GOVERNMENT OF JAMAICA

FISCAL POLICY PAPER FY 2019/20

INTERIM REPORT

24th September 2019

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PART 1

FISCAL RESPONSIBILITY STATEMENT

INTRODUCTION

Further amendments to the Financial Administration and Audit (FAA) and the Public Bodies Management and Accountability (PBMA) Acts in March 2014 enabled the Government of Jamaica (GOJ) to adopt enhanced fiscal rules. These enhanced rules require tabling of the annual Estimates of Revenue and Expenditure as well as the accompanying Fiscal Policy Paper (FPP) in February of each year. This simultaneous tabling facilitates the approval of the budget prior to the start of the next fiscal year to which the estimates relate. This enables Parliamentarians to assess both aspects of the budget (revenue and expenditure) thereby ensuring more rigorous, informed debate that facilitates better decision making. The fiscal year (FY) 2019/20 budgetary documents were tabled on February 14, 2019 in line with the requirements of the FAA Act, facilitating approval of the budget by both Houses of Parliament by March 29, 2019.

The enhanced fiscal rules also require tabling of an Interim FPP in both Houses of Parliament within six months of the passage of the Appropriation Act for the financial year to which the relevant Estimates of Revenue and Expenditure relate. The tabling of this Interim FPP satisfies that requirement.

The FAA Act requires that the Interim FPP include:

(a) The economic outturn of the previous financial year;
(b) The performance of the first quarter of the financial year;
(c) Projections to the end of the current financial year; and
(d) Projections for the succeeding financial year and the medium term.

The FAA Act also requires that by September 30 of each financial year, the Budget Call be issued to accounting officers in Ministries Departments and Agencies (MDAs). The Budget Call contains the economic and fiscal parameters that will inform preparation of the Annual Estimates of Revenue and Expenditure for the next financial year and the medium term.

The First Supplementary Estimate for FY 2019/20 is being tabled alongside the Interim FPP which speaks to the adjustments outlined in the First Supplementary Estimates.

Jamaica's positive performance under the precautionary Stand-By Arrangement (PSBA) with the International Monetary Fund (IMF) continues, as evidenced by completion of the fifth review with the IMF Executive Board concluding that all quantitative performance criteria and structural benchmarks for end-December 2018 were met. The Board is expected to assess the results of the sixth and final review under the programme in November 2019.

The Government of Jamaica's commitment to fiscal discipline, economic reform and growth remains steadfast. The Government continues to exercise fiscal prudence and to that end, seeks to ensure that all fiscal targets are met including the debt/GDP target of 60 percent or less by FY 2025/26.

ECONOMIC UPDATE AND OUTLOOK

The Government continues to implement the economic reform program, supported by the PSBA. Growth, in real terms, continues to be achieved, with the country recording seventeen (17) consecutive quarters of real growth at end-June 2019. For FY 2018/19, real output expanded by 1.9% and is currently projected to grow by 0.7% in FY 2019/20 rather than the 1.5% projected prior to the start of the fiscal year. The lower growth projection for FY 2019/20 reflects the announced closure of the alumina plant, Alpart to facilitate an upgrade of the facility. Inflation remains low, with a Calendar Year to August 2019 inflation rate of 3.3% compared to the 1.6% outturn for Calendar Year to August 2018. Net International Reserves (NIR) remain strong, and the debt/GDP ratio continues to be on a downward trajectory.

The key objectives of the economic reform program are to:

- Maintain a Central Government annual Primary Surplus of 6.5% of GDP for FY 2019/20 and across the medium term;
- Achieve a Debt/GDP ratio of 60.0% or less by end-FY 2025/26;
- Accelerate the growth in real GDP to an average of 2.0% over the medium term;
- Maintain adequate funding of Social expenditures.

The economic reform program remains on track. Key highlights of the progress so far and future expectations include:

- Over-achievement on the Central Government's primary surplus target of 7.0% of GDP for
- FY 2018/19 with an outturn of 7.5% of GDP. The over-performance was primarily due to lower than budgeted total expenditure by$13.3bn or 2.2%. The primary balance target for FY 2019/20 and beyond remains at 6.5% of GDP as indicated during the budget debate.

Central Government operations generated a fiscal surplus of 1.2% of GDP in FY 2018/19 relative to a surplus of 0.5% of GDP in FY 2017/18. The approved budget for FY 2019/20 programmed a fiscal surplus of 0.7% of GDP. Revenue performance during FY 2019/20 to end-July 2019 has been fairly good, contributing to achievement of the targeted monthly primary surpluses. Subsequent to approval of the FY 2019/20 budget, reviews of various aspects of the Central Government's operation have resulted in programme adjustments that require a net addition to the expenditure budget. As such, the First Supplementary Estimates has been prepared for tabling alongside this IFPP.

- Public Sector generation of an overall balance surplus of 1.8% of GDP in FY 2018/19, with a small deficit of 0.4% of GDP projected for FY 2019/20.

- The Current Account deficit of the Balance of Payments (BOP) for FY 2018/19 was 2.2% of GDP, compared to 3.0% in FY 2017/18. The projected Current Account deficit for FY 2019/20 is 3.1% of GDP, and is expected to subsequently average 2.4% over the medium term;

- Real GDP growth accelerated over the last three fiscal years (FY 2016/17 - FY 2018/19), averaging 1.4%, in comparison to an average of 1.1% over the three years from FY2015/16 to FY2017/18. Real growth for FY 2018/19 of 1.9% was the highest since FY 2006/07, when a growth rate of 3.0% was recorded. Growth is forecast to average 1.6% per annum over the medium term;

  The Wage/GDP ratio has trended downwards from 10.0% in FY 2015/16 to 8.9% in FY 2018/19, meeting the targeted 9.0% of GDP by FY 2018/19.

  Inflation, for the second year in a row, remained relatively low in FY 2018/19, with an outturn of 3.4%. A modest increase in the inflation rate, to 4.8%, is projected for FY 2019/20. At end August 2019 the twelve-month (point to point) inflation rate was 4.1% relative to the 3.9% recorded for the twelve-month period up to end-August 2018. The medium term forecast is for inflation to remain at moderate single digit rates with an annual point-to-point estimate of 4.5%.

- The NIR remains in a strong position, increasing from US$2,769.2mn at end-August 2017 to US$2,936.45mn at end-August 2019;

- The average unemployment rate declined in April 2019 to 7.8% which was 2.0 percentage points below the 9.8% recorded in April 2018. This is the lowest unemployment rate on record. The employed labour force of 1,244,500 persons reported by STATIN in its April 2019 Labour Force Survey represents an increase of 29,900 persons or 2.5% over that recorded for April 2018.

Notable Fiscal Developments

The April-July period of FY 2019/20 registered strong performances from both the Central Government's Primary and Fiscal Balances. Provisional data indicate that Central Government operations to end-July 2019 generated a fiscal surplus of $7,310.6mn, 527.6% better than the programmed deficit of $1,709.9mn. The Primary Surplus amounted to $49,321.4mn, which was 12.9%

higher than the $43,704.4mn targeted. This favourable fiscal performance was driven, largely, by lower than programmed expenditure as well as a strong performance by tax revenues. Revenue & Grants were ahead of budget by $3,948.9mn or 2.0%. This positive performance was driven mainly by Tax Revenue which was $3,751.0mn better than budget. Grants and Capital Revenue, which were $2,011.5mn and $813.3mn, respectively, fell short of budget by $157.6mn (-7.3%) and $233.6mn (-22.3%), respectively.

Total expenditure (net of amortization) at end-July 2018 was $5,071.6mn (2.5%) lower than programmed, due mainly to lower spending on recurrent expenses (interest payments), and lower than programmed capital expenditure. Interest payments were $3,403.2mn (7.5%) below budget, reflecting lower than budgeted payments on both domestic and external interest. Capital expenditure of $15,602.2mn was $4,249.1mn or 21.4% lower than programmed. Fiscal operations have occurred within the context of new revenue measures which reduced the expected tax intake from Stamp Duty & Transfer Tax ($10.368bn), GCT ($0.731bn), Asset Tax ($1.840bn) and the abolished Minimum Business Tax ($1.093bn). The total revenue "give back" amounts to $14.032bn.

First Supplementary Estimates

The First Supplementary Estimates for FY 2019/20 is being tabled alongside the Interim Fiscal Policy Paper. Taking account of the fiscal performance to date including higher debt service costs arising from a liability management transaction, the First Supplementary Estimate proposes additional allocations for recurrent expenditure and amortization. On the Recurrent side, the additional expenditures amount to $9.9bn, taking recurrent expenditure to $567.2bn. The capital budget is proposed to remain at the original ceiling of $72.1bn, generating a revised above-the-line expenditure of $639.3bn. Below-the-line payments are estimated at $214.0bn, reflecting an increase in amortization of $40.2bn. Total expenditure and payments are therefore estimated at $853.4bn. The additional expenditure is expected to be covered by additional Revenue and Grants of $3.6bn plus additional below-the-line flows. Given the downward adjustment to expected GDP, the Primary Balance is now programmed to be $140.01bn which satisfies the 6.5% of GDP target.

Fiscal Council

The announcement on May 10, 2018 that Cabinet had approved the establishment of an independent fiscal council for Jamaica was followed by the engagement of international experts from Canada - InfoCivitas who consulted with key stakeholders and submitted a report providing recommendations for the setup of Jamaica's Fiscal Council. The country's development partners, the Opposition Spokesperson on Finance as well as academia were also consulted to inform the design of the fiscal council. In August 2019 the proposed design was approved by Cabinet alongside the approval to issue drafting instructions to the Chief Parliamentary Counsel. It is anticipated that legislation supporting the establishment of Jamaica's Fiscal Council will be passed during the next fiscal year.

Disaster Risk Financing Policy

Jamaica, as a small island developing state (SID) located in the Caribbean remains particularly susceptible to natural disasters. Natural disasters wreak havoc on both human capital and physical infrastructure with recovery and reconstruction efforts often being costly. Financing recovery from these unplanned events poses a significant risk to fiscal stability and has the potential to erode economic growth. It is against this background that the GOJ has commenced the development of a Disaster Risk Financing (DRF) Policy.

The DRF policy development is being guided by a Policy Steering Committee, consisting of a wide cross section of stakeholders which has met to deliberate on drafts of the policy. A further draft of the policy is being prepared for submission to a Sub-Committee of Cabinet, after which the policy is expected to move to the Green Paper Stage, public consultations and ultimately to approval for tabling of the White Paper during this fiscal year.

CONCLUSION

Jamaica has successfully completed five reviews under the PSBA with the IMF, with expectations for successful completion of the sixth and final review when it goes to the IMF Board in November 2019. The GOJ remains fully committed to the path of fiscal discipline and will continue the fiscal consolidation efforts to reduce the debt ratio to 60.0% of GDP or less, by FY 2025/26. The fiscal programme crafted for FY 2019/20 and the medium term continues to be anchored by the objectives of debt reduction and economic expansion, through the preservation of macroeconomic stability. The GOJ executed a liability management operation in September 2019, which increased the debt service costs for the current fiscal year, but also reduced the debt stock by US$34.2 million and reduced future annual interest costs by US$18.2 million.

With the impact of the passage of Hurricane Dorian through the Caribbean still fresh in our minds; Jamaica's resolve build fiscal resiliency has been strengthened.

The GOJ remains resolute to creating a resilient economy that Jamaica will make the country **the place of choice to live, work, raise families and do business."**

Nigel Clarke, D.Phil., MP
Minister of Finance and the Public Service
September 24, 2019

PART 2

MACROECONOMIC FRAMEWORK

Real Sector Developments

FY 2018/19 – Update

The positive performance of the Jamaican economy continued during FY 2018/19. Real GDP growth accelerated to 1.9%, more than doubling the 0.9% expansion recorded for the preceding fiscal year (Table 2A). The increased growth in economic activity emanated from both the Goods Producing and the Services industries. The rate of growth in the Services industry was unchanged relative to FY 2017/18; however, there was a notable increase in the rate of growth of the Goods Producing industry following the slowdown in the previous fiscal year.

The expansion in the Services industry was driven mainly by Hotels and Restaurants, reflecting the continued improvement in visitor arrivals. Real value added in Transport, Storage and Communication also contributed significantly to the performance of the Services industry, driven primarily by increased maritime and air transport activities.

The Goods Producing industry was stimulated by strengthening of the Mining & Quarrying sector, associated with the continued operations of the Jiuquan Iron and Steel Company's (JISCO's) Alpart following its reopening in FY 2017/18. Growth in the Goods Producing industry was also boosted by the recovery in Agriculture, Forestry & Fishing, which had contracted during the preceding fiscal year. The reversal largely reflected increased production of domestic crops due to more favourable weather conditions.

FY 2019/20- First Quarter Estimated Performance

The successive improvements in quarterly real GDP, which has been observed since the final quarter of FY 2014/15, persisted during the April to June period of FY 2019/20. Although the pace of growth slowed relative to the corresponding period of the previous fiscal year, real GDP is estimated to have expanded by 1.0%. This performance was driven by improvements in the Services industry, as the value added from the Goods Producing industry was broadly constant.

All components within the Services industry are estimated to have increased. Leading the expansion was Hotels and Restaurants which grew by an estimated 5.6%, spurred by buoyant stop-over arrivals. There were also significant contributions to the growth in the Services industry from Finance and Insurance Services, underpinned by increased net interest income on loans, higher income from fees and commissions and improved profitability of insurance companies as well as from Transport, Storage and Communication, which benefitted from increased maritime and air transport activities.

Within the Goods Producing industry, there was expansion in Mining and Quarrying and Manufacturing. Mining and Quarrying was boosted by an increase in alumina production, which outweighed a decline in crude bauxite production. The main drivers of the improvement in the Manufacturing industry were higher production of petroleum products and non-metallic minerals and increased food processing. There was a countervailing contraction in the value added from Agriculture, Forestry and Fishing as well as from Construction. Agriculture, Forestry & Fishing was negatively impacted by the drought conditions that prevailed during the quarter, resulting in lower output of domestic agricultural crops such as potatoes, condiments, legumes and vegetables as well as a reduction in traditional export crops, including sugarcane. A reduction in capital expenditure on civil engineering activities, including projects being completed under the Major Infrastructure Development Programme (MIDP), accounted largely for the decline estimated for the Construction industry.

Table 2A

INDUSTRY	FY 2016/17	FY 2017/18	FY 2018/19	FY 2018/19:Q1	FY 2019/20:Q1*
GOODS PRODUCING INDUSTRY	3.5	0.4	4.7	7.2	0.0
Agriculture, Forestry & Fishing	11.0	-2.5	4.1	12.5	-2.5
Mining & Quarrying	-5.5	4.8	28.8	31.6	4.5
Manufacture	2.6	1.3	0.1	0.2	1.7
Construction	0.5	1.1	3.4	2.8	-1.0
SERVICES INDUSTRY	0.7	1.1	1.1	0.7	1.4
Electricity & Water Supply	2.6	1.0	0.6	1.0	0.2
Transport, Storage & Communication	0.8	1.2	1.5	1.6	1.4
Wholesale & Retail Trade; Repair & Installation of Machinery	0.3	0.6	1.1	0.6	1.0
Finance & Insurance Services	1.2	1.2	1.3	1.2	1.8
Real Estate, Renting & Business Activities	0.5	0.7	0.7	0.6	1.0
Producers of Government Services	-0.1	0.2	0.1	0.0	0.1
Hotels and Restaurants	1.8	4.2	3.2	0.4	5.6
Other Services	1.0	1.4	1.0	0.3	1.5
Less Financial Intermediation Services Indirectly Measured (FISIM)	1.4	1.1	2.7	2.1	2.5
REAL GDP GROWTH	1.4	0.9	1.9	2.2	1.0

Source: STATIN, PIOJ

*** Estimates***

FY 2019/20- Second Quarter and Fiscal Year Outlook

The economic prospects for the July to September 2019 quarter are positive, with real GDP projected to grow within the range of 0.5% to 1.5% compared to the second quarter of FY 2018/19. This outlook is predicated on the expectation of continued strengthening in the performance of most industries within the Goods Producing and Services industries, within the context of relative stability in the macroeconomic environment.

The main downside risks to the economic forecast for the second quarter include the possible impact of adverse weather conditions, plant down-time and weaker than anticipated growth in the global economy.

The macroeconomic outlook for the overall fiscal year ending March 2020 has been moderated, relative to the forecast at the beginning of the fiscal year. The projection for real GDP growth has been revised downward to 0.7% from the 1.5% estimated in the February 2019 publication of the FY 2019/20 FPP.

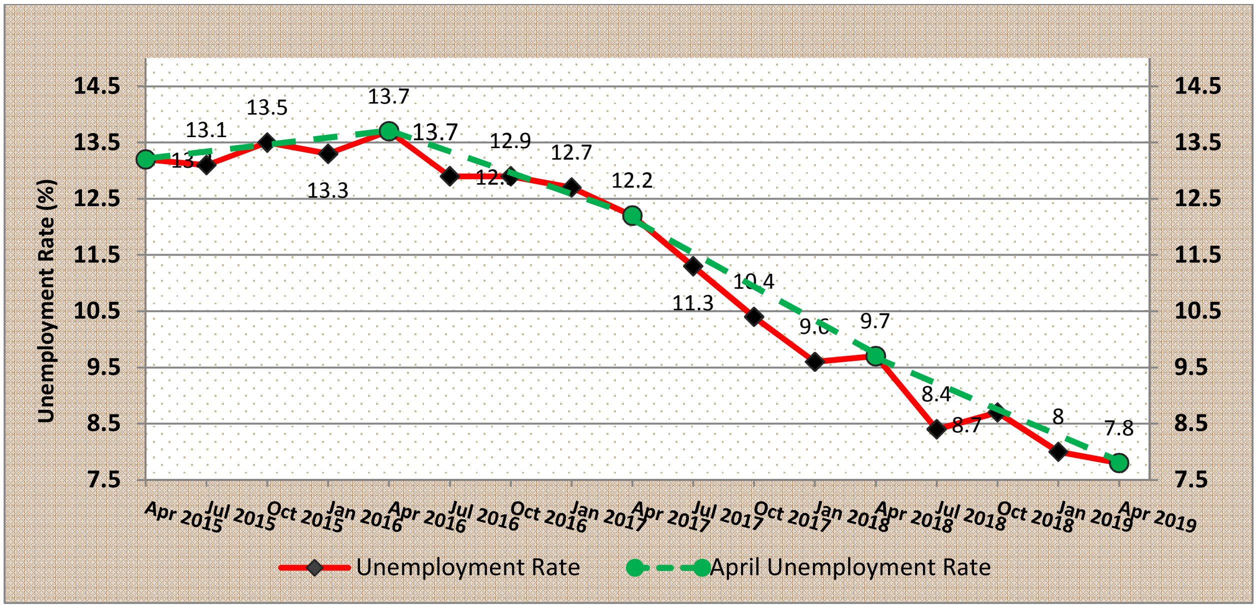
Labour Market Developments

The labour market continues to reflect the general "pick up" of economic activity, with the business environment benefiting from increased investment and job creation.

The April 2019 Labour Force Survey, produced by the Statistical Institute of Jamaica (STATIN), indicates an increase in the employed labour force by 29,900 persons, from 1,214,600 in April 2018 to 1,244,500. The Survey also indicates an increase in the labour force by 4,000 persons, reflecting the cumulative impact of a 0.7% increase in the male labour force and a 0.2% reduction in the female labour force. The unemployment rate in April 2019 is recorded at a historic low of 7.8%, which is 2.0 percentage points lower than the April 2018 rate. The unemployment rate for both males and females decreased for the period. The male employment rate was recorded at 5.5%, which is 1.8 percentage points lower than the April 2018 rate and the female unemployment rate fell to 10.6%, which is 1.9 percentage points less than the corresponding period of 2018. The unemployment rate for youth age 14-24 years declined to 19.5%, representing a 6.4 percentage point reduction relative to the corresponding period of 2018. The number of persons recorded as being outside the labour force decreased by 4,800 (0.7%) for the review period. primarily reflecting the males entering the labour force.

The industry group that led the improvement in employment was 'Public Administration & Defence; Compulsory Social Security' which recorded an increase of 11,400 persons (19.9%), followed by 'Other Community, Social and Personal Service Activities' which grew by 10,400 persons (15.4%). The increased level of employment in these areas was, however, partially offset by reductions in other industries, most notably 'Agriculture, Forestry & Fishing' and 'Wholesale & Retail Repair of Motor Vehicle & Equipment' which declined by 9,200 persons (4.5%) and 8,700 persons (3.3%), respectively.

Figure 2(i): Unemployment Rate April 2015 to April 2019



Monetary Developments - First Quarter FY 2019/20

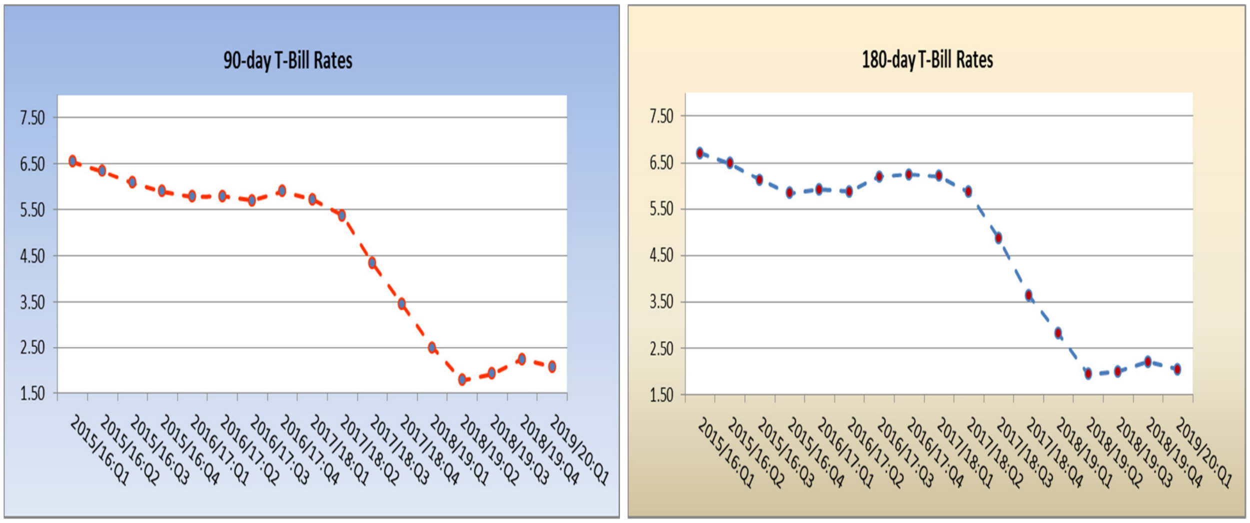
The Bank of Jamaica (BOJ) eased its monetary policy stance during the first quarter of FY 2019/20 by lowering the interest rate on overnight balances in the current accounts of deposit-taking institutions at the Central Bank. The reduction in the signal rate from 1.25% to the historic low of 0.75% occurred within the context of sluggish economic growth and relatively low inflation. Accordingly, the loosening of the monetary policy stance was aimed at stimulating growth in private sector credit which is expected to result in increased economic activity and, consequently, elevate the rate of inflation to a level consistent with the target range of 4.0% to 6.0%. Triggered by the continued lowering of the policy rate, yields on Government of Jamaica (GOJ) treasury bills fell during the quarter (Figure (2(ii)). The BOJ's policy actions also influenced a fall in money market rates.

Liquidity conditions within the financial market remained stable during the review period, relative to the last quarter of the previous fiscal year. Net liquidity injection from BOJ operations into the financial system during the quarter was offset by the countervailing net absorption resulting from GOJ operations.

Broad money supply, which includes current account deposit liabilities of commercial banks held for transaction purposes (among other monetary aggregates), expanded by 12.8% as at end-June 2019 when compared to end-June 2018. This growth was driven by an expansion in local currency deposits. On the contrary, Net International Reserves (NIR) declined, mainly on account of external debt payments by the GOJ which was partially offset by debt inflows.
The annual rate of growth in credit to the private sector by deposit taking institutions (DTI) at end-June 2019 increased marginally above the rate recorded at the end of the previous quarter, rising from 16.1%

to 16.8%. The growth recorded for the review period was driven by a 15.7% increase in loans and advances, primarily reflecting an expansion in lending to the productive sector – chiefly to the 'Professional & Other Business Services, Distribution and Construction' industries.

Figure 2(ii): T-Bills



Inflation

The All Jamaica 'All Divisions' Consumer Price Index increased from 252.8 in August 2018 to 263.1 in August 2019, resulting in an annual point to point inflation rate of 4.1%. Compared with the twelve month period to August 2018, this represents an increase of 0.2 percentage points in the inflation rate.

The major contributor to this movement was the 'Food and Non-Alcoholic Beverages' division which increased by 7.0%. This division was influenced by the 'Vegetable and Starchy Foods' class index which recorded an increase of 17.1%, due largely to higher prices for onions, tomatoes and potatoes. Inflation was also heavily driven by the 'Education' division which recorded an increase of 4.2%.

Inflation for the calendar year to end-August 2019 was 3.3%, and 2.6% for the fiscal year to end-August 2019.

Table 2B

All Jamaica 'All Divisions' and Division Indices and Movements (Base period December 2006 = 100)	Aug 2018 Index	Dec 2018 Index	March 2019 Index	Juy 2019 Index	Aug 2019 Index	Monthly % change for Aug 2019	FY 19/20: Q1 (% change)	Annual % change at Aug 2019	FY 19/20 to Aug 2019 (% change)	CY 2019 to Aug 2019 (% change)
ALL DIVISIONS - ALL ITEMS	252.8	254.7	256.5	261.2	263.1	0.8	1.8	4.1	2.6	3.3
1 Food and Non-Alcoholic Beverages	316.6	320.7	324.5	335.9	338.8	0.9	3.5	7.0	4.4	5.7
2 Alcoholic Beverages and Tobacco	313.3	315.2	317.2	319.9	320.9	0.3	0.9	2.4	1.2	1.8
3 Clothing and Footwear	243.1	245.1	246.4	248.5	249.3	0.3	0.9	2.5	1.2	1.7
4 Housing, Water, Electricity, Gas and Other Fuels	247.7	250.2	247.4	246.1	250.3	1.7	-0.5	1.0	1.2	0.0
5 Furnishings, Household Equipment and Routine Household Maintenance	246.5	247.5	248.7	250.8	251.3	0.2	0.8	1.9	1.0	1.5
6 Health	149	149.6	150.1	151.2	152.6	0.8	0.7	2.4	1.7	2.0
7 Transport	215.3	212.2	213.6	214.7	215.2	0.3	0.5	0.0	0.0	1.4
8 Communication	67.1	67.1	67.1	67.2	67.2	0.0	0.1	0.1	0.1	0.1
9 Recreation and Culture	194.9	195.1	196.0	196.9	197.0	0.1	0.5	1.1	0.5	1.0
10 Education	195.4	200.7	203.7	203.7	203.7	0.0	0.0	4.2	0.0	1.5
11 Restaurants and Accommodation Services	197.5	198.6	199.7	200.5	200.7	0.1	0.4	1.6	0.5	1.1
12 Miscellaneous Goods and Services	236.4	238.1	240.0	241.7	242.8	0.5	0.7	2.7	1.2	2.0

Source: STATIN

Exchange Rate

At end-August 2019, the weighted average selling rate of the US dollar was J$137.70=US$1.00, compared to the end-August 2018 rate of J$137.01 =US$1.00. This 0.5% rate of depreciation was significantly slower than the 5.7% annual depreciation recorded for the similar period of 2018. The weighted average selling rate of the US dollar was J$131.07=US$1.00 at the end of the first quarter of FY 2019/20, reflecting a depreciation of the Jamaica dollar by 0.5% relative to end-June 2018 and 3.6% relative to the previous quarter. The depreciation, relative to the previous quarter, was most prominent during the early part of the end-June 2019 quarter. This devaluation was mainly induced by higher end-user demand, particularly from the Telecommunication and Energy industries as well as reactions in the foreign exchange market to expectations that foreign currency would be transferred into the BOJ from institutions holding resources of the PetroCaribe Development Fund. Additionally, what appears to be a reluctance to sell foreign currency by foreign exchange intermediaries created the appearance of supply shortages.

External Sector - FY 2018/19

The current account balance in FY 2018/19 was US$75.2mn less than that recorded for FY 2017/18 (Table 2C). The deterioration in the current account balance during the fiscal year emanated from the Goods and Primary Income sub-accounts, as the Services and Secondary Income sub-accounts improved. Collectively, the Goods and Services sub-account recorded a deficit of

US$2,337.6mn, reflecting an improvement of US$78.0mn. This was influenced entirely by the more favourable balance on the Services sub-account, which reflected an improvement over the FY 2017/18 surplus by US$127.3mn. The improvement in the Goods and Services sub-account was stymied by the Goods sub-account, which deteriorated by US$49.2mn during the period. The Secondary Income sub-account recorded an improvement of US$59.4mn. However, this positive impact was more than offset by the deterioration in the Primary Income sub-account of US$212.6mn.

Overall, the current account deficit for FY 2018/19 was US$569.2mn. The outturn for the fiscal year represented 3.6% of GDP, compared to the 3.3% recorded for FY 2017/18 (Figure (2iii)).

The balance on the Capital Account worsened by US$18.8mn from the US$16.5mn surplus recorded for the previous fiscal year. This outturn together with the balance on the Current Account yielded a net borrowing position of US$571.5mn, reflecting a deterioration of US$94.0mn relative to FY 2017/18.

At the end of FY 2018/19, the stock of Net International Reserves (NIR) amounted to US$3,084.8mn, exceeding the stock at the end of FY 2017/18 by US$10.3mn. Since then, there has been a decline in the NIR with the end–August 2019 stock totalling US$2,936.45mn.

Figure 2(iii): Current Account Balance

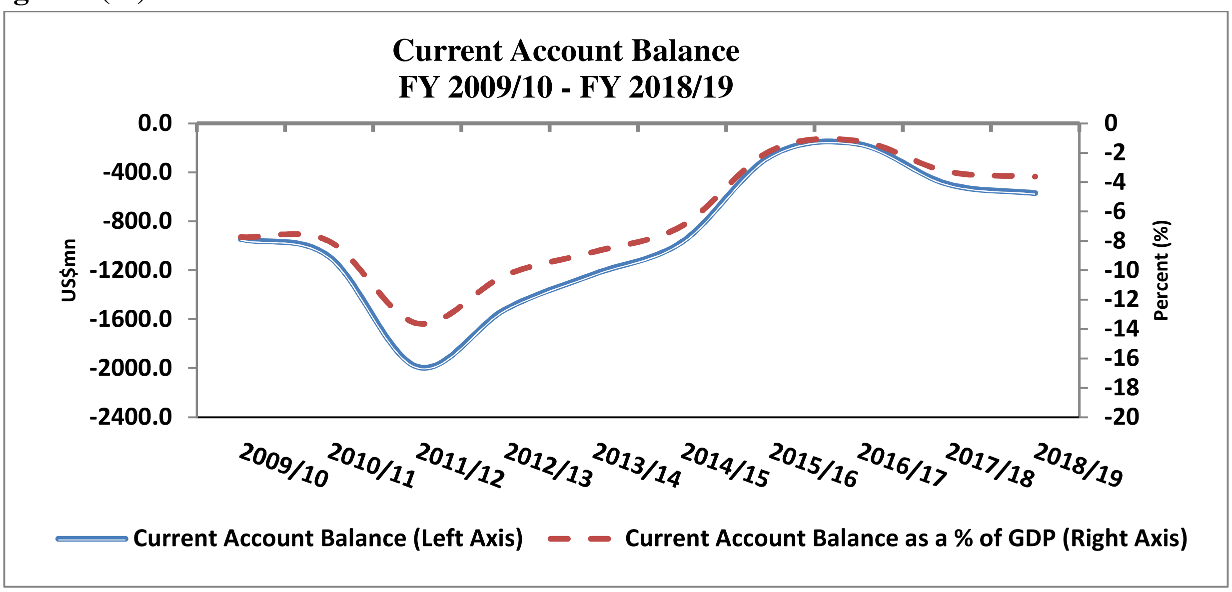


Table 2C

Balance of Payments for FY 2018/19

Balance of Payments (US$MN)	FY 2017/18	FY 2018/19	Change
Current Account Balance	**-494.0**	**-569.2**	**-75.2**
Credits	8036.1	8893.1	857.0
Debits	8530.1	9462.3	932.2
Goods & Services	-2415.6	-2337.6	78.0
Exports	5068.4	5824.2	755.8
Imports	7484.0	8161.8	677.7
Goods	-3644.2	-3693.5	-49.2
Exports	1450.4	1915.0	464.6
Imports	5094.7	5608.5	513.8
Services	1228.6	1355.9	127.3
Credits	3618.0	3909.1	291.2
Debits	2389.4	2553.3	163.9
Primary Income	-474.1	-686.7	-212.6
Credits	329.4	360.9	31.5
Debits	803.5	1047.6	244.1
Secondary Income	2395.7	2455.1	59.4
Credits	2638.3	2708.0	69.8
Debits	242.5	253.0	10.4
Capital Account	**16.5**	**-2.3**	**-18.8**
Credits	28.7	22.1	-6.6
Debits	12.2	24.4	12.2
Net lending (+) / net borrowing (-) (balance from current and capital account)	**-477.5**	**-571.5**	**-94.0**
Financial Account Net lending (+) / net borrowing (-) (balance from financial account)	**-1316.0**	**-985.4**	**330.6**
Direct Investment	-907.9	-715.1	192.7
Net acquisition of financial assets	29.2	12.9	-16.3
Net incurrence of liabilities	937.0	728.0	-209.1
Portfolio Investments	-1190.3	-41.6	1148.7
Net acquisition of financial assets	144.2	-265.2	-409.4
Net incurrence of liabilities	1334.5	-223.6	-1558.1
Financial derivatives	14.2	-32.0	-46.2
Net acquisition of financial assets	-50.1	43.3	93.5
Net incurrence of liabilities	-64.3	75.4	139.7
Other Investments	443.9	-144.9	-588.8
Net acquisition of financial assets	230.5	85.6	-144.9
Net incurrence of liabilities	-213.3	230.5	443.9
Reserve Assets	324.1	-51.7	
Net Errors and Omissions	**-838.5**	**-413.9**	

Source: BOJ

Macroeconomic Outlook - FY 2019/20 to FY 2022/23

The medium-term macroeconomic outlook has been moderated, compared to the forecast presented in the FY 2019/20 Fiscal Policy Paper in February of this year. The moderation is mainly driven by unfavourable domestic developments in the mining sector and the expectation of weaker global expansion than previously projected. Nevertheless, the outlook remains positive, with anticipated growth in the economy over the medium term. The expected evolution of the key macroeconomic variables is outlined in Table 2D. These projections are informed by the existing general macroeconomic stability, which has been bolstered by structural reforms that are designed to progressively reduce the country's economic weaknesses.

The Goods Producing and Services industries are expected to continue performing positively, supported by modest growth in the economies of Jamaica's major trading partners. Business and consumer confidence are expected to remain strong and improvements in the labour market are anticipated to be sustained. The buildup and maintenance of an adequate reserve buffer has helped to reduce external vulnerabilities, despite the generally depreciating trend of the domestic currency. Additionally, initiatives being implemented to strengthen fiscal resilience to natural disasters are expected to provide fortified pillars of economic support. Within this context, the macroeconomic environment is conducive to sustainable improvements in the economy.

The progress of the Jamaican economy, however, may be derailed by weaker external demand that may result from slower-than-forecast global growth and increased uncertainty, in an environment of intensifying geo-political and social tensions on the international landscape. Adverse weather conditions and other natural hazards also present significant risks due to their potentially deleterious economic impact.

Against this backdrop, it is projected that average growth in real GDP between FY 2019/20 and FY 2022/23 will be within the 1.0% to 2.0% range. Inflation is expected to stabilize within the target range of 4.0% to 6.0% over the medium term. In the external sector, the current account deficit (as a percentage of GDP) is projected to remain relatively low, averaging about 2.6% over the next four years.

Table 2D

Medium Term Macroeconomic Profile

Macroeconomic Variables	2016/17 Actual	2017/18 Actual	2018/19 Actual	2019/20 Proj.	2020/21 Proj.	2021/22 Proj.	2022/23 Proj.
Nominal GDP (J$bn)	1,788.8	1,930.4	2,053.9	2,155.5	2,269.8	2,415.8	2,594.2
Nominal GDP growth rate(%)	5.9	7.9	6.4	4.9	5.3	6.4	7.4
Real GDP growth rate (%)	1.4	0.9	1.9	0.7	1.1	2.1	2.3
Inflation: Annual Pt to Pt (%)	4.1	3.9	3.4	4.8	4.0	4.3	5.0
Interest Rates:							
180-day Treasure Bill (end-period)	6.32	3.17	2.17				
90-day Treasure Bill (end-period)	6.1	2.98	2.19				
Average Selling Exchange Rate (J$=US$1)	127.14	127.97	130.58				
NIR (US$mn)	2,769.2	3,074.6	3,084.8	2,961.8	3,178.1	3,144.6	3,568.3
Current Account (%GDP)	-1.2	-3.0	-2.2	3.1	2.8	2.5	1.9
Oil Prices (WTI) (Average US$/barrell)	47.9	53.69	62.8	57.0	56.1	57.0	57.5

Source: STATIN/BOJ/PIOJ

PART 3

FISCAL MANAGEMENT STRATEGY

Background

Jamaica's path to sustainable development has so far been long and arduous. Despite the challenges, over the life of the Extended Fund Facility (EFF) and the subsequent three-year Precautionary Stand-By Arrangement (PSBA), the Government of Jamaica (GOJ) has made significant strides in improving the country's economic outlook though the implementation of targeted and sustained fiscal policy objectives. The sixth and final review mission under the Precautionary Stand-by Arrangement (SBA) was completed on September 18, 2019, marking the end of the two programmes during which Jamaica was able to successfully create an environment of economic growth while focusing on debt reduction, expanding employment opportunities, stabilising inflation and accumulating reserves. These changes have been achieved through fiscal discipline, the hallmark of the GOJ's Fiscal Management Strategy and a key factor underpinning the advances made in the reduction of Public Debt to 94.4% of GDP as at end-March 2019. This is a significant achievement towards meeting the FY 2025/26 target for Public Debt of 60.0%, or less, of GDP.

Fiscal performance remained strong over the first four months of the fiscal year supported by buoyant Tax Revenues, resulting in healthy fiscal, primary and overall balances. Improvements in these indicators reflect the GOJ's commitment to maintaining a healthy fiscal position in order to achieve robust long-term inclusive economic growth and development.

The Fiscal Management Strategy provides an avenue for the monitoring and evaluation of the performance of the budget and includes the following reports:

- An assessment of FY 2018/19 performance;
- A summary of the FY 2019/20 Budget;
- A review of the Central Government's Performance: April - July 2019; and
- A revised Medium Term Outlook.

Central Government Performance: FY 2018/19 Outturn

The analysis of the full year outturn for FY 2018/19 reveals an improvement in overall performance relative to the estimate provided in the February 2019 Fiscal Policy Paper. Central Government performance during FY 2018/19 was substantially better than the approved budget, recording a fiscal balance surplus of $24.4bn or 1.2% of GDP and a primary balance surplus of $153.6bn or 7.5% of

GDP (see Tables 3A and 3B). The Fiscal Balance surplus was $20.3bn greater than programmed in the original budget and $14.8bn higher than projected in the Third Supplementary Estimates[1].

The Primary Balance target of a surplus of 7.0% of GDP was exceeded for the sixth consecutive year during FY 2018/19. The outturn of $153.6bn was $12.5bn ahead of the original budget target and $7.7bn more than that of the Third Supplementary Estimates.

Funding the Government's FY 2018/19 operations required 1.5% of GDP less in Net New Financing[2] than originally budgeted and 0.8% of GDP less than indicated in the Third Supplementary Estimates. Financing was broadly in line with the revised budget and interest costs continued to trend downwards, being 5.7% less than original budget and 5.2% lower than the revised projection. Amortization (Principal) payments were $19,054.2mn less than the original budget due to lower outlays for both domestic and external payments as well as the fact that no liability management operations were executed during the year.

Table 3A: FY 2018/19 Performance ($mn)

	FY 2018/19				
	Budget (Original)	**Third Supplementary Estimates**	**Actual**	**Diff between Budget and Actual**	**Diff between Third Supplementary Estimates and Actual**
Revenue & Grants	**590,588.4**	**627,553.1**	**628,985.2**	**6.5%**	**0.2%**
Tax Revenue	518,435.2	544,551.1	542,919.4	4.7%	-0.3%
Non-Tax Revenue	60,880.4	71,226.2	72,850.5	19.7%	2.3%
Bauxite Levy	126.0	126.0	136.5	8.4%	8.4%
Capital Revenue	2,088.1	3,406.1	2,531.7	21.2%	-25.7%
Grants	9,058.7	8,243.7	10,547.0	16.4%	27.9%
Expenditure	**586,480.6**	**617,931.1**	**604,597.5**	**3.1%**	**-2.2%**
Recurrent Non-Interest	**389,707.5**	**412,923.3**	**409,205.0**	**5.0%**	-0.9%
Interest	136,947.9	136,204.7	129,188.1	-5.7%	-5.2%
Capital	59,825.1	68,803.1	66,204.3	10.7%	-3.8%
Fiscal Balance	**4,107.9**	**9,622.0**	**24,387.7**	**493.7%**	**153.5%**
Debt Service	**288,992.2**	**285,672.3**	**262,178.2**	**-9.3%**	**-8.2%**
Interest	136,947.9	136,204.7	129,188.1	-5.7%	-5.2%
Principal	152,044.3	149,467.5	132,990.1	-12.5%	**-11.0%**
Overall Balance	**-65,312.5**	**-32,317.0**	**-1,567.1**	**-97.6%**	-95.2%
Primary Balance	**141,055.8**	**145,826.8**	**153,575.8**	**8.9%**	5.3%
GDP	2,017,914.2	2,034,154.6	2,053,892.0	1.8%	1.0%

Source: MoFPS, BOJ, STATIN

[1] The Revised Budget refers to the Third Supplementary Budget that was approved in March 2019 (see Table 3A)
[2] Net New financing represents the additional funding needed to meet the expenditure obligations not covered by revenue and loan receipts during the fiscal year.

Table 3B: FY 2018/19 Performance as a Percentage of GDP

	FY 2018/19				
	Budget (Original)	**Third Supplementary Estimates**	**Actual**	**Diff between Budget and Actual**	**Diff between Third Supplementary Estimates and Actual**
Revenue & Grants	**29.3%**	**30.9%**	**30.6%**	**1.4%**	**-0.2%**
Tax Revenue	25.7%	27.0%	26.9%	1.2%	-0.1%
Non-Tax Revenue	3.0%	3.5%	3.6%	0.6%	0.1%
Bauxite Levy	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Revenue	0.1%	0.2%	0.1%	0.0%	0.0%
Grants	0.4%	0.4%	0.5%	0.1%	0.1%
Expenditure	**29.1%**	**30.4%**	**29.4%**	**0.4%**	**-0.9%**
Recurrent Non-Interest	19.3%	20.3%	19.9%	0.6%	-0.4%
Interest	6.8%	6.7%	6.3%	-0.5%	-0.4%
Capital	3.0%	3.4%	3.2%	0.3%	-0.2%
Fiscal Balance	**0.2%**	**0.5%**	**1.2%**	**1.0%**	**0.7%**
Debt Service	**14.3%**	**14.0%**	**12.8%**	**-1.6%**	**-1.3%**
Interest	6.8%	6.7%	6.3%	-0.5%	-0.4%
Principal	7.5%	7.3%	6.5%	-1.1%	-0.9%
Overall Balance	**-3.2%**	**-1.6%**	**-0.1%**	**3.2%**	**1.5%**
Primary Balance	**7.0%**	**7.2%**	**7.5%**	**0.5%**	**0.3%**

Source: MoFPS, BOJ, STATIN

Revenue & Grants

The FY 2018/19 actual outturn for Revenue & Grants was $628,985.2mn, $38,396.82mn (or 6.5%) more than the original budget and $1,432.1mn (or 0.2%) above the revised budget. Tax Revenue totalled $542,919.4mn, performing $24,484.1mn (or 4.7%) better than the original budget and $1,631.7mn (or 0.3%) less than the revised budget. Tax Revenue collections were buoyed by record low unemployment rates and improved economic growth which positively impacted the revenue base. The tax categories driving this over-performance were primarily Pay-As-You-Earn (PAYE), Tax on Interest, Betting, Gaming and Lottery, Education Tax, GCT (Local), Travel Tax, Custom Duty, and GCT (Imports).

Collections for PAYE amounted to $58,037.3mn, which was $3,760.7mn (or 6.9%) more than original budget but $33.7mn less than the revised budget (see Table 3C). The projection for PAYE was made on the basis of the 2017/18 budgeted inflows, however the end of year actual outturns were moderately higher. The lower base contributed to the deviation in outturn as did the higher than anticipated increase in the employed labour force, up 29,300 persons between April 2018 and April 2019. Tax on Interest was $16,788.0mn, $3,982.5mn over the original budget and $21.4mn over the revised budget due to improved administration as well as a reduction in the level of refunds, given the significant reduction in amounts outstanding.

Table 3C: FY 2018/19 Notable Tax Performances ($mn)

	FY 2018/19				
	Budget (Original)	Third Supplementary Estimates	Actual	Diff between Budget and Actual	Diff between Third Supplementary Estimates and Actual
Other Companies	63,874.4	62,834.9	61,323.1	-4.0%	-2.4%
PAYE	54,276.6	58,071.0	58,037.3	6.9%	-0.1%
Tax on Interest	12,805.5	16,809.5	16,788.0	31.1%	-0.1%
SCT (Local)	27,852.9	26,920.6	25,904.8	-7.0%	-3.8%
Betting, Gaming and Lottery	3,003.0	5,407.8	5,551.1	84.8%	2.6%
Education Tax	27,146.1	28,942.5	29,167.8	7.4%	0.8%
GCT (Local)	95,989.2	100,706.7	100,695.0	4.9%	0.0%
Custom Duty	38,729.2	42,382.2	42,500.2	9.7%	0.3%
Travel Tax	18,598.9	20,625.5	20,756.8	11.6%	0.6%
GCT (Imports)	81,069.3	87,355.5	87,202.3	7.6%	-0.2%
SCT (Imports)	53,447.7	51,336.1	51,164.7	-4.3%	-0.3%

Source: MoFPS, TAJ, Jamaica Customs Agency

Travel Tax recorded collections of $20,756.8mn which exceeded the original budget and revised estimates by $2,157.9mn (or 11.6%) and $131.3mn (or 0.6%) respectively. The increase is largely due to a higher than anticipated outturn in stopover arrivals relative to the amount forecasted.

The outturn for Betting, Gaming and Lottery was $5,551.1mn, $2,548.0mn (or 84.8%) higher than the original budget and $143.3mn (or 2.6%) over the revised. The increased outturn was the result of positive growth recorded across all segments of the lotteries division which resulted in higher receipts for the Lotto Levy, up $2,571.1mn (or 216.1%) over the previous fiscal year. Education Tax benefitted from the aforementioned increase in employment with collections of $29,167.8mn, reflecting $2,021.8mn (or 7.4%) above original budget and $225.3mn (or 0.8%) more than the revised budget. Receipts from GCT (Local) amounted to $100,695.0mn, an above original budget inflow of $4,705.8mn (or 4.9%) but $11.7mn less than the revised budget. Increased collections were supported by an increase in economic activity partially associated with the expanded labour force relative to the previous fiscal year. Additionally, arrears for the period were higher than budgeted.

Custom Duty contributed $42,500.2mn to revenues, higher than original budget by $3,771.0mn (or 9.7%) and $118.0mn (or 0.3%) over the revised budget. Collections were generally influenced by an increase in the CIF value of imported goods underpinned by a slight depreciation of Jamaica dollar relative to its US counterpart. The increase was tempered by an upward movement in the CIF value of exemptions awarded during the period. GCT (Imports) recorded $87,202.3mn, over by $6,133.0mn (or 7.6%) relative to the original budget and $153.2mn (or 0.2%) below the revised budget. The higher than projected outturn was also affected by increased CIF values and improved collection efforts by the Customs Department.

Moderating the increases were reductions in Other Companies, Special Consumption Tax (SCT) (Local), and SCT (Imports). The outturn for Other Companies was $61,323.1mn, a reduction of

$2,551.2mn (4.0%) below original budget and $1,511.7mn (or 2.4%) less than the revised budget. Lower outturns were largely the result of a reduction in Asset Tax receipts. SCT (Local) fell short of the expected outturn ending the year at $25,904.8mn, which was $1,948.0 (or 7.0%) less than original budget and $1,015.8mn (or 3.8%) less than the revised budget. Contributing to these lower outturns was the closure of the Petrojam refinery beyond the projected downtime for routine maintenance.

The actual outturn for SCT (Imports) was $51,164.7mn, reflecting a shortfall of $2,282.9mn (or 4.3%) when compared to the original budget and $171.4mn (or 0.3%) lower than the revised projection. The higher estimated collections on which the forecast was based, relative to the actual outturns for 2017/18, contributed to the underperformance in this tax type.

Non-Tax Revenue also performed above expectation with a total collection of $72,850.5mn, an improvement of $11,970.1mn (or 19.7%) above original budget and $1,624.3mn (or 2.3%) over the revised budget. This outturn is composed of de-earmarked funds, Customs Administration Fees (CAF), special distributions from Public Bodies including a substantial one-time flow from the Petro-Caribe Development Fund and payments from Executive Agencies.

Receipts for Capital Revenue were $2,531.7mn, higher than originally budgeted by $443.6mn (or 21.2%) but $874.4mn (or 25.7%) lower than the projection for the revised budget. The increase is the result of higher than budgeted loan repayments. Grant receipts amounted to $10,547.0mn, $1,488.3mn (or 16.4%) over the original budget and $2,303.3mn (or 27.9%) over the revised budget. The deviation is largely due to faster than planned execution of capital projects.

Expenditure

Expenditure (net of Amortization) of $604,597.5mn was $18,116.9mn (or 3.1%) over the original budget but $13,333.6mn (or 2.2%) less than the revised projection. The lower than revised budget spend was recorded by both recurrent and capital expenditure.

Recurrent non-debt expenditure was $3,718.3mn or (0.9%) less than the revised budget, but $19,497.5mn or (5.0%) higher than the original budget. Expenditure above the original budget reflects the efforts to utilize the higher than programmed revenue flows to address elements such as outstanding street lighting bills owed by local government. The lower than revised budget utilization is due to the inability of some MDAs to complete activities/effect payments within the fiscal year.

Capital expenditure was $66,204.3mn, $6,379.24mn (or 10.7%) more than originally budgeted, but $2,598.76mn (or 3.8%) under the revised budget. The main activity contributing to the higher spending relative to the original budget was work under the Major Infrastructure Development Programme. Timing issues related to programmed project activities contributed to the lower than revised budget spending in the category.

Interest Payments of $129,188.1mn were $7,759.8mn (or 5.7%) below the original budget and $7,016.6mn (or 5.2%) short of the revised budget. The lower than originally programmed interest cost was driven by the domestic interest payments as external interest payments were higher than originally programmed due to higher than anticipated external loan receipts and exchange rates. The lower domestic interest cost was attributable to lower than anticipated interest rates and non-execution of any liability management operations (LMOs) during the year.

FY 2019/20 Budget

The FY 2019/20 budget was developed within a framework that utilized the estimated outturn for FY 2018/19 and estimates for the expected performance of key macro-economic indicators within the context of continuing reform of the operations of the Government. Among the reforms targeted for FY 2019/20 was the reduction of distortionary taxes which was executed through the introduction of tax measures that are estimated to generate a net reduction of $14,000.0mn in tax flows during the year. Given the successive years of primary balance over-performance and the earlier than programmed achievement of the debt/GDP interim target of 96.0%, the Government in consultation with the IMF agreed that the legislated debt/GDP target of 60.0% by 2025/26 could be achieved with an annual primary surplus target of 6.5% of GDP across the medium term. The FY 2019/20 budget was therefore finalized to achieve a primary balance surplus of 6.5% of GDP.

Table 3D: FY 2019/20 Revenue & Expenditure Budget vs FY 2018/19 Actual ($mn)[3]

	2018/19 Actual	2019/20 Approved Budget	% Change
Revenue & Grants	**628,985.2**	**634,372.9**	**0.9%**
Tax Revenue	542,919.4	565,878.3	**4.2%**
Non-Tax Revenue	72,850.5	59,608.5	**-18.2%**
Bauxite Levy	136.5	130.9	**-4.1%**
Capital Revenue	2,531.7	3,119.8	**23.2%**
Grants	10,547.0	5,635.5	**-46.6%**
Expenditure	**604,597.5**	**629,396.3**	**4.1%**
Recurrent Non-Interest	409,205.0	421,160.3	**2.9%**
Recurrent Interest	129,188.1	136,125.4	**5.4%**
Capital Expenditure	66,204.3	72,110.6	**8.9%**

Source: MoFPS

Revenue & Grants

The approved budget for FY 2019/20 shows Revenue & Grants projected at $634,372.9mn, an increase of $5,387.7mn (or 0.9%) over the FY 2018/19 actual outturn (see Table 3D). Tax Revenue is forecast at $565,878.3mn, $22,958.9mn (or 4.2%) over the FY 2018/19 actual. Projections were supported by the expectation of increased economic activity resulting from an expansion in the productive sector and additional administrative and compliance efforts by the revenue authorities.

[3] The FY 2018/19's forecast was extracted from the Fiscal Policy Paper FY 2019/20.

Accounting for 11.6% of the budgeted inflows for Revenue & Grants, Non-Tax Revenues were expected to fall to $59,608.5mn (down 18.2%). This significant decrease is accounted for by the one-off inflows that occurred during FY 2018/19.

The projected Bauxite Levy inflows represent a nominal decline relative to actual receipts for FY 2018/19. Capital Revenue programmed at $3,119.8mn represents an increase of 23.2% over the actual FY 2018/19 flows.

Grant receipts of $5,635.5mn are expected to be $4,911.5mn (or 46.6%) lower than the outturn for FY 2018/19 primarily due to lower expected inflows from the European Union (EU) than has been obtained in the past.

Expenditure

Maintaining a balanced budget requires monitoring aggregate expenditure to ensure the strategic allocation of resources along the lines of sustainable operational efficiency. The approved Expenditure Budget (net of Amortization) for FY 2019/20 is $629,396.3mn, an increase of $24,798.8mn (or 4.1%) over the FY 2018/19 outturn.

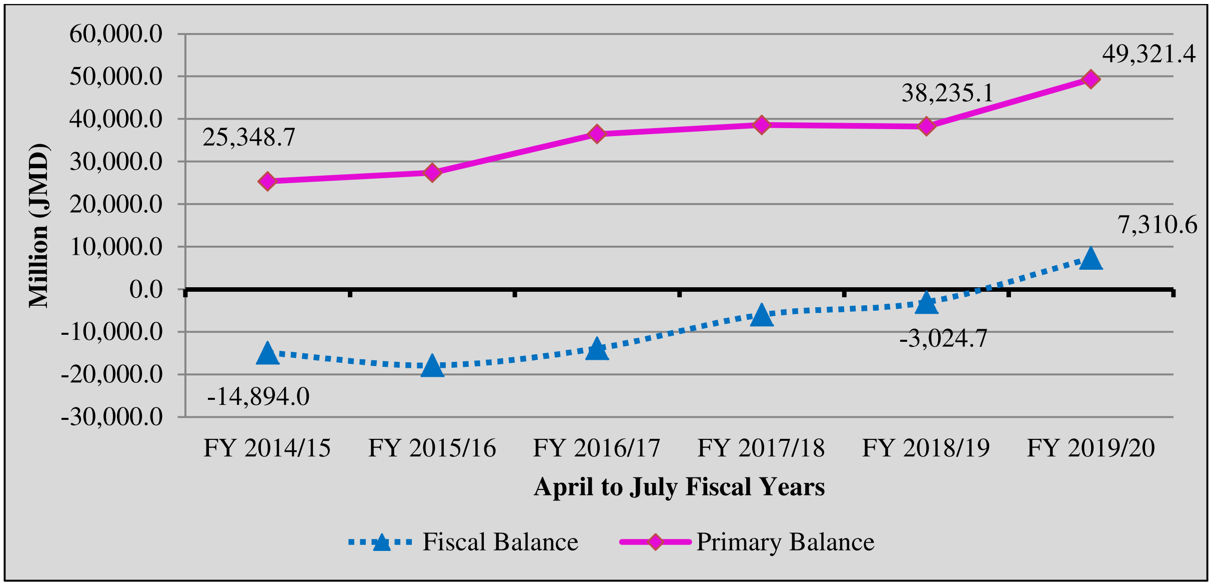
This increase largely reflects higher Recurrent Non-debt Expenditure, which at $421,160.3mn, is up $11,955.3mn (or 2.9%) over the last fiscal year. The forward estimates were informed by the expected increase in inflation, attendant housekeeping costs and applicable increases related to the negotiated wage agreement for the 2017-2021 contract period.

Spending on Recurrent Interest, at $136,125.4mn, represents an increase of $6,937.2mn (or 5.4%) over the previous fiscal year. Domestic interest payments are expected to be lower than last fiscal year while external interest is forecasted to be higher reflecting an expectation of net exchange rate depreciation during the year. Capital Expenditure budgeted at $72,110.6mn, represents a $5,906.3mn (or 8.9%) increases over FY 2018/19. The uptick can primarily be linked to increased allocations to the Ministry of National Security, Office of the Prime Minister and the Ministry of Health. These increases were tempered by a reduction in allocation to the Ministry of Economic Growth and Job Creation, to which the Works portfolio belongs, as work on the Major Infrastructure Development Programme (MIDP) is expected to conclude during the year.

Central Government Performance: April-July 2019

The Central Government account continues to perform well as reflected in the positive fiscal and primary balances (see Figure 3A). This positive outturn is evidence of the continued fiscal discipline; and the effectiveness of broadening of the tax base.

Figure 3A: April-July Fiscal and Primary Balances from FY 2014/15-FY 2019/20



Source: MoFPS

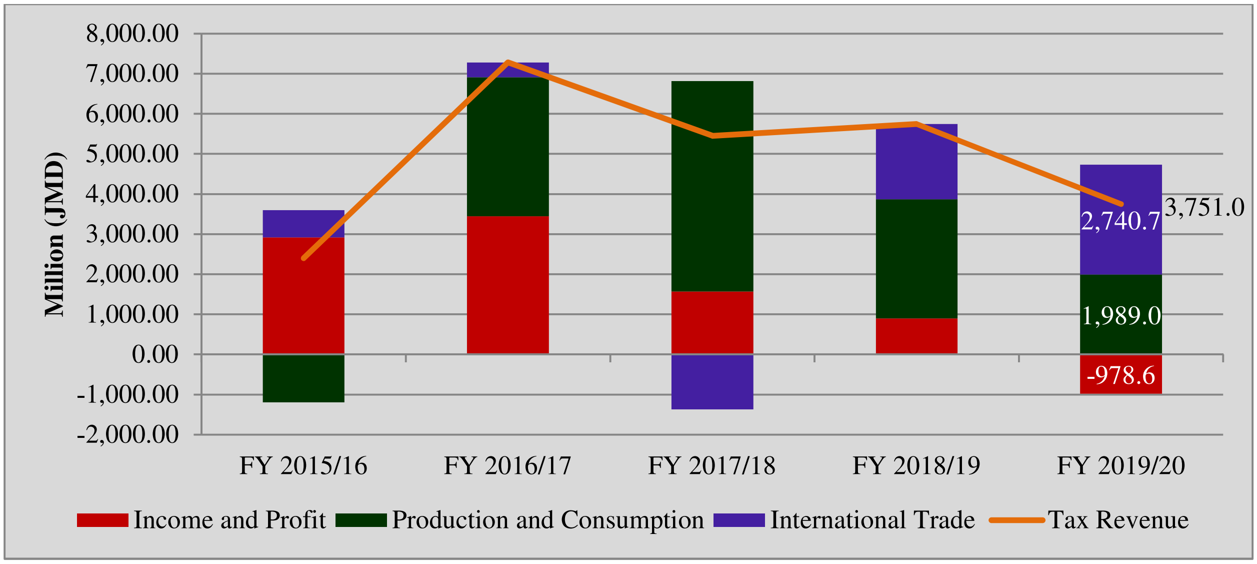
Revenue & Grants Outturn

Revenue & Grants of $202,064.8mn was collected during the period and represents a 2.0% higher than budgeted inflow and 8.9% more than the April to July 2018 corresponding period. Credited for this performance are inflows from Tax Revenue which contributed $179,812.6mn and Non-Tax Revenue of $19,427.3mn, 2.1% and 3.1% higher than their respective targets. The flows are 6.8% and 30.1% higher than the corresponding period of the last year. Capital Revenue and Grants both recorded lower than anticipated flows.

Tax Revenue

Tax Revenue to July 2019 continued to outpace its target for the fifth consecutive year. This year's stronger than budgeted flows were attributable to International Trade taxes (up by $2,740.7mn) and Production and Consumption (up by $1,989.0mn). Income & Profit taxes were, however, lower than anticipated, mainly due to lower than budgeted PAYE collections.

Figure 3B: April – July Tax Revenue Deviation from Budget - FY 2015/16 to FY 2018/19



Source: MoFPS

Although economic growth for the first quarter of the fiscal year is below expectations, the service industry growth resulted in an uptick in General Consumption Taxes and Special Consumption Taxes, which positively impacted the International Trade taxes and Production & Consumption taxes (see Table 3E).

Table 3E: Performance of Major Tax Types April to July 2019

Tax Type	Shares of Tax Revenue Collected	Deviation from Budget (%)	Change over April – July 2018 (%)	% Contribution to deviation relative to budget
Custom Duty	8.4%	4.4%	12.6%	17.0%
Education Tax	5.7%	-0.6%	9.0%	-1.7%
GCT (Imports)	17.3%	1.4%	9.5%	11.5%
GCT (Local)	20.4%	1.9%	11.0%	18.4%
Other Companies	7.9%	1.2%	10.0%	4.5%
PAYE	11.0%	-6.2%	6.9%	-34.7%
SCT (Imports)	9.7%	5.6%	10.9%	24.6%
SCT (Local)	5.0%	1.1%	3.6%	2.6%

Source: MoFPS

Income & Profit

The taxes collected from Income & Profit totalled $41,121.7mn, which was $978.6mn below the budget. This was the only tax category that fell below budget primarily due to lower than anticipated collections from PAYE, which fell short of the budgeted $21,128.7mn by $1,300.7mn.

Notwithstanding this lower than expected outturn, collections were $1,890.6mn or 4.8% higher than the corresponding period in FY 2018/19.

The shortfall in PAYE partially reflected lower than projected inflows from the payment of arrears. Also contributing to the under-performance was the fact that the estimated base which underpinned the PAYE forecast turned out to be higher than the actual PAYE collections for FY 2018/19.

The other tax types within the Income & Profit category were broadly in line with projections with collection of $14,136.9mn for Corporate Tax, Tax on Interest of $5,160.3mn, Other Individual amounting to $1,284.6mn and Tax on Dividend totalling $712.0mn. All of these tax types with the exception of Tax on Interest exceeded their respective inflows during last fiscal year. Tax on Interest is being impacted by the current low interest rate environment; while Tax on Dividend showed a 33.7% increase over the budget in line with increased dividend income from investments as demonstrated by the performance of the Jamaica Stock Exchange (JSE) (see Appendix I).

Production and Consumption

Production & Consumption taxes performed well relative to budget. Collections were recorded at $65,309.7mn which is $1,989.0mn higher than budget and $2,478.9mn higher than the April to July 2018 period. The main drivers of this over-performance were General Consumption Tax (Local), Telephone Call Tax, Other Licenses and Betting, Gaming and Lottery collections.

General Consumption Tax (Local) at $36,622.3mn is $691.5mn more than the target. For the last few years, GCT collections have performed above budget. This year indications are that inflows were driven by higher than anticipated arrears collection. Arrears collected were also higher than for the corresponding period of last fiscal year. This, along with improved compliance resulting from mandatory eFiling, and increased economic engagement of human resources, as indicated by the higher employment figures, contributed to the higher year-over-year GCT (Local) collection.

Telephone Call Tax is payable on the duration of telephone calls, measured in the total number of minutes. Therefore, increased collections are attributable to a higher than anticipated increase in the total number of minutes being spent on calls. Although the historical trend has been one of decreasing Telephone Call Tax the period has shown a dramatic year-over-year increase of 19.1%. (see Table 3F).

Table 3F: Telephone Call Tax Collected Year-over-Year (%)

FY	Telephone Call Tax Change over prior year (%)
2016	↓ -12.4
2017	↓ -14.1
2018	↓ -18.2
2019	↑ 19.1

Source: MoFPS

Taxes from Other Licenses also contributed to the favourable performance of this category. Collection amounted to $751.6mn which was 68.2% higher than the budget and 104.1% higher than FY 2018/19. This was due to higher than expected flows being recorded for telecommunication licenses.

Betting, Gaming and Lottery is credited with contributing $276.2mn toward the higher flows seen in Production & Consumption taxes. Collections amounted to $2,057.5mn and recorded a 15.5% higher than targeted inflow. It is expected that as the economy grows, taxes collected on betting will grow at a similar pace, however, this growth is much higher than estimated growth of the economy.

Contractor's Levy partially stymied the positive outturn seen in this category. Collections recorded $781.0mn, below the $907.2mn expected. This is in line with the contraction of construction in real terms (1.0%) for the April to June quarter of 2019.

International Trade

Collection from International Trade taxes of $73,381.2mn exceeded the budget by $2,740.7mn. All sub-categories contributed to this buoyant performance. This was mainly as a result of the higher Cost, Insurance and Freight (CIF) values of goods being imported over the April to July period, the slight depreciation of the Jamaican currency as well as continued improvement in overall efficiency.

Custom Duty, General Consumption Tax (Imports) and Environmental Levy all benefited from the higher than anticipated growth in the value of the imports (i.e. the CIF value). This resulted in collections being $638.3mn, $431.6mn and $75.6mn higher than their respective budgets.

For Stamp Duty collections, receipts with CIF values both below and above Five Thousand Five Hundred Jamaican Dollars (J$5,500) grew above expectations and resulted in collections of $971.8mn, which was $204.4mn higher than the budget and $137.6mn higher than the same period in FY 2018/19.

Travel Tax continues to perform well relative to the budget and is indicative of the growth taking place in the tourism sector. For the period April to June 2019, foreign national arrivals were higher than anticipated with growth of 7.8%, Non-resident Jamaican arrivals also grew by 19.1%. Cruise passenger arrivals declined during the period, but this did not constrain the overall travel tax collection. The slight devaluation of the currency also had a positive impact.

Special Consumption Tax (SCT) imports had the highest nominal increase over the budget of $921.0mn which resulted in collection of $17,482.3mn. This was attributable to higher than anticipated inflows from petroleum products, specifically crude oil imports for the refinery.

Other Revenue

Non-Tax Revenue for the period totalled $19,427.3mn which was broadly in line with the budget of $18,838.3mn. The inflows included collections from the following sources, inter alia:

- De-earmarked funds amounting to $4,582.3mn;
- Custom Administration Fee of $1,198.7mn;
- Programmed NHT transfer of $2,850mn; and
- Royalties totalling $271.4.

Capital Revenue and Grant collections were below their respective budgets by $233.6mn and $157.6mn. Lower Grant proceeds are associated with slower than budgeted implementation of grant related projects.

Expenditure

During the April to July 2019 period, spending above-the-line totalled $194,754.2mn, of which Recurrent Expenditure amounted to $179,152.0mn and Capital Expenditures to $15,602.2mn. While the above-the-line expenditure was $5,071.6mn lower than budgeted, it was $6,218.4mn (or 3.3%) more than that spent during the corresponding period of FY2018/19. A major contributor to the under-spending was lower than estimated interest costs; both on the domestic and the external debt portfolios.

Recurrent Expenditure

Recurrent Expenditure of $179,152.0mn was $822.5mn below the budget, but $8,006.5mn higher than the corresponding period of last fiscal year. This lower recurrent spending was due to interest payments falling short of budget by $3,403.2mn, which outweighed by the higher than programmed spending on Programmes and Compensation of Employees.

Programmes

Programme expenditure amounted to $65,208.6mn, which was $2,254.4mn (or 3.6%) higher than budget and $2,598.6mn (or 4.2%) higher than the same period in FY 2018/19. This higher than programmed expenditure was due to the advancement of some payments which were scheduled for the second quarter of the fiscal year, in order to offset an identified delay in capital spending. This over-performance in spending on Recurrent Programmes is expected to normalize as the year progresses.

Compensation of Employees

Compensation of Employees amounted to $71,932.6mn and accounts for 52.5% of overall non-debt recurrent expenditure. Payments were ahead of budget by $326.2mn due to actual Wages and Salaries payments recording higher than budgeted levels. Compensation of Employees consists of $66,163.9mn towards Wages and Salaries and $5,768.7mn in Employer's Contribution. Compensation of Employees was $4,656.8mn or 6.9% ahead of the corresponding period in FY 2018/19, primarily due to the negotiated wage increase for public sector workers for FY 2019/20.

Interest Payments

Interest Payments totalled $42,010.8mn and was $3,403.2mn (or 7.5%) below budget. Both domestic and external payments contributed to the shortfall. Domestic interest payments of $11,656.3mn were lower than the budget by $315.8mn (or 2.6%), while external payments were lower by $3,087.3mn. These shortfalls are primarily due to the non-execution of liability management operations during the period.

Capital Expenditure

Capital spending for the period was $15,602.2mn or 78.6% of the $19,851.2mn which was programmed for the period, thereby reflecting a negative variance of $4,249.1mn or 21.4%. The slower than programmed implementation of some capital projects was responsible for the below target performance. In particular the South Coast Highway Improvement Project (SCHIP) programmed to spend approximately $2.3bn during the period did not commence, thereby accounting for 54.5% of the underperformance.

Financing

Amortization payments of $76,664.6mn were broadly in line with the budgeted amount of $77,054.7mn. The amortization components however showed deviations of $1,198.8mn lower and $808.7mn higher for domestic and foreign principal respectively. Domestic principal amounted to $47,816.0mn and consisted of Treasury bill payments amounting to $6,934.5mn as well as maturing fixed rate Benchmark Investment Notes (BIN). External principal payments totalled $28,848.5mn and were partially higher than budget due to higher than anticipated devaluation of the Jamaican currency vis-à-vis the United States currency.

Loan receipts of $43,006.5mn were $7,411.3mn (or 20.8%) higher than budgeted. This was as a result of higher than programmed domestic and external receipts. Domestic loan receipts of $35,102.9mn were $5,201.7mn higher than budgeted. This was due to efforts by the Government to encourage further development of the domestic capital market. External loan receipts of $7,903.6mn were ahead of the budget as a result of higher project loan inflows although some associated projects were unable to spend the flows during the period.

With Central Government's assumption of the day-to-day operations of the PetroCaribe Development Fund (PCDF) the Fund's deposits and principal proceeds of investments are being directed to the Consolidated Fund. These receipts are captured below-the-line as "Other Inflows" which recorded $13,430.3mn in flows for the April – July 2019 period. The category of "Other Outflows" recorded $191.4mn, $3,076.1mn lower than programmed due to delays experienced in finalizing loan contracts related to the PCDF.

The net impact of the financing flows has been a lower than programmed drawdown on cash balances.

Specified Public Sector Debt

At end-July 2019, Jamaica's Public Debt stock stood at $2,002,295.6mn representing an increase of $64,282.1mn or 3.3% over end-March 2019. This increase is attributed to an increase in Total Central Government Debt which was mainly the result of valuation changes associated with the depreciation of the Jamaica dollar. Total Central Government Debt increased by 3.3% between March 2019 and July 2019 reflecting contrasting changes in the domestic and external portfolios. Non-Central Government Debt increased by 8.0% over the period. (Table 3G).

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

	Mar-19		Jul-19		Change	
	J$ millions	(%) Total Public Debt	J$ millions	(%) Total Public Debt	J$ millions	%
Total Specified Public Sector Debt	**1,938,013.5**		**2,002,295.6**		**64,282.1**	**3.3%**
Total Central Government Debt	**1,928,766.9**	**99.5%**	**1,992,308.9**	**99.5%**	**63,542.0**	**3.3%**
Central Government Domestic Debt	**755,977.7**	**39.0%**	**742,119.8**	**37.1%**	**-13,857.89**	**-1.8%**
Marketable Securities	**755,776.7**	**39.0%**	**741,918.8**	**37.1%**	**-13,857.9**	**-1.8%**
Bonds	745,976.7	38.5%	731,918.8	36.6%	-14,057.9	-1.9%
Treasury Bills	9,800.0	0.5%	10,000.0	0.5%	200.0	2.0%
Loans (Commercial Banks, Public Sector)	**201.0**	**0.0%**	**201.0**	**0.0%**	**-**	**0.0%**
Central Government External Debt	**1,172,789.3**	**60.5%**	**1,250,189.1**	**62.4%**	**77,399.9**	**6.6%**
Marketable Securities	**716,844.3**	**37.0%**	**762,317.1**	**38.1%**	**45,472.8**	**6.3%**
Bonds	716,844.3	37.0%	762,317.1	38.1%	45,472.8	6.3%
Loans	**455,945.0**	**23.5%**	**487,872.1**	**24.4%**	**31,927.1**	**7.0%**
Bilateral	**86,820.6**	**4.5%**	**92,642.6**	**4.6%**	**5,822.0**	**6.7%**
OECD	5,882.0	0.3%	5,862.8	0.3%	-19.1	-0.3%
Non-OECD	80,938.6	4.2%	86,779.7	4.3%	5,841.1	7.2%
Multilateral	**364,644.9**	**18.8%**	**392,298.7**	**19.6%**	**27,653.8**	**7.6%**
IDB	196,943.9	10.2%	210,846.1	10.5%	13,902.2	7.1%
IBRD	109,240.6	5.6%	121,820.1	6.1%	12,579.5	11.5%
Other	58,460.5	3.0%	59,632.6	3.0%	1,172.1	2.0%
Commercial Banks	**4,479.4**	**0.2%**	**2,930.7**	**0.1%**	**-1,548.7**	**-34.6%**
Non Central Government Debt	**9,246.5**	**0.5%**	**9,986.7**	**0.5%**	**740.2**	**8.0%**
Net Public Bodies	9,246.5	0.5%	9,986.7	0.5%	740.2	8.0%

Source: MoFPS
Note: Total Specified Public Sector Debt reflects the new GOJ definition

The stock of Total Central Government Debt increased by $63,542.0mn or 3.3% to $1,992,308.9mn, of which Domestic Debt accounted for $742,119.8mn while External Debt represented $1,250,189.1mn. Downward movement in the domestic debt portfolio was the result of Net Financing outflows, driven by Marketable Securities which were $741,918.8mn at end-July 2019, a reduction of $13,857.9mn or 1.8% compared to end-March 2019. Benchmark Investment Notes (BINs), which account for 98.7% of the securities outstanding, decreased by 1.9% while T-Bills increased by 2.0%. No new loans were contracted over the period.

For the external portfolio, there was an increase in the debt stock in Jamaica dollar terms despite the reduction in US dollar terms, entirely owing to a depreciation of the JMD vis-à-vis its US counterpart between March and July 2019. The increase in the external debt stock to $1,250,189.1mn was $77,399.9mn or 6.6% more than the $1,172,789.3mn recorded at end-March 2019. In USD terms, however, there was a 1.3% decrease in the value of the Central Government External Debt Stock.

Non-Central Government Debt which includes Net Public Bodies increased by $740.2mn from $9,246.5mn at end March 2019 to $9,986.7mn at end July 2019.

SELF-FINANCING PUBLIC BODIES OPERATIONS - FY 2019/20

April – June 30, 2019

The group of Self-Financed Public Bodies reflected an Overall Surplus of $5,202.8mn as at end-June 2019, compared with budgeted deficit of $204.0mn. This outturn was due to a combination of the following factors:

A. Capital expenditure of $12,252.5mn, $5,501.3mn lower than the budgeted spend of $17,753.8mn. The lower outturn was chiefly attributable to the National Housing Trust (NHT), the National Water Commission (NWC) and the Port Authority of Jamaica (PAJ). The following are highlighted:

   i. NHT's total capital expenditure was $1,049.6mn lower than budget due to lower than projected disbursements for its Joint Venture Programme. Chiefly, there were delayed disbursements given the lag in the procurement process.
   ii. NWC recorded under expenditure of $746.3mn or approximately 41.7% of budget, influenced primarily by an overall delay in the procurement of the solid-state meters.
   iii. PAJ's shortfall of $1,397.7mn compared with its budget of $2,051.3mn resulted mainly from delays in the construction of the Logistics Complex and a lag in works on the Portmore Informatics BPO project.

B. Petroleum Corporation of Jamaica with an Overall Surplus $5,200.8mn was $5,274.0mn better than budget. PCJ's higher outturn resulted from the gain of $4,902.4mn on disposal of its shares in Wigton Windfarm Limited in May 2019. This inflow was not budgeted given uncertainties surrounding the timeline, as well as the yield/proceeds expected from the transaction.

The impact of the lower capital expenditure and higher inflows to the PCJ was offset by Petrojam's Overall Deficit of $3,158.7mn compared with budgeted surplus of $848.0mn. Contributing to this outturn was overdue balances of US$27.9mn owed by the Jamaica Public Service Company (JPS); the actual amount owed by the JPS was US$121.7mn compared with budget of US$93.8mn.

Table 1: SFPBs' Performance for the Three (3) Months to June 2019

	PUBLIC BODIES - (SPBs & OPBs)			Projected Jun-19	Actual Jun-19	Proj vs Actual Variance
Statement 'A' Flow of Funds						
1	Current Revenue			112,499.34	116,407.65	3,908.31
2	Current Expenses			(95,761.58)	(89,644.80)	6,116.78
3	**Current Balance**			**16,737.76**	**26,762.85**	**10,025.09**
4	Adjustments			4,813.26	(5,573.19)	(10,386.45)
		Change in Accounts Receivable/Payable		(2,894.14)	(6,552.91)	(3,658.77)
		Items not requiring outlay of cash:		0.00	0.00	-
		Depreciation		3,972.17	3,451.08	(521.09)
		Other Non-Cash Items		3,735.23	(2,471.36)	(6,206.59)
		Prior Year Adjustment		0.00	0.00	-
5	**Operating Balance**			**21,551.02**	**21,189.66**	**(361.36)**
6	**Capital Account**			**(12,797.58)**	**(7,350.01)**	**5,447.57**
		Revenue		6,179.33	5,749.47	(429.86)
		Expenditure		(17,753.79)	(12,252.52)	5,501.27
		Investment		(215.11)	(18.77)	196.34
		Change in Inventory		(1,008.01)	(828.19)	179.82
7	Transfers from Government			6,627.54	3,928.30	(2,699.23)
		Loans		-	-	-
		Equity		706.96	-	(706.96)
		On-Lending		-	-	-
		Other		5,920.58	3,928.30	(1,992.28)
8	Transfers to Government			(15,585.05)	(12,565.20)	3,019.84
		Dividend		(3,034.73)	(2,850.00)	184.73
		Loan Repayments		-	-	-
		Corporate Taxes		(561.33)	(714.39)	(153.07)
		Other		(11,988.99)	(9,000.81)	2,988.18
9	**OVERALL BALANCE (5+6+7+8)**			**(204.07)**	**5,202.76**	**5,406.82**
10	**FINANCING (11+15)**			**204.07**	**(5,202.76)**	**(5,406.82)**
* 10a	Total			458.50	10,749.73	10,291.23
		Capital Revenue		55.47	(0.15)	(55.62)
		Loans		190.59	11,037.22	10,846.63
		Equity		-	575.55	575.55
		On-Lending		225.00	-	(225.00)
		Loan Repayments		(12.56)	(862.89)	(850.33)
11	Total Foreign (12+13+14)			1,342.28	2,646.25	1,303.97
12	Government Guaranteed Loans			(1,367.41)	(2,305.05)	(937.64)
		Disbursement		703.78	0.00	(703.78)
		Amortization		(2,071.19)	(2,305.05)	(233.86)
13	Direct Loans			2,714.73	7,182.87	4,468.14
		Long Term		(754.15)	(89.98)	664.17
			Disbursement	(510.00)	(1.80)	508.20
			Amortisation	(244.15)	(88.17)	155.98
		Short Term		-	-	-
			Change in Trade Credits	3,468.88	7,272.85	3,803.97
14	Change in Deposits Abroad			(5.04)	(2,231.57)	(2,226.53)
15	Total Domestic (16+17+18)			(1,596.71)	(18,598.74)	(17,002.03)
16	Banking System			(2,980.83)	(5,069.75)	(2,088.91)
		Loans (Change)		2,695.48	(321.53)	(3,017.01)
		Overdraft (Change)		0.00	17.86	17.86
		Deposits (Change)		(5,676.31)	(4,766.08)	910.24
17	Non-Banks (Change)			3.01	(3.87)	(6.88)
18	Other (Change)			1,381.11	(13,525.12)	(14,906.24)

Outlook to March 31, 2020

The Group of Self-financed Public bodies is programmed to generate an Overall Deficit of $3,209.0mn for FY 2019/20. However, the revised forecast is a deficit of $6,222.5mn, a difference of $3,013.5mn. The net change is expected to be driven primarily by increased housing expenditure of the National Housing Trust (NHT) during the FY. The Trust has indicated that its original $39,404.1mn housing programme should close the year at approximately $42,904.1mn. The status of the contracting/procurement activities is being reviewed with a view to determine the precise change on the budgeted housing expenditure of $39,404.1mn budgeted. The impact of the NHT's planned programme should be partially offset by reduced capital programmes for Petrojam Limited, Port Authority of Jamaica National Water Commission and the Airports Authority of Jamaica.

The Clarendon Alumina Production Limited (CAP) continues to experience some fall-out in operating flows. This is due mainly to depressed world alumina prices and increasing cost of production. This has contributed to an accumulation of amounts owed by CAP for its portion of the Joint Venture operating expenses.

Fiscal Outlook

Jamaica has made significant progress since embarking on the economic reform programme, supported by the IMF's Extended Fund Facility (EFF) and, subsequently, the Precautionary Stand-by Arrangement (PSBA). The success achieved has been underpinned by the fiscal discipline exercised by the Government of Jamaica (GOJ), the structural reform thrust and, importantly, broad stakeholder endorsement which has been reinforced by the commitment demonstrated by the GOJ. The conclusion of the PSBA with the IMF, will herald an era of greater economic independence for Jamaica with the need for continued fiscal prudence. The Fiscal Council, when established, is expected to deepen accountability and promote transparency as it assumes the role of monitoring the government's compliance with the legislated Fiscal Rules. Within this context, and given the unwavering resolve of the GOJ to attain fiscal and debt sustainability, the prospects for enhanced fiscal performance over, and beyond, the medium term are favourable.

First Supplementary Budget – FY 2019/20

The emergence of additional expenditure requirements since the approval of the budget in March 2019 has necessitated the formulation of a supplementary budget. The First Supplementary Budget for FY 2019/20 is developed against the backdrop of continued positive performance in total revenue, evidenced by the better-than-budgeted Tax Revenue collections for the April to July period of the fiscal year. The proposed additional expenditure will be on the recurrent budget and amounts to a total of

$9.9bn while the capital budget is to be maintained at the originally approved $72.1bn. This additional expenditure is expected to be financed through the increased space afforded by the positive revenue performance as well as through the adjustment of the targeted primary balance arising from the lower growth forecast. Reallocation of budgeted resources will also be utilized to address some of the requests submitted for inclusion in the First Supplementary Budget.

The additional non-debt recurrent expenditure being facilitated relates to allocations towards, inter alia:

- Addressing critical payments to facilitate the continued smooth operations of the Tax authorities;
- Facilitating the refund of customs charges which were misclassified as GCT and paid in to the Consolidated Fund;
- Pensions related expenditure, including the additional cost of implementing the rate increase to the health scheme for pensioners; and
- Addressing the shortfall in the 2019/20 allocation for the Caribbean Catastrophe Risk Insurance Facility (CCRIF) premium payment.

The First Supplementary Budget for FY 2019/20 also reflects adjustments in the debt service, with the Public Debt Service projected to increase by $45,500.5mn. This comprises $40,205.0mn in amortization and $5,295.4mn in interest payments. The increase in Public Debt Service reflects the impact of recent liability management activities.

Central Government Operations – FY 2019/20

Expenditure - FY 2019/20

Above-the-line Expenditure of $629,396.3mn was approved for FY 2019/20 in March 2019. Subject to the approval of the additional spending reflected in the First Supplementary Estimates for FY 2019/20, this expenditure (excluding amortization) is revised upwards to $639,345.4mn. This reflects an increase of $9,949.1mn or 1.6% over the March 2019 approved budget, and this is entirely attributable to higher recurrent allocation. The additional expenditure is distributed across Recurrent Programmes, Compensation and Interest payments, with increases of $3,637.5mn, $1,016.1mn and $5,295.5mn, respectively. Consequently, Recurrent Programmes is projected to total $214,355.0mn; Compensation of Employees is programmed to amount to $211,458.9mn, comprising Wages & Salaries and Employers' Contribution of $194,958.1mn and $16,500.8mn, respectively; while Interest payments of $141,420.9mn is projected for the fiscal year, with Domestic Interest of $51,998.7mn and External Interest of $89,422.1mn. The increase in interest payments is associated with the execution of opportunistic liability management operations.

Amortization payments for FY 2019/20 have been increased to $178,526.4mn, reflecting additional payments of $40,205.0mn. The increase is largely on account of higher External amortization due primarily to the liability management operation, with total payments of $101,427.4mn being $39,932.2mn higher than the March 2019 approved budget. Domestic amortization is projected to be $272.8mn higher than the $76,826.2mn originally approved for the fiscal year.

Other below-the-line payments (Other Outflows) of $35,522.9mn have not been adjusted.

Inflows from Loan Receipts are projected to be $122,946.0mn, which is $20,209.6mn more than the originally approved budget. Domestic loan inflows dominate the increase, with inflows of $70,664.2mn being higher by $14,182.1mn. External loan receipts are projected to rise by $6,027.5mn to a total of $52,281.8mn for FY 2019/20.

Other Inflows are estimated to increase by $54,987mn to $73,450.2mn primarily as a result of the liability management operation and flows related to the PetroCaribe Development Fund (PCDF).

The upward revision to the projections for loan receipts, other inflows, interest payments and amortization is primarily related to the execution of opportunistic liability management operations.

Revenue & Grants – FY 2019/20

Revenue & Grants for FY 2019/20 are currently projected to total $637,937.2mn, representing an increase of $3,564.3mn or 0.6% over the approved budget. Tax Revenue is projected to account for the largest share of the increase, with additional inflows of $4,130.0mn projected. Non-Tax Revenue is also projected to contribute positively to the increase above the approved budget, with the revised projection of $61,684.7mn expected to be $2,076.2mn higher. Capital Revenue and Grants are projected to be short of the approved budget by $2,006.4mn and $635.5mn, respectively.

The primary surplus projection for the fiscal year is $140,012.7mn, which is 0.8% lower than the original budget. The lower nominal primary surplus maintains the targeted 6.5% ratio to GDP given the downward revision to real GDP growth. The operations of the Central Government are projected to generate a fiscal deficit of $1,408.1mn or 0.1% of GDP, largely reflecting the higher spending on recurrent expenditure proposed for the year.

Public Bodies: Prospects for remainder of FY 2019/20

The overall balance originally programmed for the Public Bodies was a deficit of $3,208.96mn. Notwithstanding a higher operating balance projection, the current outlook for the overall balance is a revised forecast with a worsened deficit position of $6,222.49mn (See Appendix I: Public Bodies' Statement 'A' Flow of Funds). This deterioration is attributable to lower transfer flows from the Central Government and a higher capital account deficit than previously projected.

FY 2019/20 and the Medium Term Fiscal Profile

The medium term fiscal profile reflects updated projections that are consistent with the adjustments to the medium term macroeconomic outlook (see Table 2D) as well as with the fiscal policy priorities of the GOJ. These key objectives include: achievement of a primary surplus of 6.5% of GDP, maintenance of a Wage-to-GDP ratio of 9.0% and reduction of the Debt-to-GDP ratio to 60.0% or lower by end FY 2025/26. The revised medium term fiscal profile is presented in Appendix 1 (Tables A4 and A5). The macroeconomic forecast for FY2019/20 includes, inter alia:

- Real Growth of 0.7%;
- Annual inflation rate of 4.8%
- Average Oil price (WTI) of US$57.00 per barrel; and
- Core Imports increasing by 3.2% relative to FY 2018/19.

In light of the projected slowdown in economic activity, Revenue & Grants as a percent of GDP are projected to decline by 1.0 percentage point from 30.6% in FY 2018/19 to 29.6% in FY 2019/20 and thereafter average 29.4% through to FY 2022/23. Tax Revenue as a percent of GDP for FY 2019/20 is projected to remain stable at 26.4% relative to the previous fiscal year and is forecasted to average about 25.7% over the medium term. Non-Tax Revenue as a percent of GDP is forecast to fall by 0.6 percentage point to 2.9% for FY 2019/20 and thereafter stabilize at 2.8%. The Tax Revenue forecast over the medium term reflects expectation of continued positive economic performance accompanied by sustained improvements in the labour market. Non-Tax Revenue is expected to benefit from inflows associated with the integration of the PCDF into the Central Government, maintenance of the significant contribution provided through the collections by Ministries, Departments and Agencies (MDAs) as well as continued inflows from de-earmarked entities and other public bodies.

The GOJ's unrelenting commitment to fiscal discipline, in addition to its prioritization of growth enhancement continues to be reflected in the strategic shift from recurrent expenditure towards more growth-inducing capital spending over the medium term. An increase of 0.3 percentage point is indicated for above-the-line Expenditure for FY 2019/20 relative to FY 2018/19; however, the projection thereafter is for a gradual decline to 27.1% of GDP by FY 2022/23. Recurrent spending is projected to follow a similar trend, first rising marginally then declining throughout the medium term. On the contrary, Capital spending is programmed to be maintained at 3.3% of GDP over the period.

In keeping with the Financial Administration and Audit (FAA) (Amendment) Act of 2016, the Wage-to-GDP ratio is projected to be maintained at 9.0% through the medium term. Interest payments are forecast to decline gradually from 6.6% of GDP in FY 2019/20 to 4.8% of GDP by FY 2022/23. The medium term profile, as presented, assumes that any fiscal gaps will be closed by requisite fiscal measures.

Appendix I

Table A1: Central Government Summary Accounts – Fiscal Monitoring Table FY 2019/20
(in millions of Jamaica dollars)

Item	Prov Apr - July	Budget Apr - July	Diff	Diff %	FY 18/19 Apr - July	Diff	Diff %
Revenue & Grants	**202,064.8**	**198,115.9**	**3,948.9**	**2.0%**	**185,511.1**	**16,553.7**	**8.9%**
Tax Revenue	179,812.6	176,061.6	3,751.0	2.1%	168,407.1	11,405.6	6.8%
Non-Tax Revenue	19,427.3	18,838.3	589.1	3.1%	14,938.3	4,489.0	30.1%
Bauxite Levy	0.0	0.0	0.0	-	0.0	0.0	-100.0%
Capital Revenue	813.3	1,046.9	-233.6	-22.3%	562.7	250.7	44.5%
Grants	2,011.5	2,169.1	-157.6	-7.3%	1,603.0	408.5	25.5%
Expenditure	**194,754.2**	**199,825.8**	**-5,071.6**	**-2.5%**	**188,535.8**	**6,218.4**	**3.3%**
Recurrent Expenditure	179,152.0	179,974.5	-822.5	-0.5%	171,145.5	8,006.5	4.7%
Programmes	65,208.6	62,954.2	2,254.4	3.6%	62,610.0	2,598.6	4.2%
Compensation of Employees	71,932.6	71,606.4	326.2	0.5%	67,275.7	4,656.8	6.9%
Wages & Salaries	66,163.9	65,324.8	839.1	1.3%	61,274.2	4,889.7	8.0%
Employers Contribution	5,768.7	6,281.5	-512.9	-8.2%	6,001.6	-232.9	-3.9%
Interest	42,010.8	45,413.9	-3,403.2	-7.5%	41,259.8	751.0	1.8%
Domestic	11,656.3	11,972.1	-315.8	-2.6%	13,107.7	-1,451.4	-11.1%
External	30,354.5	33,441.8	-3,087.3	-9.2%	28,152.1	2,202.4	7.8%
Capital Expenditure	15,602.2	19,851.2	-4,249.1	-21.4%	17,390.2	-1,788.0	-10.3%
Capital Programmes	15,602.2	19,851.2	-4,249.1	-21.4%	17,390.2	-1,788.0	-10.3%
Fiscal Balance (Surplus + / Deficit -)	**7,310.6**	**-1,709.9**	**9,020.5**	**-527.6%**	**-3,024.7**	**10,335.3**	**-341.7%**
Loan Receipts	**43,006.5**	**35,595.3**	**7,411.3**	**20.8%**	**55,655.0**	**-12,648.5**	**-22.7%**
Domestic	35,102.9	29,901.2	5,201.7	17.4%	41,941.6	-6,838.7	-16.3%
External	7,903.6	5,694.1	2,209.5	38.8%	13,713.4	-5,809.8	-42.4%
Project Loans	7,903.6	5,694.1	2,209.5	38.8%	6,762.5	1,141.1	16.9%
Other	0.0	0.0	0.0	-	6,950.9	-6,950.9	-100.0%
Other Inflows (inc'ds PCDF)	**13,430.3**	**5,205.2**	**8,225.1**	**158.0%**	**14,524.5**	**-1,094.2**	**-7.5%**
Other Outflows (incl'ds BOJ Recapitalization)	**191.4**	**3,267.5**	**-3,076.1**	**-94.1%**	**15,151.6**	**-14,960.2**	**-98.7%**
Amortization	**76,664.6**	**77,054.7**	**-390.1**	**-0.5%**	**89,235.2**	**-12,570.6**	**-14.1%**
Domestic	47,816.0	49,014.9	-1,198.8	-2.4%	64,187.2	-16,371.1	-25.5%
External	28,848.5	28,039.9	808.7	2.9%	25,048.0	3,800.5	15.2%
Overall Balance (Surplus + / Deficit -)	**-13,108.5**	**-41,231.6**	**28,123.1**	**-68.2%**	**-37,232.0**	**24,123.4**	**-64.8%**
Primary Balance (Surplus + / Deficit -)	**49,321.4**	**43,704.1**	**5,617.4**	**12.9%**	**38,235.1**	**11,086.3**	**29.0%**

Source: MoFPS

Table A2: Details of Revenue
FY 2019/20
(in millions of Jamaica dollars)

Item	Prov. Apr - July	Budget Apr - July	Diff	Diff %	FY 18/19 Apr - July	Diff	Diff %
Revenue & Grants	**202,064.8**	**198,115.9**	**3,948.9**	**2.0%**	**185,511.1**	**16,553.7**	**8.9%**
Tax Revenue	**179,812.6**	**176,061.6**	**3,751.0**	**2.1%**	**168,407.1**	**11,405.6**	**6.8%**
Income and profits	41,121.7	42,100.3	-978.6	-2.3%	39,231.1	1,890.6	4.8%
Bauxite/alumina	0.0	0.0	0.0	-	0.0	0.0	-
Companies	14,136.9	13,967.9	169.0	1.2%	12,849.0	1,287.9	10.0%
PAYE	19,827.9	21,128.7	-1,300.7	-6.2%	18,540.6	1,287.3	6.9%
Tax on dividend	712.0	532.7	179.3	33.7%	408.7	303.3	74.2%
Individuals	1,284.6	1,193.7	91.0	7.6%	951.9	332.7	35.0%
Tax on interest	5,160.3	5,277.4	-117.2	-2.2%	6,480.9	-1,320.6	-20.4%
Production and consumption	65,309.7	63,320.7	1,989.0	3.1%	62,830.8	2,478.9	3.9%
Min Business Tax	113.3	0.0	113.3	-	444.5	-331.2	-74.5%
SCT	9,034.9	8,937.9	97.0	1.1%	8,722.7	312.2	3.6%
Environmental Levy	274.2	257.4	16.8	6.5%	256.5	17.7	6.9%
Motor vehicle licenses	1,536.2	1,405.8	130.4	9.3%	1,391.0	145.3	10.4%
Other licenses	751.6	446.8	304.7	68.2%	368.3	383.3	104.1%
Quarry Tax	26.5	16.0	10.5	65.5%	16.9	9.6	57.0%
Betting, gaming and lottery	2,057.5	1,781.3	276.2	15.5%	1,665.8	391.7	23.5%
Accomodation Tax	966.2	967.4	-1.1	-0.1%	919.0	47.2	5.1%
Education Tax	10,182.8	10,244.8	-62.0	-0.6%	9,346.0	836.8	9.0%
Telephone Call Tax	1,312.0	737.2	574.8	78.0%	1,101.2	210.8	19.1%
Contractors levy	781.0	907.2	-126.2	-13.9%	877.7	-96.6	-11.0%
GCT (Local)	36,622.3	35,930.9	691.5	1.9%	32,987.8	3,634.5	11.0%
Stamp Duty (Local)	1,651.2	1,688.1	-36.9	-2.2%	4,733.6	-3,082.4	-65.1%
International Trade	73,381.2	70,640.5	2,740.7	3.9%	66,345.1	7,036.1	10.6%
Custom Duty	15,076.0	14,437.8	638.3	4.4%	13,383.6	1,692.4	12.6%
Stamp Duty	971.8	767.4	204.4	26.6%	834.2	137.6	16.5%
Travel Tax	7,559.4	7,089.6	469.8	6.6%	6,897.1	662.3	9.6%
GCT (Imports)	31,049.9	30,618.3	431.6	1.4%	28,344.8	2,705.1	9.5%
SCT (imports)	17,482.3	16,561.3	921.0	5.6%	15,769.0	1,713.3	10.9%
Environmental Levy	1,241.8	1,166.2	75.6	6.5%	1,116.5	125.3	11.2%
Non-Tax Revenue	**19,427.3**	**18,838.3**	**589.1**	**3.1%**	**14,938.3**	**4,489.0**	**30.1%**
Bauxite Levy	**0.0**	**0.0**	**0.0**	**-**	**0.0**	**0.0**	**-100.0%**
Capital Revenue	**813.3**	**1,046.9**	**-233.6**	**-22.3%**	**562.7**	**250.7**	**44.5%**
Grants	**2,011.5**	**2,169.1**	**-157.6**	**-7.3%**	**1,603.0**	**408.5**	**25.5%**

Source: MoFPS

Table A3: Central Government Summary Accounts – Fiscal Monitoring Table FY 2019/20 (in millions of Jamaican dollars)

Item	First Supplementary Apr - March	Approved Budget Apr - March	Diff	Diff %	FY 18/19 Apr - March	Diff	Diff %
Revenue & Grants	**637,937.2**	**634,373.0**	**3,564.3**	**0.6%**	**628,985.2**	**8,952.0**	**1.4%**
Tax Revenue	570,008.3	565,878.3	4,130.0	0.7%	542,919.4	27,088.9	5.0%
Non-Tax Revenue	61,684.7	59,608.5	2,076.2	3.5%	72,850.5	-11,165.8	-15.3%
Bauxite Levy	130.9	130.9	0.0	0.0%	136.5	-5.6	-4.1%
Capital Revenue	1,113.3	3,119.7	-2,006.4	-64.3%	2,531.7	-1,418.4	-56.0%
Grants	4,999.9	5,635.5	-635.5	-11.3%	10,547.0	-5,547.1	-52.6%
Expenditure	**639,345.4**	**629,396.3**	**9,949.1**	**1.6%**	**604,597.5**	**34,747.9**	**5.7%**
Recurrent Expenditure	567,234.8	557,285.7	9,949.1	1.8%	538,393.2	28,841.6	5.4%
Programmes	214,355.0	210,717.5	3,637.5	1.7%	209,079.7	5,275.3	2.5%
Compensation of Employees	211,458.9	210,442.8	1,016.1	0.5%	200,125.3	11,333.5	5.7%
Wages & Salaries	194,958.1	193,958.3	999.8	0.5%	183,505.5	11,452.5	6.2%
Employers Contribution	16,500.8	16,484.5	16.3	0.1%	16,619.8	-119.0	-0.7%
Interest	141,420.9	136,125.4	5,295.5	3.9%	129,188.1	12,232.7	9.5%
Domestic	51,998.7	49,450.7	2,548.0	5.2%	51,026.0	972.7	1.9%
External	89,422.1	86,674.7	2,747.4	3.2%	78,162.1	11,260.0	14.4%
Capital Expenditure	72,110.6	72,110.6	0.0	0.0%	66,204.3	5,906.3	8.9%
Capital Programmes	72,110.6	72,110.6	0.0	0.0%	66,204.3	5,906.3	8.9%
Fiscal Balance (Surplus + / Deficit -)	**-1,408.2**	**4,976.7**	**-6,384.8**	**-128.3%**	**24,387.7**	**-25,795.9**	**-105.8%**
Loan Receipts	**122,946.0**	**102,736.4**	**20,209.6**	**19.7%**	**114,180.1**	**8,765.9**	**7.7%**
Domestic	70,664.2	56,482.1	14,182.1	25.1%	76,553.2	-5,889.0	-7.7%
External	52,281.8	46,254.3	6,027.5	13.0%	37,626.9	14,654.9	38.9%
Project Loans	17,873.8	15,664.3	2,209.5	14.1%	24,249.5	-6,375.7	-26.3%
Other	34,408.0	30,590.0	3,818.0	12.5%	13,377.4	21,030.6	157.2%
Other Inflows (inc'ds PCDF)	**73,450.2**	**18,462.9**	**54,987.3**	**297.8%**	**27,894.9**	**45,555.4**	**163.3%**
Other Outflows (incl'ds BOJ Recapitalization)	**35,522.9**	**35,522.9**	**0.0**	**0.0%**	**35,039.7**	**483.2**	**1.4%**
Amortization	**178,526.4**	**138,321.4**	**40,205.0**	**29.1%**	**132,990.1**	**45,536.3**	**34.2%**
Domestic	77,099.0	76,826.2	272.8	0.4%	80,008.1	-2,909.1	-3.6%
External	101,427.4	61,495.2	39,932.2	64.9%	52,982.0	48,445.5	91.4%
Overall Balance (Surplus + / Deficit -)	**-19,061.3**	**-47,668.3**	**28,607.1**	**-60.0%**	**-1,567.1**	**-17,494.2**	**1116.4%**
Primary Balance (Surplus + / Deficit -)	**140,012.7**	**141,102.1**	**-1,089.3**	**-0.8%**	**153,575.8**	**-13,563.1**	**-8.8%**

Source: MoFPS

Table A4: Central Government Summary Accounts
(in millions of dollars)

Item	Act 2016/17	Act 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**	**628,985.2**	**637,937.2**	**662,545.4**	**700,564.1**	**747,548.5**
Tax Revenue	458,323.4	496,894.6	542,919.4	570,008.3	591,077.0	625,047.9	666,223.1
Non-Tax Revenue	33,754.1	53,249.9	72,850.5	61,684.7	64,306.9	68,057.3	73,545.2
Bauxite Levy	1,940.9	127.5	136.5	130.9	135.8	140.7	143.1
Capital Revenue	568.6	4,887.1	2,531.7	1,113.3	1,168.4	1,230.4	1,309.5
Grants	5,292.8	5,614.4	10,547.0	4,999.9	5,857.4	6,087.9	6,327.6
Expenditure	**503,356.0**	**552,050.1**	**604,597.5**	**639,345.4**	**647,810.2**	**674,079.5**	**704,169.5**
Recurrent Expenditure	461,400.8	505,244.0	538,393.2	567,234.8	572,906.8	594,358.1	618,560.9
Programmes	142,976.4	176,779.5	209,079.7	214,355.0	218,727.9	228,133.2	239,539.9
Compensation of Employees	179,068.1	193,283.5	200,125.3	211,458.9	222,296.6	236,595.4	254,067.3
Wages & Salaries	166,484.7	178,366.3	183,505.5	194,958.1	204,282.0	217,422.0	233,478.0
Employers Contribution	12,583.4	14,917.2	16,619.8	16,500.8	18,014.6	19,173.4	20,589.3
Interest	139,356.2	135,181.0	129,188.1	141,420.9	131,882.3	129,629.5	124,953.7
Domestic	63,544.0	63,783.5	51,026.0	51,998.7	49,413.0	45,972.3	43,417.7
External	75,812.2	71,397.5	78,162.1	89,422.1	82,469.3	83,657.2	81,536.0
Capital Expenditure	41,955.3	46,806.1	66,204.3	72,110.6	74,903.4	79,721.4	85,608.6
Capital Programmes	41,955.3	46,806.1	66,204.3	72,110.6	74,903.4	79,721.4	85,608.6
Fiscal Balance (Surplus + / Deficit -)	**-3,476.1**	**8,723.4**	**24,387.7**	**-1,408.2**	**14,735.2**	**26,484.6**	**43,379.0**
Loan Receipts	**89,826.8**	**207,133.0**	**114,180.1**	**122,946.0**	**178,798.7**	**127,669.7**	**90,788.5**
Domestic	55,544.1	72,894.2	76,553.2	70,664.2	125,704.7	93,280.0	62,652.1
External	34,282.8	134,238.8	37,626.9	52,281.8	53,093.9	34,389.8	28,136.3
Other Inflows (inc'ds PCDF)	**14,604.7**	**11,400.1**	**27,894.9**	**73,450.2**	**4,582.7**	**4,881.2**	**23,193.9**
Other Outflows (incl'ds BOJ Recapitalization)	**0.0**	**14,260.6**	**35,039.7**	**35,522.9**	**25,000.0**	**0.0**	**0.0**
Amortization	**75,389.7**	**232,289.9**	**132,990.1**	**178,526.445**	**173,116.5**	**159,035.5**	**157,361.4**
Domestic	29,709.8	168,627.6	80,008.1	77,099.018	117,022.6	69,645.7	97,225.0
External	45,679.9	63,662.3	52,982.0	101,427.427	56,093.9	89,389.8	60,136.3
Overall Balance (Surplus + / Deficit -)	**25,565.7**	**-19,294.1**	**-1,567.1**	**-19,061.3**	**0.0**	**0.0**	**0.0**
Primary Balance (Surplus +/Deficit -)	**135,880.1**	**143,904.5**	**153,575.8**	**140,012.7**	**146,617.5**	**156,114.1**	**168,332.7**
TOTAL PAYMENTS	**578,745.7**	**798,600.7**	**772,627.3**	**853,394.7**	**845,926.8**	**833,115.0**	**861,530.8**
GDP	***1,788,800.0***	***1,930,400.0***	***2,053,900.0***	***2,155,500.0***	***2,269,800.0***	***2,415,800.0***	***2,594,200.0***

Source: MoFPS

Table A5: Central Government Summary Accounts (as percent of GDP)

Item	Act 2016/17	Proj 2017/18	Proj 2018/19	Proj 2019/20	Proj 2020/21	Proj 2021/22	Proj 2022/23
Revenue & Grants	**27.9%**	**29.0%**	**30.6%**	**29.6%**	**29.2%**	**29.0%**	**28.8%**
Tax Revenue	25.6%	25.7%	26.4%	26.4%	26.0%	25.9%	25.7%
Non-Tax Revenue	1.9%	2.8%	3.5%	2.9%	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%	0.1%	0.1%	0.1%	0.1%	0.1%
Grants	0.3%	0.3%	0.5%	0.2%	0.3%	0.3%	0.2%
Expenditure	**28.1%**	**28.6%**	**29.4%**	**29.7%**	**28.5%**	**27.9%**	**27.1%**
Recurrent Expenditure	25.8%	26.2%	26.2%	26.3%	25.2%	24.6%	23.8%
Programmes	8.0%	9.2%	10.2%	9.9%	9.6%	9.4%	9.2%
Compensation of Employees	10.0%	10.0%	9.7%	9.8%	9.8%	9.8%	9.8%
Wages & Salaries	9.3%	9.2%	8.9%	9.0%	9.0%	9.0%	9.0%
Employers Contribution		0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Interest	7.8%	7.0%	6.3%	6.6%	5.8%	5.4%	4.8%
Domestic	3.6%	3.3%	2.5%	2.4%	2.2%	1.9%	1.7%
Foreign	4.2%	3.7%	3.8%	4.1%	3.6%	3.5%	3.1%
Capital Expenditure	2.3%	2.4%	3.2%	3.3%	3.3%	3.3%	3.3%
Capital Programmes	2.3%	2.4%	3.2%	3.3%	3.3%	3.3%	3.3%
Fiscal Balance (Surplus + / Deficit -)	**-0.2%**	**0.5%**	**1.2%**	**-0.1%**	**0.6%**	**1.1%**	**1.7%**
Loan Receipts	**5.0%**	**10.7%**	**5.6%**	**5.7%**	**7.9%**	**5.3%**	**3.5%**
Domestic	3.1%	3.8%	3.7%	3.3%	5.5%	3.9%	2.4%
External	1.9%	7.0%	1.8%	2.4%	2.3%	1.4%	1.1%
Other Inflows (inc'ds PCDF)	**0.8%**	**0.6%**	**1.4%**	**3.4%**	**0.2%**	**0.2%**	**0.9%**
Other Outflows (incl'ds BOJ Recapitalization)	**0.0%**	**0.7%**	**1.7%**	**1.6%**	**1.1%**	**0.0%**	**0.0%**
Amortization	**4.2%**	**12.0%**	**6.5%**	**8.3%**	**7.6%**	**6.6%**	**6.1%**
Domestic	1.7%	8.7%	3.9%	3.6%	5.2%	2.9%	3.7%
External	2.6%	3.3%	2.6%	4.7%	2.5%	3.7%	2.3%
Overall Balance (Surplus + / Deficit -)	**1.4%**	**-1.0%**	**-0.1%**	**-0.9%**	**0.0%**	**0.0%**	**0.0%**
Primary Balance	**7.6%**	**7.5%**	**7.5%**	**6.5%**	**6.5%**	**6.5%**	**6.5%**
GDP	1,788,800.0	1,930,400.0	2,053,900.0	2,155,500.0	2,269,800.0	2,415,800.0	2,594,200.0
TOTAL PAYMENTS	**32.4%**	**41.4%**	**37.6%**	**39.6%**	**37.3%**	**34.5%**	**33.2%**

Source: MoFPS

Table A6: Public Bodies
Summary of Financial Forecast

Public Bodies | **Summary of Financial Forecasts**

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STATEMENT 'A' FLOW OF FUNDS	Approved 2019/20	Supplementary 2019/20	Difference
1. Current Revenue	454,511.99	457,041.65	2,529.66
2. Current Expenses	(373,973.59)	(368,002.85)	5,970.74
3. Current Balance	**80,538.40**	**89,038.80**	**8,500.40**
4. Adjustments	**16,036.88**	**10,536.04**	**(5,500.84)**
Change in Accounts Receivable/Payable	1,992.43	3,160.10	1,167.67
Items not requiring outlay of cash:	0.00	0.00	0.00
Depreciation	16,086.26	15,565.17	(521.09)
Other Non-Cash Items	(2,041.82)	(8,189.23)	(6,147.41)
Prior Year Adjustment	0.00	0.00	0.00
5. Operating Balance	**96,575.28**	**99,574.84**	**2,999.57**
6. Capital Account	**(54,423.61)**	**(55,513.92)**	**-1,090.31**
Revenue	22,140.19	21,616.98	(523.21)
Expenditure	(71,931.32)	(72,931.32)	(1,000.00)
Investment	(952.17)	(755.83)	196.34
Change in Inventory	(3,680.32)	(3,443.75)	236.56
7. Transfers from Government	**17,209.96**	**15,889.36**	**-1,320.60**
Loans	0.00	0.00	0.00
Equity	2,827.82	2,120.87	(706.96)
On-Lending	0.00	0.00	0.00
Other	14,382.14	13,768.49	(613.65)
8. Transfers to Government	**(62,570.58)**	**(64,250.74)**	**-1,680.16**
Dividend	(12,487.47)	(17,002.74)	(4,515.27)
Loan Repayments	0.00	0.00	0.00
Corporate Taxes	(2,029.09)	(2,182.16)	(153.07)
Other	(48,054.02)	(45,065.84)	2,988.18
9. OVERALL BALANCE (5+6+7+8)	**(3,208.96)**	**(4,300.46)**	**(1,091.50)**
10. FINANCING (11+15)	**3,208.96**	**4,300.46**	**1,091.50**
10a Total	**2,206.79**	**12,070.44**	**9,863.65**
Capital Revenue	726.35	480.14	(246.21)
Loans	668.20	11,277.84	10,609.64
Equity	0.00	575.55	575.55
On-Lending	900.00	599.80	(300.20)
Loan Repayments	(87.76)	(862.89)	(775.13)
11. Total Foreign (12+13+14)	**(12,039.71)**	**(10,735.73)**	**1,303.98**
12. Government Guaranteed Loans	**(7,097.05)**	**(8,034.69)**	**(937.64)**
Disbursement	1,679.95	709.05	(970.90)
Amortization	(8,777.00)	(8,743.74)	33.26
13. Direct Loans	**(4,919.17)**	**(451.03)**	**4,468.14**
Long Term:	(8,080.24)	(7,416.07)	664.17
Disbursement	0.00	(1.80)	(1.80)
Amortisation	(8,080.24)	(7,414.26)	665.98
Short Term:			
Change in Trade Credits	3,161.07	6,965.04	3,803.97
14. Change in Deposits Abroad	**(23.49)**	**(2,250.01)**	**(2,226.52)**
15. Total Domestic (16+17+18)	**13,041.88**	**2,965.75**	**(10,076.13)**
16. Banking System	**6,617.22**	**2,184.94**	**(4,432.28)**
Loans (Change)	2,923.97	310.93	(2,613.04)
Overdraft (Change)	0.00	17.86	17.86
Deposits (Change)	3,693.25	1,856.15	(1,837.10)
17. Non-Banks (Change)	0.00	(3.87)	(3.87)
18. Other (Change)	6,424.66	784.67	(5,639.98)

Source: MoFPS

Appendix II

FISCAL RISK STATEMENT

This report serves as an update to elements of the Fiscal Risk Statement published in the February 2019 Fiscal Policy Paper (FPP). The Fiscal Risk Statement identifies the exposure of the Government of Jamaica (GOJ) to risks originating from various sources, and the actions being taken to lessen the impact of these risks. Among the risk sources identified in the 2019 publication are: the macroeconomic assumptions used to prepare the FY 2019/20 budget and projections for the medium term, which include economic growth, interest rates, exchange rates, inflation and changes in commodity prices, particularly that of oil; contingent liabilities arising from natural disasters, the operations of state owned enterprises, judicial awards and public private partnerships, and other specific risks such as wage settlements, monetary policy and changes in government policy.

There have been marked improvements in Jamaica's macroeconomic and fiscal positions. The country's debt-to-GDP ratio is on a downward trajectory, having ended the fiscal year at 94.4 per cent. This has been supported by positive primary balances maintained over the past few years, as well as positive macroeconomic conditions. Growth for the quarter ending June 2019 was recorded at 1.0 per cent over the corresponding period in FY 2018/19, and the unemployment rate continues to fall, recording 7.8 per cent as at April 2019. It is expected that the environment will continue to improve; however, these gains could easily be eroded if fiscal risks are not actively monitored and managed.

Macroeconomic Risks

Economic Growth

The growth forecast for FY 2019/20 of 1.5 per cent took into account a shutdown of the JISCO Alpart Plant for a total of three months in order to facilitate a scheduled upgrade. In the second quarter of FY 2019/20, the temporary closure of the plant was announced with a likely downtime of two years. This development is will impact growth for the remainder of the fiscal year and into the medium term.

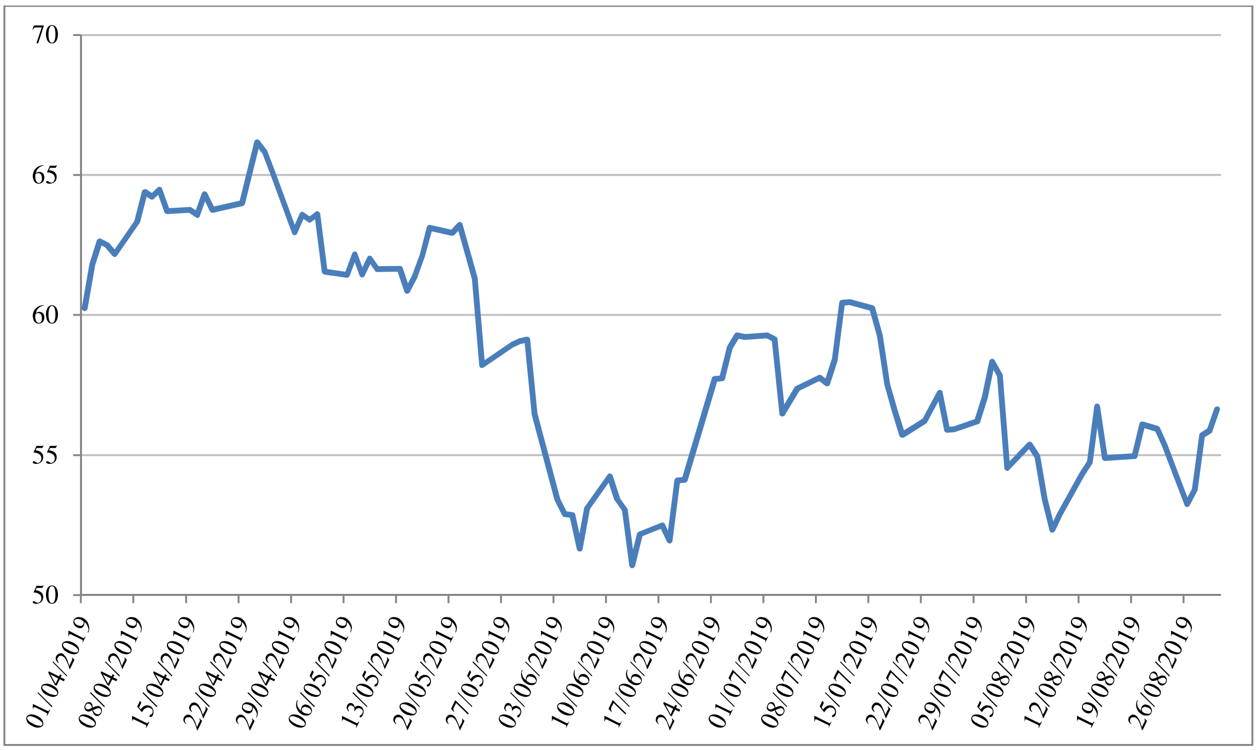
It has been acknowledged that economic growth is directly related to revenue collection, and lower than expected growth could result in lower than expected revenues, thereby negatively impacting the GOJ's fiscal position. Revenue impacts are likely to be seen in the Income and Profits and International Trade categories, as job losses are expected, as well as a reduction in the importation of fuel and equipment used in Alpart's operations.

Commodity Prices

Oil

Oil prices are taken into consideration when designing the budget in the context of the implications for revenue (SCT on petroleum and petroleum based products) as well as for GOJ housekeeping expenses. At the time of the FY 2019/20 budget, oil prices for the fiscal year were projected to average US$54.92/barrel for the fiscal year. For the fiscal year thus far, oil prices have reported an average of US$58.46/barrel, exceeding the projected average for the year. However, prices have been on a relatively downward trajectory after peaking at US$66.17/barrel in the first quarter of the fiscal year. Further decreases could result in the actual average aligning with that which was projected.

Figure II (a) Daily Oil Price (WTI) Movements FY 2019/20 to End-August



Source: Markets Insider

Above average oil prices present an upside risk on the revenue side of the budget as higher than average prices result in higher SCT collections. However, there are negative implications for the expenditure side of the budget as it relates to the GOJ's operating costs. The GOJ is maintaining its thrust to promote energy efficiency in the public sector. In the first quarter of FY 2019/20, a number of public sector workers took part in an Energy Efficiency and Conservation Programme (ECCP) workshop geared at sensitizing them to energy conservation practices. This was in support of a J$1,000.0mn initiative to be undertaken over the course of the fiscal year to include energy retrofit projects for nineteen GOJ agencies.

Exchange Rate

Changes in the exchange rate impact the Government's fiscal position through the effect on the costs of servicing foreign currency debt, as well as the overall debt stock valuation, and the impact on international trade taxes. A depreciation of the Jamaica dollar increases the cost of servicing foreign currency debt, and the debt stock in Jamaica dollar terms. On the other hand, a significant appreciation could result in the Government collecting less revenue from import duties. It is therefore important that the exchange rate volatility is limited as much as is possible.

The Bank of Jamaica (BOJ) has had cause to use its Foreign Exchange Intervention Tool (B-FXITT) a number of times during the fiscal year thus far to address temporary imbalances of demand and supply in the foreign exchange market to reduce excess volatility. These points are indicated by the marker points in Figure II (b). However, for the fiscal year to end-August 2019, the Jamaica dollar depreciated by 9.76 per cent, moving from a low of J$125.60 to US$1 at the beginning of the fiscal year, and peaking at J$138.10 to US$1 in mid-July. The resultant average for the fiscal year to end-August is recorded at J$134.11 to US$1 (see Figure II (b)).

Figure II (b) Exchange Rate Movements of the Jamaica Dollar vis-à-vis the US Dollar

Source: Bank of Jamaica

Inflation

As at July 2019, the 12 month point to point inflation rate was recorded at 4.29 per cent. Not only is this rate within the BOJ inflation target range of 4.0 to 6.0 per cent, but it is also an increase from the 2018/19 fiscal year end rate of 3.39 per cent. While low inflation may be seen as desirable from an expenditure perspective, there are consequences where the inflation rate is lower than that used in the forecasting of revenues. Too low inflation might also be representative of a slowdown in economic activity.

Interest Rates

Since the start of the fiscal year, the BOJ has reduced its policy rate twice by a total of 75 basis points, ending August 2019 at 0.50%. The Bank anticipates that the fall in the policy/signal rate will stimulate money growth through increased borrowing at lower costs, thereby bringing inflation to the midpoint of its target range. The effect of the reduction in the policy rate can also be seen in the downward trend of 180 and 90-day Treasury bill rates with the 180-day rate and 90-day rate reporting averages of 2.05 and 2.07 per cent respectively down from 2.21 and 2.24 per cent in the final quarter of FY 2018/19.

Whereas the 90-day Treasury Bill rate is the benchmark used to reset interest rates on flexible rate debt, interest rates on flexible rate external debt are determined by movements in the USD LIBOR. In the final quarter of FY 2018/19, the 3-month USD LIBOR averaged 2.39 per cent, which has since fallen to 2.37 percent. Lower Treasury bill and LIBOR rates result in lower debt service costs for the Government on the portion of the debt portfolio subject to flexible rates, whereas if the rates are higher than anticipated at the time of budget, the GOJ will see an increase in interest expenditure relative to budget.

Contingent Liabilities

Natural Disasters

The GOJ continues towards its goal of ensuring that Jamaica is financially resilient to natural disasters in an effort to avoid unplanned expenditure funded through budgetary reallocation, and loss of revenue resulting from prolonged downtime. At the time of publication of the February 2019 FPP, disaster risk financing options available to the GOJ included the National Disaster Fund (J$550.0mn), the Contingencies Fund (J$94.0mn), the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF-SPC), and a Contingent Line of Credit with the IDB which would extend credit of up to US$285.0mn in the event of a Natural Disaster. The National Disaster Fund (NDF) remains capitalized at J$550.0mn. However, at the end of the 2018/19 fiscal year, the GOJ made a transfer of J$2,000.0mn in fiscal savings to the Contingencies Fund, increasing its balance to J$2,094.0mn. This transfer was made within the context of an increase of the Contingencies Fund ceiling to J$10,000.0mn, up from the J$100.0mn ceiling established in 1992. The new ceiling also signals the intention of the GOJ to make future transfers to bolster fiscal resilience.

In June 2019, the GOJ renewed its policy with the CCRIF-SPC for a net premium of US$7.1mn for Tropical Cyclone (TC), Earthquake (EQ) and Excess Rainfall (XSR). The CCRIF-SPC extends payouts to member governments for events in any of the covered categories resulting in estimated emergency losses exceeding a predetermined point.

Results of an assessment conducted by the World Bank Group (WBG) in the third quarter of FY2018/19 have since been amended to reflect the changes in the GOJ's financing options and insurance options based on the 2019/20 CCRIF-SPC policy (see Table II (a)).

Table II (a) Estimated Financing Gaps for Emergency Losses

Severity	Emergency Losses+	Contingencies Fund & NDF	CCRIF-SPC*	IDB Contingent Credit	Financing Gap
High[1]	US$685.0mn	US$19.7mn	US$207.3mn	US$285.0mn	US$173.0mn
Medium[2]	US$315.0mn	US$19.7mn	US$42.5mn	US$285.0mn	-US$32.2mn
Low[3]	US$84.0mn	US$19.7mn	US$9.3mn	US$285.0mn	-US$230.0mn

[1]Category 5 hurricane and a major earthquake
[2]Category 3 hurricane
[3]Category 1 hurricane
Exchange Rate: J$134.16 to US$1
**CCRIF payouts are estimated based on the 2019/20 policy year and may differ from actual events.*
+Emergency losses estimated by WBG
Source: WBG & MOFPS

Based on the estimated emergency losses and the estimated financing instruments, the GOJ would be able to effectively respond to low and medium severity disasters, though it is important to note that emergency losses do not include reconstruction efforts. A financing gap remains for high severity disasters, and it is with that in mind that the GOJ has sought to partner with the World Bank to develop a catastrophe bond for issuance on the international capital market.

The GOJ also received a commitment of US$5.0mn from the United States Agency for International Development (USAID), in July 2019, to assist in the country's disaster risk finance initiative.

National Natural Disaster Risk Financing Policy[4]

Work is ongoing on the national policy aimed at guiding disaster risk financing in Jamaica to ensure that there are sufficient mechanisms available for disaster relief, recovery and reconstruction, while minimising disruption of the national budget. The policy is expected to be tabled in Parliament during the third quarter of FY 2019/20.

State Owned Enterprises

[4] This policy has been referred to in the previous FPP & IFPP as the "Public Financial Management Policy for Natural Disaster Risk".

The GOJ continues to monitor the operations of state-owned enterprises (SOEs) as possible sources of contingent liabilities, both explicit and implicit. Central Government accounts may be impacted if SOEs are unable to service loans extended by the GOJ, or those which are government guaranteed. The Government might also face the moral obligation (implicit liability) to recapitalize SOEs in the event of failure. It is therefore important to monitor key developments which might impact the financial performance of these entities.

Petrojam Limited

The GOJ commissioned a strategic report on the operations of Petrojam, the major conclusions of which were made public in the first quarter of FY 2019/20. The report made several recommendations for the way forward which include, but are not limited to:

- The abolition of plans to upgrade the Vacuum Distillation Unit (VDU);
- The transfer of operations of both the terminal and refinery to a private party by way of lease in a PPP transaction framework; and
- Shutdown of the refinery resulting in terminal only operation, if the GOJ is unable to find a private lessee.

While the GOJ contemplates the way forward, it is crucial to identify the implications of these recommendations. The transfer of operations would significantly minimise the GOJ's exposure to inefficient operations of Petrojam as an SOE. Meanwhile, a shutdown of the refinery within the fiscal year could negatively impact the Special Consumption Tax outturn in the Production and Consumption category, and resultant job losses could also cause a reduction in PAYE. However, the expected increase in imports to compensate for the loss of local refinery operations would result in an increase in SCT collections in the International Trade category.

National Water Commission (NWC)

Throughout the 2019/20 fiscal year, the NWC is has programmed implementation of a Non-Revenue Water (NRW) [5] reduction programme, targeted at bringing corporate area NRW levels to 30.0 per cent by September 2020 down from the 60.0 per cent recorded at the end of FY 2018/19. As at September 2019, NRW losses have been recorded at 36.0 per cent. With the improvement in revenue expected from this development, it is likely that the NWC will reduce its programmed deficit in FY 2019/20.

[5] Non-revenue water refers to water that has been produced but is lost before it reaches the customer. Losses can occur as a result of leaks, theft, or metering inaccuracies.

Jamaica Urban Transit Company (JUTC)

The fiscal year thus far has been a challenging one for the state-owned bus company JUTC, as poor workmanship and improper maintenance has been cited for a series of bus fires. The destruction of buses poses a challenge to the company's thrust to improve revenue performance through increased ridership, and results in unexpected expenditure for replacement. In response to this, special teams of engineers have been placed at all depots to assess the state of buses on a fortnightly basis, rather than the monthly review system previously in place.

Rationalisation of Public Bodies

The GOJ continues its efforts to reduce the number of state-owned enterprises, and the level of risk they pose to the Central Government budget. The Public Bodies Rationalisation Programme recommends the restructuring, privatisation, merger or abolishment of certain public bodies based on efficiency, public interest or affordability. What follows is an update on the Rationalisation Programme for the fiscal year thus far.

Divestments

- *Wigton Windfarm Limited (WFL)* - The GOJ's initial public offering (IPO) to dispose of its shares in WFL opened in the first quarter of FY 2019/20, with the Government seeking to off-load full ownership of the company, which was at the time a subsidiary of the Petroleum Corporation of Jamaica (PCJ), for J$5,500.0mn. The IPO was oversubscribed, and shares allocated on a "bottom up" basis, ensuring priority in filling smaller applications. The company has since been listed on the Jamaica Stock Exchange.

Mergers

Eighteen (18) planned mergers are expected to be undertaken during FY 2019/20. Of this number, 50.0 per cent of mergers are expected to be complete by end-September 2019.

Public Private Partnerships (PPPs)

The GOJ continues to conduct risk analysis to identify potential risks to Jamaica's fiscal position when designing PPP contracts. The following PPP transactions are currently in progress:

Norman Manley International Airport (NMIA)

The Norman Manley International Airport PPP transaction is expected to reach financial close by the end of the third quarter of FY 2019/20, with handover of the facilities to the concessionaire, PAC Kingston Airport Limited.

Schools Solar Energy

Subsequent to the issue of the Request for Proposals on November 23, 2018 a preferred bidder has been identified for the Schools Energy Efficiency and Solar Energy PPP Pilot Project. A Submission is being prepared for Cabinet's approval of the preferred bidder. Approval of and negotiation with the preferred bidder is expected by the end of the third quarter of FY 2019/20.

Projects being assessed

Negotiations for the construction and operation of the Rio Cobre Water Treatment Plant in Content, St. Catherine are advanced. The negotiated Water Purchase Agreement is expected to be submitted to Cabinet for approval by the third quarter of the 2019/20 financial year.

Other Specific Risks

Wage Settlements

Wage negotiations for the 2017-2021 contract period are still ongoing for a few public sector groups. The GOJ is seeking to conclude negotiations as soon as possible to eliminate the uncertainty surrounding the wage settlements and the potential impact on achievement of the legislated wage/GDP target of no more than 9.0 per cent.

Appendix III

Tax Administration Jamaica

Tax Administration Jamaica (TAJ) is charged with the responsibility to administer the country's tax laws and collect Jamaica's domestic taxes and fees. This is in keeping with the mission to collect the revenue due in an equitable and efficient manner and foster voluntary compliance. TAJ also contributes to a competitive business environment that facilitates and enhances economic growth and national development while progressing towards its vision of becoming a 'World Class Tax Administration'.

The TAJ continues to explore and implement new and innovative ways to make it easier for persons to fulfil their tax obligations in a timely manner. The authority has embarked on significant investment in physical infrastructural upgrades to a number of offices islandwide. The TAJ has also introduced a Client Management System to assist with the flow of inline customers in the St. Andrew Revenue Centre and the new Falmouth Tax office respectively. These improvements are against the background of continual upgrades to the Revenue Administration Information System (RAiS).

Significant strides have been achieved through the provision of convenient and adequate online options for the public to access information and services. These have resulted in bringing more convenience to our valued customers. This is a clear demonstration of the authority's commitment to serve the taxpayers through increased taxpayer education and improved service delivery. As at July 2019, compliance rates and collections have continued to improve, signifying that more taxpayers are better aware of and understand their duties and obligations under the law.

PERFORMANCE FY2019/20 (JULY 2019)

Collections

For the first quarter, collections performed 1.2% above target. July's collections were **99.8%** of target. This resulted in a YTD net collections of **$106.4B** which was **$1010.3M (1.0%)** above the **$105.4M** projected for the period (Table 1). As TAJ continues to execute compliance programmes, the collection pattern is expected to surpass the revenue projections for FY19/20.

Table 1: Performance against Projections

	FY19/20	FY18/19	FY17/18	FY16/17	FY15/16	FY14/15	FY13/14
Apr	102.9%	99.9%	99.9%	101.1%	99.2%	99.0%	105.1%
May	99.5%	100.0%	98.6%	112.0%	110.1%	111.5%	105.1%
June	101.3%	100.0%	125.3%	114.2%	100.6%	89.2%	89.6%
Qtr. 1	**101.2%**	**99.9%**	**109.4%**	**109.2%**	**103.1%**	**98.3%**	**99.5%**
July	99.8%	100.0%	102.3%	100.3%	99.4%	104.6%	106.8%
YTD	**100.9%**	**99.5%**	**103.1%**	**106.8%**	**100.4%**	**95.1%**	**96.4%**

Sources: TAJ - Revenue Accounts, MoFPS

Compliance

For FY19/20 TAJ continued focusing its compliance programmes around taxpayer segments, based on their declared turnover, as this allows for a better understanding of each groups compliance risks and makes it easier to customize service and enforcement strategies for each group. Compliance programmes are designed to address taxpayer compliance across four broad areas - Registration; Filing; Payment and Accuracy of Reporting (Audit), in line with international best practice. A mixture of treatments, 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 improved voluntary compliance with requirements/obligations under the tax laws and regulations.

Registration Compliance

Registration Programmes are intended to address and correct the registration compliance issues being experienced throughout Tax Administration Jamaica (TAJ). It is designed to widen the tax net by identifying potential taxpayers operating outside the tax net by way of third-party data and through compliance effort, register these persons for the applicable tax type(s). The programme is designed exclusively to register, update and maintain the taxpayer register.

During the period April to July 2019 - 6,193 new taxpayers were registered. Registration activities also included identifying taxpayer accounts for closure as well as the updating of registration information for active taxpayers. Efforts in this area resulted in approximately 652 taxpayer de-registrations and 10,217 records being updated for the period.

Registration for electronic filing recorded 4,912 taxpayers being registered, representing a 13% increase over the corresponding period for 2018, which recorded 4,250 taxpayers being registered. Since the institution of the mandatory eFiling programme for CIT, PAYE and GCT; all the tax types have recorded 100% of returns being filed electronically.

Filing and Payment Compliance

Programmes designed to address filing and payment issues employed various methods targeted at delinquent taxpayers. Major programmes focused on identifying and taking action against taxpayers identified as failing to file and/or pay: Final Income Tax Returns; Estimated Income Tax Declarations; monthly PAYE obligations, as well as the identification of Stop Filers through the use of third party data and RAiS. 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 implementation of mandatory e-filing of GCT returns positively impacted the timely filing, as not only was there an increase in the number of taxpayers that filed for the period, but there was a slight increase in the percentage of taxpayer that filed their GCT returns on time. Generally, the on time filing rate has improved period over period when compared to FY18/19 for the period under review, with the filling rate moving to 51.1% from 48.7%.

In the large segment, the GCT tax type showed incremental decline since the start of the FY.

The increased average rate for the micro taxpayer segment under GCT was as a result of de-registration process by Ministerial Order, in which the denominator/population for this tax type was reduced. Further observation of current filing rates by tax types showed slight improvements year over year for most segments.

Table 2: Comparative 'On Time Filing' rates by segment and tax type for period April - July 2019

On Time Filing								
	FY19/20				FY18/19			
	PAYE	GCT	SCT	GART	PAYE	GCT	SCT	GART
Large	79.5%	92.1%	97.7%	85.5%	78.7%	95.4%	80.0%	94.4%
Upper Medium	76.1%	91.2%	81.3%	81.4%	74.4%	91.1%	91.7%	88.5%
Medium	71.8%	86.8%	91.7%	76.5%	70.5%	85.1%	68.8%	79.1%
Small	62.1%	83.1%	82.1%	71.1%	61.6%	77.0%	69.4%	71.9%
Micro	28.8%	61.7%	42.0%	62.0%	29.2%	40.5%	35.7%	63.9%

The on time payment rate saw a slight improvement for all categories for on time payment when compared with the same period FY18/19.

Table 3: Comparative 'On Time Payment' rates by segment and tax type for period April - July 2019

On Time Payment								
	FY19/20				FY18/19			
	PAYE	GCT	SCT	GART	PAYE	GCT	SCT	GART
Large	96.4%	100.0%	100.0%	100.0%	97.3%	99.7%	100%	99.6%
Upper Medium	93.7%	99.6%	100.0%	100.0%	89.4%	92.6%	50.0%	100.0%
Medium	94.9%	99.8%	100.0%	100.0%	97.7%	97.7%	100.0%	99.8%
Small	90.5%	99.4%	100.0%	99.6%	91.6%	97.2%	99.3%	75.0%
Micro	86.1%	99.7%	25.0%	100.0%	84.0%	94.9%	0.0%	98.1%

<u>*Arrears Management*</u>

The stock of arrears decreased by 12.3% from $148.52B at the start of the fiscal year, to $131.81B as at end July 2019. Arrears collections YTD July amounted to $6.3B, of which $3.9B was from enforcement action.

<u>*Accuracy of Reporting (Audit)*</u>

The FY2019/20 National Tax Audit Plan continues to strengthen the **'Know Your Taxpayer'** concept, which focused not only on reporting issues by tax types, but also the reporting behaviour of taxpayers. Given the number of taxpayers exhibiting particular reporting risks, as well as the consequential revenue leakages arising therefrom; this year's audit programme focuses on extending the review of **Income Tax Returns; PAYE Threshold Abuse and the Fiscal Incentives Act Programmes;** and taxpayers who submit returns with declared **"Tax Losses" for three (3) consecutive years** and **"nil" Income Tax returns**.

A 10% and 6% audit coverage for the year is targeted for large taxpayers and medium taxpayers respectively. As at the end of July 2019, 2.8% coverage has been achieved for the large taxpayers and 3.5% coverage has been achieved for the medium taxpayers. The majority of the taxpayers audited to date have been from the **Fiscal Incentives Act Programme.**

Tax Dispute Resolution

As at end July 2019, 155 objection cases were settled from an available inventory of 1,781 cases - which represents approximately 9% of the inventory. These settled cases represented total assessments of $920.6M under dispute, of which $530.1M (58%) was retained.

Customer Service

The Revenue Administration Information System (RAiS) continues to be an essential part of TAJ's strategy to address the needs and wants of its clients. The system provides taxpayers with direct access to their accounts, where they are able to file and/or pay tax obligations; apply for tax refunds; receive tax notices, make and check specific requests. Client interactions with the system and website provide TAJ with a wealth of information about taxpayer issues and areas of concern. The system is constantly being upgraded and improved to be more user-friendly, based on the customer/users feedback. TAJ also uses this data to inform the design of its taxpayer programmes and outreach activities.

During the first quarter of FY 2019/20, TAJ continued to promote its online platform. It continues to utilize a mix of traditional, social and other media channels to maintain a 'public presence', giving primary focus to Property Tax matters.

At the start of the fiscal year through to June 2019, the Property Tax campaign (promoting the payment of the Property Tax for the FY19/20) was rolled out over a number of mediums; print media, TAJ existing feature spots – Tax News and Views, Time Signals, Tax Tips in 60 seconds, WhatsApp, Online, Social Media and News Releases.

The online Certificate of Fitness services was also promoted during the first quarter of the FY.

It is noted that in April 2019, the Minister of Finance and the Public Service announced new revenue measures regarding an increase in the GCT Threshold; a reduction in Transfer Tax Rate (inter vivos); an increase in Transfer Tax Rate for Estates; abolishment of the Minimum Business Tax; and Stamp Duty Reform. To manage the smooth implementation of these new measures, TAJ used a number of tools to effectively reach targeted audiences including: Press Releases, Technical Bulletins, Interviews and Sensitization Sessions.

During the period, TAJ took advantage of a number of opportunities to engage stakeholders in order to strengthen the partnerships with various interest groups. These included participating in the JBDC Small Business Expo, the ICAJ Taxation Seminar, the JCSA 5k Grand Prix and participated in the COTA 2019 (Sixth) Regional Essay Competition. These engagements are essential in continuing the positive visibility of TAJ, while also providing alternative avenues to reach the public.

Organization wide communication continues to be carried out mainly through the intranet, WhatsApp, email and where necessary, this is supported/enhanced through face-to-face sessions to keep staff informed about tax related matters, staffing issues and matters of national interest or importance.

During the period with regard to our international partners: TAJ coordinated, completed and submitted OECD survey on Taxpayer Education and Customer Engagement; and CARTAC initiated discussions for TAJ to host a study visit for reps from three regional IRD/Tax Administrations to review RAiS.

In addition to managing specific projects and programmes, a number of ongoing activities were managed including:

1. The use of print, radio, in-office digital screens and online features to promote existing services, online payment for the payment of Certificate of Fitness Fees and the Mobile Tax Collection Unit (Property Tax).
2. The use of social media channels, resulting in TAJ trending on social media, with tweets/posts actively viewed and shared. Additionally, TAJ messages are in rotation in traditional media and popular online media sites allowing for a high visibility during the period. TAJ's social media presence as at the end of July 2019 saw: Tweets – 9482; Twitter followers – 6534; Facebook followers – 5376 and Instagram followers – 1253.
3. Collaborations with international and regional bodies for data/information, facilitate study tours, coordinate visits of consultants, share experiences on tax related matters and engage stakeholders on global tax issues.
4. Liaised with the National Competitiveness Council (NCC) Secretariat in JAMPRO to monitor the World Bank *Doing Business Report* (DBR) as it relates to the Paying Taxes indices.

Structural Improvements

For FY 19/20, the completion of architectural drawings and submission of Project Proposals to PIMSEC for five locations were executed, namely: Montego Bay Revenue Service Centre, Browns Town Tax Office, Christiana Tax Office, Portmore Tax Office and the Nuttall Property – which represents one of the major activities to be conducted in regards to structural improvements for the organization. Thirteen (13) renovation projects have been earmarked for this fiscal year, of which five (5) are directed at the Montego Bay Revenue Service Centre and its assigned tax offices, and three (3) towards the organization's business offices. Four locations have also been identified for upgrades.

As at the end of July 2019, preliminary work for the completion of architectural drawings and submission of Project Proposals to PIMSEC have begun, namely: the Montego Bay Revenue Service Centre Report was completed and forwarded to the Procurement Committee for the engagement of the Consultant; awaiting permission for the purchase of the property to house the new Browns Town Tax Office; bid submissions for the Christiana Tax Office were closed in July 2019 and a Purchase Order sent to the Commissioner Land Survey for a topographical survey to be done; the organization is still awaiting the conclusion of the proposal for property swap by the Municipality of Portmore; the organization is awaiting the transfer documentation from the seller in regards to the Nuttall Property, as the total sale price has been paid. Accordingly, 5 of the 13 renovation projects have been completed as at end July 2019. Two are currently in progress; of which one has projected completion time of end

August 2019. The remaining projects are to begin in the coming months. Preliminary work for the upgrade of one location has commenced, with the bid document being submitted to the Procurement Unit for processing.

Legal Framework

Assisting Trade and Investment

Double Taxation Treaties (DTA's) by nature, are designed to eliminate the double taxation of income, that can arise from cross-border transactions, thereby reducing business costs for traders/investors and as such are important tools in promoting international trade and investment by improving transparency of information and certainty of tax positions. These treaties also provide for mutual benefits in areas such as cultural exchange, education and economic growth and development.

In FY 18/19, the TAJ began negotiating DTA's with Japan as well as the United Arab Emirates. Negotiations for both treaties were concluded in the third and fourth quarter of said fiscal year respectively. Currently, both DTA's are to be ratified to take effect. It is expected that this finalization process will be concluded within this fiscal year. India and Qatar have also expressed an interest in entering into DTA's with Jamaica.

Levelling the Playing Field

When it comes to fighting tax evasion and other financial crimes, as a result of how erudite taxpayers have become in recent times, the Organization for Economic Co-operation and Development (OECD) promotes the use of a "whole of government" approach to address such matters.

To better address these matters, Jamaica has signed on to the Base Erosion and Profit Shifting (BEPS) Multilateral Convention Treaty (a Convention that seeks to reduce opportunities for tax avoidance by multinational enterprises), as well as the multilateral convention on Mutual Administrative Assistance in Tax Matters (MAAC), which facilitates international co-operation for a better operation of national tax laws, while respecting the fundamental rights of taxpayers. It provides for all possible forms of administrative co-operation between states in the assessment and collection of taxes. This co-operation ranges from exchange of information, including automatic exchanges, to the recovery of foreign tax claims. The instrument of ratification for MAAC was deposited (i.e. submitted) to the OECD November 2018.

In addition, there is the Multilateral Competent Authority Agreement (MCAA - which is a multilateral framework agreement that provides a standardised mechanism to facilitate the automatic exchange of information in accordance with the standard for Automatic Exchange of Financial Information in Tax Matters), which is to be signed shortly.

It should be noted however that the enactment of these agreements are pending the legislation for Automatic Exchange of Information, which is currently being developed.

Jamaica Customs Agency

Introduction

The Jamaica Customs Agency (JCA) currently collects thirty-eight percent (38%) of the Government of Jamaica's (GOJ's) revenue and as such remains an essential arm of the Government, and a key facilitator in the GOJ's quest to achieve the objectives of the National Development Plan 'Vision 2030'.

JCA's mandate embodies collecting the revenue due to the GOJ; facilitating trade and travel; and border protection management. This mandate contributes to the economic and social development of Jamaica through collecting resources needed by the Government to meet policy and delivery priorities.

Operating Environment

The JCA strives to secure the national and global trade landscape, thereby making the business environment more stable by streamlining procedures, mitigating corruption, enhancing integrity, and facilitating the cross-border movement of people and goods.

Achievements: April to July 2019

Revenue Collection

Despite the challenging global economic environment, JCA managed to retain its focus on its core mandate of revenue collection which continues to record steady growth. For the period April 1- July 31, 2019, tax revenue collected was $73,377.00mn which grew by $9,228.00mn or 14.4% in comparison to April 1- July 31, 2018. As it relates to non-tax revenue performance April 1- July 31, 2019, collection was $5,920.00mn, which grew by $780.00mn or 15.19% in comparison to April 1- July 31, 2018. Net revenue collected for the period was $79,297.00mn increasing by $7,816.00mn or 11% relative to the similar period in 2018.

Trade Facilitation

For the period April 1- July 31, 2019, thirty-six thousand, one hundred and ninety-three (36,193) commercial declarations were submitted for processing; of which twenty six thousand and fifty (26,050) declarations or 72% were processed within 24 hours of submission.

Across the two main international passenger terminals, the Sangster International Airport (SIA) and Norman Manley International Airport (NMIA), passenger arrivals totalled 1,102,128. This represented an increase of 87,800 or 9% when compared to the similar period of the previous year.

At the Norman Manley International Airport (NMIA) passenger arrivals totalled 306,020 compared to 272,849 recorded during the similar period of the previous year. This represents an increase of 33,171 or 12%. The number of passengers processed through the Red Channel totalled 106,702, representing 35% of the total passenger arrivals. Alternatively, a total of 199,318 passengers were processed through the Green Channel, representing 65% of the total passenger arrivals at that location.

Comparatively, at the Sangster International Airport (SIA) total passenger arrivals recorded 782,435 compared to 753,708 for the same period of the previous year, representing an increase of 28,727 or 4%. The number of passengers processed through the Red Channel totalled 75,687 which represent 10% of total passenger arrivals. Alternatively, a total of 705,743 passengers were processed through the Green Channel, representing 90% of the total passenger arrivals at the location. Notably, there were 1,005 IAM Jet (private aircraft) passengers processed during the period under review.

Overall, the average passenger processing time netted 3 minutes and 33 seconds for the Red Channel and 26 seconds for the Green Channel. This resulted from the expansion of the green channels, implementation of additional scanning machines to boost non-intrusive inspection and efficiency in physical inspection.

Border Protection

The Jamaica Customs Agency seized eight (8) firearms, ten (10) magazines and 2,027 rounds of ammunition. A total of 9,068 sticks of cigarettes have been seized. Notably, drug seizures including a total of twelve (12) cocaine seizures and seventy-nine (79) marijuana seizures of 81.081 kilograms. Cash seizures made by the Agency included the following:

- US$83,994.17
- £$9,055.00
- Cdn$6000.00

Legislative Amendments

In relation to the Customs Act 2019 (Regulations), a Gap Analysis was prepared through technical assistance from the World Bank. The initial report was received from the World Bank on August 9, 2019. The JCA internal review was completed and a meeting scheduled with the World Bank in the final week of August to discuss the way forward.

Stakeholder Engagement

During the period April 1- July 31, 2019, the Jamaica Customs Agency had one (1) Town Hall, Stakeholder Session/Forum held on June 25, 2019, which was hosted in partnership with the Used Car Dealers Association of Jamaica; one (1) Customs Business Partnership (CBP) Meeting held on July 9, 2019; and one (1) 'Customs Meet the Community' mobile engagement held in St. Mary on June 27, 2019. Four (4) Quality Assurance stakeholder engagements were held with internal and external stakeholders.

APPENDIX IV

DEVELOPMENTS IN THE FINANCIAL SECTOR

Introduction

During the review period, the Ministry of Finance and the Public Service (MOFPS) continued to pursue key financial sector reforms to enhance the resilience and stability of the financial system. 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

Subsequent to the tabling of the Bill to amend the **Bank of Jamaica (BOJ) Act** in Parliament in 2018, a Joint Select Committee of Parliament was established to consider the Bill. The Joint Select Committee of Parliament's review of the **BOJ (Amendment) Act** was completed in August 2019 and it is expected that the Bill will be passed before the next financial year. The Bill seeks to enhance the mandate and governance of the BOJ.

Banking Services Act (BSA)

During 2019, there have been several iterations of the **Banking Services (Financial Holding Companies) (Licence Application) Rules**, with the latest draft being submitted to the Attorney General's Chambers (AGC) for review in September 2019. The **Licence Application Rules** are expected to facilitate the development of the regime for Financial Holding Companies (FHC).

Private Sector Pensions Reform

The **Investment (Amendment) Regulations** under the **Pensions (Superannuation Funds & Retirement Schemes) Act** were tabled in Parliament in January 2019 and subsequently withdrawn to facilitate feedback on the Regulations. The amended Regulations were tabled again in Parliament in July 2019 and subsequently debated and passed in both Houses of Parliament in August 2019. The **Investment (Amendment) Regulations** are expected to increase the permissible quantitative limits as well as investment options available to pension plans thereby providing greater access to finance. With respect to the **Pensions (Superannuation Funds & Retirement Schemes) (Amendment) Bill**, the MOFPS sent further instructions to Chief Parliamentary Counsel (CPC) in July 2019, after receiving comments from stakeholders. In addition, the MOFPS received the revised draft of the **Income Tax (Amendment) Bill** from the CPC in June 2019, which was circulated to stakeholders.

Insurance (Amendment) Act

The FSC submitted their comments on the Bill to amend the **Insurance Act** in May 2019. Additional proposals were submitted to include enhancements for the regulation of auditors and actuaries, as well as safeguards for the protection of members of group insurance contracts and other connected matters relating to micro-insurance regulations in May 2019. The MOFPS issued additional drafting instructions to the CPC to revise the Bill and the latest draft of the Bill was received in July 2019. On the recommendation of the CPC, the Ministry prepared a Cabinet Submission to seek Cabinet's approval for the additional proposals, which was forwarded to the AGC for their review in September 2019.

Proposed Microcredit Act

The **Microcredit Bill** was tabled in Parliament in February 2019 and is awaiting debate. The Minister accommodated a request from a Joint Advocacy Committee of both Microfinance Associations for a meeting to discuss the tabled Bill in June 2019 and their concerns are duly being considered.

Proposed Credit Union (Special Provisions) Act

The **Credit Union (Special Provisions) Bill** for the enactment of legislation to facilitate the supervision of credit unions by the Bank of Jamaica was submitted to the AGC for review in May 2019. The MOFPS received comments in August 2019, which were forwarded to the relevant stakeholders. The next step is to have the issues raised by the AGC settled, after which the Bill can be submitted to the Legislation Committee.

Proposed Amendment to the Financial Services Commission (FSC) Act

The MOFPS received the latest draft of the **FSC (Amendment) Act** in March 2019. The CPC has raised some concerns resulting in ongoing clarifications, with the latest clarification sent to the CPC in August 2019. The next step is to submit the Bill to the AGC for their non-objection after which it will be submitted to the Legislation Committee. The amendment to the FSC Act seeks to facilitate consolidated supervision of groups comprising only non-deposit taking institutions.

Proposal for the enhancement of the Resolution Framework for Financial Institutions

The legislation for the **Special Resolution Regime (SRR)** for financial institutions (FIs) is being executed under three (3) work streams: 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). During the review period, additional drafting instructions were issued to the CPC to revise the **Financial Institutions (Special Resolution Framework) Bill** (the principal Bill) in May 2019. Subsequently, the MOFPS received the second draft of the principal Bill from the CPC in July 2019, which was circulated to the members of the technical working group led by the BOJ for review. The MOFPS received Cabinet's approval of the Cabinet Submission entitled "**Proposed Funding Arrangements for the Special Resolution Regime**" in June 2019 and drafting instructions were subsequently issued to the CPC to incorporate the funding provisions in the principal Bill. 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 an orderly way that minimizes the resort to public funds, whilst preserving vital economic functions.

National Financial Inclusion Strategy (NFIS)

The various working groups under the Financial Inclusion Steering Committee (FISC) continue to meet and work on the implementation of the action plans contained in the **NFIS**.

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

FINSAC has intensified the scaling down of its operations and since August 1, 2018 has two staff 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.

- Following the sale of the Culloden Lands in December 2017 owned by Ciboney Group Limited and payment of a capital distribution in March 2018 to shareholders, effort resumed to sell FINSAC's 72% shareholding in the company. This matter is receiving some further attention with a view to achieving sale during this fiscal year.

- Some FINSAC-controlled entities own ordinary shares in listed companies but inadvertently these entities [shareholders] were dissolved some years ago before ownership of these shares was known. Hence, the shares formerly owned by them are *bona vacantia* and vest in the Accountant General. 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. FINSAC has obtained replacement share certificates, where necessary, and has provided all necessary documents to its broker to open an account with the Jamaica Central Securities Depository in order that the shares may now be sold. As at September 9, 2019, the value of these shares was in excess of J$50M.

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

a) In 1993, Eagle Commercial Bank (ECB) and one of its customers filed suits against each other in the Supreme Court. FINSAC acquired ECB in 1997 and as a condition of the sale of ECB to RBTT Group in 2001, the Government of Jamaica and FINSAC indemnified RBTT and its successors in title for any liability arising from the actions. At the end of the trial in 2014, the Court ordered Sagicor Bank (the bank's successor in title) to repay the claimant $15M plus interest at 27.3% compounded monthly from 1992, and costs. This decision was appealed and in 2018, the Court of Appeal changed the compound interest to simple and reduced the principal amount to J$9M. FINSAC has settled the amounts payable [approx. $104M]. The Claimant has obtained leave to take the matter to the Privy Council, which is not likely to hear the appeal until late 2020.

b) In the 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 late 2017 seeking certain orders, including that the Government should bear his costs in the trial and the appeal. The application was heard in December 2017 by the Court of Appeal and in July 2018, its decision was handed down. The most important points are that a fresh appeal should be heard and no order was made for costs, meaning each party would bear its own costs. The claimant has obtained leave to take the matter of costs to the Privy Council, which is not likely to hear the appeal until in 2020.
Thereafter the substantive matter of the fresh appeal will be considered.

   Finally, this Claimant brought an action in 2017 against FINSAC in the Miami-Dade County Court for wrongful injunction arising from an action brought by FINSAC in 2007 when it sought to enforce the local judgment in that jurisdiction. It appears this matter is on hold pending final outcome in the local courts.

- FINSAC continued to interface with the administrators, Guardian Life Limited (GLL) and the Actuaries as and when required 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 was

received from the FSC to distribute the surplus in the administrative scheme to members of that scheme. Following a meeting held in April 2019 with beneficiaries, GLL has started the process of effecting payments and will continue this over time, as more beneficiaries make contact. A small contingency amount is being held by GLL to provide pension for any qualified former staff in the other two schemes who may have been inadvertently omitted.

ii) As required by relevant statutes, advertisements have to be done over a 5-year period to locate 'missing' beneficiaries across the three schemes as they have, to date, not contacted the administrators. Two of the five (5) annual mandatory advertisements were done in February 2018 and March 2019 which resulted in almost 180 beneficiaries coming forward – another 240 remain to be located. Efforts continue to locate as many as possible of the others and ultimately, 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. Efforts will continue to locate the remaining beneficiaries.

- In relation to FIS, efforts continued to sell the two remaining properties, namely one residential lot in Black River, St. Elizabeth, and a 16-acre farm land in Hanover. If sale is not achieved by year-end, approval will be sought to transfer the lots to the Commissioner of Lands so that an application for strike-off of this company may be filed.

Appendix V

Expenditure Estimates 2019/20

Revised First Supplementary Estimates 2019/20

Expenditure Estimates 2019/2020 - Revised First Supplementary Estimates 2019/2020

Table 1A - Non Debt Recurrent Expenditure

$'000

	HEADS	Approved Estimates 2019/2020	NET INCREASE (+) DECREASE(-)	Revised Estimates 2019/2020
1000	His Excellency the Governor-General and Staff	290,111.0	-	**290,111.0**
2000	Houses of Parliament	1,089,639.0	-	**1,089,639.0**
3000	Office of the Public Defender	137,953.0	-	**137,953.0**
5000	Auditor General	847,741.0	19,252.0	**866,993.0**
6000	Office of the Services Commissions	330,541.0	-	**330,541.0**
7000	Office of the Children's Advocate	201,331.0	-	**201,331.0**
8000	Independent Commission of Investigations	469,975.0	8,800.0	**478,775.0**
9000	Integrity Commission	833,920.0	-	**833,920.0**
15000	Office of the Prime Minister	6,777,377.0	220,446.0	**6,997,823.0**
15010	Jamaica Information Service	697,424.0	-	**697,424.0**
15020	Registrar General's Department and Island Records Office	10,480.0	-	**10,480.0**
16000	Office of the Cabinet	512,504.0	-	**512,504.0**
16049	Management Institute for National Development	225,234.0	-	**225,234.0**
17000	Ministry of Tourism	11,525,361.0	-	**11,525,361.0**
19000	Ministry of Economic Growth and Job Creation	7,263,805.0	1,020,000.0	**8,283,805.0**
19046	Forestry Department	1,078,318.0	-	**1,078,318.0**
19047	National Land Agency	766,552.0	-	**766,552.0**
19048	National Environment and Planning Agency	1,063,382.0	10,000.0	**1,073,382.0**
19050	National Works Agency	746,573.0	-	**746,573.0**
20000	Ministry of Finance and the Public Service	62,262,861.0	(1,837,757.0)	**60,425,104.0**
20011	Accountant General	863,877.0	57,300.0	**921,177.0**
20019	Pensions	38,012,825.0	622,804.0	**38,635,629.0**
20056	Tax Administration Jamaica	10,054,843.0	1,457,608.0	**11,512,451.0**
26000	Ministry of National Security	24,607,058.0	1,589,070.0	**26,196,128.0**
26022	Police Department	39,423,260.0	273,789.0	**39,697,049.0**
26024	Department of Correctional Services	7,611,526.0	144,000.0	**7,755,526.0**
26053	Passport, Immigration and Citizenship Agency	28,811.0	-	**28,811.0**
26057	Institute of Forensic Science and Legal Medicine	811,315.0	-	**811,315.0**
28000	Ministry of Justice	2,061,385.0	(10,040.0)	**2,051,345.0**
28025	Director of Public Prosecutions	517,942.0	-	**517,942.0**
28030	Administrator General	317,177.0	-	**317,177.0**
28031	Attorney General	1,031,846.0	-	**1,031,846.0**
28033	Office of the Parliamentary Counsel	173,892.0	-	**173,892.0**
28052	Legal Reform Department	96,405.0	-	**96,405.0**
28058	Judiciary	4,348,842.0	-	**4,348,842.0**
30000	Ministry of Foreign Affairs and Foreign Trade	4,811,749.0	-	**4,811,749.0**
40000	Ministry of Labour and Social Security	2,770,863.0	-	**2,770,863.0**
41000	Ministry of Education, Youth and Information	106,576,996.0	1,000,000.0	**107,576,996.0**
41051	Child Protection and Family Services Agency	2,716,424.0	33,213.0	**2,749,637.0**
42000	Ministry of Health and Wellness	67,845,615.0	-	**67,845,615.0**
42034	Bellevue Hospital	1,727,702.0	9,000.0	**1,736,702.0**
42035	Government Chemist	64,205.0	-	**64,205.0**
46000	Ministry of Culture, Gender, Entertainment and Sport	4,119,479.0	125,560.0	**4,245,039.0**
50000	Ministry of Industry, Commerce, Agriculture and Fisheries	9,597,784.0	90,170.0	**9,687,954.0**
50038	The Companies Office of Jamaica	14,019.0	-	**14,019.0**
56000	Ministry of Science, Energy and Technology	5,189,022.0	(628,423.0)	**4,560,599.0**
56039	Post and Telecommunications Department	2,188,804.0	-	**2,188,804.0**
68000	Ministry of Transport and Mining	10,289,469.0	-	**10,289,469.0**
72000	Ministry of Local Government and Community Development	11,678,973.0	448,803.0	**12,127,776.0**
	TOTAL NON DEBT RECURRENT	**456,683,190.0**	**4,653,595.0**	**461,336,785.0**

Expenditure Estimates 2019/2020 - Revised First Supplementary Estimates 2019/2020

Table 1B - Non Debt Capital Expenditure - Revised First Supplementary Estimates 2019/2020

$'000

HEADS		Approved Estimates 2019/2020	NET INCREASE (+) DECREASE(-)	Revised Estimates 2019/2020
15000	Office of the Prime Minister	6,340,325.0	(184,048.0)	**6,156,277.0**
16000	Office of the Cabinet	578,002.0	190,844.0	**768,846.0**
17000	Ministry of Tourism	-	7,181.0	**7,181.0**
19000	Ministry of Economic Growth and Job Creation	18,424,497.0	1,350,721.0	**19,775,218.0**
20000	Ministry of Finance and the Public Service	5,705,678.0	(521,972.0)	**5,183,706.0**
26000	Ministry of National Security	20,229,749.0	-	**20,229,749.0**
28000	Ministry of Justice	1,700,151.0	(622,785.0)	**1,077,366.0**
40000	Ministry of Labour and Social Security	8,347,410.0	-	**8,347,410.0**
41000	Ministry of Education, Youth and Information	1,251,483.0	-	**1,251,483.0**
42000	Ministry of Health and Wellness	3,747,200.0	(278,667.0)	**3,468,533.0**
46000	Ministry of Culture, Gender, Entertainment and Sport	25,000.0	457.0	**25,457.0**
50000	Ministry of Industry, Commerce, Agriculture and Fisheries	2,761,081.0	58,269.0	**2,819,350.0**
56000	Ministry of Science, Energy and Technology	1,332,166.0	-	**1,332,166.0**
68000	Ministry of Transport and Mining	500.0	-	**500.0**
72000	Ministry of Local Government and Community Development	1,667,378.0	-	**1,667,378.0**
TOTAL CAPITAL		**72,110,620.0**	**-**	**72,110,620.0**

Expenditure Estimates 2019/2020 - Revised First Supplementary Estimates 2019/2020

Table 1C – Details of Capital - Revised First Supplementary Estimates 2019/2020

PROJECTS	*Funding Agency*	Approved 2019/2020	Revised 2019/2020
OFFICE OF THE PRIME MINISTER			
		-	
Energy Efficiency & Conservation Programme	*GOJ*	-	-
National Identification System (NIDS) Project	*IDB*	1,016,009	1,016,009
Youth Employment in Digital and Creative Industries	*IBRD*	908,200	908,200
Support to the Energy Management and Effciency Programme	*IADB*	-	-
Energy Management and Effciency Programme	*IDB*	-	-
Projects Managed by JSIF:		4,416,116	4,232,068
Jamaica Disaster Vulnerability Reduction Project	*IBRD*	1,135,764	920,863
Poverty Reduction Project IV	*EU*	558,802	558,802
School Sanitation Programme	*PDF*	20,000	20,000
Jamaica Integrated Community Development Project	*IBRD*	2,127,976	2,266,976
Basic Needs Trust Fund (BNTF9)	*CDB*	573,574	465,427
Support to Rural Micro Enterprise	*CDB*	-	-
TOTAL OFFICE OF THE PRIME MINISTER		6,340,325	6,156,277
OFFICE OF THE CABINET			
Public Sector Transformation and Modernization Programme (PSTMP)		578,002	768,846
	IDB	129,000	99,766
	CHINA	302,058	409,865
	EU	81,751	209,655
	GOJ	65,193	49,560
TOTAL OFFICE OF THE CABINET		578,002	768,846
MINISTRY OF TOURISM			
Craft Enhancement Project	*OAS*	-	7,181
		-	-
TOTAL MINISTRY OF TOURISM		-	7,181
MINISTRY OF ECONOMIC GROWTH & JOB CREATION			
General		*1,217,000*	*1,172,000*
Establishment of United Nations (UN) House	*GOJ*	150,000	150,000
Third City Planning	*GOJ*	67,000	22,000
Credit Enhancement Programme for MSMEs	*IDB*	600,000	600,000
Access to Finance for MSMEs	*IBRD*	400,000	400,000
Works		*14,470,453*	*15,841,519*
Southern Coastal Highway Improvement Project	*GOJ/ CEXIM*	8,428,073	4,927,158
Construction of Ministry of Foreign Affairs Head Office	*GOJ/PRC*	168,000	168,000
Palisadoes Shoreline Protection & Rehabilitation Works Project	*GOJ/ CEXIM*	5,000	5,000
Road Rehabilitation Project II	*GOJ*	586,355	586,355
Road Rehabilitation Project	*GOJ*		
Major Infrastructure Development Programme	*GOJ/CHI*	4,783,025	9,805,006
Montego Bay Perimeter Road	*GOJ*	500,000	350,000

Land, Environment and Climate Change		**1,902,225**	**1,926,225**
Hdrochloro Fluoro Carbon (HCFC) Phase-out Mgmt Plan	***UNDP/ MLF***	**-**	**-**
Integrated Management of Yallahs/Hope River Watershed Management Area	***GOJ/GE F***	**119,013**	**119,013**
PPCR II - Adaptation Programme & Financing Mechanism	***CIF/IDB***	**703,772**	**703,772**
Integrating Water, Land and Ecosystems Management in Caribbean Small Island Developing States (IWEco)	***UNEP***	**57,073**	**57,073**
Developing a Comprehensive Bush Fire Warning Index for Effective Bush Fire Management	***CDB***	**20,500**	**20,500**
Green Climate Fund Readiness Support Project	***Green Climate***	**15,557**	**75,557**
Plastic Waste Minimization Project	***IDB***	**36,310**	**36,310**
Montego Bay Waterfront Protection Infrastructure (Groynes) Project	***GOJ***	**400,000**	**200,000**
Montego Bay Closed Harbour Beach Park Development Project	***GOJ***	**550,000**	**714,000**
Water		***834,819***	***835,474***
Construction/Maintenance of Water Supply Systems	***GOJ***	**795,300**	**795,300**
Payments for Ecosystem Services Scheme	***GEF***	**23,919**	**23,919**
Hermitage Dam Rehabilitation Study	***CDB***	**15,600**	**15,600**
Upgraded Flooded Early Warning System for the Rio Cobre Water shed	***CDB***	**-**	**-**
Support to Update the Jamaica Water Resources Development Master Plan	***GOJ/IDB***		**655**
SUB-TOTAL MINISTRY OF ECONOMIC GROWTH & JOB CREATION		**18,424,497**	**19,775,218**
Less AIA			
TOTAL MINISTRY OF ECONOMIC GROWTH & JOB CREATION		**18,424,497**	**19,775,218**
MINISTRY OF FINANCE & THE PUBLIC SERVICE			
Contingency Provision - Public Investment Management System	***GOJ***	**487,800**	**253,507**
Contingency for Natural Disasters/Infrastructure Rehabilitation	***GOJ***	**-**	**-**
Fiscal Administration Modernization Programme(FAMP)	***IDB***	**-**	**-**
Strategic Public Sector Transformation	***IBRD***	**1,320,000**	**1,320,000**
Strengthening the Institutional Capacity of Financial Services Commission (TC)	***IDB***	**13,400**	**13,400**
Development of National Policy and Plan Action on International Migration and Development	***GOJ/ IOM***	**34,733**	**34,733**
PPCR II - Improving Climate Data & Information Management	***CIF/IBR D***	**379,180**	**379,180**
Economic Partnership II (EPA II) Capacity Building Project	***EU***	**-**	**50,500**
Enhancing the Resilience of the Agri Sector and Coastal Areas	***Adaptati on Fund***	**270,000**	**203,286**
Jamaica Foundation for Competitiveness and Growth	***IBRD***	**1,750,000**	**1,750,000**
Planning Institute of Jamaica		**-**	**-**
Development Bank of Jamaica		**-**	**-**
Technical Cooperation Facility (TCF) V	***EU***	**13,709**	**13,709**
Technical Cooperation Facility (TCF) VI	***EU***	**60,144**	**60,144**
Support to the Public Sector Transformation Programme	***IDB***	**1,215,712**	**1,065,247**
Construction of Tax Offices	***GOJ***	**161,000**	**40,000**
Construction of Falmouth Tax Office	***GOJ***		
Building Capacity in the Post Disaster Needs Assessment	***CBD***		
Build-out of the Accountant General Dept. Offices	***GOJ***		
Public Sector Transformation - Support to the MOFPS Transformation Programme			
TOTAL MINISTRY OF FINANCE & THE PUBLIC SERVICE		**5,705,678**	**5,183,706**

MINISTRY OF NATIONAL SECURITY			
Construction and Improvement - JDF	*GOJ*	**2,980,908**	**2,980,908**
Acquisition of Aircraft	*GOJ*	**3,449,157**	**3,449,157**
Acquisition of Vehicles - JDF	*GOJ*	**824,092**	**824,092**
Cyber Security Initiatives (JDF)	*GOJ*	**930,000**	**930,000**
Purchase of Telecommunications Equipment - JDF	*GOJ*	**834,000**	**834,000**
Purchase and Overhaul of Ships		**3,551,637**	**3,551,637**
Cyber Security Initiatives (JCF)		**1,500,000**	**1,500,000**
Acquisition of Vehicles - JCF	*GOJ*	**1,000,000**	**1,300,000**
Constrution and Improvement of Police Buildings	*GOJ*	**1,200,000**	**1,200,000**
Purchase of Telecommunications Equipment - JCF	*GOJ*	**1,498,300**	**1,268,300**
Construction and Improvement of Correctional Facilities - DCS	*GOJ*	**393,123**	**223,123**
Purchase of Vehicles - DCS	*GOJ*	**64,000**	**64,000**
Justice, Security Accountability and Transparency Project (JSAT)	*EU*	**304,778**	**304,778**
Reintegration and Rehabilitation of Involuntary Returned Migrants Jamaica	*UNDP*	**10,000**	**10,000**
Security Strengthening Project	*IDB*	**489,754**	**389,754**
Citizens Security and Justice Programme III	*GOJ/DFATD/IDB/DFID*	**1,400,000**	**1,600,000**
	IDB	**285,948**	**491,073**
	DFATD	**215,298**	**366,876**
	DFID	**718,828**	**362,125**
	GOJ	**179,926**	**379,926**
Sub-total National Security		**20,429,749**	**20,429,749**
Less AIA		**(200,000)**	**(200,000)**
TOTAL MINISTRY OF NATIONAL SECURITY		**20,229,749**	**20,229,749**
MINISTRY OF JUSTICE			
Construction and Improvement of Courthouses	*GOJ*	**-**	**530,000**
Motor Vehicle for Judges	*GOJ*	**-**	**-**
Justice Sector Reform Programme	*GOJ*	**1,308,210**	**242,871**
Citizens Security and Justice Programme III	*GOJ/DFATD/IDB*	**277,889**	**190,443**
	IDB	**50,000**	**28,731**
	DFATD	**50,000**	**45,000**
	DFID	**24,000**	**31,712**
	GOJ	**153,889**	**85,000**
Justice, Security Accountability and Transparency Project (JSAT):	*EU*	**80,141**	**80,141**
MOJ		**-**	**-**
INDECOM		**-**	**-**
Justice Undertakings for Social Transformation	*CIDA*	**33,911**	**33,911**
TOTAL MINISTRY OF JUSTICE		**1,700,151**	**1,077,366**
MINISTRY OF LABOUR & SOCIAL SECURITY			
Integrated Support to Jamaica Social Protection Strategy	*IDB*	**8,347,410**	**8,347,410**
TOTAL MINISTRY OF LABOUR & SOCIAL SECURITY		**8,347,410**	**8,347,410**

MINISTRY OF EDUCATION, YOUTH & INFORMATION			
Establishment of Diagnostic Centres (Special Education)	*GOJ*	**143,000**	**21,000**
Support to Tertiary Institutions	*GOJ*	**-**	**-**
Construction, Renovation and Improvements (CASE)	*GOJ*		**1,500**
Sanitary Block Project (Renovation/Refurbishing of Primary Schools)	*GOJ*	**-**	**24,600**
Education Transformation Programme I	*GOJ*	**371,530**	**435,118**
Renovation/Refurbishing of Infant Schools	*GOJ*	**-**	**-**
National Education Trust Solar School Project	*GOJ*	**20,000**	**20,000**
Renovation & Modification of Caenwood Office	*GOJ*	**110,000**	**68,443**
Electrical Upgrading Project	*GOJ*		**8,300**
Education System Transformation Programme	*IBRD/IDB /GOJ*	**338,340**	**338,340**
Early Childhood Development Project	*IBRD*		**11,000**
Promoting Quality Education and Advancing the reality of a Child Friendly Environment	*UNICEF*	**26,000**	**26,000**
School Renovation and Construction - Japanese Grassroots Project	*JAPAN/ GOJ*	**68,010**	**79,610**
USAID/ MOEYI Partnership for Improved Safety and Security in Schools	*USAID*	**134,037**	**157,037**
Support for Sustainability of Education Sector Reform	*IDB*	**40,566**	**40,566**
Child Care Education Health and Development Intervention System			**19,969**
TOTAL MINISTRY OF EDUCATION, YOUTH & INFORMATION		**1,251,483**	**1,251,483**
MINISTRY OF HEALTH			
Health Services Improvement	*GOJ/ NHF*	3,000,000	3,000,000
Western Adolescence Hospital	*GOJ*	**235,000**	**235,000**
HIV Prevalence in most-at-risk population reduced	*USAID*	**638,148**	**521,481**
Programme for Reduction of Maternal and Child Mortality (PROMAC)	*EU*	**869,440**	**869,440**
Strengthening of Health Systems in Jamaica	*IDB*	**-**	**-**
Support for the Health Systems Strengthening for the Prevention & Care Management of Non-Communicable Diseases Programme	*IDB/GOJ*	**216,000**	**216,000**
Support to the National HIV/AIDS Response in Jamaica (formerly New Funding Mechanism)	*Global Fund*	**765,862**	**765,862**
Technical support to Reduce Teenage Pregnancy	*IDB*	**22,750**	**22,750**
Sub-Total MINISTRY OF HEALTH		**5,747,200**	**5,630,533**
Less AIA		**(2,000,000)**	**(2,162,000)**
TOTAL MINISTRY OF HEALTH		**3,747,200**	**3,468,533**
MINISTRY OF CULTURE, GENDER, ENTERTAINMENT & SPORT			
Santa Cruz Outreach Centre	*GOJ*	**25,000**	**25,000**
Advancing Jamaican Biodiversity data products and information services	*EU*	**-**	**457**
TOTAL MINISTRY OF CULTURE, GENDER, ENTERTAINMENT & SPORT		**25,000**	**25,457**

MINISTRY OF INDUSTRY, COMMERCE, AGRICULTURE & FISHERIES			
Major Rural Farm Roads Rehabilitation/ Devt Programme	*GOJ*	752,000	752,000
	GOJ	-	-
Bodles Redevelopment Project	*GOJ*	295,600	295,600
Agricultural Competitiveness Programme Bridging Project	*GOJ*	325,800	325,800
Sugar Transformation Programme	*GOJ*		110,000
Enhancing the Resilience of the Agricultural Sector and Coastal Areas	*Adaptati*		14,317
Promoting Community Based Climate Resilience in the Fisheries Sector	*IBRD*	95,406	95,406
Rehabilitation of Irrigation Infrastructure (NIC)	*GOJ*	248,000	248,000
Essex Valley Irrigation Infrastructure Development Prog.	*CDB*	628,198	628,198
Feasibility Studies for GOJ Public Investment Projects -Pedro Plains Irrigation Feasibility Study	*Govt of France*	37,641	96,011
Feasibility Studies for GOJ Public Investment Projects - South St.Catherine - South Clarendon Irrigation Feasibility Study	*CDB*	186,000	15,485
Agricultural Competitiveness Programme	*GOJ/IDB*		
Southern Plain Agricultural Development Project		-	30,617
Implementation Support for Skills Development for Global Services	*IDB*	27,254	27,254
Enhancing Institutional and Regulatory Framenwork for Jamaica ICT/BPO Industry	*CDB*		15,480
Global Services Skills Project	*IDB*	165,182	165,182
TOTAL MINISTRY OF INDUSTRY, COMMERCE, AGRICULTURE & FISHERIES		**2,761,081**	**2,819,350**
MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY			
Upgrade to the International Postal System	*ITU*	35,872	35,872
Energy Efficiency & Conservation Programme	*GOJ*	300,000	300,000
Support to the Energy Management and Effciency Programme	*IADB*	6,514	6,514
Energy Management and Effciency Programme	*IDB*	989,780	989,780
Sub-Total MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY		**1,332,166**	**1,332,166**
Less A/A		**-**	**-**
TOTAL MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY		**1,332,166**	**1,332,166**
MINISTRY OF TRANSPORT & MINING			
Trifold National Transport Repository Project	*GOJ*	500	500
TOTAL MINISTRY OF TRANSPORT & MINING		**500**	**500**
MINISTRY LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT			
Acquisition of Garbage Trucks - NSWMA	*GOJ*	320,000	320,000
Fixed Asset Acquisition - Jamaica Fire Brigade	*GOJ*	498,000	498,000
Improvement of Emergency Communication System in Jamaica	*JICA*	750,000	750,000
Drop-in-Centres - homeless people	*GOJ*	28,000	28,000
Local Government Adaptation to Climate Change	*EU*	24,640	24,640
Fisheries Ecosystem Adaptation Strategies and Technologies	*CCCCC*		
Strengthening the Disaster Risk Management Capacity of Portmore	*CDB*	23,156	23,156
Climate Change Adaptation and Risk ReductionTechnology and Strategies to Improve Community Resilience	*CDB*	23,582	23,582
TOTAL MINISTRY OF LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT		**1,667,378**	**1,667,378**
Loan to PAJ - BPO Expansion	*GOJ*	-	-
TOTAL CENTRAL GOVERNMENT		**72,110,620**	**72,110,620**