Supplementary budget for FY 2018/19.

Table 3B.1: FY 2018/19 Above-the-line Expenditure Budget vs. FY 2017/18 Outturn ($mn)

	2017/18	2018/19	% Change
Expenditure	**552,050.1**	**617,931.1**	**11.9%**
Recurrent Expenditure	**505,244.0**	**549,128.0**	**8.7%**
Primary Recurrent Expenditure	370,063.0	412,923.3	11.6%
Programmes	176,779.5	212,442.7	20.2%
Compensation of Employees	193,283.5	200,480.6	3.7%
Wages and Salaries	178,366.3	183,403.9	2.8%
Interest	135,181.0	136,204.7	0.8%
Capital Expenditure	**46,806.1**	**68,803.1**	**47.0%**
Primary Expenditure (net of interest)	**416,869.1**	**481,726.4**	**15.6%**

Source: MOFPS (discrepancies due to rounding)

Table 3B.2: FY 2018/19 Above-the-line Expenditure Budget vs. FY 2017/18 as a % of GDP

	2017/18	2018/19[3]	%age pt. Δ
Expenditure	**28.6%**	**30.3%**	**1.8%**
Recurrent Expenditure	**26.1%**	**27.0%**	**0.8%**
Primary Recurrent Expenditure	19.1%	20.3%	1.1%
Programmes	9.1%	10.4%	1.3%
Compensation of Employees	10.0%	9.8%	-0.2%
Wages and Salaries	9.2%	9.0%	-0.2%
Interest	7.0%	6.7%	-0.3%
Capital Expenditure	**2.4%**	**3.4%**	**1.0%**
Primary Expenditure (net of interest)	**21.6%**	**23.6%**	**2.1%**

Source: MOFPS (discrepancies due to rounding)

Primary Recurrent Expenditure increased by 11.6% over the FY 2017/18 outturn of $370,063.0mn to $412,923.3mn. With respect to GDP, there was a 1.1 percentage point year over year growth between last fiscal year's outturn and this fiscal year's budget. Recurrent Programmes and Compensation of Employees had positive year over year nominal growth.

The Recurrent Programmes budget for FY 2018/19 of $212,442.7mn is 20.2% higher than the end-FY 2017/18 outlay of $176,779.5mn. This translates to a positive 1.3 percentage point of GDP change between the 2018/19 budget and the 2017/18 outturn. The higher budgeted payments under recurrent programmes include:

- Provisions in excess of $2,000.0mn to the Ministry of National Security to address, among other things, an increased allocation to the Jamaica Defence Force (JDF);
- $2,479.0mn for the Special Early Retirement Programme (SERP);
- Approximately $3,000.0mn allocated to meet pension payments.
- Street lighting arrears of $7,140.0mn;

[3] GDP ratios calculated based on projection of Nominal GDP assumed in the Second Supplementary Budget.

- Domestic arrears settlement of $2,614.0mn;
- Additional support to the Jamaica Urban Transit Company (JUTC) of $2,505.0mn;
- Funding to Mitigation and Road Maintenance under the Ministry of Economic Growth and Job Creation (MEGJC) of $2,600.0mn;
- $2,423.0mn for increases in Travel Allowances/Mileage to Travelling Officers;
- Allocations to National Solid Waste Management Authority (NSWMA) of $1,045.0mn;
- Support to the National Health Fund (NHF) of $1,000.0mn;
- Allocations to meet some of the demands presented by MDAs totalling $4,281.8mn; and
- A further sum of approximately $1,500.0mn which includes, inter alia:
  - $300.0mn to support Ministry of Health's (MOH's) expanded response to the current dengue outbreak;
  - $425.0mn to clear outstanding Vacation Leave payments to employees of the former Jamaica Customs Department and Tax Administration Department; and
  - $325.0mn outstanding refund to the Spectrum Management Authority.

Compensation of Employees was budgeted at $200,480.6mn of which $183,403.9mn was for Wages and Salaries. This budget represents a growth of 3.7% over the Compensation of Employees outlay of $193,283.5mn for last fiscal year. The GOJ has embarked on strategies to reduce its wage bill as a percentage of GDP through, among other things, the introduction of the Special Early Retirement Programme (SERP). The wage bill/ GDP is budgeted to decrease by 0.2 percentage point from last fiscal year's outturn. The decline is contingent on achievement of a specific minimum level of economic growth which is currently expected to be realised.

The Interest Expenditure budget for FY 2018/19 is $136,204.7mn, increasing by 0.8% over the $135,181.0mn outlay in FY 2017/18. Domestic Interest is projected to decrease for the fiscal year while External Interest is projected to increase. The net effect contributed to an estimated marginal increase in interest payments over FY 2017/18. As a percent of GDP, however, interest payments declined by 0.3 percentage point, as the projected growth in GDP outweighs the increase in Interest Expenditure.

Capital Expenditure, the GOJ's flagship growth medium, saw a 47.0% increase in the budget over last fiscal year's outturn moving to $68,803.1mn from $46,806.1mn. As a share of GDP, the Capital Expenditure budget is 3.4%, increasing by 1.0 percentage point over FY 2017/18. The Capital Expenditure budget allocates $29,556.0mn to the Ministry of Economic Growth and Job Creation (MEGJC) to be spent primarily under the works portfolio and $12,664.4mn to the Ministry of National Security (MNS) to bolster crime fighting initiatives.

The Primary or Non-Debt Expenditure (above-the-line expenditure net of interest), recorded a nominal increase between last year's outturn and this fiscal year's budget. The budgeted Primary Expenditure of $481,726.4mn for FY 2018/19 represents an increase of 15.6% over last fiscal year's outturn. With respect to GDP this increase represents a movement of 2.1 percentage points to 23.6% from 21.6%.

Revenue and Grants

Revenue and Grants for FY 2018/19, projected at $623,864.2mn, represent an increase of 11.3% over the FY 2017/18 outturn of $560,773.6mn (see Table 3C.1). As a percentage of GDP, Revenue and Grants for FY 2018/19 are estimated to be 1.6 percentage points higher than the FY 2017/18 outturn. This growth is driven by Recurrent Revenue which accounts for 98.0% of total Revenue and Grants. Grants are also projected to increase over last fiscal year's outturn, while Bauxite Levy and Capital Revenue have lower projected collections in comparison to the last fiscal year's outturn.

Table 3C.1: FY 2018/19 Revenue Forecast vs. FY 2017/18 Outturn ($mn)

	2017/18	2018/19	% Change
Revenue and Grants	**560,773.6**	**623,864.2**	**11.3%**
Recurrent Revenue	**550,144.5**	**611,120.1**	**11.1%**
Tax Revenue	496,894.6	537,465.5	8.2%
Non-Tax Revenue	53,249.9	73,654.6	38.3%
Bauxite Levy	**127.5**	**126.0**	**-1.2%**
Capital Revenue	**4,887.1**	**3,680.5**	**-24.7%**
Grants	**5,614.4**	**8,937.6**	**59.2%**

Source: MOFPS (discrepancies due to rounding)

Table 3C.2: FY 2018/19 Revenue Forecast vs. FY 2017/18 Outturn as a Percent of GDP

	2017/18	2018/19[4]	%age pt. Δ
Revenue and Grants	**29.0%**	**30.6%**	**1.6**
Recurrent Revenue	**28.5%**	**30.0%**	1.5
Tax Revenue	25.7%	26.4%	0.7
Non-Tax Revenue	2.8%	3.6%	0.9
Bauxite Levy	**0.0%**	**0.0%**	**0.0**
Capital Revenue	**0.3%**	**0.2%**	**-0.1**
Grants	**0.3%**	**0.4%**	**0.1**

Source: MOFPS (discrepancies due to rounding)

Tax Revenue collections are projected at $537,465.5mn, representing a growth of 8.2% over the FY 2017/18 outturn of $496,894.6mn. The uptick in employment, increased economic growth and single digit inflation has contributed to improved revenue flows that align to the GOJ's strategy to reduce the level of public debt-to-GDP. In addition to the improvement in nominal Tax Revenues, there has also been an increase of 0.7 percentage point between the budgeted Tax Revenue to GDP and last fiscal year's outturn. Some of the high performing year over year tax types benefiting from the improved environment are Tax on Interest (up $5,861.9mn), Pay-As-You-Earn (PAYE) (up $2,945.5mn), Company Tax (up 2,359.9mn), General Consumption Tax (GCT) (Local) (up $7,226.8mn), Custom Duty (up $3,315.0mn), General Consumption Tax (GCT) (Imports) (up $7,301.1mn) and Special Consumption Tax (SCT) (Imports) (up $3,786.4mn).

[4] GDP ratios calculated based on projection of Nominal GDP assumed in the Second Supplementary Budget.

Non-Tax Revenue is projected at $73,654.6mn, an increase of 38.3% over the $53,249.9mn outturn for FY 2017/18. This change resulted in a 0.9 percentage point of GDP increase in the budgeted Non-Tax Revenue over last fiscal year. The FY 2018/19 Non-Tax Revenue budget includes $5,400.0mn in receipts from Customs Administration Fees, combined transfers of $12,735.6mn from Culture, Health, Arts, Sports and Education (CHASE), Tourism Enhancement Fund (TEF) and Jamaica Civil Aviation Authority (JCAA) and a special distribution of US$156.0mn from the PetroCaribe Development Fund (PCDF).

Bauxite Levy is projected at $126.0mn and represents a 1.2% decline over the FY 2017/18 outturn of $127.5mn. Over the last two years, there has been a substantial decline in the levy collections (from $1,940.9mn in FY2016/17), on account of the GOJ entering into a profit sharing agreement with the owners of Alpart and Noranda. This agreement is in support of the temporary bauxite levy modification to the sector that commenced in FY 2017/18. The companies will make payments based on arrangements specific to each.

Capital Revenue was projected at $3,680.5mn, a decline of 24.7% over the $4,887.1mn in Capital Revenue receipts for the last fiscal year. This shows a 0.1 percentage point of GDP decline compared to last year. This year over year decline is related to a payment by Airports Authority of Jamaica (AAJ) during FY 2017/18 resulting in higher revenue receipts when compared to the previous five years.

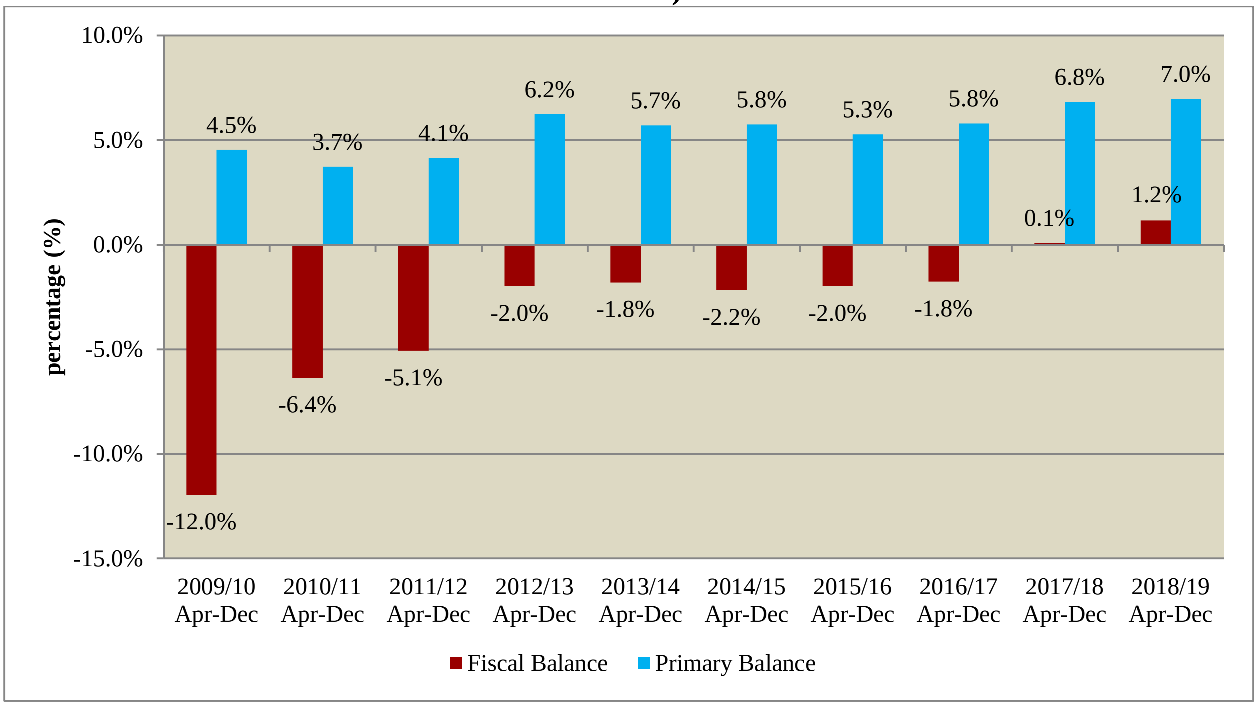
Grants are programmed at $8,937.6mn for FY 2018/19, reflecting an increase of 59.2% over the $5,614.4mn received in FY 2017/18. With respect to GDP, Grants are projected to increase by 0.1 percentage point over last fiscal year's outturn. The Grants budget for this fiscal year includes inflows from the European Union totalling $3,672.0mn. Of this total, $1,377.0mn is budgeted to support the Justice Sector Reform Programme and $2,295.0mn to the second tranche of the Accompanying Measures for Sugar (AMS) Protocol Countries 2013 Financing Agreement.

Financing

The FY 2018/19 budget includes Other Outflows towards: the repurchase of Petrojam Shares, Central Government's obligations to the BOJ, and the Port Authority of Jamaica's Business Process Outsourcing (BPO) Expansion Project. These outflows have more than doubled over the last fiscal year. Similarly, Other Inflows, which include inflows from the PCDF, have increased year over year. Budgeted Loan Receipts have also been reduced when compared to last fiscal year's outturn due to a decline in the need for net new financing. Amortization payments decreased over last fiscal year primarily due to the lower maturities for the year, with some contribution from appreciation of the JMD vis-à-vis the USD.

Central Government Performance: April-December 2018

Figure 3A: Primary & Fiscal Balance as a percent of GDP (April to December 2009/10-FY 2018/19)[5]



Source: MOFPS

The FY 2018/19 April to December period ended with a strong fiscal outturn relative to prior years (see Figure 3A). This is as a result of continued improvements in the macroeconomic environment, greater tax compliance and improvements in the revenue systems.

At end-December 2018, the Central Government generated a fiscal surplus of $19,191.9mn and a primary balance of $107,684.4mn (see Table 3D). This was as a result of higher than budgeted[6] Revenue & Grants (of $11,470.8mn) and lower than budgeted Above-the-line Expenditure that was down by $11,594.4mn. Tax Revenue had the highest excess relative to budget and was the main contributor to the higher than anticipated outturn, alongside capital and non-tax revenue flows. Inflows from Grants were lower than budgeted. The Tax Administration of Jamaica's (TAJ) expansion of electronic filing of various tax types has, to some extent, facilitated the higher than budgeted tax flows. This process which began in 2014 currently reflects an increase in the number of taxpayers submitting returns via e-filing, including taxpayers not mandated to do so. The groups mandated to pay online include small and medium taxpayers of GCT Monthly Returns; all employers filing Employers Annual Returns (S02); and all large taxpayers.

[5] The GDP estimate for the April to December period of FY 2018/19 is based on two official quarterly outturns published by Statin and one quarterly estimate by the Bank of Jamaica (BOJ).
[6] The word budget throughout the *April to December Performance Report* refers to the First Supplementary Estimates tabled in September, 2018.

Table 3D: Central Government Summary Accounts April – December of FY 2018/19

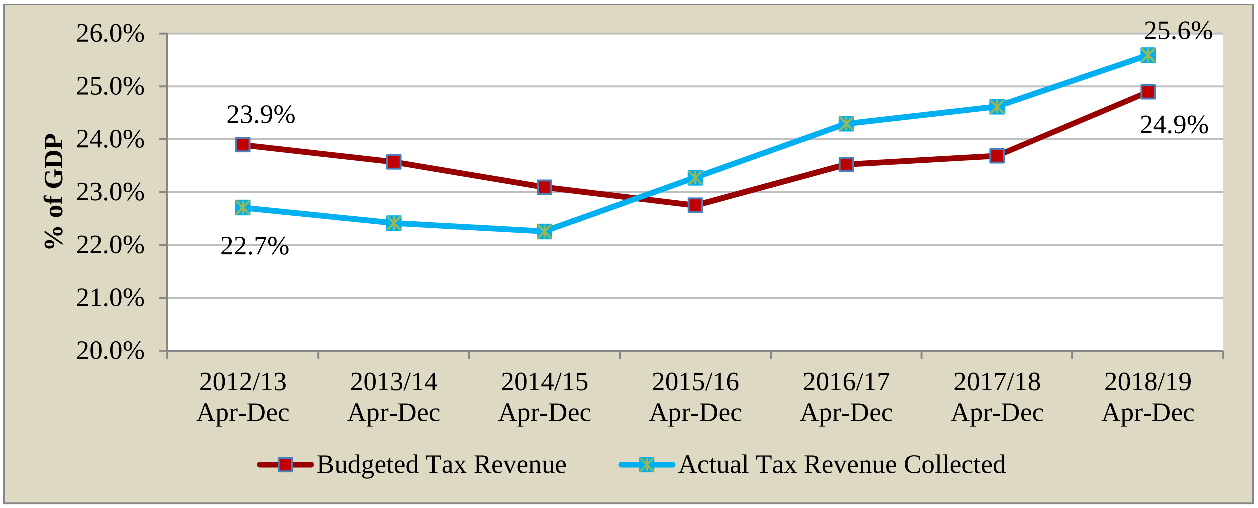
Item	Prov Apr - Dec	1st Suppl Budget Apr - Dec	Diff	Diff %	FY 17/18 Apr - Dec	Diff	Diff %
Revenue & Grants	**448,772.7**	**437,301.8**	**11,470.8**	**2.6%**	**390,947.6**	**57,825.0**	**14.8%**
Tax Revenue	388,666.1	378,082.9	10,583.2	2.8%	353,063.2	35,603.0	10.1%
Non-Tax Revenue	50,639.0	50,404.4	234.6	0.5%	32,202.8	18,436.2	57.3%
Bauxite Levy	0.0	0.0	0.0	-	127.5	-127.5	-100.0%
Capital Revenue	2,511.2	736.3	1,774.9	241.1%	2,187.9	323.2	14.8%
Grants	6,956.4	8,078.2	-1,121.9	-13.9%	3,366.3	3,590.1	106.6%
Expenditure	**429,580.8**	**441,175.2**	**-11,594.4**	**-2.6%**	**389,625.7**	**39,955.2**	**10.3%**
Recurrent Expenditure	384,174.9	395,158.9	-10,983.9	-2.8%	358,653.7	25,521.2	7.1%
Programmes	147,903.1	152,184.6	-4,281.6	-2.8%	123,161.4	24,741.7	20.1%
Compensation of Employees	147,779.3	150,113.9	-2,334.6	-1.6%	140,272.3	7,507.0	5.4%
Wages & Salaries	136,616.3	138,026.6	-1,410.4	-1.0%	129,509.2	7,107.1	5.5%
Employers Contribution	11,163.0	12,087.3	-924.2	-7.6%	10,763.1	400.0	3.7%
Interest	88,492.6	92,860.3	-4,367.8	-4.7%	95,220.1	-6,727.5	-7.1%
Domestic	34,492.0	36,798.4	-2,306.5	-6.3%	45,483.8	-10,991.8	-24.2%
External	54,000.6	56,061.9	-2,061.3	-3.7%	49,736.3	4,264.3	8.6%
Capital Expenditure	45,405.9	46,016.4	-610.5	-1.3%	30,971.9	14,434.0	46.6%
Capital Programmes	45,405.9	46,016.4	-610.5	-1.3%	30,971.9	14,434.0	46.6%
Fiscal Balance (Surplus + / Deficit -)	**19,191.9**	**-3,873.4**	**23,065.2**	**-595.5%**	**1,322.0**	**17,869.9**	**1351.7%**
Loan Receipts	**100,158.5**	**97,424.1**	**2,734.4**	**2.8%**	**187,627.4**	**-87,468.9**	**-46.6%**
Domestic	67,680.0	70,172.1	-2,492.1	-3.6%	57,613.4	10,066.6	17.5%
External	32,478.5	27,252.0	5,226.5	19.2%	130,014.0	-97,535.5	-75.0%
Project Loans	19,101.1	13,452.1	5,649.0	42.0%	13,827.5	5,273.6	38.1%
Other	13,377.4	13,799.9	-422.5	-3.1%	116,186.5	-102,809.1	-88.5%
Other Inflows (inc'ds PCDF)	**14,524.5**	**14,524.5**	**0.0**	**0.0%**	**11,400.1**	**3,124.4**	**27.4%**
Other Outflows (incl'ds BOJ Recapitalization)	**22,488.2**	**22,719.4**	**-231.2**	**-1.0%**	**0.0**	**22,488.2**	**-**
Amortization	**116,599.5**	**127,907.2**	**-11,307.6**	**-8.8%**	**204,317.7**	**-87,718.2**	**-42.9%**
Domestic	74,902.7	79,170.3	-4,267.6	-5.4%	149,768.8	-74,866.1	-50.0%
External	41,696.9	48,736.9	-7,040.0	-14.4%	54,549.0	-12,852.1	-23.6%
Overall Balance (Surplus + / Deficit -)	**-5,212.9**	**-42,551.4**	**37,338.6**	**-87.7%**	**-3,968.3**	**-1,244.6**	**31.4%**
Primary Balance (Surplus + / Deficit -)	**107,684.4**	**88,987.0**	**18,697.5**	**21.0%**	**96,542.1**	**11,142.3**	**11.5%**

Source: MOFPS (discrepancies due to rounding)

Tax Revenue

The growth in tax revenue to GDP has outpaced the budget for the April to December period of FY 2018/19 (see Figure 3B). This has been the trend since FY 2015/16 due to greater accountability processes through the Financial Administration and Audit (FAA) (Amendment) Act 2014, the indirect taxation policy, enriched compliance and enforcement mechanisms by the revenue authorities, and continued economic improvements. These changes have resulted in a growth in tax revenue with respect to GDP, from 22.3% in FY 2014/15 to 25.6% in FY 2018/19.

Figure 3B: April to December Actual vs. Budgeted Tax Revenue Performance from FY 2012/13 to FY 2018/19



Source: MOFPS

With the adoption of the FAA (Amendment) Act in 2014 and the implementation of the enhanced fiscal rules, buoyant revenues are being realised. These rules reinforce the principle of responsible fiscal operations as public deficits contribute to macroeconomic imbalances. The enforced rules have been able to minimize negative fiscal implications resulting in more buoyant revenues. These revenues are now being redirected into growth inducing projects and less debt financing.

It is also important to note the impact of the informal economy on taxes collected. The movement towards indirect taxation has widened the tax net, thereby including the informal economy. This has resulted in increased tax revenue above the amount forecasted.

The performance during the period has, alongside continued growth, been supported by an uptick in business and consumer confidence, increased construction activities and growth in the stock market. As a result, Production and Consumption showed the highest outturn against budget with collections of $140,866.8mn followed by Income & Profit taxes of $90,772.3mn and International Trade taxes of $157,027.0mn. All the categories performed better than budget and contributed to the higher than anticipated revenue inflows.

Also, with the upgrading of both revenue authorities' software (i.e. RAiS and ASYCUDA), monitoring capabilities have improved, bolstering the authorities' compliance efforts and revenue collections.

Table 3E: Details of Revenue April – December of FY 2018/19

Item	Prov. Apr - Dec	1st Suppl Budget Apr - Dec	Diff	Diff %	FY 17/18 Apr - Dec	Diff	Diff %
Revenue & Grants	**448,772.7**	**437,301.8**	**11,470.8**	**2.6%**	**390,947.6**	**57,825.0**	**14.8%**
Tax Revenue	**388,666.1**	**378,082.9**	**10,583.2**	**2.8%**	**353,063.2**	**35,603.0**	**10.1%**
Income and profits	90,772.3	87,230.0	3,542.3	4.1%	78,379.7	12,392.7	15.8%
Bauxite/alumina	0.0	0.0	0.0		0.0	0.0	-
Other Companies	32,145.4	31,773.4	372.1	1.2%	32,226.3	-80.8	-0.3%
PAYE	41,498.9	39,786.8	1,712.1	4.3%	37,689.2	3,809.7	10.1%
Tax on dividend	1,393.6	1,145.8	247.8	21.6%	1,318.7	74.9	5.7%
Individuals	2,109.0	2,127.9	-19.0	-0.9%	2,240.5	-131.6	-5.9%
Tax on interest	13,625.4	12,396.1	1,229.3	9.9%	4,904.9	8,720.5	177.8%
Production and consumption	140,866.8	136,253.7	4,613.1	3.4%	129,388.2	11,478.6	8.9%
Min Business Tax	927.9	954.9	-27.0	-2.8%	824.0	104.0	12.6%
SCT	18,673.0	20,466.1	-1,793.1	-8.8%	20,571.3	-1,898.3	-9.2%
Environmental Levy	386.4	435.5	-49.1	-11.3%	361.7	24.7	6.8%
Motor vehicle licenses	3,240.7	3,086.2	154.5	5.0%	2,870.7	369.9	12.9%
Other licenses	820.5	762.0	58.5	7.7%	745.1	75.4	10.1%
Quarry Tax	49.4	49.2	0.2	0.5%	39.2	10.2	26.1%
Betting, gaming and lottery	4,068.7	3,186.7	882.0	27.7%	2,025.2	2,043.6	100.9%
Accomodation Tax	1,979.8	2,063.4	-83.6	-4.1%	1,962.9	16.9	0.9%
Education Tax	21,037.6	20,130.1	907.5	4.5%	19,127.1	1,910.5	10.0%
Telephone Call Tax	2,377.2	2,476.3	-99.1	-4.0%	2,843.1	-465.9	-16.4%
Contractors levy	1,962.0	1,828.9	133.1	7.3%	1,530.7	431.3	28.2%
GCT (Local)	74,697.7	70,893.9	3,803.8	5.4%	66,913.1	7,784.6	11.6%
Stamp Duty (Local)	10,645.8	9,920.5	725.4	7.3%	9,574.2	1,071.7	11.2%
International Trade	157,027.0	154,599.2	2,427.8	1.6%	145,295.3	11,731.7	8.1%
Custom Duty	32,223.1	30,759.1	1,464.0	4.8%	29,182.2	3,040.9	10.4%
Stamp Duty	2,090.1	1,997.2	92.9	4.7%	1,817.9	272.2	15.0%
Travel Tax	15,210.3	14,942.0	268.3	1.8%	14,119.4	1,090.9	7.7%
GCT (Imports)	66,001.9	65,144.4	857.5	1.3%	59,882.5	6,119.4	10.2%
SCT (imports)	38,880.9	38,961.3	-80.4	-0.2%	38,002.7	878.3	2.3%
Environmental Levy	2,620.7	2,795.2	-174.5	-6.2%	2,290.6	330.1	14.4%
Non-Tax Revenue	**50,639.0**	**50,404.4**	**234.6**	**0.5%**	**32,202.8**	**18,436.2**	**57.3%**
Bauxite Levy	**0.0**	**0.0**	**0.0**	**-**	**127.5**	**-127.5**	**-100.0%**
Capital Revenue	**2,511.2**	**736.3**	**1,774.9**	**241.1%**	**2,187.9**	**323.2**	**14.8%**
Grants	**6,956.4**	**8,078.2**	**-1,121.9**	**-13.9%**	**3,366.3**	**3,590.1**	**106.6%**

Source: MOFPS (discrepancies due to rounding)

Income and Profits

For the fourth consecutive year, Income & Profits has performed above projections. The total collections amounted to $90,772.3mn, which was $3,542.3mn (or 4.1%) higher than budgeted. PAYE collections showed the highest outturn relative to budget. Collections from PAYE of $41,498.9mn recorded $1,712.1mn more than budget and a $3,809.7mn increase relative to the comparable period last year. This can be partly attributed to an increase in employment for the April to October period of more than 13,000 persons.

Tax on Interest was $1,229.3mn over the budget and $8,720.5mn over FY 2017/18 due to a substantial increase in flows from secondary market transactions and derivatives as well as lower refund levels. The increase in the secondary market was more than able to cover the shortfall from the other interest categories. There should be an increase in refunds by the end the fiscal year.

Similarly, Tax on Dividend was higher than expected by $247.8mn. This over-performance occurred within the context of continued growth in the Jamaica Stock Exchange and acts as an indicator of increased investment in the Jamaican economy.

Production and Consumption

The Production and Consumption category registered collections of $140,866.8mn which was $4,613.1mn higher than budgeted. This performance has occurred within the context of fifteen (15) quarters of positive growth within the economy and was evident in GCT (Local) collection of $74,697.7mn. This collection was $3,803.8mn higher than the budget and $7,784.6mn (or 11.6%) higher than last fiscal year. With the shift in the taxation regime to more indirect taxation, GCT has exhibited more than unitary buoyancy relative to GDP. This occurred within the context of no new revenue measures being introduced for FY 2018/19. Data indicates that the buoyant GCT (Local) collections were not restricted to the large taxpayer group.

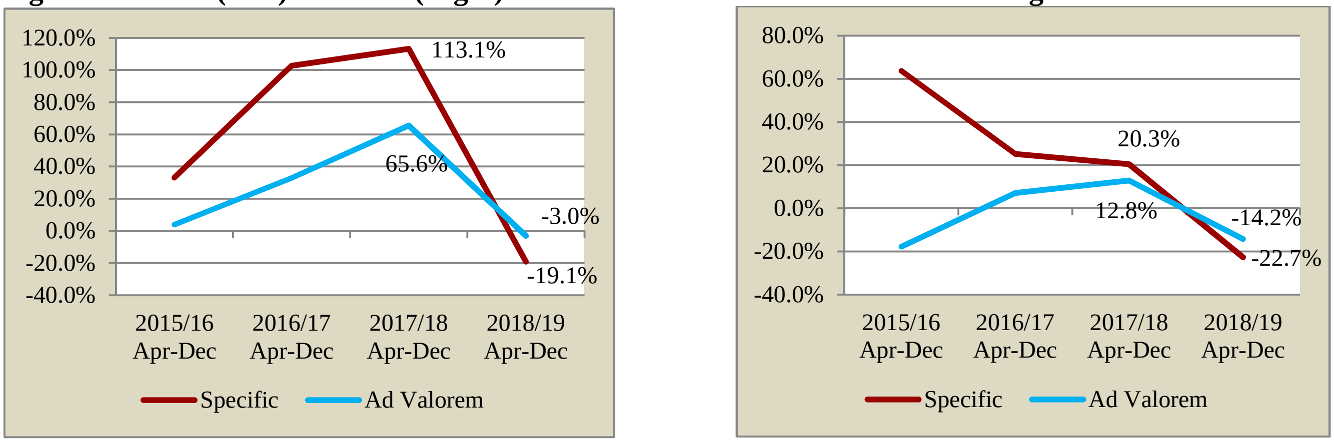
Education Tax benefitted from the aforementioned increase in employment with collections of $21,037.6mn, reflecting a $907.5mn or 4.5% above programme performance and $1,910.5mn (or 10.0%) increase over the corresponding period of last fiscal year.

Stamp Duty (Local) collections were higher than budgeted. Based on the increase in economic activity, collections exceeded the projection by $725.4mn (or 7.3%) and were $1,071.7mn (or 11.2%) over the collections for the corresponding period last fiscal year. Specifically, it was expected that the growth in Stamp Duty (Local) collections would align well with the change in nominal GDP. The Stamp Duty outturn, however, slightly outpaced nominal GDP and resulted in higher than budgeted collections.

Betting Gaming and Lottery was also above the projected amount of $3,186.7mn by $882.0mn. The outturn of $4,068.7mn was also $2,043.6mn higher than last fiscal year. This increased revenue has been the result of continuous new offerings of gaming products, and the introduction of a mobile and online gaming platform during the review period, resulting in increased participation.

Special Consumption Tax (SCT) (Local) under-performed when compared to the budget and also when compared to the corresponding period of FY 2017/18. Collections for the first three quarters of the fiscal year amounted to $18,673.0mn and were $1,793.1mn lower than budgeted. The decline is observed for both the specific and Ad valorem portion (see Figure 3C). This occurred within the context of a shift to more environmentally friendly Liquefied Natural Gas (LNG), which has lower specific and ad valorem tax rates. To a lesser extent, the lower than budgeted oil price has also affected collections.

Figure 3C: TAJ (Left) and JCA (Right) Petroleum SCT collection Y-O-Y % change



Source: MOFPS

Environmental Levy collections were below budget, partly due to lower than expected production. This is assessed against the fact that the nominal GDP used in the forecasting of Environmental Levy was higher than the actual outturn for quarters 1 and 2.

International Trade

The category International Trade Taxes also performed above the budget and contributed to the higher Tax Revenue inflows. International Trade Taxes totalled $157,027.0mn which was $2,427.8mn above the budget. Custom Duty, Stamp Duty, Travel Tax and GCT (Imports) contributed positively to this outturn.

Custom Duty contributed the strongest positive performance for the April to December period amounting to $32,223.1mn. The impact of the increase in imports of goods which attract higher custom duty rates outweighed the impact of the decline in the CIF value of goods attracting a lower rate. Similarly, GCT (Imports) recorded a 1.3% increase above projections.

Travel taxes continue to perform well relative to the budget. Collections were $15,210.3mn, which was $268.3mn over the budget and $1,090.9mn above the collection last fiscal year. Notwithstanding the decline in the average length of stay (per night) for quarters 1 and 2, the average daily expenditure for stop-overs and cruise arrivals has increased. Noteworthy highlights for the period and affirmation of the strength of the tourism sector include:

- World's Leading Beach Destination 2018;
- Caribbean's Leading Destination 2018;
- Caribbean's Leading Cruise Destination 2018;
- Caribbean's Leading Tourist Board 2018; and

- The number-five trending destination for New Year's travel.

Non-Tax Revenue

Receipts from Non-Tax Revenue amounted to $50,639.0mn which was relatively in line with projections. Included in the collection from April to December 2018 are:

- De-Earmarked Funds amounting to $9,580.2mn;
- Custom Administration Fee (CAF) of $3,197.3mn;
- Programmed flows from the Public Bodies totalling $22,995.5mn;
    - of which NHT transfers amounted to $8,550mn; and a
- Payments from the Executive Agencies of $2,498.6mn.

The above flows account for 75.6% of the overall Non-Tax Revenue collections.

Capital Revenue and Grants

Capital Revenue of $2,511.2mn was $1,774.9mn higher than projected. This was primarily due to higher than budgeted loan repayments.

Grant inflows during the review period amounted to $6,956.4mn, $1,121.9mn lower than budgeted. This was partially due to lower than programmed disbursements and a lower than budgeted exchange rate. The two largest flows came from the European Union (EU) which accounts for $3,816.0mn, and $1,014.8mn was received from the Inter-American Development Bank (IDB)[7].

Expenditure

Expenditure for the April to December period totalled $568,668.6mn. This consists of Recurrent Expenditure of $384,174.9mn, Capital Expenditure of $45,405.9mn, Amortization of $116,599.5mn and $22,488.2mn in Other Outflows which includes amounts transferred to the BOJ. Overall, spending was 3.9% lower than programmed and 4.3% lower than the corresponding period of FY 2017/18. Principal repayments (amortization) accounted for a greater portion of the underspending year-over-year.

Recurrent Expenditure

Recurrent Expenditure accounted for 67.6% of overall expenditure. Relative to budget, there was a 2.8% shortfall. Spending, however, grew by 7.1% when compared to the analogous period last year. This year-over-year growth was able to cushion the impact of inflation. Recurrent Programmes of $147,903.1mn, Compensation of Employees of $147,779.3mn and $88,492.6mn in Interest Cost were all lower than the budget.

[7] These amounts do not include joint funding from the two institutions.

Recurrent Programmes

Recurrent Programmes amounted to $147,903.1mn for the April to December 2018 period. Of the Recurrent Programmes budget, $4,281.6mn (or 2.8%) was left unspent. The main reason for the under-execution was the slow pace of implementation. In comparison to the corresponding period of last fiscal year, there was growth in spending of $24,741.7mn (or 20.1%). This increased spending year over year was as a result of increased allocations to the Ministry of National Security for crime fighting initiatives, provision for the Special Early Retirement Programme (SERP) and increased non-SERP related pension payments.

Notwithstanding the lower than budgeted expenditure, the following are some of the areas of spending during the period:

- Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF-SPC) premium of US $6.7mn, which includes:
    - Earthquake Peril
    - Tropical Cyclone Peril; and
    - Excess Rainfall.
- The payment of arrears and current usage for Street Lighting amounting to $6,266.5mn;
- Support to the JUTC of $2,991.4mn;
- Activities supporting the Zones of Special Operations amounting to $583.8mn; and
- $4,853.1mn allocated to the PATH School Feeding Programme.

Compensation of Employees

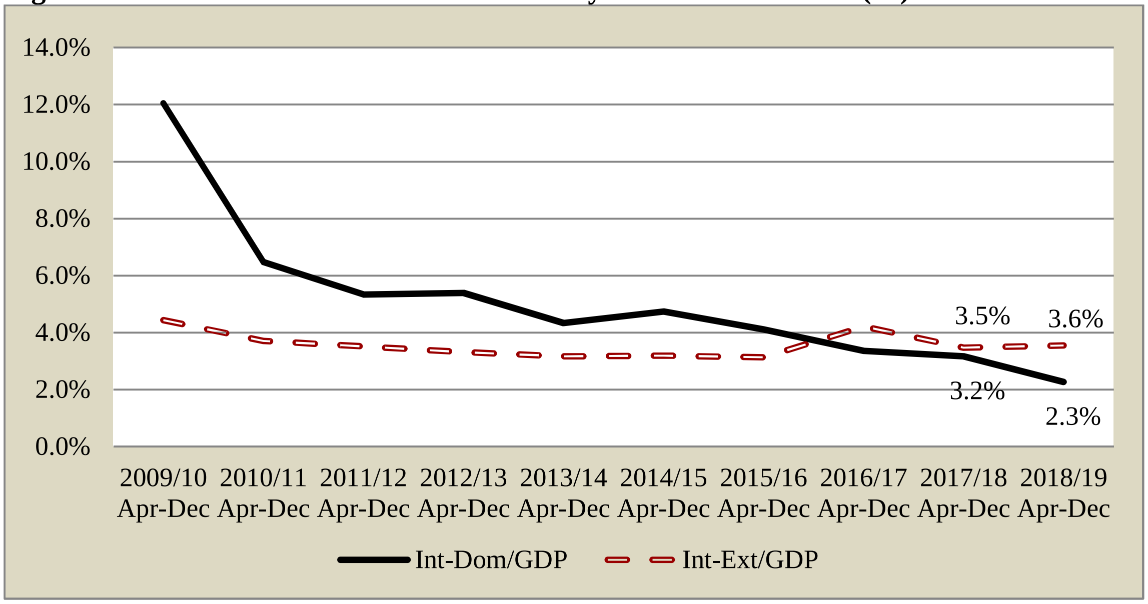
Compensation of Employees amounted to $147,779.3mn, a growth of 5.4% above the amount spent last fiscal year. This increase is consistent with the agreement between the GOJ and the unions representing public sector workers for the contract period FY 2017/21.

Wages and Salaries of $136,616.3mn was 1.0% lower than the budget. This is associated with the approximate 5.0% of public sector workers who have not signed agreements. Likewise, Employers Contribution of $12,087.3mn was 7.6% lower than anticipated.

Interest Payments

Interest Payments of $88,492.6mn showed the highest savings when compared to budget. For the April to December period, there was a total saving on interest of $4,367.8mn (or 4.7%). Interest payments were also $6,727.5mn (or 7.1%) below last year’s payments. The domestic interest which accounts for 39.0% of the total interest paid, amounted to $34,492.0mn and was $2,306.5mn (or 6.3%) lower than budgeted. This saving was mainly due to lower than anticipated T-Bill rates.

Figure 3D: Domestic and External Interest Payment Ratios to GDP (%)



Source: MOFPS

External Interest of $54,000.6mn was also lower than budget by $2,061.3mn (or 3.7%). This is mainly attributable to the reduction in actual JMD payments due to appreciation of the JMD vis-à-vis the USD over the period. As a percentage of GDP, external interest declined by one percentage point (see Figure 3D).

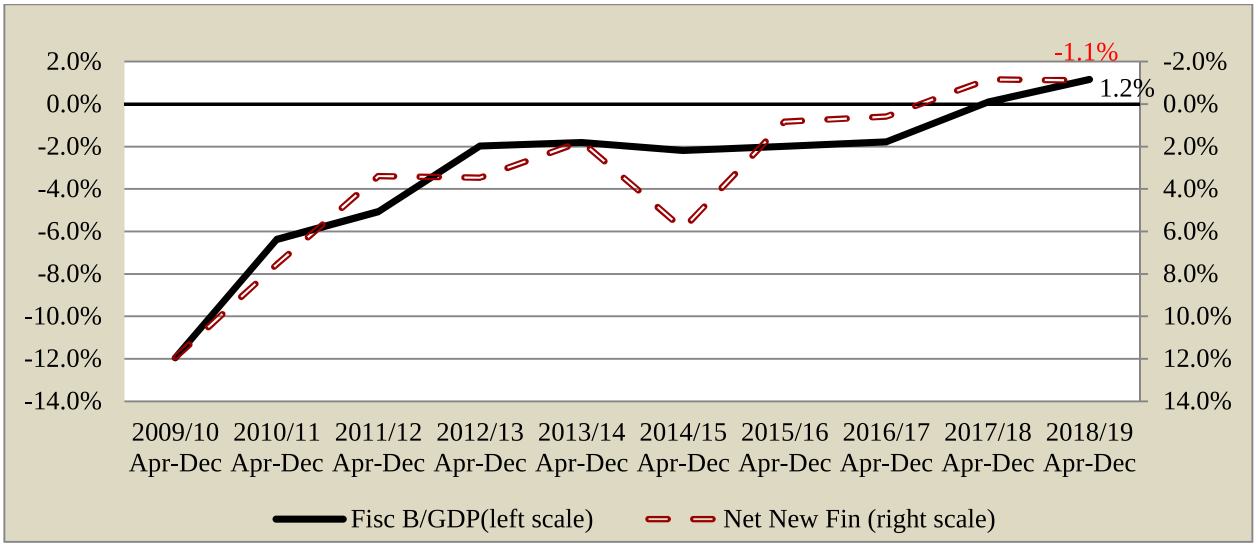
Capital Expenditure

Capital spending was broadly in line with budget. Capital outlays amounted to $45,405.9mn which was 46.6% (or $14,434.0mn) higher than the same period last fiscal year. This was as a result of the increased pace at which capital activities progressed during the review period with funds allocated to a number of projects including:

- The Major Infrastructure Development Programme (MIDP);
- Jamaica Integrated Community Development Project;
- Jamaica Foundation for Competitiveness and Growth; and
- Major Rural Farm Roads Rehabilitation/Development Programme.

Financing Flows

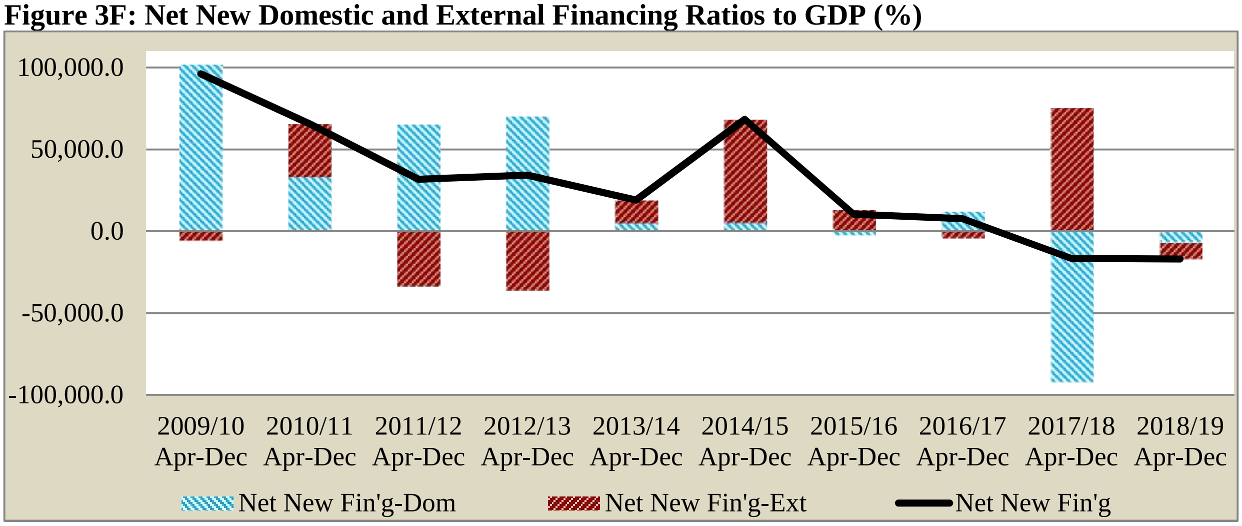
Figure 3E: Evolution of the Fiscal Balance and Net New Financing Ratios to GDP (%)



Source: MOFPS

For the second consecutive year, the GOJ's fiscal accounts have shown lower loan inflows relative to amortization payments (see Figure 3E). This improved fiscal performance alongside continued macroeconomic stability has positively contributed to the decline in the debt stock.

Figure 3F: Net New Domestic and External Financing Ratios to GDP (%)



Source: MOFPS

Loan receipts of $100,158.5mn were $16,441.0mn lower than Amortization payments of $116,599.5mn (see Figure 3F). The loan profile consists of $67,680.0mn domestic inflows and $32,478.5mn external inflows. The external loan receipts were $5,226.5mn higher than budgeted, which was able to more than offset the shortfall in the domestic loan receipts (Table 3D). The increase in external loan receipts is attributable to a higher than budgeted pace of implementation on some project loans.

Amortization payments for the period of $116,599.5mn consisted of domestic principal payments of $74,902.7mn and external principal payments of $41,696.9mn. The fluctuation in the Jamaican currency against its US counterpart also impacted the principal payments.

The lower net new financing requirement was consistent with the policy initiative of debt reduction. The debt stock in nominal terms declined from the $1,952,148.7mn at end-March 2018 to $1,951,655.7mn at end-December 2018.

Central Government Operations: Estimates to March 2019

The GOJ is committed to achieving the fiscal targets outlined in the Second Supplementary Estimates for FY 2018/19, which are aligned with the achievement of the 7.0% primary surplus. It is estimated that buoyant revenue will contribute to the realization of a Primary balance of $142,137.8mn and a fiscal balance of $5,933.1mn (0.3% of GDP). Revenues and Grants to end-March 2019 are projected to be $623,864.2mn or 30.7% of GDP. This projected outturn is 11.3% higher than the Revenue and Grants for FY 2017/18. Contributing to this forecast are projected receipts of $537,465.5mn or (26.4% of GDP) in Tax Revenues and $73,654.6mn (3.6% of GDP) in Non-Tax Revenue, which reflects increases of 8.2% and 38.3% respectively. Capital Revenue is projected to be $3,680.5mn or (0.2% of GDP), while Grant receipts of $8,937.6mn are projected for the fiscal year.

Total Expenditure (net of amortization) for FY 2018/19 is projected to be $617,931.1mn, which is equivalent to 30.4% of GDP. The fiscal year projection is 11.9% higher than the total expenditure amount for FY 2017/18. Recurrent spending of $549,128.0mn constitutes Recurrent Programmes of $212,442.7mn, Compensation of Employees of $200,480.6mn and Interest Payments of $136,204.7mn which all exceed the FY 2017/18 outturns by 20.2%, 3.7% and 0.8% respectively. A significant increase of 47.0% year–over-year in Capital expenditure is projected, with spending projected to total $68,803.1mn.

Loan receipts of $112,832.0mn for FY 2018/19 are projected to be 45.5% lower than for the previous fiscal year. External inflows account primarily for the reduction, falling 74.1% as Domestic receipts are forecast to increase by 7.1%. Similarly, Amortization payments of $149,467.5mn are projected to fall by 35.7% relative to FY 2017/18. The reduction reflects projected declines in both domestic and external payments.

Table 3F: Central Government Summary Accounts FY 2018/19

Item	Prov Apr - March	2nd Suppl Budget Apr - March	Diff	Diff %	FY 17/18 Apr - March	Diff	Diff %
Revenue & Grants	**623,864.2**	**623,864.2**	**0.0**	**0.0%**	**560,773.6**	**63,090.6**	**11.3%**
Tax Revenue	537,465.5	537,465.5	0.0	0.0%	496,894.6	40,570.9	8.2%
Non-Tax Revenue	73,654.6	73,654.6	0.0	0.0%	53,249.9	20,404.7	38.3%
Bauxite Levy	126.0	126.0	0.0	0.0%	127.5	-1.5	-1.2%
Capital Revenue	3,680.5	3,680.5	0.0	0.0%	4,887.1	-1,206.6	-24.7%
Grants	8,937.6	8,937.6	0.0	0.0%	5,614.4	3,323.2	59.2%
Expenditure	**617,931.1**	**617,931.1**	**0.0**	**0.0%**	**552,050.1**	**65,881.0**	**11.9%**
Recurrent Expenditure	549,128.0	549,128.0	0.0	0.0%	505,244.0	43,884.0	8.7%
Programmes	212,442.7	212,442.7	0.0	0.0%	176,779.5	35,663.2	20.2%
Compensation of Employees	200,480.6	200,480.6	0.0	0.0%	193,283.5	7,197.1	3.7%
Wages & Salaries	183,403.9	183,403.9	0.0	0.0%	178,366.3	5,037.6	2.8%
Employers Contribution	17,076.7	17,076.7	0.0	0.0%	14,917.2	2,159.5	14.5%
Interest	136,204.7	136,204.7	0.0	0.0%	135,181.0	1,023.7	0.8%
Domestic	54,833.2	54,833.2	0.0	0.0%	63,783.5	-8,950.3	-14.0%
External	81,371.6	81,371.6	0.0	0.0%	71,397.5	9,974.0	14.0%
Capital Expenditure	68,803.1	68,803.1	0.0	0.0%	46,806.1	21,997.0	47.0%
Capital Programmes	68,803.1	68,803.1	0.0	0.0%	46,806.1	21,997.0	47.0%
Fiscal Balance (Surplus + / Deficit -)	**5,933.1**	**5,933.1**	**0.0**	**0.0%**	**8,723.4**	**-2,790.4**	**-32.0%**
Loan Receipts	**112,832.0**	**112,832.0**	**0.0**	**0.0%**	**207,133.0**	**-94,301.0**	**-45.5%**
Domestic	78,071.6	78,071.6	0.0	0.0%	72,894.2	5,177.4	7.1%
External	34,760.4	34,760.4	0.0	0.0%	134,238.8	-99,478.4	-74.1%
Project Loans	21,309.5	21,309.5	0.0	0.0%	18,052.3	3,257.2	18.0%
Other	13,450.9	13,450.9	0.0	0.0%	116,186.5	-102,735.6	-88.4%
Amortization	**149,467.5**	**149,467.5**	**0.0**	**0.0%**	**232,289.9**	**-82,822.5**	**-35.7%**
Domestic	89,106.5	89,106.5	0.0	0.0%	168,627.6	-79,521.1	-47.2%
External	60,361.0	60,361.0	0.0	0.0%	63,662.3	-3,301.3	-5.2%
Other Inflows (inc'ds PCDF)	**27,490.1**	**27,490.1**	**0.0**	**0.0%**	**11,400.1**	**16,090.0**	**141.1%**
Other Outflows (incl'ds BOJ Recapital	**35,164.5**	**35,164.5**	**0.0**	**0.0%**	**14,260.6**	**20,903.9**	**146.6%**
Overall Balance (Surplus + / Deficit -)	**-38,376.8**	**-38,376.8**	**0.0**	**0.0%**	**-19,294.1**	**-19,082.7**	**98.9%**
Primary Balance (Surplus +/Deficit -)	**142,137.8**	**142,137.8**	**0.0**	**0.0%**	**143,904.4**	**-1,766.6**	**-1.2%**
Total Payments	**802,563.1**	**802,563.1**	**0.0**	**0.0%**	**798,600.7**	**3,962.4**	**0.5%**

Source: MOFPS (discrepancies due to rounding)

Public Debt Stock

At end-December 2018, Jamaica's debt stock totalled $1,951,655.7mn, $493.0mn (or 0.03%) less than the end-March 2018 total of $1,952,148.7mn (see table 3G). The decline in the total debt stock over the first three quarters of FY 2018/19 is the result of the government's efforts toward reducing net financing inflows. The principal repayments of $11,364.8mn for JAMAN global bonds in June 2018 and $58,438.3mn for a Variable-Rate Benchmark Investment Note (BIN) in the domestic market in July 2018 contributed to net financing outflows of $23,652.5mn over the period.

The December 2018 debt stock saw a reduction in Domestic and Net Public Bodies debt while the stock of External debt increased, compared to March 2018. Collectively, the stock of debt declined and continues to trend downwards.

The stock of Central Government debt at the end of the third quarter of FY 2018/19 was $1,944,074.3mn and consists of External debt of $1,191,953.3mn and Domestic debt of $752,120.9mn. Total Central Government Debt increased by $2,363.4mn (or 0.1%) over the end-March stock of $1,941,710.9mn. This increase was due to a rise in the external debt stock, largely on account of the depreciation in the Jamaica dollar relative to the US dollar, which outweighed the reduction in the domestic portfolio. The fall in the Domestic debt stock was the result of net outflows from a large amortization of a Benchmark Investment Note (BIN) which exceeded domestic loan receipts for the period. There was also a reduction in outstanding loans that contributed to this lower domestic debt which was partially offset by an increase in Treasury bill issuances.

Table 3G: Total Stock of Public Debt (J$mn)

	End-December 2017	End-March 2018	End-December 2018	(%) Total SPS Debt End-December 2018
Total Specified Public Sector Debt	**1,952,966.6**	**1,952,148.7**	**1,951,655.7**	**100.0**
Total Central Government Debt	**1,936,924.5**	**1,941,710.9**	**1,944,074.3**	**99.6**
Central Government Domestic Debt	**760,275.8**	**756,864.5**	**752,120.9**	**38.5**
Marketable Securities	**757,981.2**	**754,712.6**	**751,867.1**	**38.5**
Bonds	750,181.2	746,912.6	743,011.9	38.1
Treasury Bills	7,800.0	7,800.0	8,855.2	0.5
Loans (Commercial Bank, Public Sector)	**2,294.6**	**2,151.9**	**253.9**	**0.0**
Central Government External Debt	**1,176,648.7**	**1,184,846.4**	**1,191,953.3**	**61.1**
Marketable Securities	**719,467.4**	**725,134.4**	**723,927.1**	**37.1**
Bonds	719,467.4	725,134.4	723,927.1	37.1
Loans	**457,180.3**	**459,711.9**	**468,026.2**	**24.0**
Bilateral	**85,259.3**	**85,642.6**	**91,607.0**	**4.7**
OECD	9,132.4	9,039.5	6,445.8	0.3
Non-OECD	76,126.9	76,603.1	85,161.2	4.4
Multilateral	**362,767.6**	**364,444.5**	**371,633.7**	**19.0**
IDB	189,263.7	189,310.1	200,457.0	10.3
IBRD	107,794.3	108,439.2	110,438.8	5.7
Other	65,709.6	66,695.2	60,738.0	3.1
Commercial Banks	**9,154.4**	**9,624.9**	**4,785.5**	**0.2**
Non Central Government Debt	**16,042.1**	**10,437.8**	**7,581.4**	**0.4**
Net Public Bodies	16,042.1	10,437.8	7,581.4	0.4

Source: MOFPS (discrepancies due to rounding)

The Net Public Bodies' debt at end-December 2018 of $7,581.4mn was $2,856.4mn or 27.4% lower than the $10,437.8mn recorded at end-March 2018. This decrease was driven by a reduction in guaranteed loans, loans from the Central Government and an offset due to an increase in non-guaranteed loans held by Public Bodies.

Year over year, the stock of debt also declined. The end-December 2018 debt stock of $1,951,655.7mn declined by $1,310.9mn or 0.1% compared to the $1,952,966.6mn recorded in December 2017. Central government debt increased while the stock of Non-Central Government debt declined.

The stock of domestic debt declined by $8,154.9mn (or 1.1%), from $760,275.8mn in December 2017 to $752,120.9mn in December 2018. The decline in the domestic portfolio was on account of the reduction in bonds and loans, altered slightly by the increase in treasury bills. External debt on the other hand increased over last year. The end-December 2018 external debt stock of $1,191,953.3mn increased by $15,304.6mn (or 1.3%) over last year's stock of $1,176,648.8mn, largely due to the 2.2% exchange rate depreciation over the period. Despite the increase in Jamaica dollar terms, the debt stock in US dollar terms decreased, reflecting a net redemption for loans from bilateral and multilateral partners over the review period. Of this growth in stock (in Jamaica dollar terms), IDB accounted for $11,193.2mn, increasing by 5.9% over last year's amount. While the collective external debt stock increased, there were notable reductions in Commercial Bank loans, Organisation for Economic Co-operation and Development (OECD) loans and loans from other multilateral agencies that partially counteracted the increase. Net Public Bodies Debt saw a year over year decline of $8,460.7mn or 52.7%, moving from $16,042.1mn at the end of December 2017 to $7,581.4mn in December 2018.

Table 3H: Stock of Public Sector Debt (J$mn)

	FY 2017/18 Actual	FY 2018/19 Projection
(J$mn)		
Central Government Debt	**1,941,710.2**	**1,957,404.8**
Domestic Debt Stock	756,864.5	746,231.5
External Debt Stock	1,184,845.8	1,211,173.3
Net Public Bodies Debt	***10,437.8***	***3,590.5***
Total Debt Stock	**1,952,148.0**	**1,960,995.3**
(% GDP)		
Central Government Debt	**100.5%**	**96.2%**
Domestic Debt Stock	39.2%	36.7%
External Debt Stock	61.3%	59.5%
Net Public Bodies Debt	***0.5%***	***0.2%***
Total Debt Stock	**101.0%**	**96.4%**

Source: MOFPS (discrepancies due to rounding)

Through continued fiscal discipline and prudent debt management initiatives, achievement of GOJ's goal of 60.0% debt/GDP by FY 2025/26 is on track. The projected debt stock for the end of the fiscal year is $1,960,995.3mn. This projection is equivalent to 96.4% of GDP and is 4.6 percentage points lower than the debt-to-GDP ratio of 101.0% realised last fiscal year.

SELF-FINANCING PUBLIC BODIES OPERATIONS - FY 2019/20

Public Bodies are instruments of Government Policy and have been established to develop strategic sectors in Jamaica. The number of active entities remains at approximately 163 and these perform regulatory, advisory, supervisory, research, technical, administrative or quasi-judicial functions of a governmental nature. Approximately 54 deliver public policy objectives while engaging in commercial activities.

Self-Financing Public Bodies Performance

The Group of Self-financing Public Bodies (SFPBs) is expected to generate an Overall Balance deficit of $8,676.1mn for FY 2018/19. This estimated outturn is approximately $1,688.0mn lower than the budget of $10,364.0mn. Contributing to the estimated outturn is a shortfall of $9,887.2mn relative to budget of $68,374.3mn on capital expenditure. The Capital Expenditure estimate of $58,487.1mn represents 85.5% of the budgeted amount for the period, with significant underperformance expected chiefly from the National Water Commission (NWC) which has an estimated outlay of $3,042.9mn compared with the budget of $6,666.7mn, while Petrojam has an estimated $2,100.8mn compared with the budget of $7,949.5mn. The variation between the actual and budgeted expenditure for Petrojam will arise from the deferral of the commencement of Phase 1 of the refinery upgrade project (Vacuum Distillation Unit).

Net Transfers to Government are estimated at $63,940.5mn compared with budget of $57,278.6mn; this increase of $6,661.9mn is due primarily to the increased transfer from the PetroCaribe Development Fund (PCDF).

The medium term projections for the group (2019/20 - 2022/23) indicate that transfers to the Government should decrease over time with the incorporation of PCDF into the Central Government. The projections are subject to change pending policy decisions and possible rationalisation actions.

The estimated performance of the SFPBs is shown in Table 3I.

Table 3I: Public Bodies Summary of Estimated Outturn for Financial Year 2018/19 (Selected and Other)

J$m

Statement 'A' Flow of Funds		Actual 2017/18	Original 2018/19	Estimated 2018/19	Projected 2019/20
1	Current Revenue	398,480.93	404,292.07	434,174.92	454,511.99
2	Current Expenses	(309,608.95)	(324,194.74)	(355,327.36)	(374,029.38)
3	Current Balance	88,871.98	80,097.32	78,847.56	80,482.61
4	Adjustments	(6,782.50)	17,740.59	13,868.41	16,092.67
	Change in Accounts	0.00	0.00	0.00	0.00
	Receivable/Payable	(13,370.71)	2,175.45	814.08	2,048.23
	Items not requiring outlay of cash:	0.00	0.00	0.00	0.00
	Depreciation	14,341.47	15,642.40	14,602.96	16,086.26
	Other Non-Cash Items	(7,753.25)	(77.27)	(1,548.63)	(2,041.82)
	Prior Year Adjustment	0.00	0.00	0.00	0.00
5	Operating Balance	82,089.48	97,837.91	92,715.97	96,575.28
6	Capital Account	(33,071.34)	(50,939.24)	(37,451.54)	(54,423.61)
	Revenue	19,306.10	18,989.32	16,851.58	22,140.19
	Expenditure	(46,988.08)	(68,374.26)	(58,487.07)	(71,931.32)
	Investment	(858.74)	(1,529.70)	(137.30)	(952.17)
	Change in Inventory	(4,530.62)	(24.60)	4,321.24	(3,680.32)
7	Transfers from Government	19,122.85	14,142.27	17,596.90	17,209.96
	Loans	3,401.60	0.00	0.00	0.00
	Equity	2,827.72	2,827.82	2,827.25	2,827.82
	On-Lending	0.00	0.00	0.00	0.00
	Other	12,893.54	11,314.45	14,769.65	14,382.14
8	Transfers to Government	(58,936.88)	(71,404.95)	(81,537.37)	(62,570.58)
	Dividend	(13,674.44)	(25,962.51)	(33,217.80)	(12,487.47)
	Loan Repayments	0.00	0.00	0.00	0.00
	Corporate Taxes	(1,732.73)	(2,314.69)	(2,496.19)	(2,029.09)
	Other	(43,529.71)	(43,127.75)	(45,823.39)	(48,054.02)
9	OVERALL BALANCE (5+6+7+8)	9,204.11	(10,364.01)	(8,676.05)	(3,208.96)
10	FINANCING (11+15)	(9,537.28)	10,364.01	8,676.05	3,208.96
10a	Total	(425.27)	9,206.22	1,963.17	2,206.79
	Capital Revenue	688.11	5,943.37	1,210.93	726.35
	Loans	(1,493.05)	1,851.39	1,651.69	668.20
	Equity	0.00	0.00	900.86	0.00
	On-Lending	712.84	1,450.00	0.00	900.00
	Loan Repayments	0.00	(38.54)	(1,800.31)	(87.76)
11	Total Foreign (12+13+14)	(21,941.71)	(22,967.72)	(29,959.51)	(12,039.71)
12	Government Guaranteed Loans	(6,424.99)	(5,022.27)	(14,436.74)	(7,097.05)
	Disbursement	3,099.47	3,658.84	2,283.46	1,679.95
	Amortization	(9,524.46)	(8,681.11)	(16,720.20)	(8,777.00)
13	Direct Loans	(15,833.62)	(17,920.63)	(15,522.88)	(4,919.17)
	Long Term:	(15,822.96)	(16,108.43)	(13,522.74)	(8,080.24)
	Disbursement	422.16	6,706.88	6,962.30	0.00
	Amortisation	(16,245.12)	(22,815.31)	(20,485.04)	(8,080.24)
	Short Term:	(10.65)	(1,812.20)	(2,000.14)	3,161.07
	Change in Trade Cred	(10.65)	(1,812.20)	(2,000.14)	3,161.07
14	Change in Deposits Abroad	316.90	(24.82)	0.11	(23.49)
15	Total Domestic (16+17+18)	12,829.70	24,125.51	36,672.39	13,041.88
16	Banking System	6,581.87	4,433.38	36,374.69	6,624.22
	Loans (Change)	872.50	2,514.88	21,961.09	2,923.97
	Overdraft (Change)	(45.18)	129.49	12.85	0.00
	Deposits (Change)	5,754.55	1,789.00	14,400.75	3,700.25
17	Non-Banks (Change)	(1,533.39)	92.10	0.00	0.00
18	Other (Change)	7,781.22	19,600.03	297.69	6,417.66

MEDIUM TERM FISCAL PROGRAMME

The sustained improvements in Jamaica's fiscal performance in recent years attest to the Government's commitment to prudent management of public resources. This unyielding adherence to the principles of responsible fiscal governance accounts for the continued reduction in the country's debt-to-GDP ratio, with the current downward trajectory being on track to achieve the legislated target of 60.0%, or less, by the end of FY 2025/26. Judicious fiscal policy decisions have also contributed to the significant reduction in the macro-economic vulnerabilities that previously plagued the economy, heralding a more favourable environment for sustainable economic growth and labour market improvement that is supported by enhanced business and consumer confidence. Despite the fiscal constraints, the GOJ has maintained as a priority, the protection of the most vulnerable within the society, through a floor on social spending. The medium term fiscal programme reflects a continuation of this fiscal discipline and is consistent with the underlying tenets of the fiscal responsibility framework and the prevailing thrust towards higher, sustainable economic expansion which is expected to improve the well-being of all Jamaicans.

Tables 3J and 3K outline the medium term fiscal profile which is predicated on the macroeconomic assumptions provided in the Macroeconomic Framework. The fiscal programme targets the attainment of a Central Government Primary Surplus equivalent to 7.0% of GDP from FY 2019/20 through the medium term. Operations of the Central Government are projected to generate a Fiscal Surplus of 0.7% of GDP in FY 2019/20, with successive increases thereafter.

Revenue Strategy

The core objective of the GOJ's revenue strategy remains the enhancement of the existing tax system into one that is simpler, more equitable and more efficient. Increased tax revenue collections resulting from such improvements will ensure that adequate resources are available to finance the policies and programmes of the Government and provide greater contribution toward economic growth and development. Accordingly, implementation of the strategic policy and administrative actions toward achieving the overarching objective will be maintained.

Tax Administration Reform

The principal revenue collection agencies, Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA), will continue to employ strategies aimed at improving efficiency of the tax system. The following summarises the main initiatives to be undertaken during FY 2019/20, 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 2018/19, as efforts are amplified to satisfy the expectations of both taxpayers and stakeholders. In this regard, there are a number of strategic objectives which have been identified for the medium term. These include:

- *Continuously improving voluntary compliance***:** focus will continue to be directed at the four primary quadrants of compliance: registration, filing, payment and accurate reporting. Initiatives will be employed to close the gaps identified which result in revenue leakage particularly associated with e-commerce activities. The TAJ will also continue its implementation of the Base Erosion and Profit Shifting (BEPS)/transfer pricing regime.

- *Institutional strengthening of the organization***:** TAJ will focus on continued enhancement of its business processes, technology and physical infrastructure across the organization. Initiatives to treat with strengthening policies/protocols relating to how TAJ manages its information, assets, static security, digital surveillance, and staff/visitor access are to be developed and implemented during FY19/20. Additionally, there will be a phased implementation of TAJ's ICT investment plan.

- *Building human capital synergies and culture***:** TAJ will continue to focus on building its leadership capacity as it strengthens its human capital and reinforce its guiding principles for positive staff engagement. Training of staff remains pivotal to ensuring that capabilities exist to adequately provide service excellence required of staff.

- *Corporate governance and culture enhanced***:** TAJ will focus on strengthening the accountability and transparency mechanisms that will establish a defensible corporate governance framework that can stand up to the scrutiny of stakeholders.

Jamaica Customs Agency (JCA)

In support of the GOJ's overarching revenue strategy, and, building upon its achievements in FY 2018/19, the JCA's strategies to be pursued over the medium term include, inter alia:

- Maximizing the collection of revenue;

- Improving the detection of illegal and prohibited goods;

- Increasing voluntary compliance through continued stakeholder engagement;

- Facilitating the efficient processing of legitimate goods and persons; and

- Improving and effectively monitoring the system of internal controls for the Agency.

Revenue Profile

Revenue and Grants are projected to be 29.9% of GDP in FY 2019/20, 0.8 percentage point lower than the 30.7% of GDP forecast for FY 2018/19. Over the medium term, Revenue and Grants are projected to average 29.5% of GDP (Tables 3J and 3K). Tax Revenue as a percentage of GDP is projected to increase slightly from 26.4% of GDP in FY 2018/19 to 26.7% of GDP in FY 2019/20, then decline slowly through FY 2022/23, averaging 26.3% of GDP. Non-tax Revenue is projected to decrease to 2.8% of GDP for FY 2019/20 and is expected to remain generally stable over the medium term, averaging 2.8% of GDP. Capital Revenue and Grants are both forecast to decline by 0.1 percentage point for FY 2019/20, realizing receipts equivalent to 0.1% and 0.3% of GDP, respectively and stabilize thereafter.

Expenditure Strategy

Expenditure management is a vital component of the overall Fiscal Management Strategy for achieving desirable fiscal outcomes over the medium to long term. The medium term expenditure profile shows a gradual decline in programmed spending, moving from 29.2% of GDP in FY 2019/20 to 27.0% of GDP for FY 2022/23. The declining expenditure ratio is influenced by the expected reduction in interest payments, predicated on the targeted fall in the public debt stock over the medium term, as well as decreasing Programme outlays.

The GOJ, in consideration of the likely impact on the poor and vulnerable as it implements the necessary fiscal consolidation strategies, alongside supporting structural reforms, remains committed to prioritizing social expenditure.

Spending will be prioritized for the following purposes: 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 2019/20 BUDGET – CENTRAL GOVERNMENT

The GOJ Budget for FY 2019/20 is designed to achieve the targets entrenched in the fiscal rule legislation. The FY 2019/20 fiscal programme aims to support the objective of reducing the public debt stock and debt servicing costs, thus creating fiscal space to spur economic growth and job creation. Accordingly, the focus will be towards achieving the primary balance target of 7.0% of GDP, and the corresponding fiscal balance, which are the operational instruments being utilized to attain a Public Debt of no more than 60.0% of GDP by the end of FY 2025/26. The fiscal surplus is budgeted at $14,809.0mn or 0.7% of GDP.

The GOJ is aware that there are risks which may derail the projections, including: volatility in commodity prices particularly oil and alumina and uncertainty surrounding global economic growth.

Table 3J: CENTRAL GOVERNMENT SUMMARY ACCOUNTS (JM$)

Item	Act 2016/17	Est 2017/18	Proj 2018/19	Proj 2019/20	Proj 2020/21	Proj 2021/22	Proj 2022/23
Revenue & Grants	**499,879.9**	**560,773.6**	**623,864.2**	**644,205.3**	**685,593.2**	**729,867.9**	**776,588.3**
Tax Revenue	458,323.4	496,894.6	537,465.5	575,710.5	612,185.9	651,910.3	693,337.7
Non-Tax Revenue	33,754.1	53,249.9	73,654.6	59,608.5	64,109.8	68,174.7	72,976.5
Bauxite Levy	1,940.9	127.5	126.0	130.9	133.0	137.2	139.7
Capital Revenue	568.6	4,887.1	3,680.5	3,119.8	3,307.1	3,557.8	3,806.7
Grants	5,292.8	5,614.4	8,937.6	5,635.5	5,857.4	6,087.9	6,327.6
Expenditure	**503,356.0**	**552,050.1**	**617,931.1**	**629,396.3**	**662,287.2**	**687,029.8**	**716,122.7**
Recurrent Expenditure	461,400.8	505,244.0	549,128.0	557,285.7	585,737.5	605,123.8	628,385.6
Programmes	142,976.4	176,779.5	212,442.7	210,717.5	221,258.9	232,322.6	243,938.7
Compensation of Employees	179,068.1	193,283.5	200,480.6	210,442.8	226,395.1	242,236.4	259,481.7
Wages & Salaries	166,484.7	178,366.3	183,403.9	193,958.3	208,772.0	223,380.1	239,283.0
Employer's Contribution	12,583.4	14,917.2	17,076.7	16,484.5	17,623.2	18,856.3	20,198.7
Interest	139,356.2	135,181.0	136,204.7	136,125.4	138,083.4	130,564.8	124,965.3
Domestic	63,544.0	63,783.5	54,833.2	49,450.7	55,009.7	45,696.8	44,133.8
External	75,812.2	71,397.5	81,371.6	86,674.7	83,073.8	84,868.0	80,831.5
Capital Expenditure	41,955.3	46,806.1	68,803.1	72,110.6	76,549.7	81,906.0	87,737.1
Capital Programmes	41,955.3	46,806.1	68,803.1	72,110.6	76,549.7	81,906.0	87,737.1
Fiscal Balance (Surplus + / Deficit -)	**-3,476.1**	**8,723.4**	**5,933.1**	**14,809.0**	**23,306.0**	**42,838.0**	**60,465.5**
Loan Receipts	**89,826.8**	**207,133.0**	**112,832.0**	**102,736.4**	**168,010.3**	**127,534.9**	**92,566.7**
Domestic	55,544.1	72,894.2	78,071.6	56,482.1	118,722.6	81,822.1	48,969.2
External	34,282.8	134,238.8	34,760.4	46,254.3	49,287.8	45,712.8	43,597.5
Amortization	**75,389.7**	**232,289.9**	**149,467.5**	**138,321.4**	**166,316.3**	**170,372.9**	**153,032.2**
Domestic	29,709.8	168,627.6	89,106.5	76,826.2	117,028.5	69,660.2	88,434.7
External	45,679.9	63,662.3	60,361.0	61,495.2	49,287.8	100,712.8	64,597.5
Other Inflows (inc'ds PCDF)	**14,604.7**	**11,400.1**	**27,490.1**	**18,462.9**	**0.0**	**0.0**	**0.0**
Other Outflows (incl'ds BOJ Recapitalization)	**0.0**	**14,260.6**	**35,164.5**	**35,522.9**	**25,000.0**	**0.0**	**0.0**
Overall Balance (Surplus + / Deficit -)	**25,565.7**	**-19,294.1**	**-38,376.8**	**-37,836.0**	**0.0**	**0.0**	**0.0**
Primary Balance (Surplus +/Deficit -)	**135,880.1**	**143,904.5**	**142,137.8**	**150,934.4**	**161,389.4**	**173,402.9**	**185,430.8**
Total Payments	**578,745.7**	**798,600.7**	**802,563.1**	**803,240.6**	**853,603.5**	**857,402.8**	**869,154.9**

Source: MOFPS (discrepancies due to rounding)

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

Item	Act 2016/17	Est 2017/18	Proj 2018/19	Proj 2019/20	Proj 2020/21	Proj 2021/22	Proj 2022/23
Revenue & Grants	**27.9%**	**29.0%**	**30.7%**	**29.9%**	**29.6%**	**29.5%**	**29.3%**
Tax Revenue	25.6%	25.7%	26.4%	26.7%	26.4%	26.3%	26.2%
Non-Tax Revenue	1.9%	2.8%	3.6%	2.8%	2.8%	2.8%	2.8%
Bauxite Levy	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Revenue	0.0%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%
Grants	0.3%	0.3%	0.4%	0.3%	0.3%	0.2%	0.2%
Expenditure	**28.1%**	**28.6%**	**30.4%**	**29.2%**	**28.6%**	**27.8%**	**27.0%**
Recurrent Expenditure	25.8%	26.1%	27.0%	25.8%	25.3%	24.4%	23.7%
Programmes	8.0%	9.1%	10.4%	9.8%	9.6%	9.4%	9.2%
Compensation of Employees	10.0%	10.0%	9.9%	9.8%	9.8%	9.8%	9.8%
Wages & Salaries	9.3%	9.2%	9.0%	9.0%	9.0%	9.0%	9.0%
Employer's Contribution	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Interest	7.8%	7.0%	6.7%	6.3%	6.0%	5.3%	4.7%
Domestic	3.6%	3.3%	2.7%	2.3%	2.4%	1.8%	1.7%
External	4.2%	3.7%	4.0%	4.0%	3.6%	3.4%	3.1%
Capital Expenditure	2.3%	2.4%	3.4%	3.3%	3.3%	3.3%	3.3%
Capital Programmes	2.3%	2.4%	3.4%	3.3%	3.3%	3.3%	3.3%
Fiscal Balance (Surplus + / Deficit -)	**-0.2%**	**0.5%**	**0.3%**	**0.7%**	**1.0%**	**1.7%**	**2.3%**
Loan Receipts	**5.0%**	**10.7%**	**5.5%**	**4.8%**	**7.3%**	**5.2%**	**3.5%**
Domestic	3.1%	3.8%	3.8%	2.6%	5.1%	3.3%	1.8%
External	1.9%	6.9%	1.7%	2.1%	2.1%	1.8%	1.6%
Amortization	**4.2%**	**12.0%**	**7.3%**	**6.4%**	**7.2%**	**6.9%**	**5.8%**
Domestic	1.66%	8.72%	4.38%	3.56%	5.05%	2.81%	3.34%
External	2.55%	3.29%	2.97%	2.85%	2.13%	4.07%	2.44%
Other Inflows (inc'ds PCDF)	**0.8%**	**0.6%**	**1.4%**	**0.9%**	**0.0%**	**0.0%**	**0.0%**
Other Outflows (incl'ds BOJ Recapitalization)	**0.0%**	**0.7%**	**1.7%**	**1.6%**	**1.1%**	**0.0%**	**0.0%**
Overall Balance (Surplus + / Deficit -)	**1.4%**	**-1.0%**	**-1.9%**	**-1.8%**	**0.0%**	**0.0%**	**0.0%**
Primary Balance (Surplus +/Deficit -)	**7.6%**	**7.4%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**
GDP	**1,788,818.4**	**1,932,998.0**	**2,034,154.6**	**2,156,203.8**	**2,315,885.8**	**2,475,335.8**	**2,649,336.3**
TOTAL PAYMENTS	**32.4%**	**41.3%**	**39.5%**	**37.3%**	**36.9%**	**34.6%**	**32.8%**

Source: MOFPS (discrepancies due to rounding)

The GOJ has finalized a settlement with bargaining units representing 95.0% of public sector workers, for the contract period 2017/2021 in most cases and will be seeking to settle the remaining claims as soon as possible.

The fiscal profile shows a Wage/GDP ratio of 9.0% of GDP for FY 2019/20, which is maintained through FY 2022/23. The GOJ will continue to implement critical aspects of the public sector transformation initiative, as part of the strategy to reduce the operating cost of Government.

Ministries, Department and Agencies (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 V), was much more strategic in allocating budgetary resources to facilitate effective implementation of investment projects.

Expenditure

Non-Debt Expenditure

The overall above-the-line Non-Debt Expenditure to be funded from the Consolidated Fund in FY 2019/20 is forecast at $493,270.9mn. This reflects an increase of $11,544.5mn or 2.3% compared with the 2018/19 Revised Estimates of $481,726.4mn.

Recurrent Non-Debt Expenditure of $421,160.3mn accounts for 85.4% of total Non-Debt Expenditure with Capital Expenditure of $72,110.6mn accounting for 14.6%.

Compensation of Employees

A total of $210,442.8mn or approximately 50.0% of the above-the-line Non-Debt Recurrent Expenditure Budget is allocated for the Compensation of Employees. Of this sum, the health, education and security sectors account for $164,786.6mn or approximately 78.0% of the overall compensation budget. As usual, the largest share of $74,000.0mn or 35.0% is allocated to the education sector followed by national security and health of $53,000.0mn (25.0%) and $38,000.0mn, (18.0%), respectively.

The compensation budget of each MDA incorporates the third year increase on basic wages and linked allowances which is due in 2019/20. The compensation budget also accounts for provisions to meet the annual performance increment on basic wages, government's contribution towards the health scheme of Public Sector Workers and other statutory payments.

Recurrent Programmes

For FY 2019/20 the allocation for Recurrent Programmes (non-wage) of $210,717.5mn, which represents approximately 50.0% of the total Recurrent Expenditure, is relatively flat against the FY 2018/19 Revised Recurrent Estimates. This is due primarily to the inclusion of payments which were made in the First and Second Supplementary Estimates to reduce domestic expenditure arrears and several one-off payments which will not recur in FY 2019/20.

The FY 2019/20 allocation for Recurrent Programmes includes: $5,500.0mn to complete payment of the balance on the outstanding street lighting arrears and maintain current payments; approximately $38,000.0mn to meet pension payments to retired public sector employees; a contribution of $2,977.8mn to the Students' Loan Bureau (SLB); $2,711.5mn for ongoing road improvement and mitigation programmes; $339.9mn to support planning and other pre-investment works associated with three major investment projects being coordinated by the UDC; and $5,140.7mn to the JUTC.

Capital Expenditure

The FY 2019/20 Capital Budget of the Central Government reflects the merging of the Capital A and the Capital B Heads, thereby creating a single Capital Head for individual portfolio ministries. Currently, Capital projects which are funded solely from local resources from either the Consolidated Fund, grants from Public Bodies, user fees and other self-generated income (AIA), or by various combinations of these sources are classified as Capital A, while projects whose funding source includes multilateral/bilateral institutions are classified as Capital B.

For FY 2019/20 the allocation for Capital of $72,110.6mn representing 14.6% of the total above-the-line Non-Debt Expenditure Budget reflects a 4.8% increase over the 2018/19 Revised Estimates.

The Ministry of National Security, with an allocation of $20,229.7mn or 28.0%, accounts for the largest share of the Capital Budget followed by the Ministry of Economic Growth and Job Creation (MEGJC), $18,424.0mn (26.0%), the Ministry of Labour and Social Security $8,031.8mn (11.0%) and the Office of the Prime Minister $7,952.2mn (11.0%).

The allocation to the Ministry of National Security represents an increase of $7,565.4mn or 61.0% over the 2018/19 Budget. This is reflective of the priority which continues to be placed on improving mobility of the security forces and expanding the technological and human resource capabilities of the sector.

Of the $18,424.5mn allocated to MEGJC, $14,470.4mn or approximately 79.0% relates to the Works Portfolio with the largest provision of $8,428.1mn going to the South Coast Highway Improvement Project and $4,783.0mn to the Major Infrastructure Development Project (MIDP).

The Ministry of Health's allocation reflects an increase of $1,848.3mn in the funds to be provided from the Consolidated Fund. This increase is driven largely by the $1,000.0mn provided to advance works in respect of the restoration of the Cornwall Regional Hospital.

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's homes and places of safety, school feeding, and the PATH programme targeting the elderly, pregnant and lactating women, and children attending school.

Debt Servicing

Total provision for Debt Service is $274,446.8mn, or 34.2% of the total expenditure budget (including amortization and other outflows). Interest payments are projected to decrease only slightly, while amortization is forecast to decline by 7.5% compared to the outturn for FY 2018/19.

Revenue and Grants

Revenue and Grants for FY 2019/20 are passively forecast at $644,205.3mn, or 29.9% of GDP, compared to the projected outturn of 30.7% of GDP for FY 2018/19. The forecast for FY 2019/20 represents a 3.3% increase over the projected outturn for FY 2018/19.

Tax Revenue is budgeted at $575,710.5mn (26.7% of GDP) and is expected to account for 89.4% of total Revenue and Grants, compared to 86.2% projected for FY 2018/19.

Table 3L: FY 2019/20 Revenue Forecast

	2018/19	2019/20	% Change
Revenue & Grants	623,864.2	644,205.3	3.3%
Tax Revenue	537,465.5	575,710.5	7.1%
Non-tax Revenue	73,654.6	59,608.5	-19.1%
Bauxite Levy	126.0	130.9	3.9%
Capital Revenue	3,680.5	3,119.8	-15.2%
Grants	8,937.6	5,635.5	-36.9%

Source: MOFPS (discrepancies due to rounding)

Non-tax Revenue for FY 2019/20 is projected to be $59,608.5mn or 2.8% of GDP. This represents a 19.1% reduction compared to the projection for FY 2018/19 which is expected to be 3.6% of GDP due to the inclusion of one-time flows of approximately $20,000.0mn.

The Non-tax Revenue projection includes:

- Receipts of $5,379.4mn from the Customs Administration Fees;
- Transfers of $14,200.5mn from the de-earmarked entities; and
- Transfers of $11,400.0mn from NHT.

Capital Revenue is programmed to be $3,119.8mn, representing a 15.2% decline relative to the projected inflows for FY 2018/19.

Grants are projected to total $5,635.5mn for FY 2019/20, equivalent to 0.3% of GDP. This reflects a decrease of 36.9%. This reduction partially reflects a decline in expected EU flows.

Financing

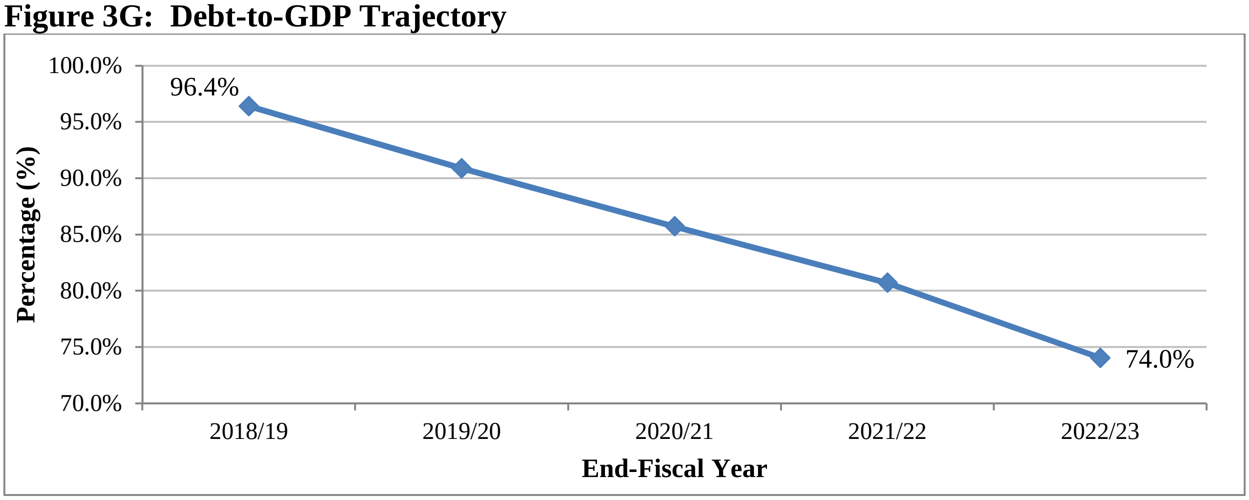
Loan financing for FY 2019/20 is projected to be $102,736.4mn reflecting an 8.9% reduction relative to FY 2018/19. The budgeted loan receipts comprise domestic borrowing of $56,482.1mn, down 27.7%, and external inflows of $46,254.3mn, which is up by 33.1% when compared to FY 2018/19. The overall decline in loan receipts reflects the lower borrowing requirement due to a larger fiscal surplus and reduced amortization costs for FY 2019/20.

PUBLIC SECTOR DEBT

The GOJ remains steadfast in its commitment to reduce the public debt to 60.0% of GDP, or less, by FY 2025/26, in accordance with the fiscal legislation. The projected fiscal surpluses expected to be generated from the government's operations will ease the upward pressures on the total public debt. There remain downside risks, however, stemming from exchange rate volatility.

The debt-to-GDP ratio is projected to decline by 5.5 percentage points to 90.9% by the end of FY 2019/20, compared to the ratio forecast for the end of FY 2018/19. The reduction reflects the lower debt stock arising from higher principal payments compared to loan receipts for the period, in conjunction with the projected growth in nominal GDP. This downward movement in the debt-to-GDP ratio is forecast to extend into the medium term, registering 74.0% by the end of FY 2022/23 (see Figure 3G).

Figure 3G: Debt-to-GDP Trajectory



Source: MOFPS

FY 2019/20 BUDGET – SELF-FINANCING PUBLIC BODIES

The group of SFPBs, now 56, is expected to attain an Overall Balance deficit of $3,209.0mn for 2019/20. This Overall Balance is predicated on the entities' pursuit of several developmental programmes, which include capital expenditure of $71,931.3mn. Four (4) SFPBs, namely the NHT ($41,307.4mn), NWC ($7.151.7mn), Petrojam Limited ($5.014.7mn) and PAJ ($4.392.0mn) are expected to account for 80.4% of the planned expenditure.

National Housing Trust (NHT)

NHT has projected the completion of 23,000 housing solutions (houses and residential lots) by March 31, 2023. Toward this objective, the Trust plans to spend $39,404.1mn (FY 2018/19; $37.300.0mn) on housing activities for FY 2019/20. Approximately, 95.4% of the projected capital expenditure is earmarked to finance the commencement of 8,640 housing solutions and the completion of 4,714.

National Water Commission (NWC)

Investments planned by NWC are aimed at facilitating required infrastructure rehabilitation. The investments are expected to reduce the level of non-revenue water as well as operating costs, and result in lower operating losses and eventual surpluses over the medium term. Capital expenditure of $7,151.7mn includes financing for meter replacement ($2.646.3mn) and rehabilitation works under the K-factor Programme ($1.231.5mn).

Port Authority of Jamaica (PAJ)

The PAJ will continue to pursue projects aimed at facilitating economic growth and development, as well as enhanced security at the ports. These include Phase 1 of the Port Royal Development, a logistics park in Kingston, and completion of the Business Process Outsourcing facility in Portmore. The PAJ has also budgeted to expend funds for the acquisition of a Port Community System. Development projects are expected to account for approximately 76.4% of planned capital expenditure of $4.392.0mn.

Petrojam Limited

While efforts are being made to assess the best means of fully undertaking the upgrade of the refinery, Petrojam has made provision for the first phase of the upgrade during the year. In this regard, there are plans to expend US$20.0mn to facilitate commencement of construction for a Vacuum Distillation Unit (VDU). Petrojam also projects to spend US$10.4mn for major maintenance works on and replacement of its storage tanks.

Net flows from Public Bodies to GOJ are projected at $45,360.6mn resulting from $62,570.6mn Transfers to GOJ and $17,210.0mn Transfers from GOJ. The flows from SFPBs to GOJ include SCT and Ad valorem Tax from Petrojam Limited, corporate taxes, grants to support special programmes as well as financial distributions. SFPBs which should benefit from GOJ transfers include the SLB –

support from Education Tax and the JUTC– fare subsidy/operational support. The Table following outlines the financial projection of the group of Public Bodies for FY 2019/20.

Table 3M: Summary of Financial Forecast for Financial Year 2019/20 (Selected & Other) Public Bodies

Public Bodies (Selected & Other) ***Summary of Financial Forecasts for Financial Year 2019/20***

Statement 'A' Flow of Funds		SPBs Projected 2019/20	OPBs Projected 2019/20	TOTAL PBs 2019/20
1	Current Revenue	405,566.62	48,945.37	454,511.99
2	Current Expenses	(333,660.83)	(40,368.55)	(374,029.38)
3	Current Balance	71,905.79	8,576.82	80,482.61
4	Adjustments	15,429.66	663.01	16,092.67
	Change in Accounts	0.00	0.00	0.00
	Receivable/Payable	4,101.63	(2,053.40)	2,048.23
	Items not requiring outlay of cash:	0.00	0.00	0.00
	Depreciation	15,005.78	1,080.48	16,086.26
	Other Non-Cash Items	(3,677.75)	1,635.93	(2,041.82)
	Prior Year Adjustment	0.00	0.00	0.00
5	Operating Balance	87,335.45	9,239.82	96,575.28
6	Capital Account	(47,369.71)	(7,053.90)	(54,423.61)
	Revenue	22,140.19	0.00	22,140.19
	Expenditure	(65,836.87)	(6,094.45)	(71,931.32)
	Investment	0.00	(952.17)	(952.17)
	Change in Inventory	(3,673.03)	(7.29)	(3,680.32)
7	Transfers from Government	14,106.95	3,103.01	17,209.96
	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	14,106.95	275.19	14,382.14
8	Transfers to Government	(58,997.02)	(3,573.56)	(62,570.58)
	Dividend	(12,004.08)	(483.39)	(12,487.47)
	Loan Repayments	0.00	0.00	0.00
	Corporate Taxes	(1,638.98)	(390.11)	(2,029.09)
	Other	(45,353.96)	(2,700.06)	(48,054.02)
9	OVERALL BALANCE (5+6+7+8)	(4,924.33)	1,715.37	(3,208.96)
10	FINANCING (10a +11+15)	4,924.33	(1,715.37)	3,208.96
10a	Total	1,729.59	477.20	2,206.79
	Capital Revenue	236.59	489.76	726.35
	Loans	668.20	0.00	668.20
	Equity	0.00	0.00	0.00
	On-Lending	900.00	0.00	900.00
	Loan Repayments	(75.20)	(12.56)	(87.76)
11	Total Foreign (12+13+14)	(10,555.78)	(1,483.93)	(12,039.71)
12	Government Guaranteed Loans	(7,097.05)	0.00	(7,097.05)
	Disbursement	1,679.95	0.00	1,679.95
	Amortization	(8,777.00)	0.00	(8,777.00)
13	Direct Loans	(3,435.24)	(1,483.93)	(4,919.17)
	Long Term:	(6,337.92)	(1,742.32)	(8,080.24)
	Disbursement	0.00	0.00	0.00
	Amortisation	(6,337.92)	(1,742.32)	(8,080.24)
	Short Term:	2,902.68	258.39	3,161.07
	Change in Trade Credits	2,902.68	258.39	3,161.07
14	Change in Deposits Abroad	(23.49)	0.00	(23.49)
15	Total Domestic (16+17+18)	13,750.52	(708.64)	13,041.88
16	Banking System	4,470.33	2,153.89	6,624.22
	Loans (Change)	2,985.67	(61.70)	2,923.97
	Overdraft (Change)	0.00	0.00	0.00
	Deposits (Change)	1,484.66	2,215.59	3,700.25
17	Non-Banks (Change)	0.00	0.00	0.00
18	Other (Change)	9,280.19	(2,862.53)	6,417.66

APPENDIX I

Medium Term Expenditure Profile 2017/2018 - 2022/2023
Table IA - Non-Debt Recurrent Expenditure

$'000

Heads	Provisional 2017/2018	Revised Estimates 2018/2019	Estimates of Expenditure 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023
His Excellency the Governor-General and Staff	262,143	337,370	290,111	305,372	322,859	341,403
Houses of Parliament	1,005,813	1,073,493	1,089,639	1,161,371	1,233,716	1,310,678
Office of the Public Defender	116,104	130,643	137,953	146,688	155,543	164,947
Office of the Contractor-General	294,805	-	-	-	-	-
Auditor General	667,697	749,862	847,741	903,446	959,641	1,019,417
Office of the Services Commissions	210,982	311,381	330,541	352,732	375,058	398,827
Office of the Children's Advocate	182,820	189,298	201,331	213,855	226,582	240,089
Independent Commission of Investigations	393,305	424,208	469,975	501,167	532,593	566,038
Integrity Commission	-	463,809	833,920	885,085	937,176	992,421
Office of the Prime Minister	6,394,309	8,762,640	9,198,765	9,710,912	10,239,670	10,797,890
Office of the Cabinet	624,176	656,362	737,738	786,801	836,219	888,813
Ministry of Tourism	8,880,242	11,529,503	11,525,361	12,137,536	12,792,911	14,103,211
Ministry of Economic Growth and Job Creation	13,152,495	11,676,560	10,918,630	11,557,293	12,211,909	12,904,630
Ministry of Finance and the Public Service	74,161,548	108,408,892	111,219,406	104,732,402	83,948,507	88,027,070
Ministry of National Security	60,686,344	70,891,260	72,481,970	77,478,894	82,489,117	87,829,390
Ministry of Justice	8,430,877	8,115,735	8,547,489	9,089,918	9,639,644	10,223,524
Ministry of Foreign Affairs and Foreign Trade	4,201,260	4,652,041	4,811,749	5,097,266	5,389,316	5,698,573
Ministry of Labour and Social Security	3,046,096	3,406,163	3,181,784	3,379,961	3,581,311	3,794,994
Ministry of Education, Youth and Information	101,283,339	105,300,382	109,439,913	116,830,939	124,261,854	132,173,449
Ministry of Health	69,009,945	68,440,718	69,637,522	74,111,992	78,639,154	83,450,184
Ministry of Culture, Gender, Entertainment and Sport	3,334,866	3,744,463	4,119,479	4,365,865	4,617,607	4,884,278
Ministry of Industry, Commerce, Agriculture and Fisheries	6,054,899	9,446,154	9,611,803	10,223,752	10,843,665	11,502,185
Ministry of Science and Technology	6,196,113	5,459,354	5,517,849	5,879,470	6,224,400	6,632,545
Ministry of Transport and Mining	7,451,514	10,146,317	10,289,469	10,825,910	11,385,387	11,974,112
Ministry of Local Government and Community Development	10,206,766	11,996,762	11,243,052	11,975,459	12,715,152	13,501,692
GRAND TOTAL RECURRENT	**386,248,458**	**446,313,370**	**456,683,190**	**472,654,086**	**474,558,991**	**503,420,360**

Medium Term Expenditure Profile 2017/2018 - 2022/2023
Table IB - Non-Debt Capital Profile

$'000

HEADS	Provisional 2017/2018	Revised Estimates 2018/2019	Estimates of Expenditure 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023
Office of the Prime Minister	1,933,582	4,363,478	7,952,226	5,983,635	3,967,958	2,346,779
Office of the Cabinet	747,106	928,466	578,002	-	-	-
Ministry of Economic Growth and Job Creation	20,852,312	29,555,964	18,424,497	24,564,705	33,023,351	16,004,917
Ministry of Finance and the Public Service	3,910,618	6,801,167	5,705,678	9,301,431	12,558,998	38,551,942
Ministry of National Security	5,336,942	12,664,446	20,229,749	12,732,909	9,861,211	12,891,052
Ministry of Justice	870,447	1,717,629	1,700,151	3,020,000	4,577,800	3,500,000
Ministry of Labour and Social Security	7,112,490	7,901,764	8,031,803	7,243,115	7,315,547	7,461,858
Ministry of Education, Youth and Information	1,961,823	1,696,103	1,251,483	192,450	115,103	40,103
Ministry of Health	2,050,852	1,898,908	3,747,200	8,153,751	6,768,600	4,880,000
Ministry of Culture, Gender, Entertainment and Sport	28,360	20,725	25,000	-	-	-
Ministry of Industry, Commerce, Agriculture and Fisheries	2,512,839	2,252,145	2,761,081	4,463,103	3,691,678	2,060,449
Ministry of Science and Technology	702,965	83,278	35,872	53,872	-	-
Ministry of Transport and Mining	1,310,671	771	500	1,229	-	-
Ministry of Local Government and Community Development	777,640	692,678	1,667,378	839,500	25,754	-
TOTAL CAPITAL	**50,108,647**	**70,577,522**	**72,110,620**	**76,549,700**	**81,906,000**	**87,737,100**

Medium Term Expenditure Profile 2017/2018 - 2022/2023
Table IC - Non-Debt Recurrent Economic Classification

$'000

Object Classification	Provisional 2017/2018	Revised Estimates 2018/2019	Estimates of Expenditure 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023
Compensation of Employees	**193,283,539**	**200,480,607**	**210,442,804**	**226,395,124**	**242,236,392**	**259,481,677**
Recurrent Programmes (of which:)	**192,964,919**	**245,832,763**	**246,240,386**	**246,258,962**	**232,322,599**	**243,938,683**
Travel Expenses and Subsistence	19,127,917	20,214,398	22,096,787	21,861,852	22,301,987	22,574,858
Rental of Property and Machinery	4,699,929	5,011,518	5,694,223	5,820,860	5,886,346	6,281,207
Utilities and Communication Services	10,459,557	10,653,201	10,394,080	10,852,035	11,280,243	11,692,800
Use of Goods and Services	37,164,770	57,138,401	43,152,410	44,376,971	44,274,177	43,867,029
Grants, Contributions and Subsdies	62,495,959	87,118,657	96,688,743	95,450,544	77,230,307	84,425,408
Retirement Benefits	33,541,882	38,227,350	38,012,825	39,913,466	41,909,140	44,004,597
Awards and Social Assistance	12,397,987	12,962,128	14,030,125	12,253,456	12,485,139	12,825,632
Others	13,076,918	14,507,110	16,171,193	15,729,778	16,955,260	18,267,152
TOTAL RECURRENT	**386,248,458**	**446,313,370**	**456,683,190**	**472,654,086**	**474,558,991**	**503,420,360**

FUNCTIONAL CLASSIFICATION OF EXPENDITURE
MEDIUM TERM EXPENDITURE PROFILE 2017/2018 - 2022/2023
RECURRENT AND CAPITAL
$'000

	Provisional 2017/2018	Revised Estimates 2018/2019	Estimates of Expenditure 2019/2020	Projected 2020/2021	Projected 2021/2022	Projected 2022/2023
1 General Public Services						
1 Executive and Legislative Services	3,085,140.0	3,221,287.0	5,722,703.0	6,326,930.0	5,978,804.0	6,127,255.0
2 Economic and Fiscal Policies Management	40,371,368.0	59,044,517.0	43,195,052.0	64,751,689.0	40,704,642.0	42,595,856.0
3 Personnel Management	7,621,740.0	7,550,104.0	7,797,939.0	8,366,926.0	9,052,804.0	9,676,875.0
4 Foreign Affairs	7,195,016.0	4,499,272.0	5,094,170.0	5,211,687.0	5,503,737.0	5,812,994.0
5 Economic Planning and Statistical Services	3,546,225.0	2,986,343.0	4,257,908.0	3,058,336.0	2,512,678.0	2,435,582.0
6 Public Works	1,177,215.0	1,118,963.0	2,321,260.0	3,078,170.0	2,008,863.0	1,769,773.0
7 Public Debt Management Services, Internal Debt	236,273,643.0	150,077,388.0	126,276,906.0	172,038,222.0	115,357,017.0	132,568,489.0
8 Public Debt Management Services, External Debt	142,634,392.0	136,337,995.0	148,169,853.0	132,361,538.0	185,580,754.0	145,428,987.0
99 Other General Public Services	50,802,793.0	92,292,860.0	59,101,243.0	34,813,515.0	41,374,506.0	67,453,192.0
Total General Public Services	**492,707,532.0**	**457,128,729.0**	**401,937,034.0**	**430,007,013.0**	**408,073,805.0**	**413,869,003.0**
2 Defence Affairs and Services						
1 Military Defence	18,764,233.0	18,211,103.0	34,946,548.0	33,605,170.2	32,737,348.0	37,889,838.0
Total Defence Affairs and Services	**18,764,233.0**	**18,211,103.0**	**34,946,548.0**	**33,605,170.2**	**32,737,348.0**	**37,889,838.0**
3 Public Order and Safety						
1 Police Services	44,531,305.0	42,972,087.0	53,875,838.0	52,557,888.0	55,190,210.0	58,471,995.0
3 Law Courts	9,952,158.0	9,890,127.0	10,578,050.0	12,500,379.0	14,628,512.0	14,154,076.0
4 Correctional Services	7,260,050.0	6,721,371.0	8,088,649.0	8,154,039.0	8,649,959.0	9,204,263.0
Total Public Order and Safety	**61,743,513.0**	**59,583,585.0**	**72,542,537.0**	**73,212,306.0**	**78,468,681.0**	**81,830,334.0**
4 Economic Affairs						
1 Industry and Commerce	5,467,830.0	5,291,131.0	5,720,449.0	7,031,061.0	6,665,199.0	6,380,589.0
2 Labour Relations and Employment Services	1,446,642.0	1,466,908.0	1,911,332.0	2,263,799.0	2,349,432.0	2,366,374.0
3 Agriculture, Forestry and Fishing	11,392,533.0	10,910,120.0	13,437,905.0	15,656,039.0	15,308,682.0	14,003,468.0
4 Fuel and Energy	2,283,897.0	2,272,411.0	3,246,521.0	2,966,368.0	3,144,850.0	3,095,146.0
5 Mining, Manufacturing and Construction	186,549.0	185,949.0	222,522.0	229,277.0	244,389.0	253,695.0
6 Road Construction and Repairs	20,819,170.0	20,148,842.0	18,964,064.0	20,923,922.0	25,568,156.0	13,808,963.0
7 Road Transport	3,703,531.0	3,186,573.0	5,616,336.0	5,898,631.0	6,188,885.0	6,512,671.0
8 Rail Transport	168,882.0	168,882.0	180,704.0	187,390.0	194,323.0	201,513.0
9 Shipping, Ports and Lighthouses	1,379,289.0	1,758,176.0	385,563.0	398,865.0	409,798.0	424,821.0
10 Civil Aviation	4,764,853.0	4,764,853.0	3,655,940.0	3,850,630.0	4,051,071.0	4,263,500.0
11 Postal Services	2,500,561.0	2,429,556.0	2,949,139.0	3,116,344.0	3,251,161.0	3,451,843.0
12 Telecommunication Services	556,653.0	556,653.0	2,842,278.0	2,936,475.0	2,976,773.0	3,020,845.0
13 Tourism	10,496,907.0	10,340,011.0	11,822,821.0	12,596,052.0	13,260,077.0	14,626,033.0
14 Physical Planning and Development	677,799.0	700,703.0	1,374,255.0	5,703,895.0	12,344,887.0	8,006,056.0
15 Scientific and Technological Services	1,028,659.0	1,019,328.0	1,067,408.0	1,192,074.0	1,244,022.0	1,381,004.0
99 Other Economic Affairs	10,334.0	10,149.0	14,073.0	15,653.0	18,208.0	21,086.0
Total Economic Affairs	**66,884,089.0**	**65,210,245.0**	**73,411,310.0**	**84,966,475.0**	**97,219,913.0**	**81,817,607.0**
5 Environmental Protection and Conservation						
1 Solid Waste Management	1,709,123.0	1,566,620.0	2,001,006.0	1,675,611.0	1,757,218.0	1,863,259.0
3 Pollution Abatement	15,730.0	15,429.0	31,542.0	33,182.0	34,414.0	35,700.0
4 Protection of Biodiversity and Landscape	1,629,282.0	1,455,536.0	2,065,738.0	1,942,818.0	1,439,508.0	1,396,356.0
99 Other Environmental Protection and Conservation	90,720.0	110,220.0	351,342.0	480,750.0	25,754.0	-
Total Environmental Protection and Conservation	**3,444,855.0**	**3,147,805.0**	**4,449,628.0**	**4,132,361.0**	**3,256,894.0**	**3,295,315.0**
6 Housing and Community Amenities						
1 Housing Development	651,027.0	643,527.0	646,619.0	679,352.0	713,210.0	749,806.0
2 Community Development	7,357,613.0	7,219,022.0	9,255,534.0	9,376,779.0	9,135,875.0	9,700,318.0
3 Water Supply Services	773,885.0	811,768.0	1,362,974.0	1,146,952.0	1,129,609.0	1,263,474.0
Total Housing and Community Amenities	**8,782,525.0**	**8,674,317.0**	**11,265,127.0**	**11,203,083.0**	**10,978,694.0**	**11,713,598.0**
7 Health Affairs and Services						
1 Health Administration	10,038,098.0	7,643,667.0	12,157,953.0	15,025,604.0	12,945,261.0	12,231,563.0
3 Outpatient Services	149,616.0	147,279.0	158,886.0	166,833.0	171,005.0	175,279.0
4 Hospital Services	8,652,187.0	7,676,468.0	5,939,484.0	6,360,830.0	6,678,872.0	6,871,109.0
5 Public Health Services	54,999,992.0	53,170,092.0	57,786,325.0	61,843,402.0	66,043,542.0	70,133,159.0
Total Health Affairs and Services	**73,839,893.0**	**68,637,506.0**	**76,042,648.0**	**83,396,669.0**	**85,838,680.0**	**89,411,110.0**
8 Recreation, Culture and Religion						
1 Recreational and Sporting Services	776,392.0	726,538.0	897,311.0	834,014.0	884,501.0	917,272.0
2 Art and Cultural Services	2,145,304.0	2,134,800.0	2,309,746.0	2,167,445.0	2,228,840.0	2,299,043.0
3 Broadcasting and Publishing Services	1,016,905.0	1,002,719.0	1,238,292.0	1,300,274.0	1,372,439.0	1,446,455.0
4 Religious and Other Community Services	795,663.0	795,663.0	-	-	-	-
5 Youth Development Services	407,836.0	401,599.0	447,098.0	473,447.0	495,789.0	512,002.0
Total Recreation, Culture and Religion	**5,142,100.0**	**5,061,319.0**	**4,892,447.0**	**4,775,180.0**	**4,981,569.0**	**5,174,772.0**
9 Education Affairs and Services						
1 Education Administration	3,037,304.0	3,315,090.0	9,179,049.0	6,660,975.0	6,638,137.0	6,638,223.0
2 Pre-Primary Education	3,694,267.0	3,523,833.0	3,380,396.0	3,459,094.0	3,463,878.0	3,463,878.0
3 Primary Education	27,986,728.0	28,023,471.0	29,022,577.0	35,323,965.0	42,172,017.0	49,605,571.0
4 Secondary Education	37,279,549.0	36,867,460.0	38,209,607.0	39,119,765.0	39,136,991.0	39,142,757.0
5 Tertiary Education	21,814,719.0	19,913,312.0	17,358,368.0	17,560,813.0	17,564,974.0	17,564,974.0
6 Education Not Definable by Level	1,321,880.0	1,235,610.0	1,368,066.0	1,321,523.0	1,283,565.0	1,283,565.0
7 Subsidiary Services to Education	9,586,732.0	9,356,000.0	9,757,125.0	10,156,084.0	10,466,149.0	10,747,381.0
Total Education Affairs and Services	**104,721,179.0**	**102,234,776.0**	**108,275,188.0**	**113,602,219.0**	**120,725,711.0**	**128,446,349.0**
10 Social Security and Welfare Services						
1 Sickness and Disabled	261,851.0	294,351.0	232,671.0	247,546.0	255,818.0	260,114.0
2 Senior Citizens	556,638.0	553,478.0	563,968.0	613,869.0	643,022.0	658,377.0
3 Survivors Assistance	231,348.0	231,348.0	284,566.0	346,440.0	347,500.0	348,049.0
4 Family and Children	135,811.0	104,503.0	2,733,919.0	2,894,054.0	3,058,613.0	3,230,586.0
99 Other Social Security and Welfare Services	12,387,322.0	13,490,076.0	11,662,978.0	10,601,161.0	10,816,514.0	11,209,884.0
Total Social Security and Welfare Services	**13,572,970.0**	**14,673,756.0**	**15,478,102.0**	**14,703,070.0**	**15,121,467.0**	**15,707,010.0**
Net Total	**849,602,889.0**	**802,563,141.0**	**803,240,569.0**	**853,603,546.2**	**857,402,762.0**	**869,154,936.0**

APPENDIX II

Developments in the Financial Sector

Introduction

During FY 2018/19, the Ministry of Finance and the Public Service (MOFPS) pursued key reforms of the financial sector to enhance the resilience and stability of the financial system. A notable achievement was the tabling of the Bill to amend the Bank of Jamaica Act for the modernization of the central bank in October 2018, as scheduled. Considerable progress has been made for the Investment Regulations under the Pensions (Superannuation Funds & Retirement Schemes) Act. Advances have also been made for initiatives relating to strengthening the resolution framework for financial institutions such as the consolidated supervision of deposit taking and non-deposit taking (non-DTI) institutions, which are at different stages of progress.

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 Sector Adjustment Company (FINSAC) Limited intensified its winding down operations. The key achievements are outlined below:

Bank of Jamaica (Amendment) Act

Cabinet approved the proposal to amend the **Bank of Jamaica (BOJ) Act** to enhance BOJ's governance and autonomy in May 2018. Subsequently, drafting instructions were issued to the Chief Parliamentary Counsel (CPC) in June 2018, and the draft Bill received by the MOFPS in the same month. Since then, the Bill went through several iterations, with the final draft being sent to the Legislation Committee in October 2018. The amendments to the BOJ Act were tabled in Parliament in October 2018, as scheduled.

Banking Services Act (BSA)

The MOFPS received the revised Banking Services (Capital Adequacy) Regulations and Banking Services (Financial Holding Companies) (Licence Application) Rules from the CPC in May 2018, which were reviewed by the MOFPS and the BOJ. Further drafting instructions were issued to the CPC to revise the **Licence Application Rules** in August 2018. The Rules are expected to facilitate the development of the regime for Financial Holding Companies (FHC). The revised Rules were received in September 2018, and further instructions have been issued to the CPC following that review.

Private Sector Pensions Reform

During 2018, there were a few iterations of the **Pensions (Superannuation Funds & Retirement Schemes) (Amendment) Bill**, with the latest draft of the Bill being received from the

CPC in December 2018. In addition, the MOFPS received proposals from the Financial Services Commission (FSC) to fast track amendments to the Investment Regulations under the **Pensions (Superannuation Funds & Retirement Schemes) Act.** Subsequently, drafting instructions were issued to the CPC to amend the Investment Regulations in November 2018, having secured the requisite approval from Cabinet. The MOFPS received the first draft of the Investment (Amendment) Regulations in December 2018, which was circulated to the FSC for review. The Regulations were finalized in January 2019 and signed by both the Minister of Finance and the Public Service and the FSC's Chairman to authorize tabling in Parliament. It is expected that the Investment Regulations will increase the permissible quantitative limits as well as investment options available to pension plans thereby providing greater access to finance.

Insurance (Amendment) Act

During 2018, there were several iterations of the Bill to amend the **Insurance Act** in order to facilitate the creation of a micro-insurance legislative framework.

Proposed Microcredit Act

During 2018, there were several iterations of the **Microcredit Bill** to enact legislation for the licensing and regulation of microcredit institutions, with the latest draft of the Bill received from the CPC in December 2018. This was subsequently circulated to the AGC and other key stakeholders for review and comments. The next step is to finalize the Bill for submission to the Legislation Committee.

Proposed Credit Union (Special Provisions) Act

During 2018, there were several iterations of the **Credit Union (Special Provisions) Bill** for the enactment of legislation to facilitate the supervision of credit unions by the BOJ. The latest draft of the Bill was received from the CPC in October 2018, and further instructions issued by the MOFPS in December 2018. The next step is to finalize the Bill for submission to the Legislation Committee, following the AGC's approval.

Proposed Amendment to the Financial Services Commission Act

The MOFPS received Cabinet's approval of the proposals for legislative amendments to the **Financial Services Commission Act** to facilitate the consolidated supervision of non-DTI groups, in August 2018. Drafting instructions were subsequently issued to the CPC and a first draft of the Bill submitted to the MOFPS in October 2018. Further drafting instructions were issued to the CPC in December 2018 to revise the Bill. The next step is to finalize the Bill for submission to the Legislation Committee, once approval is received from the AGC.

Proposal for the enhancement of the Resolution Framework for Financial Institutions

The preparation of the legislation for the Special Resolution Regime (SRR) for financial institutions (FIs) comprises three (3) work streams, which are currently at different stages of progress. These streams are the administrative component (ARR), the Funding component, and the specialized modified insolvency framework (SIF) component. The latter component falls under the purview of the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF). Both the SIF and Funding components are critical elements of the SRR and will merge with the ARR component once Cabinet's approval is received for each policy. With respect to the ARR, which addresses systemically important financial institutions (SIFIs), drafting instructions were sent to the CPC in April 2018. A working/preliminary draft of the Bill was received from the CPC in August 2018, and was reviewed by a technical working group led by the BOJ. Subsequently, further drafting instructions were issued to the CPC to revise the Bill in November 2018. The proposed legislation for the SRR for FIs is intended to enhance the resilience and stability of the financial system in Jamaica, by providing a framework to address the resolution of non-viable financial institutions in a way that minimizes the resort to public funds, whilst preserving vital economic functions.

National Financial Inclusion Strategy (NFIS)

Since the establishment of the National Financial Inclusion Council (NFIC) and the subsequent launch of the **National Financial Inclusion Strategy (NFIS)** in 2017, the working groups under the Financial Inclusion Steering Committee (FISC) have been meeting and working on the implementation of the action plans contained in the NFIS. The Bank of Jamaica and the Financial Inclusion Technical Secretariat hosted the NFIC Meeting in July 2018, where the Annual Report was tabled. At the meeting, an animated piece and play were staged to promote greater understanding of financial inclusion and the NFIS Brand Ambassadors were also introduced.

Financial Investigations Division (FID)

During the review period, the FID continued to pursue its mandate under the Financial Investigations Division Act and the Proceeds of Crimes Act (POCA) to take the profit out of crime. Some notable achievements of the FID include:

- **Preparations for conversion from a Division of Government to a Department**. A Consultant was retained in December 2018 to assist in transforming the FID into a Department.

- **Caribbean Financial Action Task Force (CFATF).** In November 2018, Hon. Minister Fayval Williams, (Minister without Portfolio in the MOFPS) became the Head of Jamaica's delegation to CFATF. She has been authorized to drive the key reforms to Jamaica's Anti-Money Laundering and Countering the Financing of Terrorism framework (AML/CFT), which is necessary to address key technical deficiencies and priority actions identified in the Mutual Evaluation Report of Jamaica issued by the CFATF. Addressing these issues is critical to avoid

Jamaica being sanctioned by the Global Community and, in particular, the Financial Action Task Force (FATF).

- **goAML (Anti-Money-Laundering System).** In September 2018, the FID launched its goAML reporting platform which allowed financial institutions that are obligated to make reports under the POCA to do so electronically. The use of the platform allows for the secure transmission of these reports, and also ensures their completeness as the reports cannot be submitted unless all fields are completed. The software will enable the FID to carry out more detailed analysis of the over 300,000 reports received annually to detect relationships, trends and typologies. This will in turn assist in the strategic analysis of the information to assist with longer term planning and policy.

- **Memoranda of Understanding (MOUs)**. Over the period, the FID concluded several information-sharing MOUs with key regional partners including the United States of America, Suriname, Curacao, Anguilla, Dominica and Antigua and Barbuda.

- **Outreach.** FID facilitated several training and outreach programmes on the application of the POCA, as well as use of goAML.

- **Asset Recovery Action**. The FID continued to make progress in meeting its mandate in taking the profit out of crime.

  a) During the period, the Division successfully completed a civil action against a convicted drug kingpin and was awarded possession of several pieces of land and motor vehicles adjudged to be connected with unlawful conduct.
  b) In another case, the parties settled a civil claim in the amount of approximately J$23.0mn, based on the defendant's past criminal conduct.
  c) In a third case, the FID collaborated with UK authorities to enforce a judgment issued by the UK courts against domestic assets amounting to approximately £63,000.00.
  d) The Agency obtained a guilty verdict against a defendant and his employee who were charged for Selling Foreign Currency without being Authorized Dealers, contrary to Section 22A of the Bank of Jamaica Act. The defendant, for years, operated an illegal cambio and it is suspected that he facilitated criminals to launder their ill-gotten funds by avoiding the regulated financial sector.
  e) In March 2018, the Agency obtained its first pecuniary penalty order under Section 5 of the POCA. In a landmark ruling, the High Court has ordered the defendant, convicted for drug possession nearly five years ago, to pay the Government J$17.5mn as a penalty for the benefits he derived from a criminal lifestyle.
  f) In December 2018, the Division obtained a pecuniary penalty order of approximately J$6.7mn against a defendant convicted of drug trafficking.

Financial Sector Adjustment Company Ltd (FINSAC) and Financial Institutions Services Ltd (FIS)

FINSAC has intensified the scaling down of its operations, and as of August 1, 2018 has two staff members remaining to manage the legacy operations pending final closure in due course. In addition, it was decided that the number of directors would be reduced from seven to three, pending the inclusion of a representative from the Public Enterprises Division of the MOFPS.

- De-registration of four (4) companies under FINSAC control was completed in December 2018, reducing to 12 the remaining number for which annual returns will continue to be filed until they are de-registered / liquidated.
- Efforts continued to sell the three remaining properties under FIS's control, namely two residential lots at Drax Hall, St. Ann and Black River, St. Elizabeth, and a 16-acre plot of farm land in Hanover. An offer has been accepted on the Drax Hall lot and this sale should be completed by the end of the fiscal year, from which FIS will net approx. $11.0mn.
- Following sale of the Culloden lands owned by Ciboney Group Limited in December 2017, and payment of a capital distribution in March 2018 to shareholders, efforts resumed to sell FINSAC's 72% shareholding in the Company. Offers received were not acceptable and thus the matter will receive some further attention in the new financial year.
- Efforts continued to dispose of listed shares owned by dissolved companies. Some FINSAC-controlled entities own ordinary shares in listed companies that were dissolved some years ago. FINSAC sought and obtained Court approval to sell these shares and account to the Accountant General for the net proceeds of sale and any dividends received after the date of the Order.

- There are two significant litigation matters still being pursued in the Courts by or against FINSAC, namely:

  a) A case inherited by FINSAC against the former Eagle Commercial Bank for allegedly withholding J$15.0mn from its customer's account and the claim for resultant loss of business/profit. Judgment was handed down in favour of the claimant in 2014 requiring FINSAC to pay J$15.0mn plus interest compounded monthly since October 1992, and costs. On appeal, this decision was reversed, primarily requiring FINSAC to pay a smaller sum of J$9.0mn on a simple interest basis instead of compound, with FINSAC paying costs to the Claimant in the Lower Court and the Claimant paying costs to FINSAC in the Court of Appeal. The Claimant has decided to appeal to the Privy Council, and a hearing date is being awaited.

  b) In another Eagle litigation matter, resulting from the 4-year delay in handing down judgment as all three judges who heard the appeal had proceeded on retirement, the Claimant filed a motion in October 2017 for:

     i. this hearing to be vacated/set aside;
     ii. a new hearing to be scheduled before new judges;

iii. the Government to cover his costs in the Lower Court, the Court of Appeal and the hearing of this motion; and
iv. FINSAC to resume paying legal fees/living expenses of US$5,000 per month from funds being held by FINSAC from sale of Claimant's property.

The decision handed down in July 2018 nullified the previous Court of Appeal hearing and its decision handed down on December 1, 2017, ruling instead that a date should be set for a fresh appeal. No order was made for costs in either matter and FINSAC was not required to resume the monthly payments. The Claimant has indicated that he will appeal to the Privy Council and in the meantime, awaits a date for the new appeal, which may be delayed pending a ruling by the Privy Council on the matter of costs.

Further, the action brought against FINSAC by this Claimant in the Miami-Dade County Court for wrongful injunction appears to be on hold pending final outcome in the local courts.

- FINSAC continued to interface with the administrators, Guardian Life Limited (GLL), the Actuaries (Eckler) and the FSC with a view to resolving the following outstanding pension-related matters:-

a) Jamaica Mutual Life Staff Superannuation Fund –

i. Two of the three schemes have no surplus, while the third has a surplus. In line with the Trust Deeds and Rules, no part of this surplus is to be paid to the employer. Approval to distribute the surplus in the administrative scheme to members of that scheme was received from the FSC. GLL has been advised accordingly, and a meeting is to be held to work out precisely how this matter should be managed.

ii. As required by relevant statutes, advertisements have to be done over a 5-year period to locate beneficiaries across the three schemes. The first of the five (5) annual mandatory advertisements was done by GLL in February 2018 which resulted in just over 150 beneficiaries coming forward – another 270 remain to be located. In conjunction with GLL, the second advertisement will be done by February 2019. Where the benefits remain unclaimed after the 5 years, the moneys will be paid into the Supreme Court.

b) Scheme for the Jamaica Mutual Properties Limited – Distribution of the surplus to the beneficiaries commenced some years ago and the names of beneficiaries who cannot be located will be included in the advertisement mentioned above.

- The matter of the compulsory acquisition in April 2008 of a property in St. Lucia owned by Mutual Life et al by the Government of St. Lucia (GOSL) was resolved in March 2018, with receipt of the final payment under the agreement with the GOSL. Over the period, a total of US$4.7mn was received, comprising principal of US$4.0mn and US$665,000 in interest.

Proposed Areas of Focus for Fiscal Year 2019/20

- Facilitating the development of Regulations for financial holding companies and consolidated supervision under the Banking Services Act;
- Undertaking 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;
- Enacting legislation to facilitate the supervision of credit unions by the BOJ;
- Facilitating the development of legislation for the SRR for FIs under the three work streams;
- Facilitating legislative amendments for the establishment of group-wide supervision of non-deposit taking financial groups;
- Implementing the Action Plans of the NFIS;
- Continuing work alongside the Consultant to map out the structural and strategic reforms necessary to convert the Division to a Department of Government;
- Providing support to Hon. Minister Fayval Williams, Head of Jamaica's delegation to CFATF, on the technical and effectiveness reforms necessary to demonstrate substantial progress of full compliance with FATF recommendation on AML/CFT by May 2019;
- Ensuring that the goAML application is instituted as quickly and as seamlessly as possible with regards to non-financial reporting entities. This will include the training of compliance personnel in all designated institutions via a sector based schedule;
- Developing Jamaica's AML/CFT National Risk Assessment (NRA) utilising the World Bank tool in association with BOJ;
- Developing a process within FID to collect data on an ongoing basis to facilitate future NRA and reporting requirements;
- FID will be heading to the United Kingdom-based Privy Council to challenge the decision by Court of Appeal that a wrong procedure is being used before the Parish Courts to confiscate cash under POCA involving 40 cases valuing $150m;
- Developing more typologies and strategic studies on money laundering and terrorism financing trends in Jamaica;
- Increasing the use of facilities to share information with foreign counterparts and law enforcement agencies. This includes making better use of the Financial Intelligence Unit's (FIU's) Egmont connections, greater use of Mutual Legal Assistance Requests for investigations and the development of more formal information-sharing arrangements with domestic regulators and law enforcement agencies;

- Seeking better co-ordination between the FID, the Office of the Director of Public Prosecutions (ODPP) and the various Jamaica Constabulary Force (JCF) branches to ensure that feasible cases for post-conviction forfeiture are advised to the FID on a timely basis and pursued;
- Building the Division's legal capacity to handle complex criminal money laundering cases;
- Building the capacity of the Asset Management Unit (AMU) to manage and dispose of seized property by recruitment, training and 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 Information Technology Unit (ITU) and the requisite implementation of new Cyber Security policies and a new case management system;
- Renovating the Division's infrastructure to enhance staff security, staff facilities and appearance;
- Managing the legacy operations by the remaining two staff members at FINSAC, with particular focus on the preparation of the audited accounts for year ending March 2019; disposal of remaining assets, including shares in Ciboney Group and shares of dissolved companies; de-registration of more companies; and liaising with attorneys on litigation matters.

APPENDIX III

STRATEGIC HUMAN RESOURCE MANAGEMENT

HR POLICY AND INFORMATION MANAGEMENT

Staff Orders for the Public Sector

The review of the *Staff Orders for the Public Service* is underway and recommendations for amendment on critical aspects will be made early in FY 2019/20. Comprehensive revision of the Staff Orders will be aligned with the amendments to the Public Service Regulations which is being undertaken by the Office of the Services Commission. A critical component of the Staff Orders review will be the drafting of an *Absence Management Policy,* which will incorporate the Leave Chapter of the *Staff Orders*. The revised document will include new and revised policies flowing from recent GOJ legislation and legislative amendments.

ESTABLISHMENT, COMPENSATION AND BENEFITS

Compensation Review

Completion of GOJ's comprehensive compensation policy for the public sector will take priority during the new fiscal year.

Wage Negotiations

The *GOJ Public Sector Negotiation Framework* approved by Cabinet in May 2017, formed the basis of the current contract period for public sector employees. An integral component of the Agreements signed between the Government and the various public sector groups was the shift from a two-year to a four-year contract period. This was one of the essential initiatives undertaken by the Government to facilitate achievement of the 9.0% Wage to GDP target and effective budgeting. Despite a very strenuous period of negotiations, approximately 95% of public sector workers have signed agreements.

Industrial Harmony

Industrial harmony was maintained at 97% during the 2018/19 FY.

Corporate Management & Establishment

During FY 2018/19, in keeping with the mandate to facilitate an efficient, effective and fit for purpose Public Sector, a total of seventeen (17) Ministries and one hundred and fifty (150) Departments and Agencies were reviewed. Support was provided:

- to give effect to recommendations emanating from activities regarding merger, divestiture and dissolution of certain Public Bodies;

- in the development and promulgation of the GOJ Customer Service Framework in keeping with Ministry Paper 56 and Vision 2030 – National Outcome #6 – including developing and testing model customer service structures;
- to the development of organizational structures pursuant to the Public Procurement Act 2015 and amendment in 2016, to reflect the shift with respect to augmented procedures, technological developments and prescribed international obligations;

During FY 2019/20, the necessary support will be provided to all MDAs as they transition to the new organizational paradigms such as procurement organization structures. These MDAs include: Jamaica Agricultural Commodities Regulatory Authority (JACRA); National Council on Drug Abuse (NCDA); Human Employment and Resource Training/ Jamaica Foundation for Lifelong Learning/ National Youth Service (HEART/JFLL/NYS); National Land Agency/ Land Administration and Management Programme (NLA/LAMP); Cannabis Licensing Authority (CLA); Major Organized Crime and Anti-Corruption Agency (MOCA); Caribbean Maritime University (CMU); and Sugar Industry Authority (SIA).

Establishment Control

The Civil Service Establishment (General) Order, 2018 and *The Civil Service Establishment (General) (Amendment) Order 2018* were published as required during FY 2018/2019.

For FY 2019/20, *The Civil Service Establishment (General) Order, 2019* is scheduled to be laid in the Houses of Parliament in April 2019, while *The Civil Service Establishment (General) (Amendment) Order, 2019* will be tabled in Parliament in October 2019.

In an effort to monitor and maintain the size of the Public Service, the posts monitoring and compliance capacity was strengthened and post audit exercises were conducted on the utilization of posts in all public sector agencies. Below are the statistics for the Audit Programme as at the end of Q2 of FY 2018/19.

Description	Amount	Percentage
No. of Audits to be conducted, FY 2018/19	115	
No. of entities scheduled to date	100	87%
No. of audits conducted	91	79%
No. of audits completed	71	62%

It is expected that during FY 2019/20, approximately 100 entities will be further audited under the Post Audit exercise.

PENSION ADMINISTRATION

Public Sector Pension Reform

On April 1, 2018, *The Pensions (Public Service) Act, 2017* came into operation, establishing a contributory pension arrangement for public sector workers, known as the Public Service Pension Scheme. The main features of the Scheme are:

- that members are required to contribute 1.0% of salary as of FY 2018/19 with a gradual increase each year up to a maximum of 5% by 2022;
- a gradual increase in the retirement age to 65 years by 2022; and
- the inclusion of a benefit to dependents of deceased teachers.

Public Employees' Pension Administration System (PEPAS)

With the passing of the *Pensions (Public Service) Regulations* by the Houses of Parliament on March 15, 2018, the implementation of the new *Public Employees Pensions Administration System (PEPAS)* will be fast-tracked during FY 2019/20. It is expected that all ministries, departments and agencies will have access to the system by the third quarter of FY 2019/20. The objective is to achieve timely processing of benefits within weeks of retirement.

HUMAN CAPITAL DEVELOPMENT

As part of the modernization efforts underway within the MOFPS, the scholarships and assistance function is being restructured to align the portfolio with *National Goal #1 – Jamaicans are empowered to achieve their fullest potential*. The priority objectives for FY 2019/20 will include the development of a Knowledge Retention Policy/Strategy, review of GOJ's Bonding Policy, development of guidelines for alignment of bilateral scholarship programmes, and development of a public sector workforce profile.

Appendix IV

TAX PROGRAMME

TAX ADMINISTRATION JAMAICA

Tax Administration Jamaica (TAJ) is charged with the efficient collection of revenue due to the Government and administration of the country's tax laws while fostering voluntary compliance. TAJ continues to collect the major proportion of the Government's revenue that is utilized to fund government expenditures geared toward economic growth and development. TAJ as a Semi-autonomous Revenue Authority has made significant investment in infrastructure upgrades and technology systems to provide convenient and adequate service options for the public to conduct business and access information. TAJ endeavours to explore new service channels to make it easier for the taxpaying population to understand and honour their tax obligations within the ambit of applicable pieces of legislation.

PERFORMANCE FY2018/19 (APRIL - DECEMBER)

The performance of TAJ's core deliverables as at end-December of FY 2018/19 are presented below:

Collections

During the stated period, net collections stood at $231.6bn**,** which was $8.2bn (3.6%) above the $223.5bn projected for the period. This over-performance can be attributed to high performing sectors, increased compliance actions, enhanced enforcement capabilities and the sale of high valued properties.

Compliance

During FY 2018/19, TAJ continued the implementation of compliance programmes, focusing on taxpayers according to the categories: *Large, Medium, Small and Micro*. The programmes were designed to address taxpayer compliance risk as it relates to registration, filing, payment and reporting accuracy. This approach conforms to international best practices of mature tax administrations. Specifically, a combination of initiatives such as taxpayer education and assistance programmes targeted to address specific tax issues, outreach and communication programmes, as well as audit and enforcement programmes have contributed to greater voluntary compliance with all requirements/obligations under the tax laws and regulations.

TAJ continued its strategies to improve registration compliance with activities aimed at identifying and registering persons currently operating outside the tax net. Efforts included:

1. Taxpayers identified through several compliance risk programmes;
2. Use of third party information to identify persons engaged in business activities, and registering them to file, and pay the appropriate tax returns; and
3. Focusing greater registration efforts on the informal economy.

During the April to December 2018 period, these efforts led to 11,626 new taxpayers being registered, approximately 45.3% more than the annual target of 8,000. Registration activities also included identifying taxpayer accounts for closure as well as updating of registration information for active taxpayers. This resulted in 1,579 taxpayer de-registrations and 66,961 records being updated for the period.

TAJ embarked on a mission to ensure that taxpayers file their various tax returns electronically, commencing- 2014. This is being actively pursued to derive benefits from electronic filing, such as enhancing the administration's capacity to capture data in a timely manner and developing a more customer oriented and efficient tax system. During FY 2018/19 the focus was on improving the use of online services, specifically aimed at increasing the rate of on-time and online filing for the core tax types, with the main focus being on GCT for which all taxpayers are now required to file electronically. So far, the response has been very positive with an increase in online filing for GCT month over month, and a 4.0% increase in the number of returns being filed on or before the due date. TAJ also intends to implement the fifth phase of its mandatory electronic filing for corporate income taxes, asset taxes and employer's monthly payroll declaration (SO1) during the final quarter of FY 2018/19.

Programmes designed to address filing and payment issues used various methods targeted at delinquent taxpayers. A majority of these programmes were focused on taking action against taxpayers identified as failing to file and/or pay. Payment compliance was further enhanced by taxpayer services and education activities geared towards encouraging and facilitating on-time payments to meet projected revenue targets.

The "on time filing" rate has improved period on period for all of the monthly taxes, with the exception of SCT which declined for most of the taxpayer categories. Table 2 below shows the data by segments and tax types for the review period as well as for the corresponding period of FY 2017/18.

Table 2: Comparative "On Time Filing" rates by segment and tax type for period Apr-December 2018

	FY 2018/19				FY 2017/18			
	PAYE	GCT	SCT	GART	PAYE	GCT	SCT	GART
Large	79.3%	94.6%	84.2%	90.1%	73.6%	89.9%	82.8%	86.1%
Upper Medium	75.1%	87.8%	96.3%	84.6%	71.7%	90.3%	88.9%	89.8%
Medium	70.2%	85.0%	83.3%	79.0%	66.4%	83.7%	89.7%	72.2%
Small	61.6%	73.9%	61.2%	72.1%	58.1%	75.1%	92.6%	67.7%
Micro	29.2%	41.7%	42.9%	62.9%	27.7%	55.4%	0.0%	62.7%

Similarly, the "on time payment" rate recorded improvement for most categories. For FY 2018/19 to December, on time payment amounted to 98.5%, 0.8 percentage point higher that the 97.7% recorded for the comparable period of FY 2017/18. Table 3 below shows the data for each category by tax type for both years.

Table 3: Comparative "On Time Payment" rates by segment and tax type for period Apr- December 2018

	FY 2018/19				FY 2017/18			
	PAYE	GCT	SCT	GART	PAYE	GCT	SCT	GART
Large	94.5%	98.6%	100.0%	99.3%	96.1%	98.9%	100.0%	99.8%
Upper Medium	91.6%	96.0%	77.8%	99.9%	95.1%	99.4%	100.0%	98.1%
Medium	95.9%	99.6%	100.0%	100.0%	95.9%	99.6%	100.0%	100.0%
Small	95.9%	98.3%	100.0%	99.0%	90.7%	98.3%	62.5%	99.8%
Micro	85.1%	96.1%	0.0%	98.1%	87.3%	96.5%	44.4%	100.0%

Arrears Management

Arrears collection for FY 2018/19 to December amounted to $10.1bn, which represents 54.0% of the year-to-date target of $18.7bn. Collections by enforcement action accounted for $8.9bn (approximately 88.0%) of arrears collected. The stock of arrears as at end-December 2018 is $195.7bn, which when compared to the balance at end-December 2017 ($232.5bn), represents a reduction of 16.0%.

Accuracy of Reporting (Audit)

During FY 2018/19, 10.0% and 6.0% audit coverage was targeted for large and medium taxpayers, respectively. As at end-December 2018, 5.6% audit coverage was completed for the large taxpayers and 5.7% for medium taxpayers.

Customer Service

With the implementation of the Revenue Administration Information System (RAiS), TAJ has a new platform for client engagement. Through this channel, TAJ designs taxpayer programmes around enhancing system features and customer education/awareness. The system is continuously being upgraded based on customer (external and internal) feedback.

The primary focus of TAJ's major public campaigns during FY 2018/19 has been:

1. The promotion of TAJ's online platform to access services;
2. Phased implementation of Q-Logik management in the Falmouth and Constant Spring Tax Offices; and
3. The roll out of mandatory electronic filing requirements for specific tax returns.

A mix of traditional and social media channels have been used to promote the campaigns to ensure multi-stakeholder reach.

The campaign for TAJ's *e*Services informs the public of the benefits of using TAJ's *e*Services. So far, this has had a positive impact on the number of users accessing services "online" vs "inline/in office".

The property tax campaign focused mainly on promoting the payment of property tax, in addition to specific messages to address outstanding payments for FY 2017/18, the handling of strata properties, applying for relief, online query and payment options.

The public awareness campaign promoting the mandatory *e*Filing requirement for GCT Returns, which became effective April 1, 2018, was extremely successful. A similar campaign is currently underway to address the mandatory e-filing requirements for CIT, Asset Tax and the Employer's Monthly Declaration (S01) which became effective on January 2, 2019.

During the period, TAJ had several stakeholder engagement sessions, which allowed the Authority to build and/or strengthen partnerships with several interest groups. These included:

1. For the first time, TAJ engaged directly with the Diaspora overseas. In partnership with Jamaica National (JN), TAJ presented and mounted an information booth in Toronto and Montreal, Canada catering to hundreds of clients primarily requiring property tax and Taxpayer Registration Number (TRN) services;

2. Participating in expos/workshops/seminars staged by key stakeholders:

   - JCDC Small Business Expo;
   - Bi-annual ICAJ Taxation Seminar;
   - Jamaica Gasoline Retailers Association Conference;
   - Realtors Association of Jamaica annual expo (Oct 7);
   - Northern Caribbean University (NCU) Debate Series (Oct 15), where the Agency sponsored a moot on taxpayer services;
   - JBDC Employment Conference (Oct 22 & 23);
   - Jamaica Computer Society Seminar (Nov 7 & 8);
   - Incorporated Master-Builders Association of Jamaica (Nov 20); and
   - Young Entrepreneurs Association (Nov 21).

3. Participating in Civil Service Week 5K Walk (Nov 17); and

4. Coordinating logistics for a World Bank Mission team to present the draft revised Sanctions Code to MOFPS & TAJ (Nov 27 & 28).

Internally, TAJ continues to use various channels, such as WhatsApp, all users email, and intranet, to keep staff informed about tax related matters, staffing issues and matters of national interest.

Internationally, at the request of the Caribbean Technical Assistance Centre (CARTAC), TAJ facilitated a Study Tour for representatives of several of our neighbouring tax administrations. During the 1st quarter of FY 2018/19, TAJ accepted the invitation to share its experience with involving practitioners and the business community in the development of forms, regulations and procedures by presenting on the topic to over 150 participants, from 34 member countries at the CIAT General Assembly in Canada.

The OECD visit was used to address upcoming requirements for automatic exchange of information and country by country reporting. During the visit, meetings were arranged with several stakeholder groups to initiate the sensitization of these international tax matters.

During the World Bank's fact finding mission on the Paying Taxes indices of the Doing Business Report, field visits were conducted at the Spanish Town Tax Office and the Stamp Office.

Structural Improvements

For FY 2018/19, the completion of three major upgrade/redesign projects were planned, to include the completion of the Donald Sangster Building and the Falmouth Tax Office; and the renovation of office space for the Large Taxpayer Office (LTO). At end-December 2018, renovation of the Donald Sangster Building was partially completed. The construction of the Falmouth Tax Office was completed, and the office opened to the public in November 2018. Renovation of the LTO office space has however been suspended until a later date.

Consultancy to inform the construction of four new offices has begun. The National Contracts Commission (NCC) approved the engagement of a consultant to undertake soil testing in the area considered for construction of the Portmore Tax Office. Cabinet approval was received for the purchase of property in relation to the building of the new Cross Roads Tax Office.

Human Capital

Building the leadership capacity of the organization is being pursued as TAJ continues to strengthen its human capital and reinforce guiding principles for positive staff engagement. This initiative is being supported by findings from the employee satisfaction survey. The Agency is seeking to strengthen staff performance management systems via workshops and sessions, the result of which will be improved organizational performance, focusing employees' efforts on their key result areas (KRAs) and employee motivation in a workplace culture that is appealing at all levels within the organization.

TAJ has continued its training programme geared at ensuring that staff capabilities are strengthened. Specific focus was placed on strengthening audit capabilities in the area of base erosion and profit shifting (BEPS)/Transfer Pricing.

Corporate Governance

The corporate governance framework is being enhanced with the institutionalization of the Enterprise Risk Management (ERM) framework, which is aimed at providing risk treatment strategies that will strengthen efforts in achieving the strategic objectives and business continuity resilience. The framework involves testing and assessing TAJ's responsiveness to critical unforeseen events such as, hurricanes and business downtime. Internal audit recommendations for internal controls are to be strengthened. A corporate policy framework has been established to guide the development and review of new and existing policies across the organisation.

FY 2019/20 Onwards

Given the improvement in the performance of TAJ's core result areas, the current strategic trajectory for FY 2018/19 will be further strengthened by the implementation of new initiatives, as the organization goes into strategy execution for FY 2019/20. TAJ will therefore be maintaining its five (5) major strategic objectives with some adjustments. The five objectives are:

1. **Continuously improve voluntary compliance:** As TAJ focuses on improvements to the health of the tax administration system, it will ensure that all revenue due are collected and accounted for, as tax compliance in regards to registration, filing, payment and accurate

reporting is improved. Activities will be geared towards closing the gaps which result in revenue leakage from e-commerce activities, and continued implementation of the BEPS/transfer pricing regime. Special focus will be placed on the ratification, signing and implementation of international tax treaties negotiated with Japan and the United Arab Emirates.

2. **Engendering a customer centric organization:** As TAJ consolidates the gains made in communicating with taxpayers, this concept will be broadened by way of its stakeholder management plan/communication matrix as it continues to address stakeholder needs, wants, expectations and specific requirements in a holistic manner, to ensure compliance and thus reduce the cost of compliance.

3. **Institutional strengthening of the organization:** Institutional strengthening will focus on continued enhancement of business processes, technology and physical infrastructure of TAJ, aimed at improved service and quality. Initiatives to strengthen policies/protocols relating to how TAJ manages its information, assets, static security, digital surveillance, and staff/visitor access are to be developed and implemented during FY 2019/20. This, along with a phased implementation of TAJ's ICT investment plan and phased implementation of a 3-year rolling infrastructure development plan *(in keeping with OSH standards, reconfiguration of special offices to allow easier process flows, etc.)* forms part of the institutional strengthening of TAJ.

4. **Building human capital synergies and culture:** As TAJ cements its status as a semi-autonomous revenue authority; it will continue to focus on building its leadership capacity as it strengthens its human capital and reinforces its guiding principles for positive staff engagement. Training of staff remains pivotal to ensuring that capabilities exist to adequately provide service excellence required of staff.

5. **Corporate governance enhanced:** The major strategy to be deployed will focus on strengthening the accountability and transparency mechanisms that will establish a defensible corporate governance framework that can stand up to the scrutiny of our stakeholders as we execute business activities to achieve the vision and mission.

Jamaica Customs Agency

Introduction

The Jamaica Customs Agency (JCA) currently collects approximately thirty seven percent (37%) of the Government's revenue and remains a key stakeholder in the achievement of the objectives outlined in the National Development Plan 'Vision 2030'.

The JCA's mandate includes collecting revenue from international trade, facilitating secure and efficient trade and travel, and border protection management. This mandate contributes to the economic and social development of Jamaica, through its collection of resources needed to meet the Government's policy and delivery priorities.

Operating Environment

The JCA strives to facilitate a secure international trade landscape, thereby making Jamaica's business environment more stable by streamlining procedures, tackling corruption, enhancing integrity, and facilitating the cross-border movement of people and goods.

JCA Achievements: FY 2018/19 to December 2018

Revenue Collection

Despite the challenging global economic environment, JCA maintained focus on its core mandate of revenue collection which continues to record steady growth. For the period April 1 – December 31, 2018:

- Tax revenue collected was $157.0bn, representing a growth of $11.7bn or 8.1% relative to the comparable period of FY 2017/18;
- Non-tax revenue collection was $12.5bn, an increase of $241.9mn or 2.0% more than collections for the comparable period of FY 2017/18; and
- Net revenue collected was $168.4bn, $10.8bn or 6.9% higher than the comparable period of FY 2017/18.

Trade Facilitation

During the review period, one hundred and eleven thousand, seven hundred and forty seven (111,747) commercial declarations were submitted for processing; of which ninety five thousand, six hundred and thirty two (95,632) declarations or 86.0% were processed within 24 hours of submission.

Across the two main international airports, the Sangster International Airport (SIA) and Norman Manley International Airport (NMIA) -, passenger arrivals totalled 2,267,670. This represents an increase of 108,672 or 5.0% when compared to the 2,158,998 passengers for the similar period of the previous year.

At the NMIA, passenger arrivals totalled 639,055 compared to 634,421 for the same period of the previous year; representing an increase of 4,634 or 0.7%. The number of passengers processed through the red channel totalled 225,102, representing 35.0% of total passenger arrivals.

Comparatively, at the SIA total passenger arrivals recorded 1,628,615 compared to 1,524,577 for the same period of the previous year; and represented an increase of 104,038 or 7.0%. The number of passengers processed through the red channel totalled 200,999, representing 12.0% of total passenger arrivals.

Overall, average passenger processing time was three (3) minutes for the red channel and 17 seconds for the green channel, resulting from the expansion of green channels, implementation of additional scanning machines to boost non-intrusive inspection and efficiency in physical inspection.

Border Protection

The JCA seized 27 firearms, 18 magazines and 693 rounds of ammunition. A total of 2,017,372 sticks of cigarette were seized. Notably, drugs seized included a total of thirty-four (34) cocaine seizures and one hundred eighty two (182) marijuana seizures totalling 2,332.90 kilograms. Cash seizures made by the Agency included:

- US$490,779.37
- £11,250.00
- Cdn$14,160.00
- Bds$349.13
- €4,240.00

Legislative Amendments

The Agency has been working with relevant stakeholders on a Bill to repeal and replace the Customs Act for tabling in the Houses of Parliament by end-March 2019. The Agency has increased its communication of the proposed legislative changes through several meetings with Customs personnel, in addition to public stakeholder engagement sessions. In November 2018, one engagement was held at the Shipping Association of Jamaica (SAJ) offices. As at end-December 2018, the Agency completed its review of the fifth draft of the Customs Bill which is now with the Attorney General's Chambers for review.

Stakeholder Engagement

During the review period, the JCA held two (2) Customs Business Partnership Forums, the latter featuring a presentation by Jamaica Special Economic Zones Authority on November 14, 2018. 'Customs Meet the Community', a mobile engagement was last held in May Pen, Clarendon on October 31, 2018. Eight (8) Quality Assurance stakeholder engagements have been held with various parties.

Strategic Objectives for FY 2019/20 and the Medium Term

The JCA's medium term strategic objectives and strategies for FY 2019/20 to FY 2020/21 are outlined below:

To optimise collection of revenue due by:
- Assessing goods and ensuring that the correct duty is collected before the goods are released from Customs control; and
- Identifying and initiating collection actions of overdue and current revenue.

To reduce the cross-border movement of contraband by:
- Detecting un-customed goods at ports of entry and exit through risk management techniques, intelligence, non-intrusive inspections and joint operations with partner agencies.

To improve the detection of imported and exported illegal and prohibited goods by:
- Systematically identifying, analysing, and prioritising risks.

To increase voluntary compliance in customs declaration by:
- Maintaining valuation verification systems to verify the values declared to Customs.

To maximize voluntary compliance in customs declaration by:
- Encouraging voluntary compliance through continued stakeholder engagement.

To minimize processing time of legitimate goods and persons by:
- Ensuring the effective and efficient processing of passengers processed within the Citizen's charter and legal framework; and
- Ensuring the effective and efficient processing and releasing of cargo processed within the Citizen's Charter and legal framework.

To develop and maintain a team of motivated, professional and competent staff by:
- Reducing vacancy rate and maintaining adequate staff level;
- Developing and implementing programmes to address poor performance areas;
- Formulating and implementing best HR practices, policies and initiatives aimed at employee welfare and satisfaction; and

- Developing training plans and conducting training sessions.

To adhere to occupational health, safety and environmental international standards by:

- Developing, implementing and enforcing an occupational health and safety programme.

To enhance planning and research activities within the Agency by:

- Conducting quarterly performance reviews; and
- Producing and disseminating research papers.

To improve and maintain the system of internal controls for the Agency by:

- Monitoring and evaluating systems of internal control to ensure compliance.

To ensure efficient and effective use of resources by:

- Assessing budget execution and implementing cost saving strategies.

To establish and maintain quality assurance mechanisms by:

- Ensuring that the Agency's Financial Statements are produced in accordance with the relevant accounting standards and GOJ guidelines; and
- Enhancing internal assurance systems through anti-corruption plan implementation.

To improve and effectively monitor the system of internal controls for the Agency by:

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

To improve customer experience by:

- Managing customer service complaints and issues through Customer Feedback Form;
- Conducting surveys to evaluate and enhance customer service delivery;
- Promoting Customs to Business partnerships through Stakeholder Engagement;
- Enhancing the image and reputation of the Agency through community engagement;
- Conducting trade and international policy workshops to engage stakeholders internally and externally; and
- Ensuring the resolution of trade policy queries within the Citizen's charter.

Reform Initiatives for FY 2019/20 and the Medium Term

Modernize Customs Legislation

- To pursue repeal and replacement of the Customs Act and Regulations.

HRD & ASCYUDA Virtual training platform

- Implement virtual training platform for ASYCUDA to support the effective use of the system and application strengthening.

ISO Project

- Establish Quality Management Systems in keeping with national, regional and international standards.

Canine Detection Program

- Combat trafficking by deploying detection dogs and their handlers to key airports and seaports.

Non- Intrusive Inspection Program (NIIP)

- Expand and Enhance Customs Non-Intrusive Inspection Program (NIIP).

Customs Training Centre

- Modernization of the Customs Training Centre through re-location and technology.

Electronic Single Window System Project

- Enable cross border traders to submit regulatory documents at a single point to improve coordination between border agencies and trade facilitation.

Customs Mobile Information App

- Develop an information application for simplified and general information.

E-Certificate of Origin

- Exchange of certificates for cross border interoperability.

Case Management System

- Development of Legal, Registry and Border Protection Unit (BPU) modules within the system.

Customer Relationship Management Application

- Develop and Implement an Enterprise Customer Service ICT Solution to manage customer service complaints and issues.

Queens Warehouse Module in ASYCUDA World

- Enable timely disposal of overtime goods from transit sheds to support revenue optimization.

JCA Website

- Improve the JCA website to facilitate increased stakeholder awareness through electronic dissemination of information by virtue of a user friendly website.

Advance Ruling

- Implement advance ruling to mitigate inconsistent classifications and origin decision by traders to foster greater compliance and trade facilitation.

Enterprise Strategic Planning Software/System

- Streamline and strengthen strategic planning, monitoring and evaluation through automation of the planning process and reporting mechanism.

Risk Management System (RMS)

- Procure and integrate a robust RMS with the ASYCUDA World system to enable application of risk techniques and manifest and foster predictability analytics.

Audio-visual Drama Series

- Develop content through scripts recorded and produced for broadcast over-the-air, or via the internet to increase stakeholder awareness and improve trade facilitation.

JCA Standard Operating Procedures (SOP) Manual

- Complete developing and implementation of Standard Operating Procedures and associated guidelines.

Appendix V

PUBLIC SECTOR INVESTMENT PROGRAMME (PSIP)
FY 2019/20–FY 2023/24

The Government of Jamaica Public Sector Investment Programme (PSIP) is the rolling Five-Year Plan of Cabinet-approved new and ongoing prioritized public investment projects.

Financing of the PSIP 2019/20-2023/24

The PSIP is financed through a combination of government funds, loans and grants from International Development Partners as well as from funds provided by Self-Financing Public Bodies. The table below shows the projected expenditure by Central Government and the Public Bodies over the medium term.

Summary of PSIP Financing

Financial Year	Loan/Debt ($'000)	Grant ($'000)	Consolidated Fund ($'000)	Entity ($'000)	Total ($'000)
2019/2020	32,526,550	7,625,909	43,086,361	17,747,849	100,986,669
2020/2021	41,420,412	10,850,630	36,897,118	23,564,949	112,733,109
2021/2022	46,244,068	6,971,839	39,883,193	31,986,960	125,086,060
2022/2023	23,457,281	1,742,182	66,846,037	32,566,084	124,611,584
2023/2024	12,801,417	1,240,149	84,635,834	2,416,400	101,093,800

In fiscal year 2019/20, a combined sum of $100,986.7mn has been allocated to facilitate the implementation of 194 public investment projects by the Central Government (CG) and Public Bodies (PB).

The Central Government will commence/continue 100 investment projects from an allocation of $72,110.0mn in FY 2019/20. This allocation includes a contingency provision of $487.8mn for new projects that were not finalized for inclusion in the 2019/20 Estimates of Expenditure but are expected to be approved by Cabinet during the fiscal year. In the CG investment programme, 28.0% of the allocation has been earmarked for the Ministry of National Security (MNS), 25.55% for the Ministry of Economic Growth & Job Creation (MEGJC), 11.11% for the Ministry of Labour and Social Security (MLSS), 11.0% for the Office of the Prime Minister (OPM) and 7.9% for the Ministry of Finance & the Public Service (MOFPS). A disaggregation of the allocation by sources of funding shows that $43,086.0mn or 59.75% of the provision for CG investment projects will be funded from the Consolidated Fund, 29.67% through external loans and 10.58% through external grants.

For the Public Bodies, 94 investment projects are scheduled to commence/continue implementation utilizing an allocation of $28,876.0mn. Approximately $17,747.0mn (61.46 %) of the funding for these projects will be provided from internal revenue from the PB and the remaining $11,128.0mn (38.54%) from loans. The National Housing Trust has been allocated 38.67% of the PB investment budget, the National Water Commission (NWC) – 23.64%, the Port Authority of Jamaica (PAJ) – 11.62%, and PetroJam – 9.14%.

The information below highlights some of government's planned investments for FY 2019/20.

NATIONAL SECURITY

The allocation to the Ministry of National Security represents an increase of $7,565.4mn or 61.0% over the FY 2018/19 Budget. This is reflective of the priority which continues to be placed on resourcing the sector.

Construction of New JDF Facilities

Construction of new JDF facilities during FY 2018/19 focused on the completion of Phase 2 of the Lathbury Barracks, a continuation of works on Burke Barracks and the completion of the 3 storey accommodations for the Jamaica National Service Corp (JNSC).

In FY 2019/20, an allocation of $2,582.0mn will among other things, complete the final phase of the Lathbury Barracks, complete phase I of the Burke Barracks in Montego Bay and Upgrade the Moneague Training Camp in St Ann.

Procurement of Equipment

During FY 2018/19, approximately $6,319.0mn was allocated for the procurement of equipment; and approximately $14.0mn has been programmed for FY 2019/20. The procurement of general and specialized equipment will continue during FY 2019/20 and into the medium term (FY 2020/21 – 2023/24).

Construction & Improvement of Police Stations & Other Buildings

An allocation of $1,200.0mn has been provided in the FY 2019/20 Estimates of Expenditure to facilitate: i) the construction of additional classroom space, computer labs and other vital areas; ii) the renovation of 60 police stations islandwide and iii) commence construction of the Autopsy Suite/Coroner's Building in Kingston.

Citizens Security and Justice Programme (CSJP)

Approximately fifty (50) communities have benefited over the past decade from services provided by the programme. These include internship opportunities, skills training and on-the-job exposure. A number of outreach activities, counselling interventions and social marketing campaigns were executed during FY 2018/19 in an effort to foster Police-Citizen relations and promote behaviour change.

For FY 2019/20 a total of $1,677.88mn has been allocated to continue: i) social intervention activities; 2) activities geared at improving governance; 3) promotion of behaviour change, especially in the areas of conflict resolution, social inclusion and safety; and 4) the increased use of gender-responsive justice services through the operationalization of the legal aid council, victim support services and the Justice Training Institute.

Increased focus will be placed on implementation of measures for dealing with children who are alleged, accused of or recognized to have infringed the penal law, without resorting to formal judicial proceedings. Infrastructural development will also continue by way of constructing and repairing community centres.

Efforts to institutionalize the programme's service offerings will also continue during FY 2019/20.

Construction and Improvement of Correctional Facilities

The Department of Correctional Services (DCS) continued its initiative to upgrade and improve the physical conditions of its facilities. For FY 2019/20 the allocation of $393.0mn will facilitate the construction and improvement of buildings at the Diamond Crest Correctional Centre, St. Catherine Adult Correctional Centre, Horizon Correctional Centre and preliminary activities for the new Long Pond Detention Centre.

SOCIAL SECTOR

The Programme of Advancement Through Health and Education (PATH) is a targeted assistance programme of the Government of Jamaica. The benefit is accessible in the form of cash grants to children/students ages 0 – 19 years, and the adult poor including the disabled, elderly, pregnant and lactating mothers and the destitute. The programme also facilitates the development of human capital via the Steps-to-Work (StW) initiative, which targets working age members of PATH from eligible households for referral to relevant support services to enable them to seek and retain employment.

For FY 2019/20, the allocation of $8,031.8mn will: 1) provide bi-monthly cash grants to an average of 284,000 registered beneficiaries; 2) provide 1,700 students with post-secondary grants and 3) case manage approximately 1,000 families and provide grants where needed.

The programme will continue to facilitate the provision of on-the-job training and job placement opportunities for 600 persons, skill training for 800 new clients and continuing education for 350 clients. The impact evaluation of the parenting pilot programme will be completed as well as the process evaluation of the on-the-job training programme. The national policy for national senior citizen and a tracer study of PATH beneficiaries and their families will be implemented.

Jamaica Social Investment Fund (JSIF)

The JSIF has been tasked with implementing numerous intervention programmes in the areas of education, human resource and community development, water, sanitation and drainage infrastructure, agriculture and community access.

During FY 2018/19 the JSIF portfolio of projects was allocated a total of $2,771.75mn. However, the performance of the projects was affected by procurement related issues, resulting in a reduction of the overall allocation by 14.0% in the Second Supplementary Estimates.

With the procurement challenges of FY 2018/19 largely resolved, a combined allocation of $4,416.0mn has been provided to facilitate implementation of the JSIF-managed portfolio. A total of 50 sub-projects are targeted for implementation under the following projects in FY 2019/20. These are: the *Poverty Reduction Project IV, Integrated Community Development Project (ICDP), Disaster Vulnerability Reduction Project (DVRP), School Sanitation Programme* and the *Basic Needs Trust Fund Nine (BNTF9*). Activities under the BNTF programme are anticipated to be accelerated in order to take advantage of bonus funding that is available under the Project's Grant Facility.

HEALTH

In an effort to improve the level of service provided to the public, the Ministry of Health (MOH) continues to implement several initiatives geared at strengthening the delivery of health services. A major thrust of the ministry is the implementation of public investment projects which seek to lower morbidity and mortality rates by reducing the transmission of viral and other communicable diseases in key populations and reduce incidences of non-communicable diseases as well as improvements in health care facilities and general service delivery.

For FY 2019/20, the allocation of $5.747bn will allow the ministry to focus on: 1) HIV/AIDS reduction/treatment strategies; 2) the completion of the High Dependency Units (HDUs) in five hospitals under the *Programme for Reduction of Maternal and Child Mortality* (PROMAC); 3) commencement of the new Prevention & Care Management of Non-Communicable Diseases Programme which aims to strengthen policies relating to the prevention of non-communicable diseases while improving the facilities in three major hospitals; 4) continued rehabilitation of the *Cornwall*

Regional Hospital and 5) commencement of works on the *Western Children & Adolescent Hospital*. The National Health Fund (NHF) is slated to provide $2,000.0mn to fund the capital programme.

Cornwall Regional Hospital Rehabilitation

Rehabilitation of the Cornwall Regional Hospital was initially scheduled to be implemented utilizing funds provided by the National Health Fund (NHF). However, the scope of works was increased owing to other health, safety and structural issues that arose and compounded the rehabilitation efforts. For FY 2019/20 approximately $1,600mn has been allocated by the Central Government to implement the rehabilitation works.

Jamaica Western Children's - Hospital

The Jamaica Western Children's Hospital is being constructed to provide health care services for children and adolescents in the western section of the island. The construction of the hospital and other infrastructure works will be financed by a grant from the Chinese Government. For FY 2019/20 an allocation of $235.0mn has been provided to commence preparatory activities.

EDUCATION

The MOEYI has been allocated $1,251.0mn in its capital budget for FY 2019/20. The allocation will be used to improve the quality of education by providing a safe and conducive learning environment and improved service delivery by training educational practitioners.
The Education Transformation Programme I, The Education System Transformation Programme and The Partnership for Improved Safety and Security in Schools account for the major share of the budget, and these projects are geared at improving school infrastructure, facilitating the Primary Exit Profile (PEP) Strategy, capacity building and to promote improved safety and security in schools.

AGRICULTURE

The Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF) will continue to implement strategies which foster growth in the sector and increase efficiency with a view to reduce the food import bill, increase national agricultural production; generate employment and enhance food security.

Major Rural Farm Roads

In seeking to achieve its objectives, MICAF will continue to invest in the rehabilitation and development of major rural farm roads under the Rehabilitation/Development Programme for which a provision of $752.0mn has been made in the FY 2019/20 Estimates of Expenditure.

Irrigation Infrastructure

The development/expansion/rehabilitation of irrigation infrastructure to make more irrigable lands available for agricultural purposes is another strategy being used to increase agricultural production. In excess of $1.1mn has been allocated to irrigation projects in FY 2019/20.

The rehabilitation of irrigation infrastructure in rural farming communities to be undertaken by the National Irrigation Committee in FY 2019/20 has received an allocation of $278.0mn, an increase of 140.0% above the Revised 2018/19 allocation.

Approximately $220.0mn has been allocated for the conduct of irrigation feasibility studies on the Pedro Plains and in South Clarendon/South St Catherine.

The Essex Valley Irrigation Project which has been allocated $628.0mn in the FY 2019/20 Estimates of Expenditure, seeks to assist in the achievement of food security and the modernization of the agriculture sector, is projected to increase the area under formal irrigation in St. Elizabeth, bringing the yield of crops in Essex Valley to a minimum of 90 per cent of their potential yield.

Agricultural Competitiveness Programme Bridging Project

During FY 2018/2019 this project provided funding to commence infrastructure works to develop an agro park in Spring Garden, Portland. Contracts were awarded to install irrigation pipelines, construct pump houses, and supply and install pumps and switchgear.

In the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF) the project provided funding to implement capacity strengthening activities in the areas of project planning and appraisal.

For FY 2019/20, $325.80mn has been allocated to continue the development of the Spring Gardens Agro Park through improvement of on-farm roads, rehabilitation of existing Packing House, installation of pumping equipment and the installation of river training structures on a nearby river to reduce flooding and soil erosion. Work which started on a mango development programme will continue, as well as the development of a strawberry pilot programme at one of the Ministry's research facility.

ENHANCING COMPETITIVENESS AND GROWTH

Jamaica: Foundations for Competitiveness and Growth

The objective of this project is to assist in providing an enabling environment for private sector competitiveness to enhance growth and job creation in the economy. The project is funded by a US$50.0mn loan from the World Bank which is being used to enhance competition in the business environment, facilitate strategic private investments, and provide a line of credit and development grants to small and medium-size enterprises (SMEs)

During FY 2018/19, the project continued its support to the establishment of the Jamaican Development Applications Portal (JDAP) using the AMANDA software platform. The development of the portal was at an advance stage of completion with the user acceptance testing (UAT) and payment configuration being the major activities to be completed.

The provision of legal services to review key commercial transaction documents at the Attorney General's Chamber also continued with the contracting of a third legal consultant.

A Draft Final Feasibility Report on the study to determine the feasibility of establishing the Caymanas Economic Zone (CEZ) was presented for review.

SMEs Support - the provision of loans to SMEs via the line of credit continued, with $388mn disbursed by the Development Bank of Jamaica (DBJ) during the period April to December 2018. Under the matching grants programme $191mn was spent to co-finance training and skills upgrading for SMEs as well as to provide the matching grants.

In FY 2019/20, the JDAP is scheduled to be completed with a full rollout in the three pilot parishes and linkages created in the other municipalities and referral agencies. Consultancies scheduled to be completed include: the National Investment Policy, the Merger Regime Review, National Spatial Plan Platform, National Business Portal (phases ii & iii), Downtown Kingston Commercial and Markets Districts Implementation Plan, Falmouth Drainage and Downtown Kingston Waste Water Master Plans and transaction advisory services for an Electronic Land Titling project.

The provision of loans under the line of credit is scheduled to continue and several eligible SMEs are expected to benefit from technical assistance and/or matching grants under the Jamaica Business Fund matching grants programme.

Credit Enhancement Programme for MSMEs

This project is aimed at providing loan guarantees to MSMEs which have limited or no access to collateral that is needed to access loans. The loan guarantees are funded from a Credit Enhancement Fund (CEF) which was created 10 years ago.
For FY 2019/20 the project has been allocated a total of $600.0mn which will be used to capitalise the CEF, thus providing increased levels of guarantees to MSMEs.

Access to Finance for MSMEs

This project was designed to: i) support the establishment of an MSME Fund for risk capital financing for MSMEs; 2) contribute to the capitalisation of the CEF; and 3) improve the enabling environment for access to finance and business development services for MSMEs. For FY 2019/20 the sum of $400.0mn has been allocated to support the aforementioned activities.

ENERGY EFFICIENCY AND CONSERVATION

Energy Efficiency and Conservation Programme (EECP)

This project is schedule to end in March 2020, after eight years of an initiative to reduce electricity usage in several state agencies by the installation of solar control films, 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 systems.

During FY 2018/19, the retrofitting of inefficient air conditioning units at the May Pen hospital and the Ministry of Education Youth and Information head office with new, energy efficient units was completed.

For FY 2019/20, the sum of $300.0mn has been allocated to complete the retrofitting of air conditioning units at the Mobile Reserve, May Pen Police Station, National Police College and the Post and Telecommunications Department.

Energy Management and Efficiency Project

The general objective of this project is to promote energy efficiency in government entities and fuel conservation in road transportation to help reduce the debt of the Government of Jamaica by minimizing fuel imports. This project will continue some activities which commenced under the EECP, but the scope will include lighting retrofits and the implementation of an urban traffic management system in the Kingston Metropolitan Area.

During FY 2018/19, the revised budgetary allocation was $345.70mn. The funds were utilized to (i) conduct Investment Grade Audit for seven hospitals, (ii) conduct training for staff at 30 government facilities; (iii) award a contract for the deep retrofit of Falmouth, Mandeville and the KPH/VJ hospitals; and (iv) commence the procurement and installation of the Urban Traffic Management System (UTMS).

For FY 2019/20, a total of $989.78mn has been allocated to: (i) continue and complete the Investment Grade Audits; (ii) commence the Lighting Audit of 50 government buildings; (iii) commence the deep retrofit of Falmouth, Mandeville and the KPH/VJ hospitals; and (iv) commence the installation of the Urban Traffic Management System.

INFRASTRUCTURE

Approximately 85% of the $18,424.497mn allocated to the Ministry of Economic Growth and Job Creation for FY 2019/20 has been earmarked for the works related projects aimed at developing and improving the country's infrastructure. Seven projects with major infrastructure works are programmed for implementation during FY 2019/20. These include: the Major Infrastructure Development Programme, Southern Coastal Highway Improvement Project, Road Rehabilitation Project (Junction Road – Broadgate – Agualta Vale section), Montego Bay Perimeter Road, Construction of Ministry of Foreign Affairs and Foreign Trade, Montego Bay Waterfront Protection Infrastructure (Groynes) Project and Montego Bay Closed Harbour Beach Park Development Project.

Four of the seven projects involve road works and account for 92.7% of all expenditure under the *works* portfolio. Details of the major projects are as follows:

(a) ***Major Infrastructure Development Programme (MIDP)* –** the main objectives of this project are: the upgrading of 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 was programmed at a cost of US$352.9mn (US$300.0mn - CHINA EXIM Bank; US$52.9mn - GOJ). The project scope includes the upgrading of water mains and sewerage pipeline infrastructure along five major thoroughfares (Mandela Highway, Constant Spring Road, Hagley Park Road, Marcus Garvey Drive and Barbican Road).

For FY 2019/20 a total of $4,783.025mn has been allocated to: (i) complete works along the Mandela Highway, Constant Spring Road, Hagley Park Road and the Ferris to Mackfield Road in Westmoreland.

(b) ***Road Rehabilitation Project II* –** The project is funded by the Consolidated Fund and currently focuses on the rehabilitation of a section of the Broadgate to Agualta Vale main road (Junction, St Mary).

For FY 2018/2019 the project was allocated $500.2mn to facilitate the rehabilitation of sections of the Broadgate to Agualta Vale main road. However, issues of land procurement and the unavailability of sections of the corridor to proceed with the works, delayed implementation.

For FY 2019/20 the project has been allocated $586.355mn to complete the road works.

(c) ***Southern Coastal Highway Improvement Project (SCHIP)***

The major objectives of the Southern Coastal Highway Improvement Project (SCHIP) is to improve the main south eastern road corridor from Harbour View, St Andrew to Port Antonio, Portland (110Km) and Morant Bay to Cedar Valley (26Km), with a view to increasing commerce and spur economic growth and development in the eastern section of the island. Additionally, the project will construct the third phase (1C) of the East–West Highway from May Pen, Clarendon to Williamsfield in Manchester (27km). The project is estimated to cost US$384.0mn and will be implemented over 5 years.

For FY 2019/20 the project has been allocated $8,428.073mn to facilitate land acquisition, design and supervision and the start of civil works along the south eastern road corridors and the May Pen to Williamsfield leg of the East-West Highway.

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

The objective of the project is to provide the Ministry of Foreign Affairs and Foreign Trade with a customized purpose built office building to adequately accommodate staff, diplomats and visitors.

Construction activities on the building has been completed and the allocation of $168.0mn for FY 2019/20 will facilitate the procurement and installation of furnishings as well as fixtures and equipment (FFE) that will assist in the operationalization of the new facility.

ENVIRONMENTAL RESILIENCE & CLIMATE CHANGE

Jamaica Disaster Vulnerability Reduction Project (DVRP)

The DVRP seek to enhance Jamaica's resilience to natural disasters and climate risk via enhanced disaster preparedness measures tailored for Jamaica.

The rate of implementation since inception of this project has been slow due to procurement and other logistic issues. During FY 2018/19 there were delays in the plan for the ordering of six fire trucks and tankers, and the identification of suitable locations to construct new fire stations in three parishes. The construction of culverts in Church Pen, St Catherine has been in progress and the procurement of contractors to build the new fire station is ongoing.

For FY 2019/20 a sum of $1,135.76mn has been allocated to make payment for the fire trucks, tankers and associated equipment as well as for commencing civil works on the three fire stations, complete drainage infrastructure in St Catherine and commence coastal revetment works on sections of Kingston Harbour.

Seismic research, coastal micro-zonation studies, the development of the National Risk Information Platform, training and associated awareness programmes are ongoing and will continue throughout FY 2019/20.

PPCR II - Improving Climate Data and Information Management

The objective of this project is to improve the use of climate related data and information for effective planning and action at the local and national levels.
During FY 2018/19, the sum of $139.0mn was allocated to implement several activities; but delays in procurement affected the successful completion of these activities and, as a result, the allocation was reduced to $91.972mn. Some of the activities implemented during the year were (i) installation of thirty-one (31) intensity rain gauges and water level sensors for the Water Resources Authority (WRA); (ii) installation of 12 soil moisture probes and velocity radars for ground water monitoring; and (iii) procurement of a new Doppler Weather Radar.

For FY2019/20, the allocation of $379.18mn will be used to: i) mobilize the supplier of the Doppler Weather Radar; ii) complete data rescue and capacity building of Meteorological Service of Jamaica; (iii) complete the National Vulnerability Assessment and Vulnerability Assessment of the Health Sector; (iv) complete community risk profiling; (v) continue the behaviour change and public education campaigns; and (vi) commence the preparation of the 2019 State of Jamaica Climate Report.

PPCR II - Adaptation Programme and Financing Mechanisms

This project focuses on i) mainstreaming climate change into development planning; ii) providing information on novel approaches, including climate financing, to overcome the challenges of climate change; and iii) disseminating lessons learned from adaptation interventions.

During FY 2018/19 the main achievements include: i) completion of the Crop Resilience/Suitability Modelling activities: ii) the Sediment Budget Monitoring, and the preparation of Technical Papers for the National Spatial Plan; iii) disbursement of funds through the two financing mechanisms – a *Line of Credit* and *Special Climate Change Adaptation Grants* for Micro, Small and Medium-Size Enterprises, non-government organizations and selected public sector entities. The Special Climate Change Adaptation Grants were used to implement innovative climate smart projects in several communities to mitigate the effects of climate change

The targets for FY 2019/20 include: the establishment of check dams, rainwater harvesting systems, aquaponics systems and green/shade houses; reforestation programme; and adaptation measures in the Upper Rio Minho Sub-watershed. The project will also continue financing climate change interventions related to agriculture, water management and tourism through the Line of Credit and Special Climate Change Adaptation Fund. Climate change public awareness training programmes will be done in several agencies. The sum of $703.77mn has been allocated in FY 2019/20 to facilitate the implementation of these activities.

PUBLIC SECTOR TRANSFORMATION

The process of modernizing the public sector commenced about two decades ago but the results to date has been mixed. The current projects/programmes are being coordinated by Office of the Cabinet and the Ministry of Finance and the Public Service (MOFPS) with implementation by the Ministries, Departments and Agencies (MDAs).

The current projects under the modernization programme are the *Public Sector Efficiency Programme (PSEP)*, *Support to the Public Sector Transformation Programme* and the *Strategic Public Sector Transformation Project.* These projects focus on the development of human resources, planning, budgeting and performance management tools along with ICT systems, to aid in the delivery of service to the public in a timely and efficient manner.

The major achievements under the modernization programme in recent years include the establishment of the Public Investment Management System (PIMS), establishment of a Public Investment Projects Database (PIPD), development of a Human Resource Management Enterprise System (MyHR+), design of a shared corporate service centre, development of an electronic business registration form (EBRF) and improvements in the public procurement process. These reforms, though ongoing, have resulted in greater efficiency and transparency in the public sector.

For FY 2019/20 a budgetary allocation totalling $3,114.0mn is provided to continue the implementation of activities to modernize and transform the public sector under the three projects. In addition to improving and strengthening the aforementioned activities, major initiatives to be implemented include, inter alia: establishing the shared corporate services office, building the capacity of several state agencies to improve overall performance, execution of several training interventions in various state entities, improving the ICT governance framework, and procuring the Public Investment Management Information System (PIMIS).

PUBLIC BODIES CONTRIBUTION TO PUBLIC SECTOR INVESTMENT – FY2019/20

Public bodies continue to contribute to the infrastructural and economic development of the country. During FY 2019/20, the Self-Financing Public Bodies (SFPBs) project to contribute $28,346.8mn to the Public Sector Investment Programme, with approximately $9,965.4mn or 35.1% being financed by loan inflows. The SFPBs with expected significant contribution to Public Sector Investment are highlighted below:

Airports Authority of Jamaica (AAJ)

Arrangements in respect of the Public Private Partnership for the Norman Manley International Airport (NMIA) are expected to be finalized during the financial year. Nonetheless, AAJ will expend $1,368.4mn on works it had committed to under the 20-year Capital Development Programme (CDP) at the Norman Manley International Airport (NMIA). The Authority also plans to upgrade aerodromes to the value of $404.2mn, including preliminary works for the Vernamfield Development Project. Work will also continue in respect of the NMIA shoreline protection project. Expenditure in respect of AAJ's PSIP forecast ($2,442.6mn) should account for 84.4% of the budgeted capital expenditure of $2,893.6mn.

Port Authority of Jamaica (PAJ)

The PAJ will continue to pursue projects aimed at facilitating economic growth and development, as well as enhanced security at the ports. These include Phase 1 of the Port Royal Development, a logistic park in Kingston and completion of the Business Process Outsourcing facility in Portmore. The PAJ has also budgeted to expend funds for the acquisition of a Port Community System. Development projects are expected to account for approximately 76.4% of planned capital expenditure of $4,392.0mn.

National Housing Trust (NHT)

The NHT will continue to pursue the increased delivery of housing solutions in the medium term, in line with Government policies effected in 2017. Accordingly, NHT has projected to complete 23,000 housing solutions by March 31, 2023; these will comprise a mix of houses and residential lots. A total of 8,640 housing solutions are expected to commence in FY 2019/20, with completion of 4,714 achieved. The Trust has budgeted expenditure of $39,404.1mn for housing activities during FY 2019/20; this includes $11,166.6mn for projects to be undertaken directly/jointly by NHT.

National Water Commission (NWC)

The NWC will continue to undertake significant investments aimed at facilitating required infrastructure rehabilitation. The investments are expected to impact positively the level of non-revenue water, as well as operating costs and result in lower operating losses and eventual surpluses in the medium term. PSIP expenditure should amount to $6,826.7mn and includes financing for meter replacement ($2,646.3mn) and rehabilitation works under the K-factor Programme ($1,231.5mn).

Petrojam Limited

While an assessment is underway with respect to the direction to be taken in relation to the refinery, Petrojam has budgeted for the first phase of a refinery upgrade to commence in FY 2019/20. In this regard, there are plans to expend US$20.0mn to facilitate commencement of construction for a Vacuum Distillation Unit (VDU).

PROJECTS	Funding Agency	Revised Estimates 2018/2019	Proposed 2019/2020	Projection 2020/2021	Projection 2021/2022	Projection 2022/2023	Projection 2023/2024
OFFICE OF THE PRIME MINISTER							
			-	-	-	-	-
Energy Efficiency & Conservation Programme	*GOJ*	248,238	300,000	-	-	-	-
National Identification System (NIDS) Project	*IDB*	848,788	1,331,616	1,748,000	1,659,142	1,453,000	1,400,000
Youth Employment in Digital and Creative Industries	*IBRD*	649,659	908,200	555,400	-	-	-
Support to the Energy Management and Effciency Programme	*IADB*	17,242	6,514	-	-	-	-
Energy Management and Effciency Programme	*IDB*	345,700	989,780	989,779	1,058,816	893,779	260,782
Projects Managed by JSIF:		*2,378,851*	4,416,116	2,690,456	1,250,000	-	-
Jamaica Disaster Vulnerability Reduction Project	*IBRD*	317,903	1,135,764	1,382,940	1,000,000	-	-
Poverty Reduction Project IV	*EU*	209,664	558,802	245,516	-	-	-
School Sanitation Programme	*PDF*	125,000	20,000	-	-	-	-
Jamaica Integrated Community Development Project	*IBRD*	1,500,099	2,127,976	482,000	-	-	-
Basic Needs Trust Fund (BNTF9)	*CDB*	160,293	573,574	580,000	250,000	-	-
Support to Rural Micro Enterprise	*CDB*	65,892	-	-	-	-	-
TOTAL OFFICE OF THE PRIME MINISTER		4,363,478	7,952,226	5,983,635	3,967,958	2,346,779	1,660,782
OFFICE OF THE CABINET							
Public Sector Transformation and Modernization Programme (PSTMP)		928,466	578,002	-	-	-	-
	IDB	475,243	129,000	-	-	-	-
	CHINA	212,623	302,058	-	-	-	-
	EU	170,600	81,751	-	-	-	-
	GOJ	70,000	65,193	-	-	-	-
TOTAL OFFICE OF THE CABINET		928,466	578,002	-	-	-	-
MINISTRY OF ECONOMIC GROWTH & JOB CREATION							
General		*477,538*	*1,217,000*	*1,820,000*	*962,000*	*422,500*	-
Establishment of United Nations (UN) House	*GOJ*	100,000	150,000	-	-	-	-
Third City Planning	*GOJ*	27,538	67,000	-	-	-	-
Credit Enhancement Programme for MSMEs	*IDB*	250,000	600,000	1,170,000	442,000	130,000	-
Access to Finance for MSMEs	*IBRD*	100,000	400,000	650,000	520,000	292,500	-
Works		*27,989,152*	*14,470,453*	*20,380,563*	*31,382,351*	*15,560,417*	*5,850,000*
Southern Coastal Highway Improvement Project	*GOJ/ CEXIM*	490,384	8,428,073	15,128,918	19,882,351	8,100,000	850,000
Construction of Ministry of Foreign Affairs Head Office	*GOJ/PRC*	253,800	168,000	-	-	-	-
Palisadoes Shoreline Protection & Rehabilitation Works Project	*GOJ/ CEXIM*	5,000	5,000	-	-	-	-
Road Rehabilitation Project II	*GOJ*	500,155	586,355	367,645	-	-	-
Road Rehabilitation Project		34,000					
Major Infrastructure Development Programme	*GOJ/CHIN A EXIM*	26,636,813	4,783,025	-	-	-	-
Montego Bay Perimeter Road	*GOJ*	69,000	500,000	4,884,000	11,500,000	7,460,417	5,000,000
Land, Environment and Climate Change		938,942	1,902,225	1,512,723	-	-	-
Hdrochloro Fluoro Carbon (HCFC) Phase-out Mgmt Plan	*UNDP/ MLF*	8,640	-	-	-	-	-
Integrated Management of Yallahs/Hope River Watershed Management Area	*GOJ/GEF*	197,759	119,013	73,199	-	-	-
PPCR II - Adaptation Programme & Financing Mechanism	*CIF/IDB*	637,543	703,772	388,569	-	-	-

PROJECTS	Funding Agency	Revised Estimates 2018/2019	Proposed 2019/2020	Projection 2020/2021	Projection 2021/2022	Projection 2022/2023	Projection 2023/2024
Integrating Water, Land and Ecosystems Management in Caribbean Small Island Developing States (IWEco)	*UNEP*	40,000	60,263				
Developing a Comprehensive Bush Fire Warning Index for Effective Bush Fire Management	*CDB*	15,000	20,500	-	-	-	-
Green Climate Fund Readiness Support Project	*Green Climate Fund*	30,000	15,557	60,955	-	-	-
Plastic Waste Minimization Project	*IDB*	10,000	33,120	-	-	-	-
Montego Bay Waterfront Protection Infrastructure (Groynes) Project	*GOJ*	-	400,000	140,000	-	-	-
Montego Bay Closed Harbour Beach Park Development Project	*GOJ*	-	550,000	850,000	-	-	-
Water		*150,332*	*834,819*	*623,919*	*550,000*	*650,000*	*650,000*
Construction/Maintenance of Water Supply Systems	*GOJ*	100,050	795,300	600,000	550,000	650,000	650,000
Payments for Ecosystem Services Scheme	*GEF*	-	23,919	23,919	-	-	-
Hermitage Dam Rehabilitation Study	*CDB*	21,000	15,600	-	-	-	-
Upgraded Flooded Early Warning System for the Rio Cobre Water shed	*CDB*	18,291	-	-	-	-	-
Support to Update the Jamaica Water Resources Development Master Plan	*GOJ/IDB*	10,991					
TOTAL MINISTRY OF ECONOMIC GROWTH & JOB CREATION		29,555,964	18,424,497	24,337,205	32,894,351	16,632,917	6,500,000
MINISTRY OF FINANCE & THE PUBLIC SERVICE							
Contingency Provision - Public Investment Management System	*GOJ*	115,500	487,800	3,227,500	6,729,000	34,105,961	64,987,634
Contingency for Natural Disasters/Infrastructure Rehabilitation	*GOJ*	500,000	-	-	-	-	-
Fiscal Administration Modernization Programme(FAMP)	*IDB*	1,318,994	-	-	-	-	-
Strategic Public Sector Transformation	*IBRD*	735,472	1,320,000	735,000	-	-	-
Strengthening the Institutional Capacity of Financial Services Commission (TC)	*IDB*	11,700	13,400	14,950	-	-	-
Development of National Policy and Plan Action on International Migration and Development	*GOJ/ IOM*	31,181	34,733	70,740	48,583	-	-
PPCR II - Improving Climate Data & Information Management	*CIF/IBRD*	91,972	379,180	265,750	105,920	-	-
Economic Partnership II (EPA II) Capacity Building Project	*EU*	108,319	-	-	-	-	-
Enhancing the Resilience of the Agri Sector and Coastal Areas	*Adaptation Fund*	74,468	270,000	450,000	-	-	-
Jamaica Foundation for Competitiveness and Growth	*IBRD*	1,037,296	1,750,000	466,000	-	-	-
Planning Institute of Jamaica			-	-	-	-	-
Development Bank of Jamaica			-	-	-	-	-
Technical Cooperation Facility (TCF) V	*EU*	55,069	13,709	-	-	-	-
Technical Cooperation Facility (TCF) VI	*EU*	40,115	60,144	79,846	82,117	48,782	-
Support to the Public Sector Transformation Programme	*IDB*	539,147	1,215,712	1,673,357	1,281,000	1,000,000	790,784
Construction of Tax Offices	*GOJ*	229,000	161,000	800,000	655,000	400,000	400,000
Construction of Falmouth Tax Office	*GOJ*	47,374					
Building Capacity in the Post Disaster Needs Assessment	*CBD*	1,110					
Build-out of the Accountant General Dept. Offices	*GOJ*	90,000					
Loan to PAJ - BPO Expansion	*GOJ*	1,774,450	-	-	-	-	-
TOTAL MINISTRY OF FINANCE & THE PUBLIC SERVICE		6,801,167	5,705,678	7,783,143	8,901,620	35,554,743	66,178,418

PROJECTS	Funding Agency	Revised Estimates 2018/2019	Proposed 2019/2020	Projection 2020/2021	Projection 2021/2022	Projection 2022/2023	Projection 2023/2024
MINISTRY OF NATIONAL							
Construction and Improvement - JDF	GOJ	1,561,800	2,582,000	1,211,595	1,408,865	780,000	650,000
		2,459,000	-	-	-	-	-
Purchase /Overhaul of Aircraft	GOJ	1,321,548	3,749,157	3,438,028	2,110,128	4,437,196	2,500,000
Acquisition of Vehicles - JDF	GOJ	1,362,038	923,000	1,321,548	1,500,000	1,000,000	1,000,000
Cyber Security Initiatives (JDF)		1,776,000	930,000	1,219,826	880,000	469,200	450,000
Purchase of Telecommunications Equipment/Coastal Surveillance Equipment - JDF	GOJ	-	2,910,072	-	-	-	-
Purchase and Overhaul of Ships		-	1,475,565	3,422,730	3,180,000	4,373,856	2,658,200
Cyber Security Initiatives (JCF)		380,000	1,500,000	1,129,286	830,000	400,000	400,000
Acquisition of Vehicles - JCF	GOJ	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000	750,000
Constrution and Improvement of Police Buildings	GOJ	566,000	1,200,000	-	850,000	850,000	850,000
Purchase of Telecommunications Equipment - JCF	GOJ	380,000	1,498,300	788,824	271,312	250,000	200,000
Construction and Improvement of Correctional Facilities - DCS	GOJ	108,000	393,123	-	180,000	150,000	120,000
Purchase of Vehicles - DCS	GOJ	60,000	64,000	24,400	-	-	-
Justice, Security Accountability and Transparency Project (JSAT)	EU	279,460	304,778	-	-	-	-
Rehabilitation & Reintegration of Local Offenders & Deported Persons	FCD/ DFID	6,600	-	-	-	-	-
Reintegration and Rehabilitation of Involuntary Returned Migrants Jamaica	UNDP	14,000	10,000	-	-	-	-
Security Strengthening Project	IDB	100,000	489,754	1,002,460	707,786	200,000	-
Citizens Security and Justice Programme III	GOJ/DFAT D/ IDB/DFID	1,250,000	1,400,000	200,000	-	-	-
	IDB	518,613	497,840	-	-	-	-
	DFATD	368,164	440,936	-	-	-	-
	DFID	305,723	281,298	-	-	-	-
	GOJ	57,500	179,926	200,000	-	-	-
TOTAL MINISTRY OF NATIONAL SECURITY		12,664,446	20,229,749	14,758,697	12,918,091	13,910,252	9,578,200
MINISTRY OF JUSTICE							
Construction and Improvement of Courthouses	GOJ	73,799	-	820,000	2,500,000	2,500,000	2,500,000
Motor Vehicle for Judges	GOJ	99,659	-	-	-	-	-
Justice Sector Reform Programme	GOJ	1,068,930	1,308,210	2,850,000	4,577,300	3,500,000	3,500,000
Citizens Security and Justice Programme III	GOJ/DFAT D/ IDB	190,015	277,889	170,000	-	-	-
	IDB	60,300	50,000	-	-	-	-
	DFATD	75,372	50,000	-	-	-	-
	DFID	54,343	24,000	-	-	-	-
	GOJ	-	153,889	170,000	-	-	-
Justice, Security Accountability and Transparency Project (JSAT):	EU	203,249	80,141	-	-	-	-
MOJ		203,249	-	-	-	-	-
INDECOM		-	-	-	-	-	-
Justice Undertakings for Social Transformation	CIDA	81,977	33,911	-	-	-	-
TOTAL MINISTRY OF JUSTICE		1,717,629	1,700,151	3,840,000	7,077,300	6,000,000	6,000,000

PROJECTS	Funding Agency	Revised Estimates 2018/2019	Proposed 2019/2020	Projection 2020/2021	Projection 2021/2022	Projection 2022/2023	Projection 2023/2024
MINISTRY OF LABOUR & SOCIAL SECURITY		-					
Integrated Social Protection and Labour Programme	***GOJ/IDB***	22,950					
Social Protection Project II	***G0J/IBRD***	4,000					
Social and Economic Inclusion of Persons with Disabilities	***JICA/IBRD***	82,277					
Integrated Support to Jamaica Social Protection Strategy	***IDB***	7,792,537	8,031,803	7,243,115	7,315,547	7,461,858	-
TOTAL MINISTRY OF LABOUR & SOCIAL SECURITY		7,901,764	8,031,803	7,243,115	7,315,547	7,461,858	-
		-					
MINISTRY OF EDUCATION, YOUTH & INFORMATION		-					
Establishment of Diagnostic Centres (Special Education)	***GOJ***	8,000	143,000	40,000	-	-	-
Support to Tertiary Institutions	***GOJ***	-	-	-	-	-	-
CASE Facilities Upgrade	***GOJ***	10,000					
Sanitary Block Project (Renovation/Refurbishing of Primary Schools)	***GOJ***	91,000	-	-	-	-	-
Education Transformation Programme I	***GOJ***	366,828	371,530	-	-	-	-
Renovation/Refurbishing of Infant Schools	***GOJ***	60,150	-	-	-	-	-
National Education Trust Solar School Project	***GOJ***	80,731	20,000	40,103	40,103	40,103	-
Renovation & Modification of Caenwood Office	***GOJ***	80,000	110,000	-	-	-	-
Electrical Upgrading Project	***GOJ***	44,978					
Education System Transformation Programme	***IBRD/IDB/ GOJ***	377,825	338,340	-	-	-	-
Early Childhood Development Project	***IBRD***	68,161					
Promoting Quality Education and Advancing the reality of a Child Friendly Environment	***UNICEF***	15,000	26,000	21,000	-	-	-
Construction of Early Childhood Institutions	***GOJ/ China***	75,150	-	-	-	-	-
School Renovation and Construction - Japanese Grassroots Project	***JAPAN/ GOJ***	180,966	68,010	80,000	75,000	-	-
USAID/ MOEYI Partnership for Improved Safety and Security in Schools	***USAID***	209,484	134,037	-	-	-	-
Support for Sustainability of Education Sector Reform	***IDB***	27,830	40,566	11,347	-	-	-
TOTAL MINISTRY OF EDUCATION, YOUTH & INFORMATION		1,696,103	1,251,483	192,450	115,103	40,103	-
		-					
MINISTRY OF HEALTH		-					
Health Services Improvement	***GOJ/ NHF***	1,960,500	3,000,000	2,208,151	500,000	2,500,000	2,500,000
Western Adolescence Hospital	***GOJ***	-	235,000	3,485,600	3,427,600	-	-
HIV Prevalence in most-at-risk population reduced	***USAID***	660,437	638,148	615,000	640,000	550,000	550,000
Programme for Reduction of Maternal and Child Mortality (PROMAC)	***EU***	459,604	869,440	900,000	-	-	-
Strengthening of Health Systems in Jamaica	***IDB***	17,555	-	-	-	-	-
Support for the Health Systems Strengthening for the Prevention & Care Management of Non-Communicable Diseases Programme	***IDB/GOJ***	-	216,000	1,170,000	1,820,000	2,080,000	1,209,000
Support to the National HIV/AIDS Response in Jamaica (formerly New Funding Mechanism)	***Global Fund***	752,812	765,862	675,000	581,000	600,000	580,000
Technical support to Reduce Teenage Pregnancy	***IDB***	8,500	22,750	-	-	-	-
TOTAL MINISTRY OF HEALTH		1,898,908	3,747,200	7,053,751	4,968,600	3,730,000	2,839,000

PROJECTS	Funding Agency	Revised Estimates 2018/2019	Proposed 2019/2020	Projection 2020/2021	Projection 2021/2022	Projection 2022/2023	Projection 2023/2024
MINISTRY OF CULTURE, GENDER, ENTERTAINMENT & SPORT		-					
Santa Cruz Outreach Centre	*GOJ*	19,310	25,000	-	-	-	-
Advancing Jamaican Biodiversity data products and information services	*EU*	1,415	-	-	-	-	-
TOTAL MINISTRY OF CULTURE, GENDER, ENTERTAINMENT & SPORT		20,725	25,000	-	-	-	-
		-					
MINISTRY OF INDUSTRY, COMMERCE, AGRICULTURE & FISHERIES		-					
Major Rural Farm Roads Rehabilitation/Devt Programme	*GOJ*	800,000	752,000	500,000	500,000	500,000	500,000
Production Incentives to farmers	*GOJ*	150,000	-	-	-	-	-
Bodles Redevelopment Project	*GOJ*	150,000	295,600	238,430	318,800	-	-
Agricultural Competitiveness Programme Bridging Project	*GOJ*	181,093	325,800	325,800	-	-	-
Sugar Transformation Programme	*GOJ*	303,951					
Enhancing the Resilience of the Agricultural Sector and Coastal Areas	*Adaptation Fund*	54,850					
Promoting Community Based Climate Resilience in the Fisheries Sector	*IBRD*	30,000	95,406	94,350	123,083	49,848	-
Rehabilitation of Irrigation Infrastructure (NIC)	*GOJ*	100,000	248,000	-	-	-	-
Essex Valley Irrigation Infrastructure Development Prog.	*CDB*	207,613	628,198	2,350,000	1,300,000	165,600	-
Feasibility Studies for GOJ Public Investment Projects -Pedro Plains Irrigation Feasibility Study	*Govt of France*	75,265	37,641	39,523	40,793	-	-
Feasibility Studies for GOJ Public Investment Projects - South St.Catherine - South Clarendon Irrigation Feasibility Study	*CDB*	130,000	186,000	520,000	780,000	715,000	520,000
Agricultural Competitiveness Programme	*GOJ/IDB*	43,893					
National Agro Parks programme		-	-	-	-	-	-
Implementation Support for Skills Development for Global Services	*IDB*	10,000	27,254	-	-	-	-
Enhancing Institutional and Regulatory Framenwork for Jamaica ICT/BPO Industry	*CDB*	15,480					
Global Services Skills Project	*IDB*	-	165,182	395,000	629,000	630,000	131,000
TOTAL MINISTRY OF INDUSTRY, COMMERCE, AGRICULTURE & FISHERIES		2,252,145	2,761,081	4,463,103	3,691,676	2,060,448	1,151,000
		-					
MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY		-					
E-Learning Project	*GOJ /USF*	700,000	-	-	-	-	-
Upgrade to the International Postal System	*ITU*	15,000	35,872	53,872	-	-	-
Energy Efficiency & Conservation Programme	*GOJ*	47,498					
Energy Security and Efficiency Enhancement Project:	*GOJ/ IBRD*	-					
Improving Innovation Capacities in the Caribbean	*GOJ/ ACP Group*	-					
Support to the Energy Management and Effciency Programme	*IADB*	11,242					
Energy Management and Effciency Programme	*IDB*	9,538					
TOTAL MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY		83,278	35,872	53,872	-	-	-

PROJECTS	Funding Agency	Revised Estimates 2018/2019	Proposed 2019/2020	Projection 2020/2021	Projection 2021/2022	Projection 2022/2023	Projection 2023/2024
MINISTRY OF TRANSPORT & MINING		-					
Trifold National Transport Repository Project	GOJ	771	500	1,229	-	-	-
TOTAL MINISTRY OF TRANSPORT & MINING		771	500	1,229	-	-	-
		-					
MINISTRY LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT		-					
Acquisition of Garbage Trucks - NSWMA	GOJ	300,000	320,000	-	-	-	-
Fixed Asset Acquisition - Jamaica Fire Brigade	GOJ	232,651	498,000	-	-	-	-
Improvement of Emergency Communication System in Jamaica	JICA	78,876	750,000	750,000	-	-	-
Drop-in-Centres - homeless people	GOJ	28,000	28,000	28,000	30,000	-	-
Portmore-Hagen Climate Change Park	German Govt	10,000					
Local Government Adaptation to Climate Change	EU	16,627	24,640	-	-	-	-
Fisheries Ecosystem Adaptation Strategies and Technologies	CCCCC	4,000					
Strengthening the Disaster Risk Management Capacity of Portmore	CDB	15,000	23,156	30,750	-	-	-
Climate Change Adaptation and Risk ReductionTechnology and Strategies to Improve Community Resilience	CDB	7,524	23,582	30,750	25,754	-	-
TOTAL MINISTRY OF LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT		692,678	1,667,378	839,500	55,754	-	-
		-					
TOTAL CENTRAL GOVERNMENT		70,577,522	72,110,620	76,549,700	81,906,000	87,737,100	93,907,400
PUBLIC ENTERPRISES							
				-	-	-	
Airport Authority of Jamaica				-	-	-	
NMIA Capital Development Programme (CDP) Phase 1b		370,023	368,081	73,700	-	-	-
NMIA Capital Development Programme (CDP) Phase 2a		808,685	1,000,310	137,350	67,000	102,644	-
Shoreline Protection	AAJ	0	670,000	281,400	794,252	-	-
Ian Fleming Airport	AAJ	282,389	90,416	190,692	968,364	13,266	-
Vernamfield Aerodrome	AAJ	304,651	268,000	375,200	268,000	1,474	-
Negril Aerodrome	AAJ	108,154	45,766	17,523	19,585	6,700	-
AAJ SubTotal		1,873,903	2,442,573	1,075,865	2,117,200	124,084	-
Port Authority of Jamaica:				-	-	-	
Upgrade & Renovation of Reynolds Pier (O/Rios)	Debt	949,180	58,110	-	-	-	
Fisherman Village Land Acquisition/civil works/ consultancy (O/Rios)	Loan	149,170	-	-	-	-	
BPO MBFZ 63000 sqt ft Building	Loan/MOFPS	-	-	-	-	-	
BPO Portmore Informix centre	Loan/MOFPS	1,483,490	522,890	-	-	-	
MOBAY CRUISE AND CARGO DEVELOPMENT	PAJ	1,513,440	-	-	-	-	
Sea Walk Floating Pier	PAJ	1,234,690	-	-	-	-	
Port Royal Project	Loan	-	1,178,540	1,820,850	352,560	-	
Logistics Kingston	PAJ	938,770	890,980	-	269,680	-	
Falmouth Dredging - East Berth	PAJ	-	-	-	-	-	
Falmouth Town Development Projects		-	-	-	-	-	
KCT - Quay Wall	Loan	189,530	248,630	255,610	263,390	271,400	
Port Community System	PAJ	111,830	457,720	-	-	-	
PAJ Sub-Total		6,570,100	3,356,870	2,076,460	885,630	271,400	-

PROJECTS	*Funding Agency*	Revised Estimates 2018/2019	Proposed 2019/2020	Projection 2020/2021	Projection 2021/2022	Projection 2022/2023	Projection 2023/2024
National Water Commission			-	-	-	-	
Rural Water Supply Improvement	NWC	-	833,160		166,000	655,000	609,000.00
KMA Water Supply Improvement – Rio Cobre (content) water Treatment Plant	IDB	1,510,480	739,420	1,427,000	-	-	-
Caribbean Regional Fund for Wastewater Management (CReW)	Loan/NWC	600,000	-	780,000	-	-	-
K-Factor Projects	Bond	2,035,000	1,231,500	3,481,000	5,084,000	4,037,000	4,770,000.00
In House Capital Projects	NWC	914,050	676,260	1,625,000	2,660,000	2,160,000	205,000.00
Metering Programme	Bond	1,159,080	2,646,330	-	-	-	-
Renewable Energy	NWC		-	260,000	-	-	-
ICT Upgrade	Loan/NWC		700,000	303,000	303,000	520,000	520,000.00
NWC Sub-Total		**6,218,610**	**6,826,670**	**7,876,000**	**8,213,000**	**7,372,000**	**6,104,000**
Urban Development Corporation -				-	-	-	
Dunns River Beach Replenishment-Groyne	UDC	-	112,859	11,003	-	-	-
Dunns River Jetty	UDC		54,616	5,638			
Ocho Rios Bay Beach Upgrade	UDC	-	181,958	29,335	-		
Caymanas Primary Infrastructure - Storm Water Drainage [defects]	UDC	-	2,169	-	-	-	-
UDC Sub-Total		**-**	**351,602**	**45,976**	**-**	**-**	**-**
			-				
NATIONAL HOUSING TRUST							
Small Contractors Programme							
Granville, Trelawny	NHT	459,580	-	-	-	-	-
Braham, Westmoreland	NHT	37,840	-				
Maryfield, St. Catherine	NHT	128,790	34,050	-	-	-	-
Darliston, Westmoreland	NHT	23,840	53,670	-	-	-	-
Masemure, Westmoreland	NHT	104,040	73,170	-	-	-	-
Yeast Plant, Westmoreland	NHT	43,470	26,020	-	-	-	-
Shrewsbury Ph 1, Westmoreland	NHT	48,960	23,760	-	-	-	-
Cashew Grove, St. James	NHT	136,980	42,310	-	-	-	
Monymusk Phase 2	NHT	-	80,050	-	-	-	
Friendship Phase 1, St. Elizabeth	NHT	-	12,690	-	-	-	
Hummingbird - Sevens Phase 1	NHT	-	81,900				
Hummingbird - Sevens Phase 2	NHT	-	12,050				
Windor	NHT	-	78,850				
Colbeck Castle Ph 1 & 2	NHT	-	72,750				
Colbeck Castle Ph 3 & 4	NHT	-	71,790	-	-	-	
Nashville, St. Mary	NHT	15,290	-	-			
NHT Joint Venture							
The Villages of Colebeck Castle - Ph 1 & 2, Clarendon	NHT	1,729,330	159,010	**56,340**	**3,500**	-	-
The Villages of Colebeck Castle - Ph 1 & 2, Clarendon (Housing)	NHT	150,000	274,900	**1,303,800**	**200,000**	**2,173,000**	-
The Villages of Colebeck Castle - Ph 3 & 4, Clarendon	NHT	100,000	319,180	**23,170**	-	-	-
The Villages of Colebeck Castle - Ph 3 & 4, Clarendon (Housing)	NHT	-	81,760	**600,000**	**150,000**	**50,000**	-
The Villages of Colebeck Castle - Ph 5, Clarendon	NHT	500,000	1,472,540	**2,124,240**	**1,177,180**	**1,611,200**	
Hague, Trelawny	NHT	-	54,450	**298,160**	**6,200**	-	-
Estuary - Phase 1, St. James	NHT	3,210,000	438,000	-	-	-	-
Estuary - Phase 2, St. James	NHT	400,000	1,817,700	**1,700,000**	**500,000**	**2,000,000**	-
Fontabelle, Westmoreland	NHT	120,000	304,330	-	-	-	-

PROJECTS	Funding Agency	Revised Estimates 2018/2019	Proposed 2019/2020	Projection 2020/2021	Projection 2021/2022	Projection 2022/2023	Projection 2023/2024
NHT Projects - General							
Anchovy, St. James	NHT	30	59,410	**51,000**	**40,000**	-	-
Barett Hall, St. James	NHT	-	-	**1,650,000**	**5,500,000**	**1,000,000**	-
Caymanas Phase 1, St. Catherine	NHT	-	-	**315,000**	**1,450,000**	**1,255,000**	-
Caymanas Phase 2, St. Catherine	NHT	-	77,430	**564,000**	**940,000**	**240,000**	-
Dry Valley - Phase 1, Trelawny	NHT	-	67,670	**450,000**	**500,000**	**3,850,000**	-
Dundee, Trelawny	NHT	-	20,000	-	-	-	-
Ebony Phase 1, Clarendon	NHT	-	70,500	**306,000**	**650,000**	**1,081,000**	-
Friendship - Phase 1, St. Elizabeth	NHT	4,520	122,060	**166,500**	**50,000**	-	-
Friendship - Phase 2, St. Elizabeth	NHT	-	123,550	**340,000**	**640,000**	-	-
Galina, St. Mary	NHT	120,000	198,450	**468,000**	**250,000**	**1,110,000**	-
Hellshire Phase 2, St. Catherine (Housing)	NHT	177,280	273,670	**25,560**	-	-	
Hellshire Phase 3, St. Catherine	NHT	416,920	226,450	**9,000**	-	-	
Humming Meadows Phase 1, Clarendon (Housing)	NHT	-	118,680	**10,500**	-	-	
Humming Meadows Phase 1, Clarendon (Infrastructure)	NHT	680,640	72,930	-	-	-	
Humming Meadows Phase 2, Clarendon	NHT	100,000	237,390	**555,000**	**185,000**	-	
Industry Cove, Hanover	NHT	223,220	114,020	**60,000**	**150,000**	-	
Latium, St. James	NHT	232,810	403,250	**375,000**	**55,000**	**15,500**	
Longville - Phase 2A, Clarendon	NHT	178,870	-	-	-	-	
Longville - Phase 3A, Clarendon (Housing)	NHT	245,270	11,320	-	-	-	
Malvern, St. Elizabeth	NHT	-	65,700	**4,500**	-	-	
Minard, St. Ann	NHT	120,000	213,240	-	-	-	
Monymusk Country Estate, Clarendon	NHT	174,490	7,710	-	-	-	
Monymusk Country Estate, Clarendon (Housing)	NHT	20,000	104,390	**411,000**	**370,000**	-	
Mount Nelson, Manchester	NHT	-	31,360	**1,710,000**	**2,410,000**	**4,100,000**	
Negril Spots, Westmoreland	NHT	-	63,630	**375,000**	**1,320,000**	**1,755,000**	
Perth 1a, Manchester	NHT	16,620	200,750	**75,000**	-	-	
Perth 2, Manchester	NHT	302,130	870,530	**665,000**	**1,600,000**	**950,000**	
Rosemount, St. James	NHT	-	52,500	**150,000**	**14,500**	**14,500**	
Ruthven Road, Phase 1, St. Andrew	NHT	244,040	337,960	**180,000**	-	-	
Ruthven Road, Phase 2, St. Andrew	NHT	-	32,200	**510,000**	**1,700,000**	**1,700,000**	
Salt Springs, St. James	NHT	-	21,700	**99,150**	**345,100**	**12,500**	
Sheckles 1, Clarendon	NHT	4,210	89,300	**19,500**	-	-	
Sheckles 2, Clarendon	NHT	3,970	125,750	**272,400**	**608,000**	**915,000**	
Twickenham Park, Phase 4, St. Catherine	NHT	2,630	240,900	**73,500**	**29,000**	**5,000**	
Vineyard Town - Central Avenue & Third Avenue	NHT	-	45,580	**1,050**	-	-	
Windsor - Duncans, Trelawny	NHT	114,290	64,240	**7,500**	-	-	
INNER CITY HOUSING / COMMUNITY RENEWAL PROG.							
Majestic Gardens	NHT	5,050	36,940	-	-	-	
Metcalfe Street	NHT	66,620	-	-	-	-	
White Wing	NHT	140	148,720	**109,800**	-	-	
Maxfield Park (Frog City)	NHT	3,260	147,750	**105,000**	**108,000**	**253,000**	
St. Paul	NHT	-	91,540	-	-	-	
Rasta City	NHT	-	133,620	**121,500**	-	-	
Mona Commons	NHT	-	10,440	**167,700**	**250,000**	**133,500**	
Cantebury	NHT	-	125,270	**72,000**	**60,000**	-	
Juno Crescent	NHT	-	58,130	-	-	-	
		-	-				
SUGAR HOUSING PROGRAMME		-	-				
Shewsbury, Westmoreland	NHT	-	65,000	**4,800**	-	-	
Fontabelle, Westmoreland	NHT	-	-	**240,000**	**1,140,000**	**140,000**	
Jacksonville, Clarendon	NHT	115,840	-	**3,000**	-	-	
NHT TOTAL		**10,780,970**	**11,166,560**	**16,828,670**	**22,401,480**	**24,364,200**	-

PROJECTS	Funding Agency	Revised Estimates 2018/2019	Proposed 2019/2020	Projection 2020/2021	Projection 2021/2022	Projection 2022/2023	Projection 2023/2024
Students' Loan Bureau							
Enterprise Management Information System (EMIS)	SLB	3,220	**378,994**	147,638	-	-	
			-				
Jamaica Urban Transit Company Limited							
Bus Refurbishing	-	-	253,000	234,000	210,600	-	-
Kleen Oil Filtration System		-	251,500	-	-	-	-
Bus Information and Tracking System		-	129,000	-	-	-	-
Total JUTC		**-**	**633,500**	**234,000**	**210,600**	**-**	**-**
FACTORIES CORPORATION OF JAMAICA							
GARMEX REDEVELOPMENT PROJECT		31	450,000	**400,000**	400,000	400,000	
Enterprise Projects (Naggo Head, Boundbrook, Morant Bay)		6	100,000	-	-	-	
			-	-	-	-	
Total FCJ		**37**	**550,000**	**400,000**	**400,000**	**400,000**	**-**
Ministry of Education			-		-	-	
Petrojam Limited					-	-	
Refinery Upgrade Project - Phase 1 (VDU)		113,100	2,640,000	5,400,000	5,282,550	-	
Total PetroJam		113,100	**2,640,000**	**5,400,000**	**5,282,550**	**-**	-
			-				
TOTAL SELF-FINANCED PUBLIC BODIES		**25,559,940**	**28,346,769**	**34,084,609**	**39,510,460**	**32,531,684**	**6,104,000**
NMIA PPP	**PPP**		**-**	**2,098,800**	**3,669,600**	**4,342,800**	**1,082,400.00**
Ministry of Education							
Schools Solar Public Private Partnership	**PPP**						
			529,280				
Total PSIP		**96,137,462**	**100,457,388**	**110,634,309**	**121,416,460**	**120,268,784**	**100,011,400**

APPENDIX VI

FISCAL RISK STATEMENT

Introduction

In order to create an environment for sustained economic growth, Jamaica has embarked on various policies that encourage both fiscal responsibility and debt sustainability. Primary among these initiatives, are the policies which will facilitate achievement of the legislated fiscal targets. Among the legislated targets are public debt to GDP of 60.0% or less by FY 2025/26, gradual reductions in the guaranteed debt stock as a percent of GDP over the medium term and a wage to GDP target. As a means of identifying and monitoring the major risks that may impact the GOJ in the achievement of its targets, both the Annual Fiscal Policy Paper (FPP) and Interim FPP include Fiscal Risk Statements in accordance with the Fiscal Responsibility Framework (FRF).

Significant adverse deviations in the actual fiscal outturn from the FY 2019/20 budget projection and the medium term framework could derail the fiscal programme and result in unexpected pressure on the fiscal operations. Macroeconomic variations including excessive exchange rate depreciation can have an unfavourable effect on the balance of payments, leading to increasing deficits on the BOP accounts. Exchange rate depreciation also impacts the Jamaica dollar value of foreign currency denominated debt, inflation, commodity prices and the importation of goods and services. Additionally, operations of state owned enterprises (SOEs), collaborations with the private sector through public-private partnerships (PPP) and other implicit and explicit contingent liabilities all pose significant risks that must be correctly identified and mitigated.

This statement details the major sources of fiscal risks that have a reasonable chance of materialising in the near term. Each risk is carefully monitored by the Government of Jamaica (GOJ) through the Ministry of Finance and the Public Service (MOFPS). It specifies the medium through which these risks are monitored and provides a general outline of how their impact may be transmitted to the fiscal framework. Also provided is a suite of key risk management strategies that have been developed to mitigate the risks.

Fiscal Risk Sources and Disclosure

Risks to the fiscal framework are varied in their structure and form. The major risks that are keenly monitored and managed by the MOFPS are highlighted in Table VII (a).

Table VII (a)

Risk Factor	Implications for Fiscal Position
Macroeconomic Risks	
Economic Growth	Deviation of actual economic growth from planned is most likely to influence the Government's fiscal position through its impact on tax revenue. If growth is lower than planned, it is probable that a shortfall in revenue will result.
Inflation	Lower than programmed inflation can have a negative impact on revenue collection, and nominal growth, thereby impacting the achievement of fiscal targets. Higher than programmed inflation could negatively impact the Government's expenditure bill; and the debt portfolio through inflation-linked bonds.
Interest Rates	Increasing interest rates are a risk to debt service costs, based on the interest rate composition of the debt stock. That is, the higher the percentage of the portfolio that is contracted on a floating rate basis, the greater the risk from an increase in the interest rate.
Exchange Rates	On the expenditure side, if the Jamaica dollar depreciates against other currencies relevant to Jamaica, the external debt stock, debt service, and imports will increase in J$ terms. On the revenue side, a depreciation of the $J will have a positive effect through increased earnings primarily from international trade taxes and external grant receipts (in J$ terms). The combined impact on revenue and expenditure, however, is negative.
Commodity Prices	Oil Prices - Oil prices directly impact both revenue and expenditure. Revenue is impacted through the SCT on petroleum and petroleum products, whereas expenditure is impacted through the Government's housekeeping expenses - electricity, fuel etc.
Contingent Liabilities	
Natural Disasters	Jamaica is located in a multi-hazard zone, and is therefore susceptible to natural disasters such as hurricanes, flooding, excess rainfall and earthquakes. Realisation of any of these disasters could lead to significant infrastructural damage, and the need for an increase in and/or adjustment of the GOJ's expenditure profile.
State Owned Enterprises	Public Entities may require support from the Central Government to cover operating costs or pay debt assumption. This could therefore add pressure to the Government's expenditure budget.
Public Private Partnerships (PPPs)	PPP Projects have to be carefully designed taking into account the probability of losses that may have to be assumed by the Government.
Judicial Awards	Court judgements made against the GOJ pose a risk to fiscal targets, through increased unplanned expenditure.
Other	
Wage Settlements	Wage settlements usually involve negotiations in which the outcome is uncertain. These negotiations can also be prolonged, so that payments might not be settled until after the approval of the Budget. This could result in the need for expenditure above planned levels.
Monetary Policy	The Bank of Jamaica Act outlines that the Central Bank should maintain a Reserve Fund consisting of net profits transferred at the end of each fiscal year. When the fund exceeds the Bank's authorised capital, the excess should be transferred to the Consolidated Fund. Likewise, if the Bank realises net losses exceeding the amount held in the Reserve Fund at the end of the Bank's fiscal year, the excess is to be paid to the Bank from the Consolidated Fund. The operations of the Central Bank could therefore pose either positive or negative risks.
Government Policy Changes	Where government policies change in response to economic conditions, both revenue and expenditure could be impacted.

Source: MOFPS

Macroeconomic Risks

Economic Growth

Considered to be a high-impact fiscal risk, large variations from expected economic growth can have significant effects on the fiscal balance. As one of the underlying macroeconomic indicators utilised to generate the medium term projections, GDP growth is closely monitored by the GOJ. Table VII (b) below shows the difference between growth projections and actual/estimated for both nominal and real GDP over the period FY 2014/15 to FY 2018/19. Based on provisional estimates for FY 2018/19, it is expected that the fiscal year will close with a 1.7 and 0.6 percentage point shortfall in the nominal and real GDP growth, respectively. For FY 2019/20, it is expected that the economy will grow by 6.0% in nominal terms, and 1.5% in real terms. Real growth is expected as a result of improved economic performance in both the goods producing and services industries. The downward trajectory of the unemployment rate is also expected to lead to economic expansion.

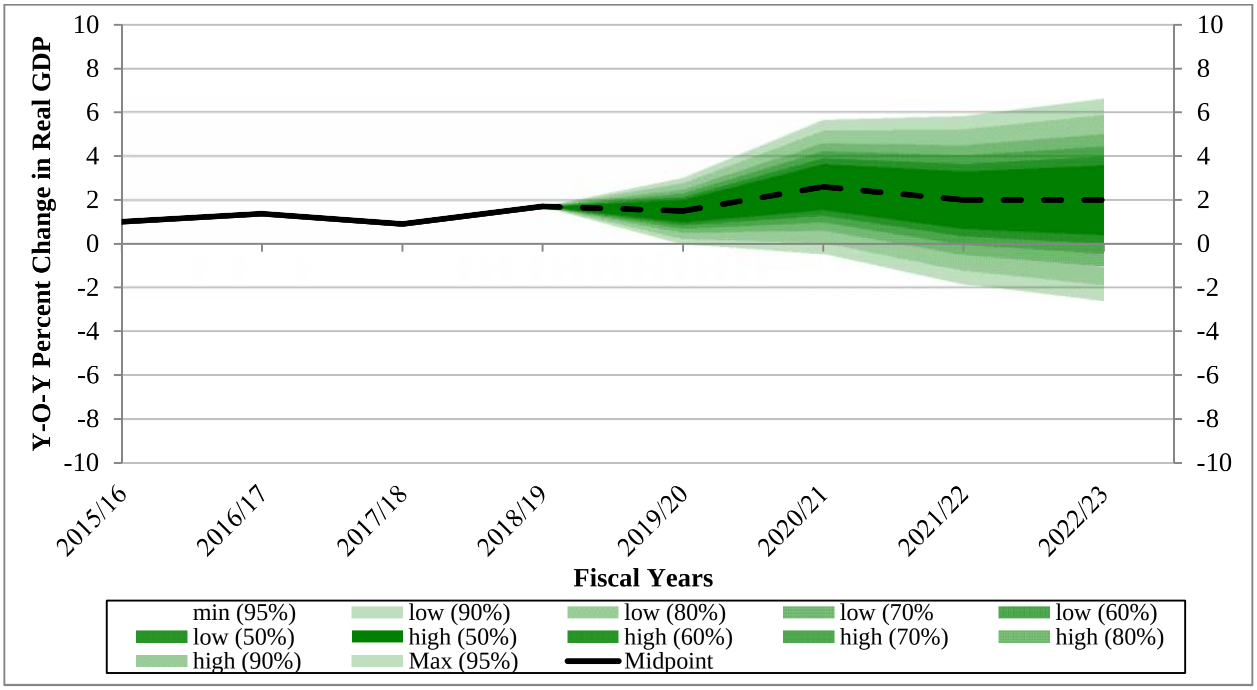
Table VII (b) Nominal and GDP Real Growth Projections vs. Actual

Period	Nominal GDP Growth (%)			Real GDP Growth (%)		
	Projection	Actual	Percentage Point Change	Projection	Actual	Percentage Point Change
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	1.0	-0.6
FY 2016/17	5.8	3.9	-1.9	1.8	1.3	-0.5
FY 2017/18	7.2	5.9	-1.3	2.3	0.9	-1.4
FY 2018/19	6.9	5.2[+]	-1.7	2.4	1.8[+]	-0.6

+provisional estimate BOJ
Source: MOFPS

The baseline real GDP growth projections remain uncertain in the near-term as depicted in the fan chart below. The solid line represents actual fiscal year Real GDP growth for the 3-year period from FY 2015/16 through to FY 2017/18 and the estimated growth for FY 2018/19, while the broken line represents the 4-year medium-term baseline projections (from FY 2019/20 to FY 2022/23). The fan chart utilises the standard deviation of the forecast errors to determine the spread of the fan opening around the projected baseline values at different confidence levels. The blades nearest the centre of the fan chart in dark green define the range of projections corresponding to a 50.0% probability of occurrence, based on past experience. As the probability of occurrence increases, the colour is progressively less saturated and the spread between the minimum and maximum values rise. For FY 2019/20, the fan chart shows that there is a 50.0% probability that real GDP growth outturn will be between 1.0 and 2.0%.

Figure VII (a) Depiction of Uncertainty Surrounding Baseline Real GDP Growth Forecast for FY2018/19 to FY2022/23



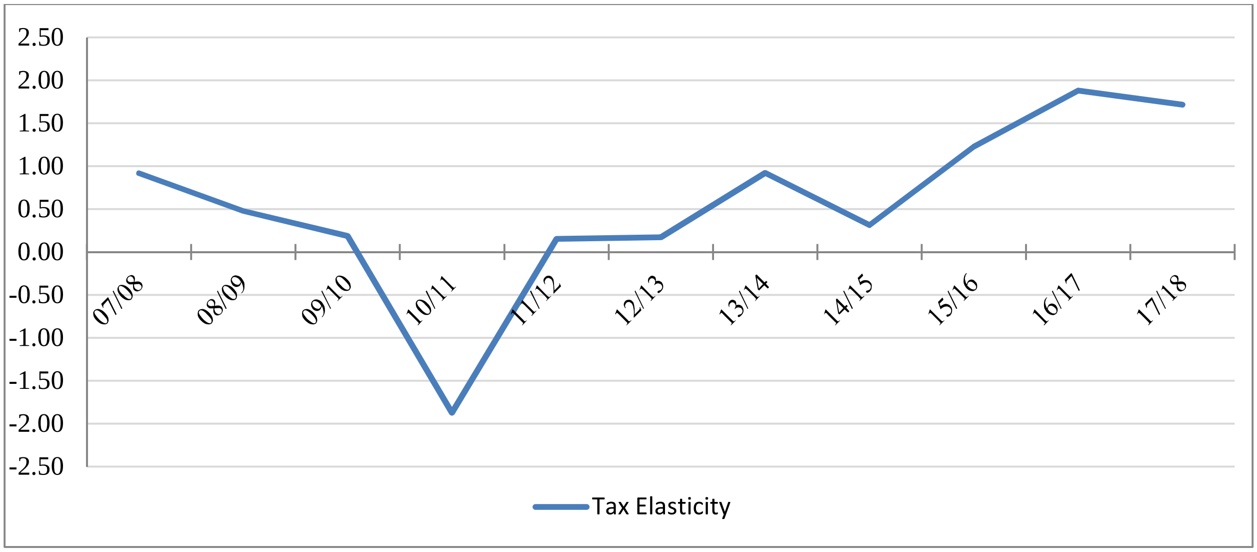
Source: STATIN/PIOJ

The GOJ's fiscal position is highly dependent on tax revenues which account for some 90% of total government revenues. As tax revenue projections rely on economic growth estimates to guide their outcome, negative deviations in the actual nominal GDP outturn from projections can ultimately affect the fiscal programme. Assuming a one-to-one relationship, if the expected nominal GDP growth of 6.0% fails to materialise, falling short by 2 percentage points, all things being equal, tax revenues could be below projections by J$3.6bn resulting in a shortfall in total revenue.

The extent of the relationship between Jamaica's nominal GDP growth and tax revenue collection can be measured by tax elasticity. Tax elasticity measures the responsiveness of tax revenue to changes in GDP, controlling for any changes in tax policies. A tax elasticity of one (1) suggests that a 1.0% increase in GDP would result in a 1.0% increase in tax revenue. If the elasticity is greater (or less than one (1), revenue would more than proportionately increase (or decrease) with GDP.

Figure VII (b) plots total tax revenue elasticity for the period FY 2007/08 to FY 2017/18.

Figure VII (b) Elasticity of Total Tax Revenue Relative to Nominal GDP



Source: MOFPS

Adverse deviations from the projected GDP growth pose a significant risk to Jamaica's ability to meet its specific fiscal target of an annual primary surplus of at least 7.0% of GDP and to realise a reduction of the public debt stock to 60.0% or less of GDP by FY 2025/26.

It is expected that the FY 2018/19 performance in the goods producing and service industries will be positive over the FY 2017/18 actuals, up 4.9% and 0.8% respectively. Despite the overall positive increase in the year over year estimates, both were lower than the projections tabled in the FPP 2018/19. The impact of the variation, however, is not evident in the FY 2018/19 expected fiscal outturn as total tax revenues have outperformed both the original and 1st Supplementary budget forecasts.

According to the World Economic Outlook, the global economy is expected to record growth of 3.5% in 2019, down from the 3.7% projected for 2018. While it is expected that there will be growth in the global economy, this growth has been tempered by a slowdown in the economies of Europe and Asia due to country specific factors. The United States, Jamaica's main trading partner, is also expected to realise growth, albeit at a slower rate of 2.5% in 2019 than the 2.9% estimated for 2018. This weakening of momentum may be caused by the increased uncertainty in US-China trade relations and the unwinding of the fiscal stimulus through 2020. Additionally, a further reduction in the weekly growth outlook, by an estimated 0.08%, may materialise due to the partial US Government shut-down that lasted for 35 days and ended on January 25, 2019. The ongoing threat of shutdown continues to pose a significant risk to the economy's growth potential.

Inflation

As part of Jamaica's economic reform programme, the Government has implemented a continuous medium-term inflation target of 4.0 to 6.0%. In order to meet this objective, the Bank of Jamaica (BOJ) uses monetary policy throughout the year to manage the inflation rate in order to promote GDP growth. At end-December 2018 point-to-point inflation stood at 2.4%, 1.9 percentage points lower than the annual projection. This shortfall in the anticipated inflation rate was largely due to lower than expected agricultural prices, lower than expected electricity rates and transportation costs due to a decline in local fuel prices and the cost of air travel.

The annual inflation rate is projected to be 3.7% at end-March 2019, as agricultural prices normalise and electricity costs begin to increase with rising oil prices. Notwithstanding this increase, inflation will still fall short of the 4.3% projected at the start of FY 2018/19. It is expected however that with increases in domestic demand and a sustained reduction in the unemployment rate, GDP growth will continue to improve, resulting in an increase in inflation towards the target band during the medium-term. The risk of lower than programmed inflation has negative implications for tax revenue and for nominal GDP, which is the base of the GOJ's programme targets such as wage to GDP and primary balance to GDP. Low inflation could also be a sign of a slowdown in economic activity.

The low and stable inflation environment, in which the government currently operates, reduces the inflation rate risk of the debt portfolio. If, however, the inflation rate were to rise significantly, this would pose a real risk to the debt portfolio by increasing debt service costs. The GOJ actively manages the debt portfolio's exposure, by limiting the nominal amount of inflation-linked instruments. Presently, the domestic portfolio includes CPI linked bonds that represent 2.4% of total public debt, a 0.1percentage point increase over the outturn at end-March 2018. This was due to revaluation effects and net redemptions of non-inflation linked debt.

Interest Rates

Adverse movements in market interest rates can increase the government's debt service costs for variable rate debt and the cost of rolling over near to maturity fixed rate debt. With the medium term projections suggesting an increase in external interest rates, interest costs are expected to rise, thereby adversely impacting the fiscal balance. The GOJ has undertaken to manage this exposure to interest rate risk by establishing a fixed/variable rate target of 70:30 as outlined in the MTDS FY 2018/19 – FY 2020/21 to optimise the interest rate structure of the portfolio. This target will be met through a gradual reduction of the variable rate debt, to 30% by end-March 2020. To meet this target, the strategy outlines issuing only fixed rate instruments and replacing maturing variable rate debt with fixed rate debt. In addition, the Government's strategy for managing refinancing risk will be to focus on issuing longer term instruments and ensuring that debt instruments maturing in one-year account for at most 10.0% of the portfolio.
The share of variable rate debt in the GOJ's debt portfolio was estimated at 32.2% at end-December 2018; down 3.4 percentage points relative to end-December 2017 (see Table VII (c)).

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

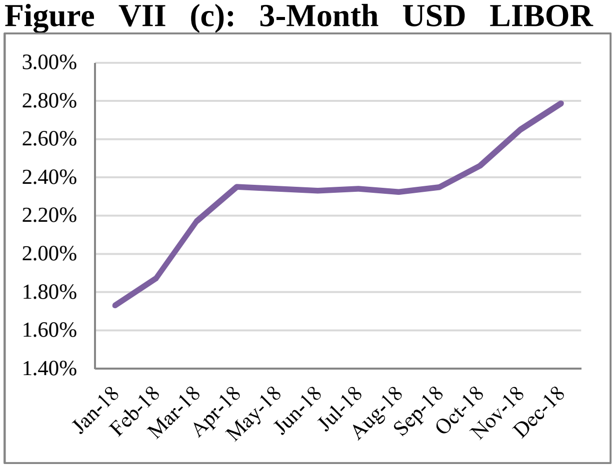
Interest Rate Composition of Debt Stock (%)			
	end-December 2017	**end-March 2018**	**end-December 2018**
Total Debt			
Fixed Rate	64.40	64.30	67.80
Variable Rate	35.60	35.70	32.20
Domestic Debt			
Fixed Rate	55.70	55.46	62.30
Variable Rate	44.30	44.50	37.70
External Debt			
Fixed Rate	69.40	72.00	71.10
Variable Rate	30.60	28.00	28.90

Source: MOFPS

The benchmark rates used to reset interest rates on the variable rate portion of the debt portfolio are primarily the 3-month Treasury Bill on the domestic portfolio, and the USD LIBOR on the external side. Since the beginning of FY 2018/19 the US Federal Reserve has increased the federal funds rate on three occasions, settling at a range of 2.25-2.50 at end-December 2018. The increased rates arise as the US returns to tighter monetary policy over the near-term.

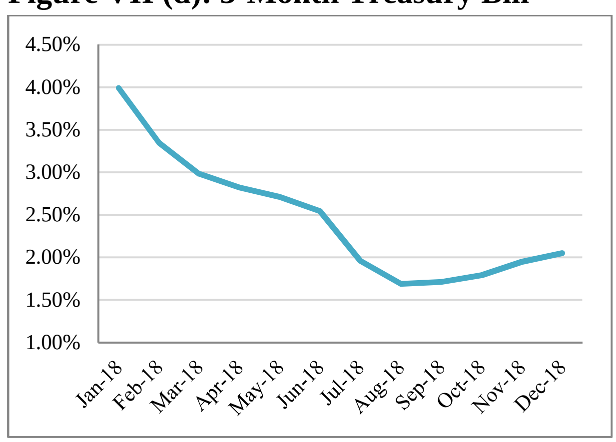
Conversely, the cost to service domestic debt has decreased over CY 2018. Jamaica's 3-month Treasury Bill began the year at 3.99% but by end-December 2018 settled at 2.05%. With greater focus on domestic debt, the downward trend in local interest rates could result in lower debt service costs for the GOJ.

Figure VII (c): 3-Month USD LIBOR



Source: MOFPS

Figure VII (d): 3-Month Treasury Bill



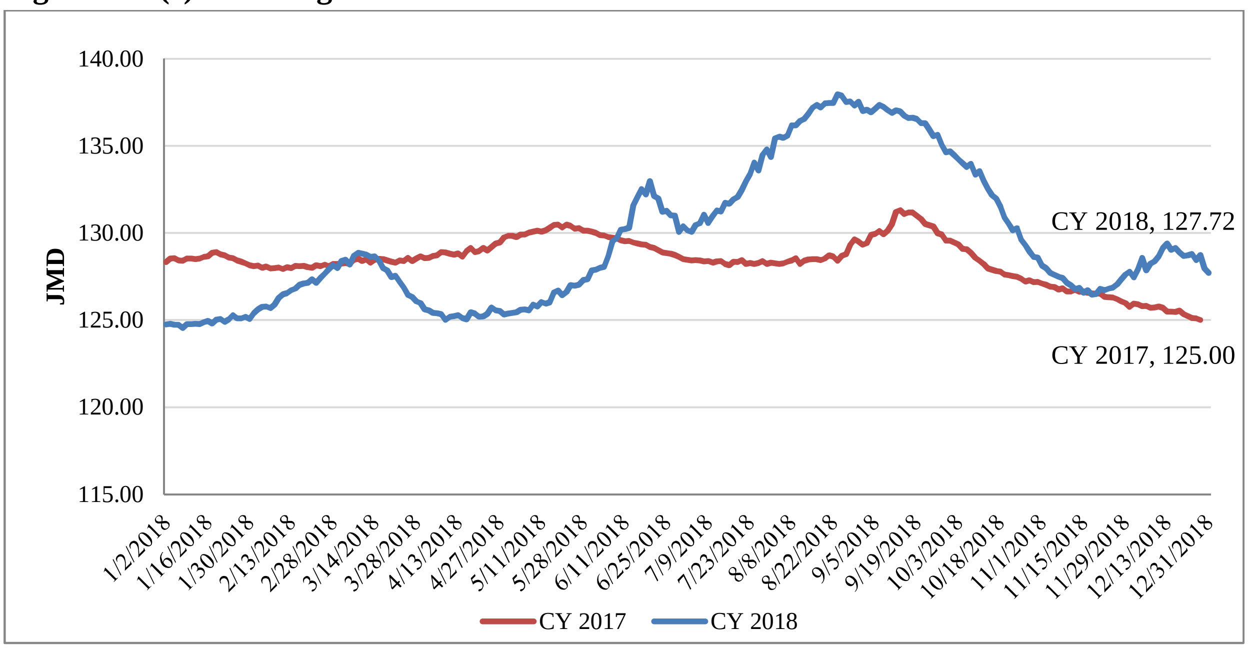
Source: MOFPS

Exchange Rates

Jamaica's exposure to foreign currency risk is largely due to the composition of the debt portfolio, as a depreciation of the Jamaica dollar relative to foreign currencies will change the valuation of the debt stock as well as debt service costs in Jamaica dollar terms and result in deterioration of the fiscal balance. Managing foreign currency exposure will be achieved through the rebalancing of the debt portfolio toward a lower share of foreign currency denominated debt, which is the objective of the GOJ over the medium-term.

The most recent reform in the foreign exchange market has been the implementation of the BOJ Foreign Exchange Intervention & Trading Tool (B-FXITT) that has increased the predictability of the Central Bank's participation in the foreign exchange market. This has resulted in exchange rate movements that are more reflective of changes in market demand and supply. For the CY 2018 the Jamaica dollar depreciated by 2.2% vis-à-vis the US dollar, moving from an end of period selling rate of J$125.00=US$1.00 at end-December 2017 to J$127.72=US$1.00; while for the fiscal year to end-December 2018, the Jamaica dollar depreciated by 1.4% relative to the US dollar (see Figure VII (e)).

Figure VII (e): Exchange Rate Movements of the Jamaica Dollar vis-à-vis the US Dollar



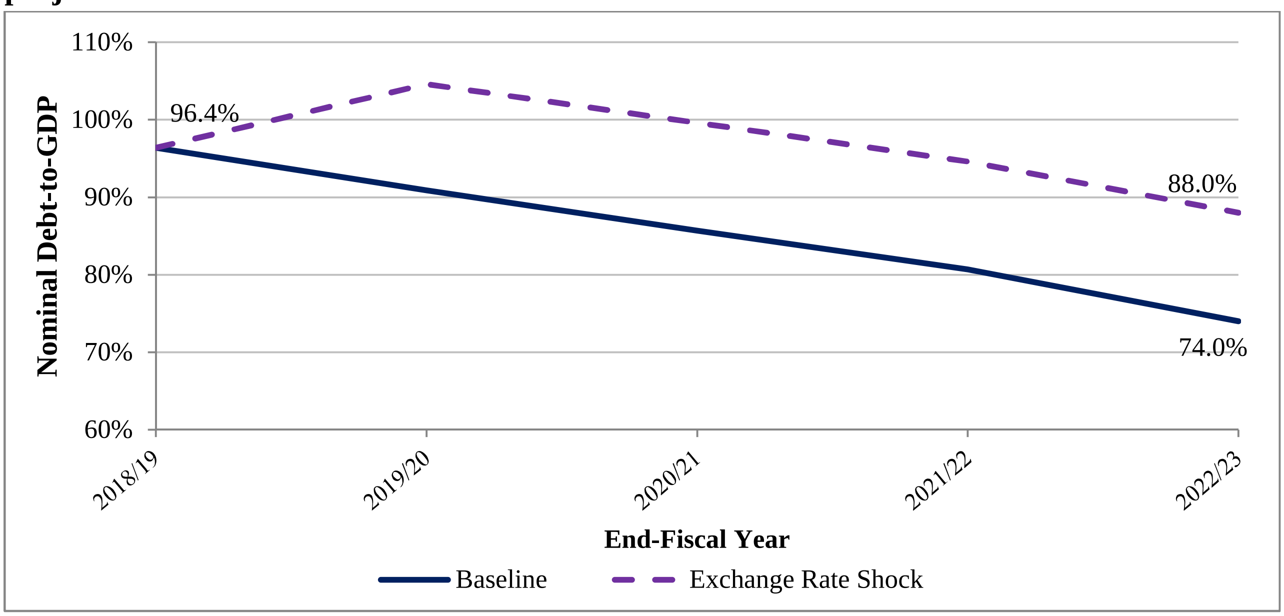
Source: BOJ

The effect of this mean change in the value of the Jamaica dollar has been an increase in the stock of the external debt in Jamaica dollar terms. At end-December 2018, Jamaica's external debt stock was valued at J$1,192.0bn representing a 0.6% increase over end-March 2018. USD instruments account for the majority of externally issued debt and accounted for 61.9% of total debt as at end-December 2018, 1.9 percentage points higher than the corresponding period for the previous year. This movement represents increased exposure to foreign currency risk over the period.

While the portion of the debt portfolio denominated in foreign currency is marginally increasing, it is not expected to exceed 65.0% as at end-FY 2019/20 as the GOJ debt strategy requires that no foreign currency debt be raised in the domestic market. In response to the level of foreign currency risk, the GOJ is advancing de-dollarization strategies to reduce the foreign currency exposure. The Inter-American Development Bank (IDB) offers a Flexible Financing Facility (FFF) which includes currency conversion options in their loan agreements. The GOJ is exploring this option as well as debt swaps or buy backs.

An exchange rate shock was applied to baseline projections of gross nominal debt-to-GDP, where the exchange rate changes by the maximum historical movement over the past ten years, which in this case is a depreciation of 16.3%. If this depreciation occurs in FY 2019/20, the result shows debt-to-GDP at 88.0% by end-FY 2022/23, as opposed to the 74.0% projected in the baseline.

Figure VII (f): Effect of Nominal Exchange Rate shock on Nominal Debt-to-GDP baseline projections



Source: MOFPS

On the fiscal side, the effect of a depreciation of the Jamaica dollar vis-à-vis the US dollar is that international trade revenues are convertible at a higher exchange rate, increasing tax revenues which can be routed to debt service costs.

Commodity Prices

Oil Prices

The monthly average of West Texas Intermediate crude oil prices rose to US$64.8/bbl during CY 2018, 27.3% higher than the corresponding period for the previous year. The movement in the cost per barrel was largely due to the re-imposition of US sanctions on Iran, with further pressure expected with the January 2019 sanctions imposed on the state-owned oil company of Venezuela. These sanctions, along with the lower than anticipated increase in production from the Organization of Petroleum Exporting Countries (OPEC) and Russia, are expected to lead to a tightening of the crude oil market putting further pressure on prices in the absence of increased production from the US. On balance, crude oil prices are projected to fall to an average of US$54.92/bbl in FY 2019/20. Jamaica's continued dependence on crude oil imports makes it susceptible to price changes, with upward movements potentially leading to 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 (specific) while the remainder constitutes an ad valorem tax. On the expenditure side, oil prices will influence transportation and energy costs for the Government, and hence overall "housekeeping" expenses.

Through the Energy Security and Efficiency Enhancement Project (ESEEP), the GOJ has moved to reduce the impact of volatile crude oil prices on the budget. The project aims to increase energy efficiency within Ministries, Departments and Agencies and reduce reliance on costly non-renewable sources. It is approximated that since the beginning of the implementation phase, the GOJ has realised savings of some J$150.0mn that can be used to offset other expenses. Moreover, the project seeks to promote fuel diversification to cleaner fuels such as liquefied natural gas (LNG). Under the National Energy Policy (NEP), the project seeks to introduce clear regulations and incentives to support both the demand and supply sides of the energy sector, including mobilising financing for private sector investment.

It should be noted that the GOJ is cognizant of the generally high levels of uncertainty in oil supply forecasts and the risk that prices could increase 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.

Contingent Liabilities

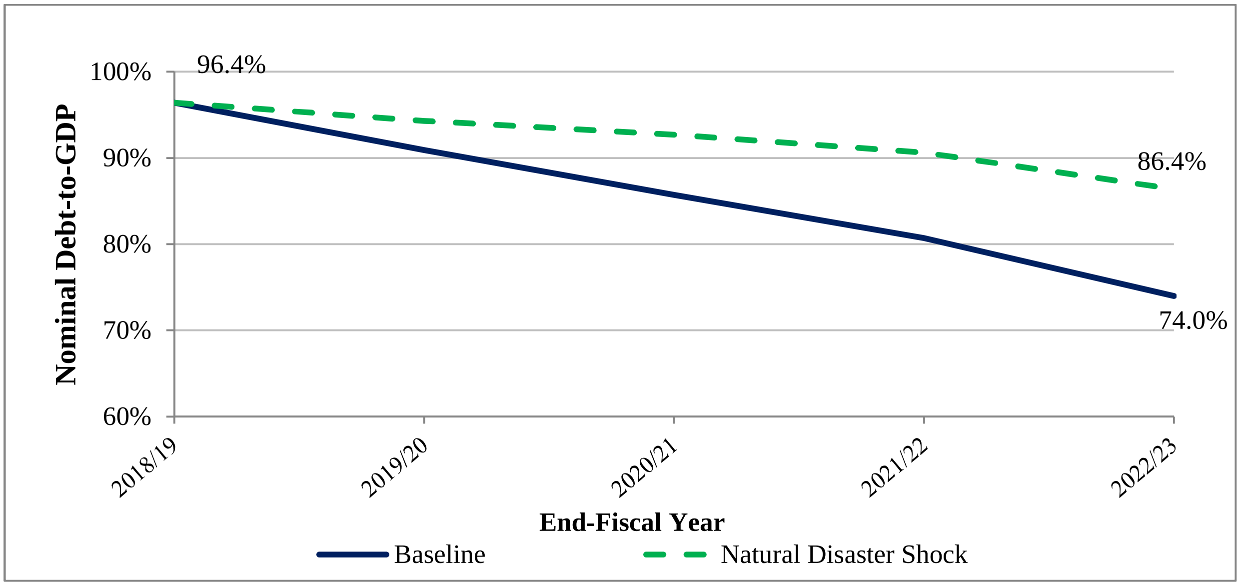
The Public Debt Management Act (PDMA), defines a contingent liability as *"an obligation (whether explicit or implicit) that materialises if a particular event occurs; or a potential liability that may occur depending on the outcome of an uncertain future event."* In the case that contingent liabilities materialise, fiscal resources could be subject to severe strain as the Government is met with unexpected and sometimes 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

As a result of Jamaica's geographical location in a multi-hazard zone, there is a high likelihood that the country will be impacted by natural disasters. Jamaica has had the second highest occurrence of natural disasters in the Caribbean for the period 1950-2018. These disasters pose a risk to the Government's fiscal position, through increased expenditure for emergency response following a disaster, as well as reconstruction efforts. On the revenue side, natural disasters may lead to a slowdown in economic activity, which could translate to a fall in revenue collection, with the potential to generate fiscal deficits and increased borrowing. Natural disasters could also lead to exchange rate pressures, arising from the need to import supplies for emergency response.

A natural disaster shock was performed on the baseline projections of nominal debt-to-GDP to end-FY 2022/23. Whereas the baseline projects a debt-to-GDP ratio of 74.0% by end-FY 2022/23, a natural disaster could derail this baseline path, resulting in a ratio of 86.4%. The shock assumes a reduction in GDP growth to 0.7% in the year of impact (FY 2019/20), 1.0% in FY 2020/21, 1.5% in FY 2021/22 and 2.0% thereafter. A decline of 1.0 percentage point is applied to the Revenues to GDP ratio in the year in which a disaster occurs (FY 2019/20) as well as in the four subsequent years, and non-interest expenditures to GDP are projected to increase by 2 percentage points in the year of the shock, and 1.5 percentage points in subsequent years. These results are shown in Figure VII (g).

Figure VII (g): Effect of Natural Disaster shock on Nominal Debt-to-GDP baseline projections



Source: MOFPS

Towards the end of FY 2017/18, the Kingston and St. Andrew and the Parish Councils Building Acts were repealed, and a modern Building Act (2018) was tabled and passed in Parliament. This new Act provides for building codes stipulating more resilient infrastructure, and addressing the vulnerability of buildings to hurricanes and earthquakes. During FY 2018/19, the GOJ accelerated its efforts to manage natural disaster risks through the development of a draft Public Financial Management Policy for Natural Disaster Risk, in collaboration with the World Bank Group. The draft policy proposes a risk layering approach to disaster risk financing and highlights the need for an up to date GOJ asset register and the insurance of public assets, as well as the importance of private insurance to limit the implicit liability of the Government in the event of debilitating private losses. It is intended that this Policy will be tabled in Parliament during the first half of FY 2019/20.

The GOJ maintains a National Disaster Fund (NDF) valued at roughly J$550 million, and in the case of a disaster, may access funds from a contingency fund valued at approximately J$94 million. In June 2018, the Government renewed insurance coverage through the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF-SPC) for pay-outs as a proportion of emergency losses in the event of Tropical Cyclone (TC), Earthquake (EQ) and Excess Rainfall (XSR) at a premium of US$6.7mn (J$875.8mn).

An assessment conducted by the World Bank Group in the third quarter of FY 2018/19 estimated financing gaps for emergency losses in the event of high, medium and low severity disasters, based on financing arrangements in place at that time. The results are summarised in Table VII (d).

Table VII (d) Estimated Financing Gaps for Emergency Losses

Severity	Emergency Losses	Contingency Fund & NDF	CCRIF-SPC	Financing Gap
High[1]	US$685.0mn	US$4.8mn	US$138.0mn	US$543.0mn
Medium[2]	US$315.0mn	US$4.8mn	US$48.0mn	US$262.0mn
Low[3]	US$84.0mn	US$4.8mn	US$8.5mn	US$71.0mn

[1]*Category 5 hurricane and a major earthquake*
[2]*Category 3 hurricane*
[3]*Category 1 hurricane*
Exchange Rate: J$134.16 to US$1
Source: World Bank Group

In an effort to build a suite of products to provide financing for emergency expenditures resulting from these disasters, the GOJ signed an agreement for a Contingent Credit Facility with the IDB which provides funds of up to US$285mn in the aftermath of a natural disaster. Such a pay-out would close the estimated financing gap in the event of a medium risk disaster, and would go a far way in narrowing the estimated gap for high severity disasters. The GOJ is actively seeking additional instruments to ensure that adequate financing is available for disaster response. The absence of such instruments could result in a reallocation of resources, thereby hindering growth and development; or costly borrowing which would compromise the downward debt trajectory towards the targeted debt-to-GDP of 60.0% or less by end-FY 2025/26.

It is worth noting that the ban on importation, manufacturing and use of single use plastics and the importation of polystyrene foam implemented in the fourth quarter of FY 2018/19 is a critical move towards climate change mitigation and should result in positive long run effects by lessening the impacts of natural disasters on the Jamaican economy.

State Owned Enterprises

State Owned Enterprises are closely monitored by the MOFPS, as they have often been a source of contingent liabilities. Risks may occur in the event that an entity in difficulty is unable to service loans to the Government, service Government guaranteed loans, pay dividends or require recapitalization.

The PDMA includes a requirement to limit the Government guaranteed Debt-to-GDP ratio to 8.0%, 5.0% and 3.0% by end-FY 2016/17, FY 2021/22 and FY 2026/27 respectively. The stock of guaranteed debt-to-GDP has been on a downward trajectory. As at end-December 2018, the stock of guaranteed debt to GDP stood at 5.5%, 0.5 percentage point higher than the FY 2021/22 ceiling. Under the PBMA Act, public bodies may only access loans subject to the approval of the GOJ. Whereas these loans are not guaranteed by the Government, the servicing of these loans could affect the performance of the public entities, impacting transfers to and from the Government, where the GOJ could be called upon to provide significant financial support/capital to certain entities.

Table VII (e) shows some projected and actual transfers with respect to public bodies which receive support from the GOJ.

Table VII (e) Public Bodies Support from GOJ

Public Body	FY 19/20 Proj. $mn	FY 18/19 Act. $mn	FY 18/19 Proj. $mn
Jamaica Urban Transit Company (JUTC)	4,986.8	5,140.7	2584.0
Students' Loan Bureau (SLB)*	2,827.8	2,827.8	2827.8
Montego Bay Metro	125.2	52.7	44.7

Excludes funds for Grant in Aid to very needy students
Source: MOFPS

It should be noted that the actual transfers to the JUTC for FY 18/19 exceeded the budgeted amount by $2,556.7mn, or close to 100%. The increased subvention was allocated to:

- The settlement of outstanding fuel obligations;
- Loan repayments;
- Operational costs to end-FY 2018/19;
- The implementation of a Fleet Management System;
- A bypass filtration system, expected to reduce the Company's expenditure on maintenance; and
- A bus refurbishing programme to extend the life of older buses.

Montego Bay Metro also saw an increase in subvention over budget of $8.0mn to meet operating expenses. These increases were accounted for in the First and Second Supplementary Budgets tabled in the third and fourth quarters of FY 2018/19, and were funded by an over performance of revenue. However, the need for the increased subvention demonstrates the risk of State Owned Enterprises to the Central Government budget.

Financial Performance and Risk Monitoring Indicators

A financial analysis of Selected Public Bodies (excluding the National Insurance Fund) was conducted using financial and risk monitoring indicators to determine the entities' financial position for the four-year period FY 2014/15 to FY 2017/18. The indicators used include profitability, liquidity, leverage, and solvency indicators, to estimate the likelihood that fiscal risks may arise. The results are shown in Table VII (f).

Entities which present the highest level of risk are discussed below.

Clarendon Alumina Production (CAP)

Over the period, CAP has experienced consistent losses which have had spill-over effects for the company's leverage position. The entity has had leverage ratios greater than 1 and in some cases negative over the period, demonstrating a high reliance on loans to finance operating costs. The leverage indicator being negative suggests that CAP has been seeing large accumulated deficits exceeding share capital. CAP's current ratio indicates liquidity difficulties, which have worsened since FY 2014/15. The same applies for the solvency indicator which has progressively increased to the point where liabilities exceed assets.

National Water Commission (NWC)

While the NWC has been seeing negative net profit margins over the period, the margin has steadily increased since FY 2015/16, showing some improvement in profitability. However, the utility company has been facing liquidity problems over the period which showed some improvement in FY 2015/16 and 2016/17, but declined in FY 2017/18. NWC has been overleveraged, possibly as a consequence of consistent losses resulting in high accumulated deficits; and has moved from a medium risk solvency position to a high risk one.

At the end of FY 2017/18, the NWC issued a $15.0bn local bond which is geared at transforming the financial viability of the entity. The funds will be used in the execution of infrastructural development projects, as well as the refinancing of foreign currency denominated loans. It should be noted that these funds were raised without a government guarantee. In the third quarter of FY 2018/19, there was a reported reduction in non-revenue water[8] levels which is attributable to the Non-Revenue Water Reduction Programme. The programme includes efforts to reduce the level of unregistered access through regularisation exercises in various communities. These efforts should assist the Commission in recovering some of its costs, thereby reducing the risk of a need for government intervention.

Jamaica Urban Transit Company (JUTC)

The state-owned bus company, JUTC, provides subsidised fares to students and the elderly while adult fares remain below the economic level, posing challenges to profitability. The GOJ has committed to replacing the Company's rolling stock and infrastructure as necessary, and so makes yearly subventions to augment income. However, the bus company has failed to at least break even for the last three years of the period under discussion, suggesting that increased subventions may be necessary, if no operational changes are implemented. The

[8] Non-revenue water refers to water that has been produced but is lost before it reaches the customer.

JUTC also faces high liquidity risk, which has increased over the period under review, accompanied by worsening leverage and solvency indicators, which could affect the company's ability to meet its debt obligations.

The Ministry of Transport and Mining is exploring various cost reducing and revenue bearing measures to reduce JUTC's losses. Among these measures are the provision of free Wi-Fi in partnership with private suppliers, and the use of nitrogen in tyres to slow down wearing and thus reduce costs. The Company is also exploring the installation of passenger counters to reconcile the fare box with the number of passengers to avoid unaccounted losses.

National Road Operating and Construction Company (NROCC)

NROCC has seen negative net profit margins over the period; however, the margin has steadily increased. The Company was formed to represent the GOJ's interest in a 35 year concession agreement signed in 2001 with French developer, Bouygues for the establishment and operation of Highway 2000. Under the agreement, NROCC is required to transfer toll income to TransJamaican Highway (TJH), the Bouygues representative, for debt service and maintenance, after which profits are to be shared evenly with NROCC though this is not expected to materialise until TJH's loans are paid up in 2024. In addition to seeing significant losses, NROCC's current ratio and solvency indicators have deteriorated over time, and its leverage position is weak, indicated by negative debt to equity numbers driven by high accumulated deficits which are reflective of the non-profitability over time.

Housing Agency of Jamaica (HAJ)

Over the last two years of the period, the HAJ saw an improvement in net profit margin, recovering from previous losses. This improvement is a result of the Agency's push to recover arrears on its housing developments, and restructuring efforts undertaken by the Government. HAJ's risk emanates from its high leverage indicators, where debt has been as high as 32 times its equity financing, though there has been a significant reduction to 8.36 for the 2017/18 fiscal year. The solvency indicator has been below one, but flagged as medium risk, as it is greater than or equal to 0.65 in all four years. This requires close monitoring. There was not sufficient information to calculate the current ratios for HAJ.

Petrojam

The GOJ is the majority shareholder in the oil refinery, Petrojam, with a 49% stake in the company being held by PDV Caribe, a subsidiary of Petroleos de Venezuela.

During the period of analysis, Petrojam has had negative to low but positive net profit margins, with liquidity, leverage and solvency indicators all presenting moderate risk. In the upcoming fiscal year, Petrojam is at risk of losing a significant portion of its market as the Jamaica Public Service (JPS) moves to utilising more LNG and less heavy fuel oil (HFO) in its operations.

The Petrojam refinery is in urgent need of upgrading to better serve current market requirements. During the first half of FY 2018/19 the Plant was closed, and the planned upgrade delayed. The closure had negative implications for the GOJ's fiscal position, as operations at Petrojam are particularly crucial to Inland Revenue collection as it relates to the composition of Special Consumption Tax (SCT) in both the Production and Consumption category. The impact on Consumption and Production revenue flows was however countered by the increase in imports of refined petroleum products across the period of the refinery closure that impacted the revenue flow from International Trade.

Table VII (f) Financial Indicators for Selected Public Bodies

SOE	Profitability 2014/15	Profitability 2015/16	Profitability 2016/17	Profitability 2017/18	Liquidity 2014/15	Liquidity 2015/16	Liquidity 2016/17	Liquidity 2017/18	Leverage 2014/15	Leverage 2015/16	Leverage 2016/17	Leverage 2017/18	Solvency 2014/15	Solvency 2015/16	Solvency 2016/17	Solvency 2017/18
AAJ	15.72	46.78	35.50	42.41	5.39	3.62	3.99	3.86	1.87	1.52	1.26	0.97	0.65	0.60	0.56	0.49
HEART	11.82	8.64	7.28	4.50	2.39	2.43	3.28	0.73	0.44	0.40	0.37	0.41	0.31	0.28	0.27	0.29
JMB	11.77	30.00	37.39	39.78					0.89	0.57	0.51	0.49	0.47	0.36	0.34	0.33
HAJ	-319.94	-210.86	23.05	53.95					10.60	32.09	21.72	8.36	0.91	0.97	0.96	0.89
NHT	69.26	37.80	70.80	95.92					0.66	0.68	0.66	0.69	0.40	0.41	0.40	0.44
DBJ	47.31	21.27	21.80	54.34					1.54	1.76	1.86	1.86	0.61	0.64	0.65	0.65
NWC	-4.52	-16.06	-6.36	-1.62	0.57	0.83	0.83	0.52	25.34	-6.43	-5.91	-6.93	1.00	1.18	1.20	1.16
PAJ	8.65	14.42	33.76	26.29	1.15	1.32	2.07	1.17	3.23	2.50	1.49	1.21	0.76	0.71	0.54	0.55
PCJ	57.44	70.50	75.58	25.57+	8.35	16.99	14.55	27.52+	0.08	0.06	0.06	0.86+	0.07	0.06	0.06	0.46+
PETROJAM	-0.87	3.74	1.45	1.77	1.03	1.05	1.02	1.07	2.94	1.39	1.84	1.82	0.75	0.58	0.65	0.65
UDC	12.22*	62.33*	76.03*	-1.43*	0.86*	0.89*	2.19*	1.70*	0.11*	0.12*	0.09*	0.07*	0.10*	0.11*	0.08*	0.07*
JUTC	11.52*	-21.77*	-35.00*	-36.91*	0.23*	0.18*	0.15*	0.14*	0.78*	1.25*	2.54*	8.87*	0.44*	0.56*	0.72*	0.90*
NROCC	-2407.94	-476.35	-502.96	-382.63	1.73	0.54	0.24	0.11	-1.46	-1.43	-1.40	-1.36	3.16	3.34	3.52	3.77
CAP	-35.92	-27.97	-10.30	-12.81*	0.63	0.23	0.32	0.25*	4.67	20.84	-58.93	-10.05*	0.82	0.95	1.02	1.11*

Each financial indicator is colour coded to represent the level of risk where green represents low risk, yellow represents moderate risk and red represents high risk.

Profitability is measured by the net profit margin (that is, net profit divided by income and multiplied by 100) which indicates the ability of the entities to generate adequate income to meet obligations. The higher the profit margin the more efficient the company. Although not all public bodies can be expected to realise high profits, large losses are undesirable, as this might result in the need for increased Government transfers to the company. High Risk: <1, Low Risk: >1.

Liquidity refers to an entity's ability to meet short term liabilities by selling off short term assets, and is measured by the ratio of current assets to current liabilities. A ratio below 1 suggests that a company might be unable to meet short term obligations, if profitability is low. High Risk: <1, Moderate Risk: 1-2, Low Risk: >2.

Whereas liquidity describes a company's ability to meet its short term obligations, solvency refers to the ability to meet long-term obligations. Here, solvency is measured by the ratio of total liabilities to total assets, where a ratio below one is most desirable. High risk: >1, Moderate Risk: 0.65 to 1, Low Risk: <0.65

An entity which is highly leveraged relies more on debt financing than equity (or in some cases here, reserves) to finance its costs. An over-leveraged SOE faces the risk of having finance channels cut off, which might then lead to a requirement for the Government to intervene. For this analysis, leverage is measured by the ratio of debt to equity (or reserves), where a higher ratio suggests a higher level of risk. High risk: >2 or <0, Moderate Risk: 1-2, Low Risk: >0,<1

Data unavailable   *Unaudited Financial Statements   + Draft Financial Statements

Public Bodies with Arrears

The GOJ has established a ceiling of $6,400.0mn on the accumulation of domestic arrears by seven large public bodies. These entities are CAP, NWC, HAJ, JUTC, NROCC, the Urban Development Corporation (UDC), and the National Health Fund (NHF). This is in an effort to contain domestic arrears. During the fourth quarter of FY 2016/17, the GOJ lent US$27.0mn to CAP to settle its arrears to Jamalco. A contractual repayment schedule was established, with full repayment expected in the first quarter of FY 2019/20. CAP has met all payment obligations to date. However, the entity's vulnerability to increasing production costs and varying prices on the London Market Exchange are noted, and being monitored by the GOJ.

Rationalisation of Public Bodies

In September 2016, the GOJ published a Policy on the Categorisation and Rationalisation of Public Bodies. The aim of this Policy is to provide more focused and effective oversight, and improve efficiency by removing redundancies and waste, thus reducing costs to the Government. The rationalisation approach indicates which public bodies are to be restructured, privatised, merged or abolished, based on the public interest, affordability, efficiency, whether there is overlap or whether the entity's activities fall within the role of the Government.

The reduction of state owned entities is expected to reduce the risks to the Central Government budget, especially in instances where entities are loss-making, or will be better managed under private ownership. The following provides an update of the GOJ's rationalisation efforts for the FY 2018/19:

<u>Divestments</u>

- *Wigton Windfarm Limited (WFL)* – WFL, a subsidiary of the Petroleum Corporation of Jamaica (PCJ) is expected to be privatised by listing on the Jamaica Stock Exchange (JSE). The initial public offering (IPO) is expected by end-FY 2018/19.

<u>Mergers</u>

- *National Land Agency (NLA) and the Land Administration and Management Programme (LAMP)* – The agencies were officially merged in the final quarter of FY 2018/19, with a transitional period to end-April 2019.

Public Private Partnerships (PPPs)

The GOJ's Policy and Institutional Framework for the Implementation of PPPs (2012) defines a PPP as *"a long-term procurement contract between the public and private sectors, in which the proficiency of each party is focused in the designing, financing, building and operating an infrastructure project or providing a service, through the appropriate sharing of resources, risks and rewards."* Though the risk sharing aspect of PPPs suggests that a private party will be required to take on significant risk, the GOJ might also face significant fiscal risks if PPPs are not appropriately designed and monitored. Despite these risks, PPPs are pursued, as they are vital to the GOJ's growth inducement strategies, and so, the enhanced fiscal rules adopted under the FAA and PBMA Acts in March 2014 have put in place the institutional changes required to strengthen the financial and risk analysis of projects, risk sharing arrangements and project assessment.

The Development Bank of Jamaica (DBJ) and the PPP Unit within the MOFPS play a vital role in PPP risk assessment. Both Units assess transactions consistent with the PPP criteria established in the PPP Policy; that is, project viability, value for money, marketability, and fiscal responsibility such that any risks to the GOJ will not be fiscally destabilising. This is done by performing sensitivity analyses to determine worse case scenarios, and ensuring that the GOJ would be able to absorb any losses without destabilising impacts.

Fiscal risks might also arise from PPP transactions through incidences of contract renegotiation. In the event that the Government or private party could seek to have adjustments made, contracts may be renegotiated, at which stage, there is no competitive pressure. Private parties might therefore seek to improve their positions to the detriment of the Government. Such risks are dealt with by the GOJ by only entering renegotiations based on the likelihood that it would improve value for money, ensuring that specialised advisors are consulted, and establishing competent teams to guide the renegotiation process.

According to an assessment conducted by the Economist Intelligence Unit[9], as at February 2018, Jamaica's PPP Programme was ranked 5th in Latin America and the Caribbean with an overall score of 69/100, slipping one place from 4th as at March 2017, with a score of 71/100. The INFRASCOPE survey ranks 19 countries in Latin America and the Caribbean based on their capacity to mobilise private investment in infrastructure through PPPs. The methodology divides the project life cycle into five categories: enabling laws and regulations; the institutional framework; operational maturity; investment and business climate; and financing facilities for infrastructure projects. Jamaica ranks highly in all categories, except financing (17). This suggests that there is room for improvement in this area in order to strengthen the PPP programme.

The following provides an update on the status of PPPs in progress and those being assessed for development.

PPPs in Progress

The following PPP transactions are currently in progress:

- **Norman Manley International Airport (NMIA) –** Cabinet approved a preferred bidder, Grupo Aeroportuario del Pacifico S.A.B. De C.V (GAP), for the NMIA PPP in the third quarter of FY 2018/19, and commercial closure was achieved with the signing of a 25-year Concession Agreement. Financial closure is expected by the third quarter of the FY 2019/20.
- **Schools Solar Energy -** A Request for Proposals was issued to shortlisted proponents during the third quarter of FY 2018/19, with a deadline for submission set for the final quarter of the fiscal year. Approval of, and negotiation with, a preferred bidder is expected by the end of the first quarter of FY 2019/20.

[9] The Economist Intelligence Unit is a member of The Economist Group which publishes country risk and industry analysis.

Projects being Assessed

Several projects are being assessed for possible PPP development. Most notable is the Rio Cobre Water Treatment Plant. Negotiations are ongoing between the National Water Commission and Vinci Construction for the implementation of a 15 MIGD[10] Water Treatment Plant in Content, St. Catherine.

Judicial Awards

Legal claims against the GOJ might have costly and unexpected implications if judgements are made in the favour of plaintiffs. Unfavourable awards pose a risk to the Government's fiscal position, as an unplanned increase in expenditure could crowd out other expenditure, resulting in new revenue measures, or necessitating additional borrowing.

The MOFPS collaborates with the Ministry of Justice (MOJ) to monitor the progress of current and pending cases against the GOJ. Close monitoring ensures that proper expenditure planning is executed, and included in the budget should there be a ruling against the Government.

Other Specific Risks

Wage Settlements

The public wage bill can pose a risk to GOJ expenditure in the event that wage negotiations are not completed in time for the budget. With a target wage-to-GDP ceiling of 9.0% by end-FY 2018/19 and onward, it is critical that the Government is able to finalise its wage bill.

The GOJ has completed wage negotiations with approximately 95% of public sector groups for the period 2017-2021, with the four year period being a major stride in managing the risks associated with the wage bill, as there is now increased flexibility to conduct negotiations for the upcoming contract period prior to the completion of a budget for the upcoming fiscal years, and the Government is allowed the required time to complete work being undertaken for a comprehensive restructuring of compensation in the public sector.

Monetary Policy

The existing Bank of Jamaica Act, outlines in Part III "Capital and Reserve" that profits or losses of the Central Bank are transferrable to the Central Government at the end of each fiscal year. This generally results in the Central Government assuming the losses of the Bank.

In the third quarter of FY 2018/19, the GOJ tabled a Bill in Parliament to amend the Act which, if enacted, would grant the BOJ legislative independence. Among some of the proposed changes in the Bill is the establishment of a dynamic capital framework, accompanied by a capital injection which will ensure the Bank has the capacity to operate without affecting the Central Government's budget in times

[10] MIGD - million gallons of water per day

of difficulty. This move should greatly reduce the risk of monetary policy operations to the Government's fiscal position.

Government Policy Changes

While changes in government policy might be necessary in response to changing economic conditions and developments, the GOJ is cognizant that its fiscal position and targets are sensitive to any policy changes implemented post-budget. The GOJ is actively monitoring possible policy impacts on revenue and expenditure, and is poised to take necessary measures to compensate for any losses which may arise.