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PART 1: FISCAL RESPONSIBILITY STATEMENT

INTRODUCTION

The Government of Jamaica (GOJ), through amendments to the Financial Administration and Audit (FAA) and the Public Bodies Management and Accountability (PBMA) Acts in March 2014, adopted enhanced fiscal rules. These enhanced rules require, among other things, that the annual Estimates of Revenue and Expenditure, and the accompanying Fiscal Policy Paper (FPP), be tabled simultaneously in February of each year, beginning February 2015, to allow for passage of the budget prior to the start of the fiscal year to which those estimates relate. This seismic shift in the budget preparation and approval process, affords Parliamentarians full disclosure to aid informed decision making.

The FY 2016/17 Estimates of Revenue and Expenditure, as well as the FPP, were due to be tabled, as required under the enhanced rules, in February 2016 to allow for the approval of the budget by both Houses of Parliament by March 31, 2016. The dissolution of Parliament on February 5, 2016 for the holding of general elections on February 25, 2016, resulted in a delay in the tabling of the budget and associated FPP which were eventually tabled on April 14, 2016 with the Appropriation Act being passed on May 31, 2016. The Attorney General's Chambers classified the general elections as a supervening event in providing justification for the necessary departure from the legislated timeline.

Under the enhanced fiscal rules, the Minister with responsibility for Finance is also required to table in both Houses of Parliament, an Interim FPP within six months of the passage of the Appropriation Act for the financial year to which the relevant Estimates of Revenue and Expenditure relate. Tabling of this Interim FPP is consistent with that timeline.

The FAA Act also 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 Minister with responsibility for Finance, under The FAA (Amendment) Act 2014, is also required to, before September 30 in each financial year, issue to accounting officers, the Budget Call containing the economic and fiscal parameters which will govern the preparation of the Estimates of Revenue and Expenditure for the succeeding financial year and the medium term. This Interim FPP has been prepared and is being tabled to support the issue of the Budget Call within the time required and to facilitate robust debate and participation among Parliamentarians in the management of the public finances of Jamaica and the performance of the economy.

With respect to the country's Extended Fund Facility (EFF) with the International Monetary Fund, the supervening event of the general election and attendant adjustment in the budget time-table resulted in a postponement of the EFF 11th (December 2015) review from the scheduled February 2016 date. The 11th and 12th (March 2016) reviews were combined and undertaken in May 2016. All quantitative targets and structural benchmarks for the December 2015 and March 2016 reviews were met. In addition, following the completion of the IMF's 13th review mission (June 2016 review), the IMF team indicated that Jamaica has met all the quantitative targets and that the structural benchmarks were well in train. Upon successful review by the Board of the Fund in September 2016, Jamaica is expected to draw down approximately US$40mn.

The Government of Jamaica's commitment to economic reform remains strong. The Government intends to maintain fiscal prudence and ensure that all quantitative performance criteria and structural benchmarks are met during this fourth and final year under the EFF. The Government of Jamaica has commenced discussions with the IMF regarding a "Successor Programme". It is anticipated that the FPP to be tabled in February 2017 will be consistent with the Successor Programme being pursued with the Fund.

ECONOMIC REVIEW AND OUTLOOK

Over the past three and a half years, significant progress has been made as the GOJ continues to undertake economic reform. Growth, in real terms, has averaged 0.7 per cent per annum, bolstered by an upward revision of the GDP for FY 2015/16, from 0.8 per cent to 1.0 per cent. Much, however, remains to be done and the GOJ remains committed to staying the course. Inflation continued along a declining path, with CY 2015 recording an outturn of 3.7 per cent, the lowest rate in almost 50 years. Net International Reserves (NIR) remain strong, the budget is near balance and the debt/GDP ratio is firmly on a downward trajectory.

Primary objectives of the economic reform include:

- Maintaining a Central Government annual Primary Surplus of 7.0% of GDP across the medium term;
- Achieving a Debt/GDP ratio of 96.0% by end FY 2019/20;
- Achieving average real GDP Growth of 2-3%;
- Attaining a Wage/GDP ratio of 9.0% by FY 2018/19; and
- Maintaining adequate funding of Social expenditures through adhering to a floor on social spending.

The economic reform remains on track as reflected through the successful completion to date of thirteenth IMF EFF reviews. Highlights of the progress so far and future expectations include:

I. Debt/GDP (EFF definition) declined from 145.1% in March 2013 to 120.3% as at March 2016. The debt/GDP data referenced here reflects the actual data for GDP growth at end-March 2016 as well as adjustments to the GDP series made by the Statistical Institute of Jamaica subsequent to the tabling of the FY 2016/17 FPP in April 2016;

II. The Central Government's Primary Surplus target of 7.5% was met during the first two fiscal years under the EFF (FY 2013/14 and 2014/15). For FY 2015/16, the primary surplus as a percent of GDP (7.4%) initially exceeded a relaxed target of 7.25% of GDP by 0.15 percentage points. However, with the actual data for end FY 2015/16 reflecting an upward revision of the estimated GDP, the primary balance as a percent of GDP is now recorded at 7.1%. It should be noted however that the primary surplus target is actually a nominal figure and the nominal target has been achieved. The primary balance target for FY 2016/17 and beyond is 7.0% of GDP;

III. Central Government generated a fiscal surplus of 0.1% of GDP in FY 2013/14 (the first surplus since FY 1995/96). Similar to what obtained in FY 2014/15, Central Government operations once more ran a near balanced budget (-0.3% of GDP) in FY 2015/16. Incremental surpluses are projected to occur over the medium term;

IV. The overall Public Sector generated a surplus of 0.4% of GDP in FY 2014/15, and a surplus of 1.4% of GDP in FY 2015/16. Surpluses on the overall balance are expected to obtain across the medium term;

V. The Current Account deficit of the Balance of Payments (BOP) declined from 10.4% of GDP in FY 2012/13 to 1.8% in FY 2015/16. The projected Current Account deficit for FY 2016/17 is 3.0% of GDP, and is expected to average 4.6% over the medium term;

VI. Real GDP growth under the current EFF has averaged 0.7%, over the first three fiscal years (FY 2013/14 - FY 2015/16), despite the adverse effect of drought. Real growth is projected at 1.6% for FY 2016/17 and is expected to pick up from FY 2017/18 onward, averaging 2.0% - 3.0% per annum;

VII. Wage/GDP ratio has trended downwards from 11.0% in FY 2012/13 to 10.0% in FY 2015/16 and is targeted to reach 9.0% by the end of FY 2018/19;

VIII. Since the start of the economic reform, the Jamaica dollar has depreciated against the US dollar, resulting in the recovery of competitiveness. The narrowing of the inflation differential between Jamaica and its trading partners, has also contributed to an improvement in competitiveness;

IX. Inflation fell to a low of 3.0% in FY 2015/16. Prudent and complementary monetary and fiscal policies, relatively low oil prices as well as favourable weather to support agricultural output, will serve to keep inflation in low single digits through FY 2016/17 and over the medium term;

X. The NIR remains in a strong position, increasing from US$884.3mn at end-March 2013 to US$2,515.5mn at end-August 2016;

XI. The interest/Tax Revenue ratio has been declining since it recorded a high of 71.0% in FY 2009/10 and fell to 30.5% in FY 2015/16. The current forecast is for this ratio to remain flat at 30.7% in FY 2016/17. Accordingly, an increased proportion of GOJ's fiscal resources is available to support priority social programmes;

XII. The average unemployment rate fell two years consecutively to reach 13.5% in 2015, after peaking at 15.2% in 2013. However, the unemployment rate of 13.7% in April 2016 is 0.5 percentage point higher than the rate recorded in April 2015. This is primarily due to an increase in the labour force;

XIII. According to the Jamaica Consumer Board, both consumer and business confidence are up in the second quarter of 2016 compared to a year ago. Consumer confidence in the second quarter of 2016 was 36.5% higher compared to the similar quarter of 2015 while business confidence was 10.5% higher compared to the similar quarter of 2015.

Fiscal Developments

For FY April-to-August 2016, both the Central Government's Primary Surplus and Fiscal Deficit performed better than budgeted. Provisional data indicate that Central Government operations to end-August 2016 generated a fiscal deficit of $19,490.0mn, compared to the targeted deficit of $46,207.2mn. The Primary Surplus amounted to $41,654.1mn, which was significantly better than the $17,454.8mn targeted. The strong fiscal performance was the result of a lower than budgeted expenditure combined with a robust performance from all categories of Revenue and Grants, except Capital Revenue, which had a shortfall of $75.5mn.

Revenue & Grants was ahead of budget by $12,910.2mn or 7.3 percent. This very robust performance was led by Tax Revenue which was $9,194.6mn or 5.5 percent better than budget, followed by Non-Tax Revenue and Grants, which were $1,881.2mn and $1, 575.2mn better than budget, respectively. This strong performance overall reflects the impact of the revenue measures announced in April as well as continued improvements in tax administration.

Total expenditure at end-August was $13,807.0mn (6.2%) less than budgeted, due mainly to lower spending on recurrent (programmes, wages and interest payments) and capital programmes. Capital expenditure of $12,693.0 mn was $7,055.3mn or 35.7 percent less than programmed. Going forward it is expected that all areas of non-debt expenditure will be in line with the budget as MDAs execute their budget. Fiscal operations remain on track to meet the established targets for September 2016 and March 2017 as indications for additional spending are being accommodated within the approved budget ceiling.

Enhanced Fiscal Rules

The aims and objectives of the amendments to the FAA Act and PBMA Act in 2014 are to:

i. Strengthen the fiscal rules governing public financial management (including public investment) through the revision/introduction of quantitative ceilings;

ii. Provide for an automatic correction mechanism, an escape clause and a formula for recalibration of the fiscal balance target required to achieve the debt to GDP ratio;

iii. Enhance the roles of the Auditor General and the Parliament in both the management of fiscal affairs and the achievement of fiscal sustainability;

iv. Provide for greater transparency and accountability in the conduct of fiscal policy in Jamaica;

v. Achieve as wide a public sector and public debt coverage as possible;

vi. Reduce debt to gross domestic product (GDP) to 60 percent or less by the end of fiscal year 2025/26;

vii. Enshrine the fiscal treatment of public private partnerships in law.

With respect to the public debt, effective April 1, 2017 this will be defined as the consolidated debt of the specified public sector, including Government-guaranteed debt net of the cross-holdings of the debt of public bodies within the specified public sector, except the holdings of the Bank of Jamaica.

Assessments undertaken by the Ministry of Finance and the Public Service, as it relates to which public bodies ought to be classified under the *specified public sector,* have so far indicated that only one of the public bodies examined has satisfied the criteria to be excluded from the *specified* *public sector*. The Auditor General will however review and examine the assessments and provide an opinion.

Public Debt Developments

Jamaica's total public debt (GOJ definition) stood at $2,113,413.0mn at the end of July 2016. This represented a 2.2% increase over the $2,068,759.2mn at March 2016. The increase in the stock over the four-month period was attributable to the impact of depreciation of the Jamaica dollar, as well as domestic loan receipts over the period which outweighed redemptions.

Liability Management

The Government of Jamaica, in August 2016, executed liability management exercises, consistent with its debt management strategy for FY 2016/17. The liability management actions included the execution of a tender of 2039 and exchange of 2017 and 2019 Global bonds. The external liability management actions have resulted in (i) a reduction of US$37.9mn in the external stock; (ii) extension of the maturity profile; and (iii) a reduction of the near term refinancing risk.

NOTABLE ECONOMIC REFORMS

Significant improvements have been made under the programme of economic reform, buttressed by the EFF programme. The GOJ's performance has been solid, with the passing of successive quarterly tests, with the economy recording five (5) successive (year over year) quarters of economic growth. Much however remains to be done and the GOJ remains committed to push on with its reform agenda.

These reforms serve to bolster fiscal sustainability, transform the Jamaican economy and provide the catalyst for private sector-led growth. The key economic reforms being undertaken, for which details are provided in the Appendices include:

- Tax Reform;
- Public Financial Management Reform;
- Public Sector Reform (Transformation);
- Financial Sector Reform; and
- Growth Enhancing Reform.

CONCLUSION

The GOJ remains firmly committed to fiscal prudence and fiscal sustainability and to meeting the objectives of the economic reform. Accordingly, the GOJ continues to implement the necessary and sufficient reforms aimed at paving the way to meaningful jobs and sustainable economic growth. Both consumer and business confidence were up in the second quarter of 2016 compared to the same period in 2015, an indication of strong confidence in the Jamaican economy. The GOJ will, as required under the FRF, be observing the enhanced fiscal rules that take effect in FY 2017/18, further solidifying fiscal discipline in the public sector. Unemployment at April 2016 was 13.7%, 0.5 percentage point higher than it was in April 2015 and the GOJ will be redoubling its efforts to drive growth enhancing initiatives and thus create new job opportunities.

Notwithstanding, the GOJ remains confident that the benefits of its economic strategy will become increasingly clear, that with a more stable macroeconomic environment and enhanced fiscal rules which underwrite a credible downward trajectory in the debt to GDP ratio, new investments and durable job creation will materialize. Ultimately, as the debt to GDP ratio declines (mirrored by increased fiscal surpluses), the GOJ will have increasingly greater fiscal space to facilitate increased social well-being among the country's citizens. **Jamaica will be placed firmly on the path to realizing its 2030 vision of being "the place of choice to live, work, raise families and do business."**

Audley Shaw, MP
Minister of Finance and the Public Service
September 28, 2016

PART 2: MACROECONOMIC FRAMEWORK

Real Sector Developments

FY 2015/16 - Update

The performance of the economy strengthened marginally during FY 2015/16, with a 1.0% growth in real GDP, compared to the 0.2% increase in real value added recorded for the previous fiscal year (Table 2A). Contributing to this improvement was a return to growth in the Goods Producing Industry, following the contraction in FY 2014/15. The reversal is attributed to a turnaround in the performance of the Agriculture, Forestry & Fishing, Mining & Quarrying and Manufacturing Industries. There was also a positive impact from a modest expansion in the Services Industry.

FY 2016/17 – First Quarter Performance

The pickup in economic activity continued during the April to June period of FY 2016/17. It is estimated that real GDP expanded by 1.1%, outpacing the growth rate for the first quarter of the last fiscal year by 0.3 percentage point. This performance was driven by improvements in both the Goods Producing and the Services Industries. Within the Goods Producing Industry, Agriculture, Forestry and Fishing, Manufacturing, and Construction expanded; while there was a partially offsetting decline in Mining and Quarrying. The improvement in the Agriculture, Forestry & Fishing Industry mainly reflected recovery from the adverse drought conditions which prevailed throughout FY 2015/16. As a result of the more favourable weather conditions, the production of agricultural crops such as legumes, fruits and vegetables increased. Growth was also recorded in animal farming, with increases in broiler meat and egg production. On the contrary, there was a contraction in traditional export crops which include sugar cane and coffee. The Manufacturing Industry was driven mainly by increased production in non-metallic minerals, specifically cement and clinker, as well as higher output of petroleum products. The expansion in the Construction Industry was due, in part, to growth in building construction, arising mainly from increased levels of residential developments by the National Housing Trust (NHT) as well as private developers.

All components within the Services Industry increased, with the exception of Producers of Government Services. The main contributors to the expansion in Services were Electricity and Water Supply which grew as a result of higher consumption of electricity and greater water production due to increased rainfall levels, Hotels & Restaurants which reflected improvement in visitor arrivals and Finance and Insurance Services.

The factors which provided strong support for the growth in the economy during the first quarter of FY 2016/17 include:

- Recovery in production following adverse shocks during the preceding fiscal year;
- Relatively favourable weather conditions;
- Continued investment spending;
- Increased consumer confidence; and
- Increased total visitor arrivals and visitor expenditure.

The economic prospects for the second quarter ending September 2016 are positive, with a projection for real GDP growth within the 0.5% to 1.5% range. This outlook is based on expectation of continued strengthening in the performance of most industries within the Goods Producing and Services Industries, supported by improved investment prospects and increased investor confidence.

The main downside risks to economic progress in the second quarter are below projected growth in the global economy and possible weather-related shocks associated with the present hurricane season.

For the overall fiscal year ending March 2017, projected growth in real GDP has been revised downwards to 1.6% relative to the 1.8% reported in the April 2016 publication of the FY 2016/17 Fiscal Policy Paper.

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

	FY 2014/15	FY 2015/16	Quarter 1: FY 2015/16 Apr-Jun 2015	Quarter 1: FY 2016/17 Apr-Jun 2016
GOODS PRODUCING INDUSTRY	**-1.4**	**1.9**	**1.0**	**2.3**
Agriculture, Forestry & Fishing	-5.1	1.1	0.5	7.0
Mining & Quarrying	-0.8	0.3	5.7	-1.3
Manufacture	-1.2	3.9	0.3	0.7
of which: Food, Beverages & Tobacco	1.6	2.4	2.1	-0.5
Other Manufacturing	23.5	9.9	-2.4	2.5
Construction	1.7	0.8	0.9	0.4
SERVICES INDUSTRY	**0.6**	**0.8**	**0.7**	**0.8**
Electricity & Water Supply	-2.0	3.4	0.8	5.5
Transport, Storage & Communication	0.7	1.1	1.5	0.9
Wholesale & Retail Trade; Repair & Installation of Machinery	0.4	0.6	0.6	0.5
Finance & Insurance Services	0.4	0.8	0.5	1.0
Real Estate, Renting & Business Activities	0.5	0.5	0.6	0.5
Producers of Government Services	-0.2	-0.1	-0.2	-0.2
Hotels and Restaurants	4.0	1.5	1.3	1.6
Other Services	1.7	0.8	0.9	0.5
Less Financial Intermediation Services Indirectly Measured (FISIM)	-0.9	1.4	0.4	1.3
TOTAL GDP AT BASIC PRICES	**0.2**	**1.0**	**0.8**	**1.1**

Source: STATIN and PIOJ

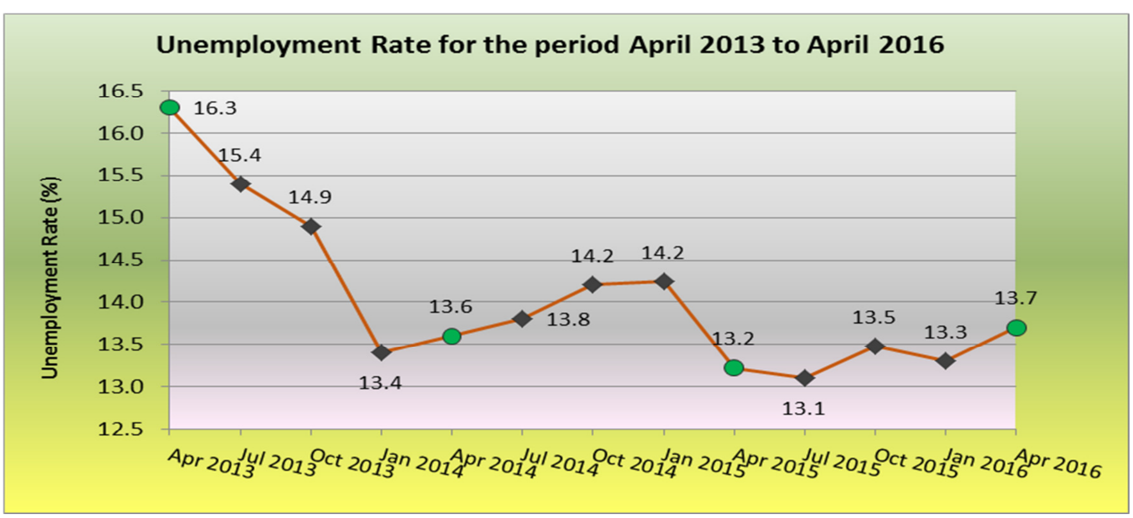
Labour Market Developments

The Statistical Institute of Jamaica (STATIN) reported that, based on the April 2016 Labour Force Survey, there were 53,100 more persons in the labour force than a year earlier. This 4.1% increase comprised 17,300 males (up 2.4%) and 35,800 females (up 6.1%). The Industry group which accounted for the largest share of the expansion in the labour force was Hotel and Restaurant Services. The number of persons employed or seeking employment within this Industry rose by 10,500 individuals, consisting of a greater proportion of males. The Industry group 'Other Community, Social and Personal Service Activities' contributed most to the increase in the female labour force. Compared to January 2016, the labour force increased by 11,800 persons. This represents an increase of 0.9%, comprising 2,900 males and 8,900 females.

The employed labour force grew by 40,100 persons or 3.6% between April 2015 and April 2016. Of this number, there were 20,500 males and 19,600 females. This reflects an increase in the employment of males and females of 3.2% and 4.0%, respectively. The Industry groups 'Hotels & Restaurant Services' and 'Construction' recorded the largest increase in employment, while the biggest decline was experienced in the education sector. As a result of a smaller rate of growth in the number of employed persons relative to that of the labour force, the employment rate declined by 0.5 percentage point to 86.3%.

The unemployment rate at April 2016 was 13.7%, 0.5 percentage point higher than it was in April 2015 (Figure 2(i)) due primarily to the increase in the labour force. Among males, the unemployment rate declined from 10.3% to 9.6%. On the contrary, female unemployment rose by 1.6 percentage points to 18.4%. Despite recording a decline in the unemployment rate of 1.1 percentage points, the 14 – 24 years age group remains the highest unemployed category of individuals, with a rate of 32.0%. In comparison to January 2016, the overall unemployment rate increased by 0.4 percentage point, from 13.3%.

Figure 2(i): Unemployment Rate April 2013 to April 2016

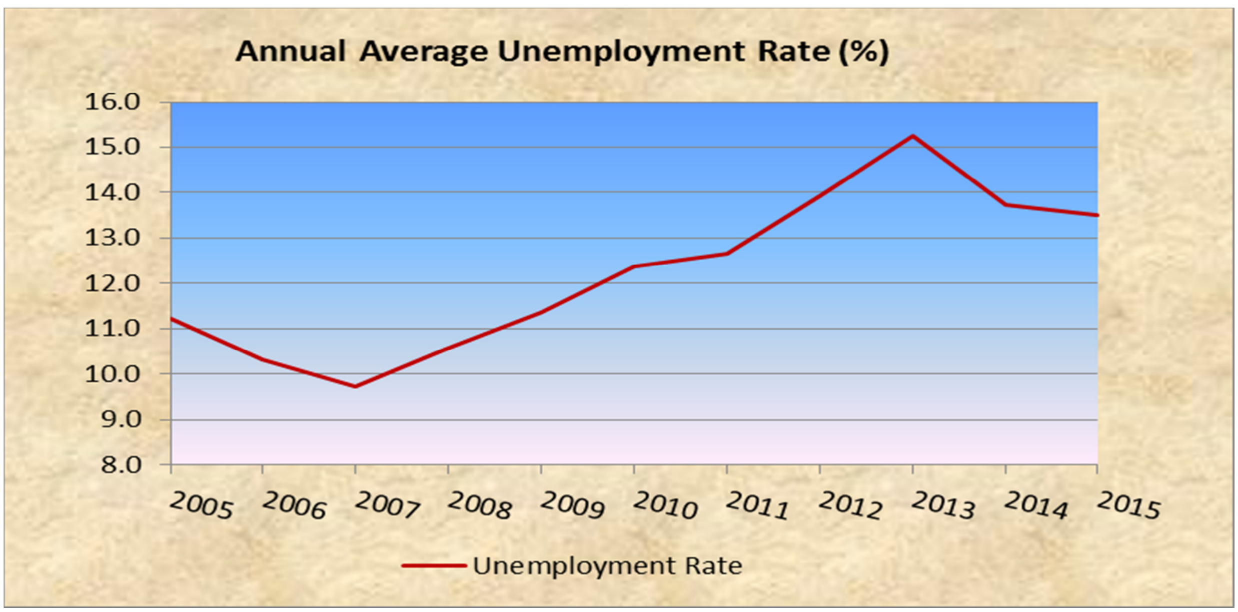


Source: STATIN

There were 49,000 fewer persons outside the labour force in April 2016 compared to the corresponding review point in 2015. In total, 735,400 persons or 35.2% of the population 14 years or over were not seeking employment. This represents a reduction of 6.3% relative to the number of persons outside the labour force in April 2015. Based on the survey, the main reasons provided for leaving the labour force were to attend school full-time, to stay at home with dependents or simply no desire to work.

The average unemployment rate for calendar year 2015 fell by 0.2 percentage point to 13.5% relative to the previous year. This represents the second consecutive year of decline, following a seven year period of successive increase in the average unemployment rate prior to 2014 (Figure 2(ii)). The improvement was recorded for both males and females. The average unemployment rate declined from 10.1% to 9.9% and from 18.1% to 17.9% for males and females, respectively.

Figure 2(ii): Average Unemployment Rate, 2005 to 2015



Source: STATIN

Monetary Developments

The signal rate on the Bank of Jamaica's (BOJ) 30-day Certificate of Deposit (CD) was reduced by 25 basis points during the first quarter of FY 2016/17, moving from 5.25% to 5.0%. The policy action was motivated by continued improvements in the macroeconomic environment generally, but more specifically in headline inflation. Against the background of this improved performance in the economy, the net international reserves remained on a positive growth path and the current account balance continued to strengthen.

In alignment with its more accommodative monetary stance, BOJ also lowered the interest rates on its standing liquidity facility (SLF) by 25 basis points to 7.25%, thereby maintaining the spread between the rate of this lending facility and that of the 30-day CD. As a result of these actions, there were improvements in the liquidity conditions during the quarter. There was a net injection of $32.7bn due to the open market operations of BOJ. This is in contrast to the net absorption of $16.2bn during the last quarter of FY 2015/16. There was offsetting absorption of liquidity from Government operations, through placements on a Government of Jamaica Benchmark Investment Note (BMI) as well as end-quarter tax receipts, which extracted $31.5bn from the financial system.

Despite the reduction in the policy rate, there was a general increase in market determined interest rates. There was an upward movement in the overnight inter-bank rate and the private money market rate. Similarly, the yields on all tenors of Treasury bills increased during the first quarter of FY 2016/17. During the quarter also, the Government reintroduced the 270-day Treasury bill which was last issued in March 2005.

Inflation

The pace of increase in the All Jamaica ‘All Divisions’ Consumer Price Index (CPI) slowed to 3.0% for FY 2015/16, 1.0 percentage point below the record-breaking 4.0% inflation rate recorded for FY 2014/15. The deceleration largely reflected reductions in energy related costs, with the division ‘Housing, Water, Electricity, Gas and other Fuels’ and ‘Transport’ recording deflation of 6.9% and 5.5%, respectively. Other significant contributors to the fiscal year outturn were ‘Food and Non-Alcoholic Beverages’ with inflation rate of 7.4%, ‘Education’ with a rate of 5.5% and ‘Alcoholic Beverages and Tobacco’ with a rate of increase in CPI of 5.2%.

At the end of the first quarter of FY 2016/17, point to point inflation rate was 2.5% (Table 2B). This reflects a 1.8 percentage points decline relative to the outturn at the end of the corresponding quarter of the previous fiscal year. Compared to the quarter ending March 2016, the point to point inflation outturn was 0.5 percentage point lower. There was a moderation in the deflation of energy and transport-related services over the one-year period up to the end of June 2016. With the exception of ‘Housing, Water, Electricity, Gas and other Fuels’, ‘Transport’ and ‘Education’, all the divisions registered a deceleration in the rate of price changes in comparison to the first quarter of FY 2015/16.

The inflation rate reported for the April to June 2016 period was 0.7%. This outturn resulted mainly from increases in the ‘Housing, Water, Electricity, Gas and other Fuels’ and ‘Transport’ divisions. The CPI for these divisions rose by 2.3% and 3.6%, respectively and accounted for about 88.0% of the overall upward movement in the All Jamaica ‘All Divisions’ Consumer Price Index for the quarter. The rise in inflation occurred in the context of higher international crude oil prices, new revenue measures implemented by the government and continued depreciation of the Jamaica dollar relative to its US counterpart.

For the month of August 2016, inflation was 0.4%. This reflected a 0.4 percentage point slower pace of price increases relative to August 2015. The main driver of inflation for the month was the division 'Housing, Water, Electricity, Gas and Other Fuels' which was impacted by higher rates for electricity and water.

The inflation rate for the April 2016 to August 2016 was 1.6%, while there has been inflation of 0.3% for the calendar year (CY) 2015 up to the same point. The twelve-month movement as at end-August 2016 was 1.8%.

Table 2B: All Jamaica 'All Divisions' and Division Indices and Movements
(Base period December 2006 = 100)

	Jun 2015 Index	Aug 2015 Index	Dec 2015 Index	Mar 2016 Index	Jun 2016 Index	Jul 2016 Index	Aug 2016 Index	Monthly % change for Aug 2016	FY 16/17: Q1 (% change)	Annual % change at Jun 2016	Annual % change at Aug 2016	FY 16/17 to Aug 2016 (% change)	CY 2016 to Aug 2016 (% change)
ALL DIVISIONS - ALL ITEMS	225.3	229.0	232.3	229.3	231.0	232.1	233.1	0.4	0.7	2.5	1.8	1.6	0.3
1 Food and Non-Alcoholic Beverages	271.5	283.4	293.7	287.5	287.1	287.8	288.9	0.4	-0.1	5.7	1.9	0.5	-1.6
2 Alcoholic Beverages and Tobacco	281.6	283.4	286.6	288.7	291.7	292.7	292.9	0.1	1.0	3.6	3.4	1.5	2.2
3 Clothing and Footwear	226.5	227.9	231.0	231.8	233.4	233.6	233.7	0.0	0.7	3.0	2.5	0.8	1.2
4 Housing, Water, Electricity, Gas and Other Fuels	214.9	212.1	205.9	200.4	205.1	210.6	214.5	1.9	2.3	-4.6	1.1	7.0	4.2
5 Furnishings, Household Equipment and Routine Household Maintenance	220.8	221.8	223.4	229.5	230.6	230.9	231.3	0.2	0.5	4.4	4.3	0.8	3.5
6 Health	141.5	142.0	142.7	143.1	143.8	144.1	144.4	0.2	0.5	1.6	1.7	0.9	1.2
7 Transport	211.6	204.9	200.3	195.6	202.6	202.9	202.5	-0.2	3.6	-4.3	-1.2	3.5	1.1
8 Communication	66.9	66.9	66.9	66.9	66.9	66.9	66.9	0.0	0.0	0.0	0.0	0.0	0.0
9 Recreation and Culture	179.2	180.3	182.2	183.1	184.1	184.4	186.0	0.9	0.5	2.7	3.2	1.6	2.1
10 Education	173.1	173.1	182.6	182.6	182.6	182.6	182.6	0.0	0.0	5.5	5.5	0.0	0.0
11 Restaurants and Accommodation Services	185.9	186.4	188.1	190.3	190.5	190.5	190.5	0.0	0.1	2.5	2.2	0.1	1.3
12 Miscellaneous Goods and Services	216.5	219.7	222.0	223.5	224.8	225.4	225.7	0.1	0.6	3.8	2.7	1.0	1.7

Source: STATIN

Exchange Rate

At the end of August 2016, the weighted average selling rate of the US Dollar was J$127.57 = US$1.00, compared to J$117.86 = US$1.00 at the end of August 2015. This 8.2% rate of depreciation was faster than the 4.5% annual depreciation at the similar point last year. The weighted average selling rate of the US Dollar was J$126.38 = US$1.00 at the end of the first quarter of FY 2016/17. This reflects an annual depreciation of 8.0% compared to annual depreciation of 4.3% at the end of the corresponding period of the previous fiscal year and 6.1% at the end of the last quarter of FY 2015/16. The faster pace of depreciation in the first quarter of FY 2016/17 is attributable to demand pressure within the foreign exchange market, evidenced by the net sale of the US dollar by cambios and dealers. In light of a decline in imports, however, the demand was somewhat tempered as the foreign currency requirement to satisfy current account transactions was significantly reduced. The net outflow from the foreign exchange market was partly due to higher demand from investors seeking to capitalize on US dollar investment opportunities, following the sizable maturity of GOJ domestic currency instruments during the final quarter of FY 2015/16. An exacerbation of the domestic currency depreciation was prevented through an injection of US Dollar liquidity of US$250.8mn by the BOJ over the period.

External Sector Developments

The current account position of the balance of payment improved by US$136.5mn for the final quarter of FY 2015/16, with a surplus for the period of US$116.3mn compared to a deficit of US$20.2mn for the corresponding quarter of the FY 2014/15. The outturn for the review quarter represents a continuation of the improvement in the Current Account for the fourth quarter of each fiscal year since FY 2012/13. The improved outturn for the review period emanated from all the sub-accounts, with the exception of the Primary Income sub-account, which deteriorated over the period**.** The Goods and Services sub-account recorded a deficit of US$283.1mn, reflecting an improvement of US$158.5mn. This was influenced by the more favourable balance on both the Goods sub-account, which reflects an improvement on the FY 2014/15 fourth quarter deficit by US$91.5mn, and the Services sub-account, which improved by US$67.0mn over the same period. The Secondary Income sub-account recorded an improvement of US$22.1mn. However, there was an offsetting deterioration in the Primary Income sub-account of US$44.1mn.

The decline in the deficit of the Goods sub-account resulted from a larger fall in imports of US$160.9mn than the US$69.4mn reduction in exports. Lower payments for imports largely reflected less spending on fuel and consumer goods, while the decline in exports resulted primarily from a fall in earnings from the output of mining. The Services sub-account benefitted from increased stop-over arrivals, longer estimated length of stay and higher average daily spending by visitors. The improved balance on the Secondary Income sub-account mainly reflected an increase in government grants and remittances. Increased outflows from compensation of employees accounted largely for the deterioration of the Primary Income balance.

Overall, the current account deficit for FY 2015/16 was US$258.9mn, representing 1.9% of GDP. The outturn for the fiscal year reflected an improvement of US$719.2mn relative to the deficit recorded for FY 2014/15.

The balance on the Capital Account worsened by US$9.2mn from the US$9.3mn surplus recorded for the previous corresponding quarter. This outturn together with the balance on the Current Account yielded a net borrowing position of US$116.3mn, an improvement of US$127.3mn relative to the final quarter of FY 2014/15.

The Net International Reserves (NIR) of the Bank of Jamaica declined by US$58.3mn for the last quarter of FY 2015/16. Despite the fall for the period, the stock of NIR at the end of the fiscal year totalled US$2,415.53mn. This reflects an increase of US$121.8mn (5.3%) compared to NIR of US$2,293.68mn at the end of FY 2014/15. Since then, there has been a further increase in the Net International Reserves with the end–August stock recorded at US$2,515.52mn.

Table 2C: Balance of Payments for the Final Quarter of FY 2015/16
January - March 2016

Balance of Payments (US$MN)	FY 2014/15 January - March	FY 2015/16 Janaury - March	Change
Current Account Balance	**-20.2**	**116.3**	**136.5**
Credits	1,846.8	1,861.7	14.9
Debits	1,867.1	1,745.5	-121.6
Goods & Services	-441.6	-283.1	158.5
Credits	1,191.4	1,183.8	-7.5
Debits	1,633.0	1,466.9	-166.1
Goods	-772.3	-680.8	91.5
Exports	336.5	267.0	-69.4
Imports	1,108.7	947.8	-160.9
Services	330.6	397.7	67.0
Credits	854.9	916.8	61.9
Debits	524.3	519.1	-5.2
Primary Income	-114.3	-158.4	-44.1
Credits	61.7	58.2	-3.6
Debits	176.0	216.6	40.5
Secondary Income	535.7	557.8	22.1
Credits	593.7	619.7	26.0
Debits	58.0	62.0	4.0
Capital Account	**9.3**	**0.1**	**-9.2**
Credits	9.3	0.1	-9.2
Debits	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	**-11.0**	**116.3**	**127.3**
Financial Account Net lending (+) / net borrowing (-) (balance from financial account)	**-146.1**	**-71.8**	**74.3**
Direct Investment	-221.5	-236.4	-14.9
Net acquisition of financial assets	-1.0	-0.1	0.9
Net incurrence of liabilities	220.6	236.3	15.7
Portfolio Investments	266.3	426.0	159.7
Net acquisition of financial assets	403.0	230.0	-173.0
Net incurrence of liabilities	136.7	-196.1	-332.8
Financial derivatives	-2.0	-11.4	-9.4
Net acquisition of financial assets	-12.2	-14.9	-2.7
Net incurrence of liabilities	-10.1	-3.5	6.6
Other Investments	-404.7	-191.6	213.0
Net acquisition of financial assets	-269.1	-92.4	176.7
Net incurrence of liabilities	135.5	99.2	-36.3
Reserve Assets	215.9	-58.3	
Net Errors and Omissions	**-135.1**	**-188.1**	

Source: BOJ

Macroeconomic Outlook - FY 2016/17 to 2019/20

The macroeconomic outlook remains positive, with anticipated expansion in the economy over the medium term. Table 2D below outlines the expected evolution of the key macroeconomic variables. These projections have been informed by the progress observed in addressing the main economic weaknesses the country had to contend with in previous years as well as the strategic initiatives being implemented to spur output growth. The agriculture and manufacturing industries are expected to continue their recovery, supported by growth in the economies of major trading partners. There have been positive trends in business and consumer confidence and improvements in the labour market are anticipated. External vulnerabilities have also declined, notwithstanding the continued depreciation of the domestic currency. These augur well for improved economic performance. Jamaica, however, remains susceptible to weaker external demand that may arise from slower than expected global growth and increased uncertainty, particularly as the impact of the UK's pending separation from the European Union continues to unfold. Additionally, the threat of adverse economic impact from possible weather hazards adds to the downside risks.

Within these contexts, projection is for an average growth in real GDP of 2.6% over the next four years. Inflation is expected to pick up, but stabilize within the 5.0% to 5.5% range in the medium term. On the other hand, the current account deficit as a percentage of GDP is projected to remain relatively low, averaging about 4.2% between FY 2016/17 and FY 2019/20.

Table 2D: Medium Term Macroeconomic Pofile

Macroeconomic Variables	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Proj.	2017/18 Proj.	2018/19 Proj.	2019/20 Proj.
Nominal GDP (J$bn)	1,462.2	1,571.8	1,690.2	1,768.9	1,900.9	2,072.6	2,259.2
Nominal GDP growth rate(%)	9.2	7.5	7.5	4.7	7.5	9.0	9.0
Real GDP growth rate (%)	1.0	0.2	1.0	1.6	2.2	3.3	3.2
Inflation: Annual Pt to Pt (%)	8.3	4.0	3.0	5.0	5.0	5.5	5.5
Interest Rates:							
30-day repo rate (end-period)	5.75	5.75	5.25				
180-day Treasure Bill (end-period)	9.11	7.00	5.83				
180-day Treasure Bill (average)	7.89	7.84	6.29				
Average Selling Exchange Rate (J$=US$1)	103.87	113.07	118.76				
NIR (US$mn)	1,303.7	2,293.7	2,415.5	2,568.1	3,278.2	3,908.5	4,236.5
Current Account (%GDP)	-8.7	-7.0	-1.8	-3.0	-5.3	-4.1	-4.4
Oil Prices (WTI) (Average US$/barrell)	99.1	80.5	45.0	45.4	47.4	54.3	56.8

Source: GOJ/BOJ

Part 3: FISCAL MANAGEMENT STRATEGY

BACKGROUND

Jamaica continues to make economic progress in the three years since commencing the economic reform programme, supported by the EFF with the IMF. According to the IMF and supported by country data, it is evident that "inflation is at historical lows, the current account deficit has more than halved, net international reserves have doubled, and access to domestic and international financial markets has been restored, supported by upgrades in credit ratings and historically high business confidence indicators" (International Monetary Fund (IMF), 2016). These developments, alongside continued comprehensive reforms, have led to the successful conclusion of Jamaica's 13th IMF review. Furthermore, the GOJ remains unequivocally committed to fiscal responsibility and prudence while mitigating fiscal risks. To this end, the fiscal programme was formulated with a strategic focus to maintain the gains thus far and to continue toward economic development through growth enhancing activities.

Expenditure continues to play a critical role in Fiscal Management. The Central Government budgeted $502,373.8mn for Expenditure (excluding Amortization) of which $138,458.7mn was programmed for interest payments. Of the total expenditure, Recurrent Spending amounted to $459,373.0mn (26.6% of GDP) and Capital Spending accounted for $43,000.8mn or 2.5% of GDP. Compensation of Employees was budgeted at $181,141.9mn, of which $170,193.5mn was specifically for Wages & Salaries and $10,948.4mn was for Employers' Contribution (paid by the government). Budgeted Wages and Salaries in FY 2016/17 is equivalent to 9.9% of GDP.

The budgeted Revenue & Grants for FY 2016/17 was predicated on actual data for the FY 2015/16. However, the Tax Revenue figure did not include the new measures that were subsequently passed in the House of Representatives. Therefore, the Tax Revenue which was originally estimated at $445,488.9mn was later revised to $446,766.7mn to capture the projected $1.278bn net increase from the new measures. Similarly, this upward revision would have similar impact on overall Revenue and Grants, the Fiscal Balance and the Primary Balance (Table 3A).

Table 3A: Budget before and after Revenue Measures FY 2016/17.

	Budget with Measures	Budget Estimate in FPP 2016/17
Revenue & Grant	486,040.8	484,763.0
Tax Revenue	446,766.7	445,488.9
Fiscal Balance	-16,333.1	-17,610.8
Primary Balance	122,125.5	120,847.9

Source: MoFPS

Central Government Performance: April-August

Provisional data for the period April-August of FY 2016/17 indicates that the Central Government operations generated a substantially lower fiscal deficit and concurrently higher Primary Surplus, when compared to budget. Specifically, the fiscal deficit amounted to $19,490.0mn, which was 57.8% or $26,717.2mn lower than budget. This fiscal deficit was also 19.3% (or $4,648.2mn) lower than the corresponding period in 2015. This is attributed to Revenue & Grant flows being 7.3% higher than budgeted while Expenditure was 6.2% lower than planned.

The Primary Balance was also significantly higher than budget, registering a surplus of $41,654.1mn or 138.6% when compared to the budget. Similarly, this surplus balance was 28.5% higher than the April-August 2015 period. The over-performance of the Primary Balance relative to projection is mainly due to lower than programmed Non-Debt Expenditure and higher than budgeted Revenue & Grants.

Revenue & Grants Outturn

Revenue & Grants totalled $190,427.0mn, a surplus of $12,910.2mn which was 7.3% higher than budgeted. This positive outturn is due to all the subcategories having higher inflows for the first five months of the fiscal year, except for the Capital Revenue, which had a $75.5mn shortfall. Nominally, Tax Revenue exhibited the highest surplus ($9,194.6mn) relative to budget. This is followed by Non-tax Revenue, being ahead of budget by $1,881.2mn or 30.0%, while Grants and Bauxite Levy were ahead of budget by $1,575.2mn (or 117.1%) and by $334.6mn or 31.3% respectively.

Tax Revenue

Tax Revenue collections of $177,704.8mn, represented a 5.5% ($9,194.6mn) surplus over budget. The receipts were $19,567.5mn (or 12.4%) higher than collections for the similar period of last fiscal year. All subcategories played comparable roles in positively contributing to this notable outturn. Income & Profits registered an inflow of $46,311.9mn which was $3,602.0mn over the target; while Production & Consumption and International Trade registered over-performances relative to budget of $3,131.3mn and $2,461.3mn respectively.

The major tax types which influenced this increase are listed in table 3B below. It is notable that all the major tax types grew beyond both last year’s collection and exceeded the budgeted collections for the April to August period.

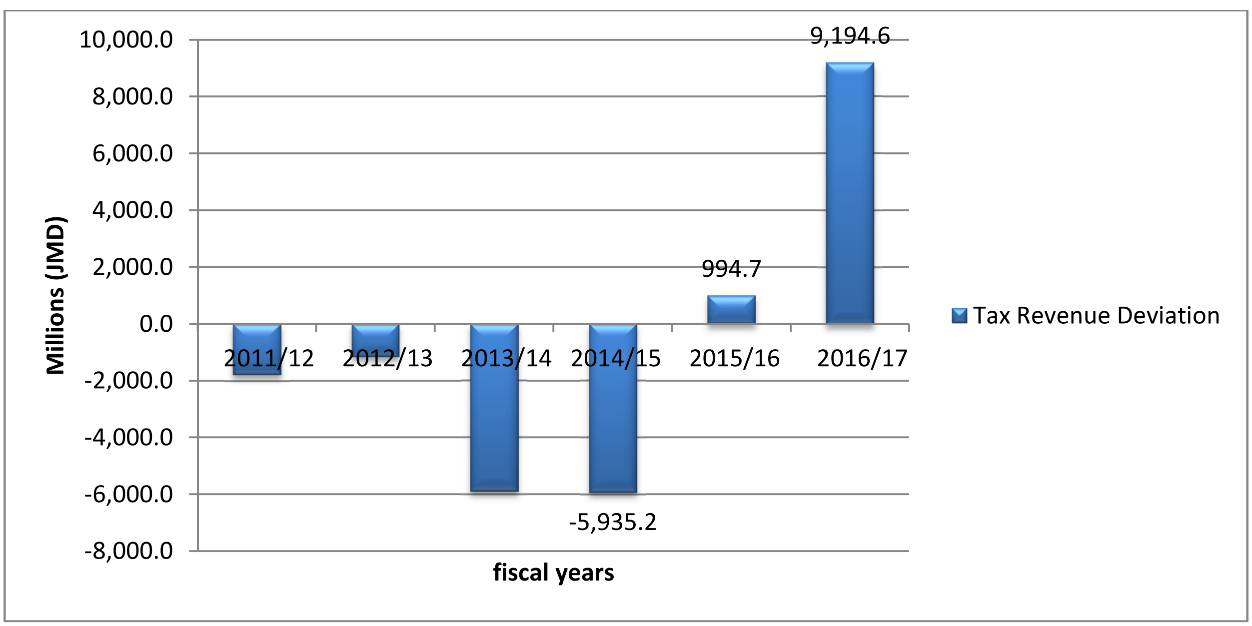
Table 3B: Performance of Major Tax Type

Tax Types	Increase over budget (%)	Increase over prior year (%)
Other Companies	11.0	7.4
PAYE	6.8	2.6
Education Tax	6.1	11.6
Stamp Duty -local	20.9	39.5
GCT (Local)	4.3	6.2
SCT (Imports)	6.3	20.0
GCT (Imports)	5.5	13.0
Custom Duty	5.3	26.2

Source: MoFPS

FY 2015/16 was the first time in a number of years that the outturn for the fiscal year was in line with projections, and occurred within the context of higher than anticipated first quarter tax revenue inflows. With FY 2016/17 first quarter tax revenue being significantly above budget (shown in figure 3A), this bodes well for this fiscal year's target being met.

Figure 3A: April – August Tax Revenue Outturn against Budget from FY 2011/12 – FY 2016/17



Source: MoFPS

Income & Profit

The inflows from Income & Profit totalled $46,311.9mn. This collection surpassed both the budgeted amount by 8.4% (or $3,602.0mn) and the April-August 2015 collection by 7.6% (or $3,252.3mn). This robust performance was due substantially to PAYE and Other Companies (Corporate Taxes), which had surpluses of $1,855.7mn and $981.9mn, respectively.

Corporate Taxes at $9,929.3mn rose by 11.0% above budget and 7.4% over the 2015 corresponding period's outturn. Undoubtedly, this tax type has been positively impacted by the spur in economic activity since the beginning of the fiscal year as indicated by the faster pace of growth in real GDP for the quarter relative to the corresponding quarter of FY 2015/16. This, coupled with continued compliance enforcement activities carried out by the TAJ has led to a favourable outturn in corporate taxes. Similarly, Tax on Dividend was slightly higher than budget by $211.4mn (or 47.9%).

As part of the effort to shift the relative burden of the tax system from direct to indirect taxes, the GOJ has implemented revenue measures in FY 2016/17 which included a substantial increase in the Personal Income Tax (PIT) threshold effective July 1, 2016. As a result PAYE receipts in FY 2016/17 are expected to be lower than would have obtained under the previous threshold by $12.5bn. This loss in revenue will result from an additional 74,035 persons (those currently earning less than $1.0mn) falling outside of the tax bracket. Another substantial adjustment to the PIT threshold is programmed for the start of the next fiscal year.

The performance of PAYE for the review period has been higher than anticipated. Collections totalled $29,199.6mn, which was 6.8% (or $1,855.7mn) higher than budget. Accounting for this surplus is a better than budgeted inflow in July. A lower revenue collection was projected from this tax source for that month, due to the upward movement in the income tax threshold. However, the full impact of the threshold adjustment was partly offset by private sector related PAYE reductions for July being reflected in August and not July, as they have up to 15 days after month-end to pay over PAYE and other salary based deductions. Other Individuals recorded inflows of $1,198.8mn.

With respect to Tax on Interest, collections exceeded the budgeted amount by $445.3mn (or 9.1%) due to lower refunds, improvement in administrative efficiency and due diligence.

Production & Consumption

Production & Consumption taxes registered an inflow of $60,576.0mn, 5.5% (or $3,131.3mn) higher than budget. Collections were also $5,662.7mn (or 10.3%) higher than the 2015 corresponding period.

SCT is among the tax types that were part of a package of new measures approved in the House of Representatives. These measures were formulated against the backdrop of continued depressed world oil prices (relative to the peak level in 2014), to provide additional support and preserve the integrity of the revenues. The measures that impacted the SCT inflows were:

1. Increase in the Specific Special Consumption Tax (SCT) rates on Petrol (i.e. E10 87, E10 90, Diesel and Ultra low Sulphur Diesel by $7.00 per litre);
2. Introduction of an SCT regime for Liquefied Natural Gas (LNG) and revision of the regime for HFO; and
3. Increase in the Specific SCT on cigarettes, cigar, cigarillos, cheroots and their substitutes to $14 per stick.

Cumulatively, these measures are expected to increase Tax Revenue by $8.478bn. Provisionally, SCT collections at the end of August amounted to $6,050.4mn and were 8.3% (or $461.4mn) above inflows for the similar period in FY 2015/16.

GCT (Local) out-performed budget by $1,332.3mn. This coincides with the consumer confidence survey which reported consumer confidence rising to its third highest level over the past fifteen years. The report further stated that this is quite typical post an election. However, due to recent improvements in economic conditions, there has been a renewed boost of confidence in the economy. This coupled with compliance activities has kept this tax type above projections.

Stamp Duty collection recorded a 20.9% (or $1,046.5mn) increase over the budget. Receipts from this tax type were also 39.5% (or $1,714.4mn) higher than last year's collection. TAJ has indicated that this positive performance is partly attributable to an extraordinary payment of approximately $800.0mn, stemming from the sale of high end properties and the issuance of shares.

International Trade

International Trade taxes of $70,816.9mn were $2,461.3mn or 3.6% higher than budget. This is mainly attributable to increases in Custom Duty, GCT (Imports) and SCT (Imports). The main drivers of the growth in these revenue categories have been improved compliance, enhanced by the ASYCUDA World System, growth in the trade volumes, the value effect of the depreciating exchange rate and tariff adjustments.

Travel Tax reflected the most unfavourable performance of the International Trade taxes for the review period. It was expected that with the increase in Travel Tax from the indicative US$14.53 to US$35.0 effective June 1, 2016; this tax type would increase by $5.3bn in revenue annually. However, the Travel Tax for the period under review, experienced a shortfall, with collections being 14.6% (or $898.3mn) below budget although 18.1% (or $805.7mn) higher than the outturn for the similar period of last year. This performance was due to the delay in the timeframe wherein the new tax rate would be fully reflected in travel tickets, due to the prebooking factor.

Other Revenue

The other revenue streams performed well, with the exception of Capital Revenue. Non-Tax Revenue performed above projection to $8,158.6mn which was $1,881.2mn (or 30.0%) over the budget partially due to improvement in collections from MDAs. Bauxite Levy registered higher than expected collection due in part to higher aluminum prices on the world market for the review period. Collection amounted to $1,403.1mn, or 31.3% higher than budget. Grants total collection was $2,920.7mn. This was due to a higher than budgeted disbursement which was programmed to come in smaller tranches.

Receipts from Capital Revenue amounted to $239.8mn, which was $75.5mn (or 23.9%) lower than budget. However, this amount exceeded the 2015 corresponding period's collection by 11.5%. The royalties from the bauxite sector and other mining activities came in below budget.

Expenditure

For the April to August period, Central Government spending amounted to $209,917.0mn, which was $13,807.0 or 6.2% below the budgeted level. This was due to both Recurrent Expenditure and Capital Expenditure being below their respective planned amounts by 3.3% and 35.7%, respectively. The expenditure profile saw significant saving on interest payment, slower than planned execution of some investment projects and lower recurrent demands from the MDAs. Non-debt (primary) expenditure of $148,772.8mn was $11,289.1mn or 7.1% less than the budget. Notwithstanding this lower than programmed expenditure during the period, social spending was maintained at a level consistent with the requirements of the EFF.

Recurrent Expenditure

Overall Recurrent Expenditure totalled $197,224.0mn, which was $6,751.7mn lower than budget. Notwithstanding, when compared to the corresponding period last year, spending grew by $14,982.3mn (or 8.2%).

Programmes

Expenditure on Recurrent Programmes, during the period, amounted to $62,037.4mn, a shortfall of $2,519.1mn or 3.9% when compared to budget. Despite the GOJ's contribution towards employees' health insurance (GEASO) being removed from this category, expenditure on Programmes has increased by 7.3% or $4,196.1mn over FY 2015/16.

Compensation of Employees

Compensation of Employees for the review period totalled $74,042.4mn, which was $1,714.8mn (or 2.3%) less than budget. Contributing to this lower spending was the unsettled wage negotiation between selected Medical Officers and Medical Consultants groups and the GOJ. Expenditure for Compensation of Employees was up by $6,184.2mn (or 9.1%) over the similar period of last year due to the negotiated wage increase of 3.0% and the reclassification of this expenditure item to include health contributions. As of FY 2016/17, the GOJ commenced utilization of a new classification profile, Compensation of Employees comprised of Wages & Salaries and Employers' Contribution. Previously, GOJ's (employer's) contribution to the public sector employees' health scheme was classified under recurrent programmes.

Interest Payments

Interest payments of $61,144.2mn, was $2,517.9mn (or 4.0%) below budget but $4,601.9mn (or 8.1%) higher than last year. The lower than programmed interest payments occurred for both the domestic (down by $1,172.6mn) and external (down by $1,345.3mn) profiles. Relative to the similar period last year, external interest payments increased by $11,635.5mn (or 51.8%) due to depreciation of the currency and payments on new external debt of US$2,000.0mn in July 2015.

Capital

Expenditure on Capital Programmes summed to $12,693.0mn. While this represents a substantial under-performance against budget, the deviation from budget is expected to contract in the coming months due to expected expenditure on new projects as well as from contracts currently in procurement. Capital underspending was in part due to the late passing of the budget as well as slower than budgeted execution of some capital projects. Notwithstanding, spending was 4.9% higher than the similar period last year.

Financing

Given the PetroCaribe Development Fund inflow of $14,604.7mn, the lower than programmed Fiscal Deficit of $19,490.0mn and Amortization of $32,803.6mn, the financing requirement for the review period was $37,688.9mn. Loan financing for the period amounted to $42,810.3mn providing financing for future periods. These loan receipts were $2,691.0mn (or 5.9%) lower than anticipated. Domestic loan receipts of $24,941.2mn came in ahead of budget by $5,666.6mn (29.4%) due to an overwhelming demand for the unlimited fixed rate GOJ instrument issued in August 2016. This is indicative of the restored confidence in local currency denominated GOJ instruments. On the other hand, external loan receipts of $17, 869.1mn were $8,357.6mn (or 31.9%) lower than budget. This below-budget outturn was due to the slower than projected pace of project implementation, thus slower disbursement of funds from the sponsoring agencies. Additionally, the lower external receipts were due to lower than budgeted proceeds for a policy based loan, which is now shifted to October 2016.

External loan receipts were also 93.0% lower than the corresponding period last fiscal year. In July 2015 US$2,000mn was raised on the International Capital Market (ICM) to execute the PetroCaribe Energy Cooperation Agreement debt buy back and to provide budgetary support. This transaction mitigated the need last year to raise any substantial amounts in the domestic market and accounts for the large deviation against this year's external borrowing.

Amortization on the external side was relatively in line with budget. However, on the domestic front, principal payments were $3,726.0mn higher than planned reflecting the execution of a liability management operation to buy back a nominal amount of *near term debt* instruments. External amortization when compared to last year shows a significant decrease and this is due to the transaction for the PetroCaribe Debt buy-back in July of 2015.

Public Debt

Jamaica's total debt stood at $2,113,413.0mn at the end of July 2016. This represents a 2.2% increase over the March 2016 stock. The Domestic debt stock is valued at $824,998.9mn (or 39.0% of total stock) and the External stock amounted to $1,288,414.1mn (61.0% of total stock).

Table 3C: Total Debt Stock

	Mar-16	Jul-16
(J$mn)		
Domestic	815,948.5	824,998.9
External	1,252,810.7	1,288,414.1
Total	2,068,759.2	2,113,413.0

Source: MoFPS

This change in the external stock was largely influenced by the depreciation of the Jamaica dollar. The change in the domestic stock was due mainly to (i) the addition of $6.0bn to the stock from the reopening of a fixed rate instrument as well as (ii) depreciation which added $3.0bn to the US dollar denominated instruments in the domestic portfolio.

SELF-FINANCING PUBLIC BODIES

SELF-FINANCING PUBLIC BODIES - FY 2015/16

The Overall Balance[1] of sixty-five Self-financing Public Bodies (SFPBs) as approved by Parliament for FY 2015/16 was a surplus of $7,875mn. Total revenues of the group of SFPBs were budgeted at $409,162 mn from which a current balance of $58,214mn was expected.

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

SFPBs Performance

The actual Overall Balance of the group as at March 31, 2016 is a surplus of \$33,826mn, reflecting a significant improvement on the budget of \$25,981mn. Contributing to this outturn was Current Balance at \$70,268mn which was \$12,762mn or 22% above budget, resulting from lower than expected income being offset by lower than budgeted expenses. In addition, capital expenditure of \$37,061mn which was \$19,119mn less than the budgeted amount and net Transfers to Government of \$31,659mn was \$12,788mn or 68% above budget. Both contributed to the higher than expected Overall Balance.

The largest shortfalls on capital expenditure were reported by the National Housing Trust (NHT), Clarendon Aluminium Production (CAP), Jamaica Urban Transit Company (JUTC) and National Water Commission (NWC), which accounted for \$11,011mn or 58% of the variance of the group.

SELF-FINANCING PUBLIC BODIES - FY 2016/17

The Overall Balance of the group of Self-financing Public Bodies is projected at a surplus of \$3,308mn for FY 2016/17. The Current Balance is projected at a surplus of \$61,051mn, while Net Transfers to Government of Jamaica (GOJ) are projected at \$35,687mn, resulting from \$50,477mn Transfers to GOJ and Transfers from GOJ of \$14,790mn. The flows from SFPBs to GOJ include SCT from PetroJam, as well as corporate taxes, grants to support special programmes and financial distributions (dividends). It should be noted that Petroleum Company of Jamaica Limited (PETCOM) was not included in the group as negotiations for its sale were in its final stages.

SFPBs Performance – First Quarter

As at June 30, 2016 the group of SFPBs reported an Overall Balance surplus of \$1,310mn compared with a targeted outturn of \$74mn. The variance of \$1,236mn was a combination of positive performances being offset by negative performances. NHT, Port Authority of Jamaica (PAJ), NWC and National Health Fund (NHF) had positive variances of \$1,784mn, \$1,747mn, 1,534mn and \$1,058mn respectively, while PetroJam Limited and Urban Development Corporation (UDC) had negative variances of \$2,333mn and \$3,013mn respectively.

NHT's performance was due mainly to improved operating results (higher revenue and lower operating expenses) and lower than expected capital expenditure as several projects lagged behind schedule. PAJ's performance was impacted by cash inflows consequent on the transfer of Kingston Container Terminal Limited's operations to a concessionaire, as well as an under-spend on capital expenditure. NWC's results were primarily attributed to delay in the implementation of its capital programme. The improvement in the NHF's performance resulted mainly from increased inflows from operations and savings on inventory and capital expenditure. PetroJam's performance was due mainly to reduced sales owing to the effects of lower than budgeted volume and prices. The UDC had budgeted net inflows from sale of properties, which did not materialize, hence its poor results.

Table 3D: Public Bodies Performance June 2016

	PUBLIC BODIES - (SPBs & OPBs)	Projected Jun-16	Actual Jun-16	Proj vs Actual Variance
	Statement 'A' Flow of Funds			
1	Current Revenue	99,608.05	94,777.72	(4,830.33)
2	Current Expenses	(84,785.27)	(72,857.15)	11,928.12
3	**Current Balance**	**14,822.77**	**21,920.57**	**7,097.79**
4	Adjustments	380.62	(6,767.29)	(7,147.91)
	Change in Accounts Receivable/Payable	(2,335.27)	(9,018.60)	(6,683.33)
	Items not requiring outlay of cash:	0.00	0.00	-
	Depreciation	4,214.59	3,088.62	(1,125.97)
	Other Non-Cash Items	(1,499.66)	(934.19)	565.46
	Prior Year Adjustment	0.95	96.88	95.93
5	**Operating Balance**	**15,203.39**	**15,153.27**	**(50.11)**
6	**Capital Account**	**(9,543.50)**	**(6,027.44)**	**3,516.06**
	Revenue	4,258.13	3,424.26	(833.87)
	Expenditure	(15,127.30)	(8,425.84)	6,701.46
	Investment	(597.17)	(152.46)	444.71
	Change in Inventory	1,922.84	(873.40)	(2,796.24)
7	Transfers from Government	3,031.70	3,649.55	617.85
	Loans	2,674.36	2,633.32	(41.04)
	Equity	100.00	728.70	628.70
	On-Lending	-	-	-
	Other	257.34	287.53	30.19
8	Transfers to Government	(8,618.15)	(11,465.66)	(2,847.51)
	Dividend	(603.54)	0.00	603.54
	Loan Repayments	-	-	-
	Corporate Taxes	(265.86)	(341.68)	(75.82)
	Other	(7,748.75)	(11,123.98)	(3,375.24)
9	**OVERALL BALANCE (5+6+7+8)**	**73.44**	**1,309.72**	**1,236.28**
10	**FINANCING (11+15)**	**(73.44)**	**(1,309.72)**	**(1,236.28)**
* 10a	Total	4,149.47	270.05	(3,879.42)
	Capital Revenue	3849.47	23.30	(3,826.17)
	Loans	-	-	-
	Equity	300.00	400.00	100.00
	On-Lending	-	-	-
	Loan Repayments	-	(153.25)	(153.25)
11	Total Foreign (12+13+14)	15,161.79	5,296.29	(9,865.50)
12	Government Guaranteed Loans	(162.32)	227.25	389.57
	Disbursement	1,764.92	1,389.94	(374.98)
	Amortization	(1,927.24)	(1,162.69)	764.55
13	Direct Loans	15,332.89	5,243.92	(10,088.97)
	Long Term:	13,257.74	(2,490.33)	(15,748.07)
	Disbursement	18,293.64	(0.17)	(18,293.81)
	Amortisation	(5,035.90)	(2,490.16)	2,545.74
	Short Term:	-	-	-
	Change in Trade Credits	2,075.15	7,734.25	5,659.10
14	Change in Deposits Abroad	(8.78)	(174.88)	(166.10)
15	Total Domestic (16+17+18)	(19,384.70)	(6,876.06)	12,508.64
16	Banking System	(5,073.92)	(10,948.48)	(5,874.56)
	Loans (Change)	686.75	(565.94)	(1,252.69)
	Overdraft (Change)	26.30	(30.27)	(56.57)
	Deposits (Change)	(5,786.97)	(10,352.27)	(4,565.30)
17	Non-Banks (Change)	(147.14)	(2,124.56)	(1,977.41)
18	Other (Change)	(14,163.64)	6,196.98	20,360.61

Fiscal Outlook

Fiscal operations for the first five (5) months of FY2016/17 have been quite robust, particularly Revenue and Grants which was ahead of budget by $12,910.2mn or 7.3%. Total expenditure (net of amortization), on the other hand, has been less than programmed due to a number of factors, including the late passage of the budget. Nonetheless, it is expected that in the coming months, the various MDAs will increase their spending, particularly for capital programmes.

To this end, the expectation is that the expenditures will be essentially in line with the budget by end-March 2017. With respect to revenue and grants the outlook is for collections to be broadly in line with the budget, with a relatively modest excess over budget of 0.2%. This, alongside the expectation for expenditure is estimated to generate a primary surplus of $122,962.6mn, or 0.7% more than target.

Central Government Operations

Revenue & Grants – FY 2016/17

Revenue & Grants for FY 2016/17 is estimated at $486,877.7mn, a modest surplus of $836.6mn or 0.2% over budget. This outturn is driven by the projected Tax Revenue estimate of $447,383.4mn, which is forecast to be broadly in line with the budget, surpassing the target by 0.1%. Non-Tax Revenue and Grants are also expected to surpass their targets, while Bauxite Levy and Capital Revenue on the other hand are forecast to fall short of budget. Within Tax revenue, both Income and Profits and International Trade taxes are forecast to be broadly in line with budget while Production and Consumption taxes is expected to be above budget by $662.4mn or 0.5%.

Expenditure - FY 2016/17

Central Government expenditure (excluding amortization) for FY 2016/17 is projected to end the FY at $501,290.0mn. At the end of August 2016, total expenditure (above the line) stood at $209,917.0mn. It is anticipated that the lower spending relative to budget, recorded during the first five months, will be eliminated by end March 2017 and any unexpected developments will be managed through expenditure adjustments to meet the budget.

Due to the improved GDP recorded for FY 2015/16 as well as the growth performance to date for FY 2016/17, the estimated GDP for 2016/17 has been revised upwards. As a result of this the nominal primary balance budgeted is now equivalent to 6.9% of GDP. Given the Government's intent to pursue a successor programme to the EFF with the IMF, the country is required to adjust the nominal target to be equivalent to 7.0% of the current GDP estimate. This adjustment means a $1,697.0mn increase in the budgeted nominal primary balance target. This increase will be partially covered by the excess revenue projected however additional expenditure pressures have emerged and adjustments will therefore be necessary. The first supplementary estimates for FY 2016/17 will outline the adjustments to budgeted expenditure.

Interest payments are currently estimated at $137, 374.8mn which is $1,083.9mn or 0.8% lower than budget.

Amortization payments are anticipated to be 4.2% (or $3,286.6mn) higher than originally budgeted due to liability management actions. Loan Receipts of $82,548.9mn (or 7.6% lower than budget) are expected.

Public Debt

The liability management actions have contributed to a reduction in the re-financing risk for FY 2017/18 as well as to a reduction of the debt stock. Loan receipts for FY 2016/17 are expected to be slightly lower than budget primarily due to a shifting of multilateral budget support from the current fiscal year to FY 2017/18. As a result of these developments the debt stock is estimated to end the fiscal year at 121.0% of GDP.

Public Bodies: Prospects for remainder of FY 2016/17

It is expected that the Self Financing Public Bodies (SFPB) will meet the target of $3,308mn for the fiscal year. At end July 2016 the SFPBs recorded a surplus of $5,853mn. A significant contributor to this surplus was the PAJ, which at the end of July 2016 had only expended $238mn of its $10,030mn annual capital expenditure budget. PAJ is therefore unlikely to meet its capital expenditure target for the year, which improves the expected overall balance of the SFPBs.

FY 2017/18 and the Medium Term Fiscal Profile

Against the backdrop of the medium term macroeconomic framework outlined in Table 2D and based on the existing fiscal policies, inter alia, the medium term fiscal profile depicted in Table A4 and A5 in Appendix 1was developed. The macroeconomic forecast for FY 2017/18 includes, inter alia:

- Real Growth of 2.2%
- Inflation rate of 5.0%
- Oil price (WTI) average of US$47.4 per barrel; and
- Core Imports increasing by 3.7% relative to FY 2016/17.

Revenue & Grants as a percent of GDP are projected to fall slightly by 0.3% from 27.5% in FY 2016/17 to 27.2% in FY 2017/18 and further to 26.8% by FY 2019/20. One of the main factors expected to contribute to this marginal reduction is the lower Non-Tax Revenue collections, which start in FY 2017/18 associated with significantly lower special financial distributions, due to the ending of the $11,400mn transfer from the NHT. Over the medium term Non-Tax Revenue is expected to reflect additional receipts as a result of increased compliance as it relates to the timeliness of surrender of proceeds collected by MDAs as well as future sales of cellular/telecoms licences.

On the Tax revenue side, the forecast is for reduced PAYE and Education Tax (as a percent of GDP) as a result of (i) the GOJ continuing its tax reform initiative to shift from direct taxation to indirect taxation and (ii) slowing in the rate of growth of the Central Government wage bill by FY 2018/19 when the targeted wage/GDP ratio is to be met. To counter these expected shortfalls from income based taxes, the GOJ, as it implements the tax reform initiative, will seek to broaden the base for indirect taxation as well as to further boost revenue flows, arising from enhanced and strengthened compliance systems and procedures.

On the expenditure side, the profile to FY 2019/20, exhibits a combination of fiscal prudence as well as a shift away from the recurrent towards increased allocations (as a percent of GDP) for capital expenditure. Over the medium term, recurrent spending on programmes is forecast to average 7.1% of GDP while the wage bill is expected to achieve the 9.0% of GDP requirement by FY 2018/19 and thereafter. In addition, interest payments are forecast to fall from 7.8% of GDP in FY 2016/17 to 5.8% of GDP by FY 2019/20, thus affording the GOJ more fiscal space to address social issues. On the capital side, consistent with the growth objective, capital expenditure is forecast to increase from 2.4% of GDP in FY 2016/17 to 2.7% in FY 2017/18 and thereafter to 3.5% of GDP by FY 2019/20.

During the third quarter, wage negotiations with public sector unions are expected to commence for the 2 year contract period of FY 2017/18 - 2018/19. The GOJ will seek to work harmoniously with the public sector unions to ensure that these discussions and settlements are broadly consistent with the attainment of the 9.0% of GDP by FY 2018/19.

The Budget Call which is to be made to MDAs by September 30, 2016 is based on these aggregate fiscal figures for FY 2017/18. However, should the outlook for Revenue and Grants improve, the primary expenditure ceilings could be increased consistent with the attainment of a 7.0% primary surplus target. The FY 2017/18 profile, as presented, assumes that the fiscal gap will be closed by appropriate fiscal measures.

The GOJ has formulated a comprehensive strategy to generate stronger economic growth and increased employment in the medium term. These will be achieved through, but are not limited to:

- Business Sector Reform;
- Strategic Investment Projects;
- Social Sector and Human Capital Development;
- Fiscal Reforms;

- Monetary Policy Reform;
- Financial Market Development;
- Financial sector Reform; and
- Financial Inclusion.

These strategies and reforms will be pursued consistent with the macroeconomic framework and the fiscal rules, for which further provisions come into effect at the start of FY 2017/18. Therefore, while total expenditure is forecast to trend downwards as a percentage of GDP, the quality of the allocation is anticipated to improve, reflecting strong fiscal prudence. As required under the EFF programme and in consistency with achieving the legislated debt target, a primary balance target of 7.0% will be maintained across the medium term.

Appendix I

FINANCIAL TABLES

Table A1: CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 2016/17

(in millions of Jamaica dollars)

Item	Prov Apr - Aug	Budget Apr - Aug	Diff	Diff %	FY 15/16 Apr - Aug	Diff	Diff %
Revenue & Grants	**190,427.0**	**177,516.8**	**12,910.2**	**7.3%**	**170,201.9**	**20,225.1**	**11.9%**
Tax Revenue	177,704.8	168,510.2	9,194.6	5.5%	158,137.3	19,567.5	12.4%
Non-Tax Revenue	8,158.6	6,277.4	1,881.2	30.0%	7,680.5	478.1	6.2%
Bauxite Levy	1,403.1	1,068.5	334.6	31.3%	1,080.6	322.5	29.8%
Capital Revenue	239.8	315.3	-75.5	-23.9%	215.0	24.8	11.5%
Grants	2,920.7	1,345.5	1,575.2	117.1%	3,088.5	-167.8	-5.4%
Expenditure	**209,917.0**	**223,724.0**	**-13,807.0**	**-6.2%**	**194,340.1**	**15,576.9**	**8.0%**
Recurrent Expenditure	197,224.0	203,975.7	-6,751.7	-3.3%	182,241.7	14,982.3	8.2%
Programmes	62,037.4	64,556.5	-2,519.1	-3.9%	57,841.3	4,196.1	7.3%
Compensation of Employees	74,042.4	75,757.2	-1,714.8	-2.3%	67,858.2	6,184.2	9.1%
Wages & Salaries	68,710.7	71,078.1	-2,367.4	-3.3%	67,858.2	852.5	1.3%
Employers Contribution	5,331.7	4,679.1	652.6	13.9%		5,331.7	-
Interest	61,144.2	63,662.0	-2,517.9	-4.0%	56,542.3	4,601.9	8.1%
Domestic	27,040.9	28,213.5	-1,172.6	-4.2%	34,074.6	-7,033.6	-20.6%
External	34,103.2	35,448.5	-1,345.3	-3.8%	22,467.7	11,635.5	51.8%
Capital Expenditure	12,693.0	19,748.3	-7,055.3	-35.7%	12,098.4	594.6	4.9%
Capital Programmes	12,693.0	19,748.3	-7,055.3	-35.7%	12,098.4	594.6	4.9%
Fiscal Balance (Surplus + / Deficit -)	**-19,490.0**	**-46,207.2**	**26,717.2**	**-57.8%**	**-24,138.3**	**4,648.2**	**-19.3%**
Loan Receipts	**42,810.3**	**45,501.4**	**-2,691.0**	**-5.9%**	**261,889.2**	**-219,078.9**	**-83.7%**
Domestic	24,941.2	19,274.6	5,666.6	29.4%	5,800.1	19,141.1	330.0%
External	17,869.1	26,226.8	-8,357.6	-31.9%	256,089.1	-238,219.9	-93.0%
Project Loans	5,220.3	7,392.8	-2,172.5	-29.4%	6,132.8	-912.6	-14.9%
Other	12,648.9	18,834.0	-6,185.1	-32.8%	249,956.3	-237,307.4	-94.9%
Divestment Proceeds/Other	14,604.7	14,539.2	65.5	0.5%	0.0	14,604.7	-
Amortization	**32,803.6**	**29,035.4**	**3,768.2**	**13.0%**	**249,707.1**	**-216,903.5**	**-86.9%**
Domestic	11,148.1	7,422.1	3,726.0	50.2%	8,112.99	3,035.1	37.4%
External	21,655.5	21,613.3	42.2	0.2%	241,594.15	-219,938.6	-91.0%
Overall Balance (Surplus + / Deficit -)	**5,121.4**	**-15,202.0**	**20,323.4**	**-133.7%**	**-11,956.2**	**17,077.6**	**-142.8%**
Primary Balance (Surplus + / Deficit -)	**41,654.1**	**17,454.8**	**24,199.3**	**138.6%**	**32,404.0**	**9,250.1**	**28.5%**

Source: MoFP

Table A2: DETAILS OF REVENUE
FY 2016/17
(in millions of Jamaica dollars)

Item	Prov. Apr - Aug	Budget Apr - Aug	Diff	Diff %	FY 15/16 Apr - Aug	Diff	Diff %
Revenue & Grants	**190,427.0**	**177,516.8**	**12,910.2**	**7.3%**	**170,201.9**	**20,225.1**	**11.9%**
Tax Revenue	***177,704.8***	***168,510.2***	**9,194.6**	**5.5%**	***158,137.3***	**19,567.5**	**12.4%**
Income and profits	46,311.9	42,709.8	3,602.0	8.4%	43,059.5	3,252.3	7.6%
Bauxite/alumina	0.0	0.0	0.0	0.0%	0.0	0.0	-
Other companies	9,929.3	8,947.4	981.9	11.0%	9,244.4	684.9	7.4%
PAYE	29,188.6	27,332.9	1,855.7	6.8%	28,452.5	736.1	2.6%
Tax on dividend	653.1	441.7	211.4	47.9%	423.9	229.2	54.1%
Other individuals	1,198.8	1,091.0	107.8	9.9%	1,050.4	148.4	14.1%
Tax on interest	5,342.0	4,896.7	445.3	9.1%	3,888.3	1,453.7	37.4%
Production and consumption	60,576.0	57,444.7	3,131.3	5.5%	54,913.3	5,662.7	10.3%
MBT	290.8	252.6	38.2	15.1%	233.3	57.5	24.6%
SCT	6,050.4	6,494.1	-443.6	-6.8%	5,589.1	461.4	8.3%
Environmental Levy	172.3	197.1	-24.8	-12.6%	0.0	172.3	_
Motor vehicle licenses	1,276.4	1,226.2	50.2	4.1%	1,205.2	71.3	5.9%
Other licenses	198.3	194.8	3.4	1.8%	181.9	16.4	9.0%
Betting, gaming and lottery	1,222.5	1,212.1	10.4	0.9%	1,197.1	25.4	2.1%
Accommodation Tax	995.1	921.4	73.7	8.0%	882.7	112.4	12.7%
Education Tax	9,478.9	8,934.6	544.3	6.1%	8,492.2	986.7	11.6%
Telephone Call Tax	2,338.9	1,921.6	417.3	21.7%	2,335.0	3.9	0.2%
Contractors levy	470.8	387.4	83.4	21.5%	313.4	157.4	50.2%
GCT (Local)	32,022.1	30,689.8	1,332.3	4.3%	30,138.5	1,883.7	6.2%
Stamp Duty (Local)	6,059.4	5,012.9	1,046.5	20.9%	4,345.0	1,714.4	39.5%
International Trade	70,816.9	68,355.6	2,461.3	3.6%	60,164.4	10,652.5	17.7%
Custom Duty	14,579.7	13,843.6	736.1	5.3%	11,552.8	3,026.9	26.2%
Stamp Duty	842.4	885.8	-43.4	-4.9%	710.8	131.6	18.5%
Travel Tax	5,267.4	6,165.7	-898.3	-14.6%	4,461.7	805.7	18.1%
GCT (Imports)	29,951.4	28,386.1	1,565.3	5.5%	26,499.6	3,451.7	13.0%
SCT (imports)	19,038.2	17,906.1	1,132.1	6.3%	15,861.4	3,176.8	20.0%
Environmental Levy	1,137.9	1,168.4	-30.5	-2.6%	1,078.1	59.8	5.6%
Non-Tax Revenue	**8,158.6**	**6,277.4**	**1,881.2**	**30.0%**	**7,680.5**	**478.1**	**6.2%**
Bauxite Levy	**1,403.1**	**1,068.5**	**334.6**	**31.3%**	**1,080.6**	**322.5**	**29.8%**
Capital Revenue	**239.8**	**315.3**	**-75.5**	**-23.9%**	**215.0**	**24.8**	**11.5%**
Grants	**2,920.7**	**1,345.5**	**1,575.2**	**117.1%**	**3,088.5**	**-167.8**	**-5.4%**

Source: MoFP

Table A3: CENTRAL GOVERNMENT SUMMARY ACCOUNTS
FY 2016/17

(in millions of Jamaica dollars)

Item	Prov Apr - March	Budget Apr - March	Diff	Diff %	FY 15/16 Apr - March	Diff	Diff %
Revenue & Grants	**486,877.7**	**486,041.1**	**836.6**	**0.2%**	**455,835.8**	**31,041.9**	**6.8%**
Tax Revenue	447,383.4	446,767.0	616.4	0.1%	411,854.0	35,529.4	8.6%
Non-Tax Revenue	30,628.2	30,537.2	91.0	0.3%	35,748.6	-5,120.4	-14.3%
Bauxite Levy	2,697.6	2,818.2	-120.6	-4.3%	2,116.9	580.7	27.4%
Capital Revenue	594.4	669.8	-75.4	-11.3%	652.7	-58.3	-8.9%
Grants	5,574.1	5,248.9	325.2	6.2%	5,463.6	110.5	2.0%
Expenditure	**501,290.0**	**502,373.8**	**-1,083.9**	**-0.2%**	**460,719.5**	**40,570.5**	**8.8%**
Recurrent Expenditure	458,289.1	459,373.0	-1,083.9	-0.2%	427,972.1	30,317.0	7.1%
Programmes	139,772.4	139,772.4	0.0	0.0%	133,502.4	6,270.1	4.7%
Compensation of Employees	181,141.9	181,141.9	0.0	0.0%	168,790.2	12,351.7	7.3%
Wages & Salaries	170,193.5	170,193.5	0.0	0.0%	168,790.2	1,403.3	0.8%
Employers Contribution	10,948.4	10,948.4	0.0	0.0%		10,948.4	-
Interest	137,374.8	138,458.7	-1,083.9	-0.8%	125,679.5	11,695.3	9.3%
Domestic	64,268.2	64,779.7	-511.6	-0.8%	71,391.3	-7,123.1	-10.0%
External	73,106.7	73,679.0	-572.4	-0.8%	54,288.3	18,818.4	34.7%
Capital Expenditure	43,000.8	43,000.8	0.0	0.0%	32,747.3	10,253.5	31.3%
Capital Programmes	43,000.8	43,000.8	0.0	0.0%	32,747.3	10,253.5	31.3%
Fiscal Balance (Surplus + / Deficit -)	**-14,412.3**	**-16,332.8**	**1,920.5**	**-11.8%**	**-4,883.7**	**-9,528.6**	**195.1%**
Loan Receipts	**82,548.9**	**89,384.6**	**-6,835.7**	**-7.6%**	**298,620.1**	**-216,071.1**	**-72.4%**
Domestic	48,145.4	41,921.9	6,223.4	14.8%	29,004.3	19,141.1	66.0%
External	34,403.6	47,462.7	-13,059.1	-27.5%	269,615.7	-235,212.2	-87.2%
Project Loans	15,406.9	17,579.4	-2,172.5	-12.4%	12,326.3	3,080.6	25.0%
Other	18,996.7	29,883.3	-10,886.6	-36.4%	257,289.5	-238,292.8	-92.6%
Divestment Proceeds/Other	14,604.7	14,539.2	65.5	0.5%	6,071.2	8,533.5	140.6%
Amortization	**80,846.6**	**77,560.1**	**3,286.6**	**4.2%**	**342,725.9**	**-261,879.3**	**-76.4%**
Domestic	30,010.9	26,811.6	3,199.3	11.9%	77,718.9	-47,708.0	-61.4%
External	50,835.7	50,748.5	87.2	0.2%	265,007.1	-214,171.3	-80.8%
Overall Balance (Surplus + / Deficit -)	**1,894.8**	**10,031.0**	**-8,136.2**	**-81.1%**	**-42,918.3**	**44,813.1**	**-104.4%**
Primary Balance (Surplus + / Deficit -)	**122,962.6**	**122,126.0**	**836.6**	**0.7%**	**120,795.9**	**2,166.7**	**1.8%**

Source: MoFP

TABLE A4: CENTRAL GOVERNMENT SUMMARY ACCOUNTS (% GDP)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue & Grants	**27.1%**	**26.2%**	**27.0%**	**27.5%**	**27.2%**	**26.6%**	**26.8%**
Tax Revenue	23.5%	23.6%	24.4%	25.3%	25.7%	25.1%	25.4%
Non-Tax Revenue	2.8%	2.2%	2.1%	1.7%	1.1%	1.1%	1.0%
Bauxite Levy	0.1%	0.0%	0.1%	0.2%	0.1%	0.1%	0.1%
Capital Revenue	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants	0.7%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
Expenditure	**27.0%**	**26.7%**	**27.3%**	**28.3%**	**27.1%**	**25.8%**	**25.6%**
Recurrent Expenditure	24.5%	25.2%	25.3%	25.9%	24.4%	22.7%	22.1%
Programmes	6.3%	7.2%	7.9%	7.9%	7.5%	7.0%	6.8%
Compensation of Employees	10.7%	10.1%	10.0%	10.2%	10.0%	9.5%	9.5%
Wages & Salaries	10.7%	10.1%	10.0%	9.6%	9.4%	9.0%	9.0%
Employers Contribution				0.6%	0.6%	0.5%	0.5%
Interest	7.5%	7.9%	7.4%	7.8%	6.9%	6.2%	5.8%
Domestic	4.7%	4.8%	4.2%	3.6%	3.3%	2.9%	2.7%
External	2.8%	3.1%	3.2%	4.1%	3.6%	3.3%	3.0%
Capital Expenditure	2.5%	1.5%	1.9%	2.4%	2.7%	3.1%	3.5%
Fiscal Balance (Surp+/Def-)	**0.1%**	**-0.5%**	**-0.3%**	**-0.8%**	**0.1%**	**0.8%**	**1.2%**
Loan Receipts	**6.4%**	**10.7%**	**17.7%**	**4.7%**	**6.3%**	**4.5%**	**3.9%**
Domestic	2.7%	2.5%	1.7%	2.7%	2.5%	3.1%	2.2%
External	3.7%	8.2%	16.0%	1.9%	3.8%	1.4%	1.8%
Divestment/Other	0.0%	0.0%	0.4%	0.8%	0.8%	0.8%	0.7%
Amortization	**7.3%**	**5.6%**	**20.3%**	**4.6%**	**8.6%**	**6.4%**	**7.0%**
Domestic	5.2%	1.9%	4.6%	1.7%	5.0%	3.7%	4.4%
External	2.1%	3.7%	15.7%	2.9%	3.6%	2.8%	2.6%
Overall Balance (Surp+/Def-)	**-0.8%**	**4.7%**	**-2.5%**	**0.1%**	**-1.4%**	**-0.4%**	**-1.2%**
Primary Balance(Surp+/Def-)	**7.6%**	**7.5%**	**7.1%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**
GDP	1,462,200.0	1,571,800.0	1,690,200.0	1,768,900.0	1,900,900.0	2,072,600.0	2,259,200.0
TOTAL PAYMENTS	**34.3%**	**32.2%**	**47.5%**	**32.9%**	**35.7%**	**32.2%**	**32.6%**

Source: MoFP

TABLE A5: CENTRAL GOVERNMENT SUMMARY ACCOUNTS (J$mn)

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue & Grants	**396,979.4**	**411,715.9**	**455,835.8**	**486,877.7**	**517,489.5**	**551,282.7**	**605,499.9**
Tax Revenue	343,836.1	370,877.5	411,854.0	447,383.4	488,797.3	521,008.5	573,956.2
Non-Tax Revenue	41,047.1	34,311.5	35,748.6	30,628.2	20,882.2	21,998.3	22,938.4
Bauxite Levy	1,009.5	0.0	2,116.9	2,697.6	2,500.2	2,650.3	2,830.4
Capital Revenue	658.1	1,509.2	652.7	594.4	684.6	707.2	729.8
Grants	10,428.5	5,017.8	5,463.6	5,574.1	4,625.2	4,918.4	5,045.0
Expenditure	**395,241.8**	**418,986.8**	**460,716.7**	**501,290.0**	**516,028.7**	**534,997.8**	**577,601.9**
Recurrent Expenditure	358,252.9	395,967.8	427,969.3	458,289.2	464,330.2	471,440.5	499,189.2
Programmes	91,971.7	112,696.6	133,502.4	139,772.4	143,488.5	145,862.2	154,451.6
Compensation of Employees	156,361.7	158,758.6	168,787.4	181,141.9	189,239.5	196,781.2	214,491.5
Wages & Salaries	156,361.7	158,758.6	168,787.4	170,193.5	178,148.1	185,523.4	202,220.5
Employers Contribution				10,948.4	11,091.4	11,257.8	12,271.0
Interest	109,919.5	124,512.7	125,679.6	137,374.8	131,602.2	128,797.1	130,246.0
Domestic	68,728.9	76,052.1	71,391.3	64,268.2	62,569.3	60,946.3	62,090.9
External	41,190.6	48,460.5	54,288.3	73,106.7	69,032.9	67,850.8	68,155.1
Capital Expenditure	36,988.8	23,019.0	32,747.3	43,000.8	51,698.5	63,557.3	78,412.7
Fiscal Balance (Surp+/Def-)	**1,737.6**	**-7,270.9**	**-4,880.9**	**-14,412.3**	**1,460.8**	**16,284.9**	**27,898.0**
Loan Receipts	**93,527.5**	**168,705.9**	**298,620.1**	**82,549.0**	**119,612.0**	**92,907.8**	**88,733.9**
Domestic	40,119.9	39,247.9	29,004.3	48,145.4	47,160.2	64,302.6	49,000.0
External	53,407.6	129,458.0	269,615.7	34,403.6	72,451.8	28,605.2	39,733.9
Divestment/Other			**6,071.2**	**14,604.7**	**15,261.7**	**15,736.5**	**16,269.1**
Amortization	**106,640.2**	**87,794.4**	**342,725.9**	**80,846.6**	**163,533.6**	**132,932.3**	**159,250.9**
Domestic	76,604.4	29,752.5	77,718.9	30,010.9	94,176.5	75,658.6	100,384.3
External	30,035.8	58,041.9	265,007.1	50,835.7	69,357.1	57,273.7	58,866.7
Overall Balance (Surp+/Def-)	**-11,375.0**	**73,640.6**	**-42,915.5**	**1,894.8**	**-27,199.1**	**-8,003.1**	**-26,350.0**
Primary Balance(Surp+/Def-)	**111,657.1**	**117,241.8**	**120,798.7**	**122,962.5**	**133,063.0**	**145,082.0**	**158,144.0**
TOTAL PAYMENTS	**501,881.9**	**506,781.2**	**803,442.6**	**582,136.6**	**679,562.3**	**667,930.1**	**736,852.9**

Source: MoFP

Appendix II

FISCAL RISK STATEMENT

The April 2016 FPP presented a detailed outline of the key fiscal risks being monitored by the MOFPS/GOJ and the associated strategies for managing them. This report provides a brief update on some of the risks identified.

Natural Disasters

The GOJ recognizes the country's vulnerability to natural disasters and the potential financial and economic pressures that could result. As such, for the 2016/17 policy year of the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC) programme, the government has renewed the policy coverage for Jamaica for Tropical Cyclone (TC), Earthquake (EQ) and Excess Rainfall (XSR) at a premium cost of US$4.9mn.

Arrears

Tax Refund Arrears are being closely managed by the GOJ to ensure that the arrears decline as programmed. The level of tax refund arrears is monitored under the EFF programme and this quantitative target has been met under successive quarterly IMF reviews. During FY 2015/16, the stock of tax refund arrears was reduced by $4.4bn and ended the fiscal year at $17.3bn. The stock continues to be steadily reduced, declining to $14.8bn at end-July 2016, representing a $2.5bn reduction since the start of the fiscal year.

Domestic Arrears represents a category of fiscal risk that includes amounts due to suppliers and all recurrent and capital expenditure commitments. This category of arrears is closely managed by the GOJ and is also monitored under the EFF programme. During FY 2015/16 the stock of domestic arrears was reduced by $524.3mn to $21.0bn at end-March 2016. The GOJ has continued to steadily reduce the stock of domestic arrears and at end-July 2016, a further reduction of $128.7mn had been achieved.

Public Private Partnership (PPP)

The GOJ recognizes that PPP projects have the potential to impose significant fiscal risks if not appropriately designed and financed. Therefore, the risks associated with PPP's are actively monitored by the GOJ. The following provides an update on the status of PPPs since the FPP was published in April.

- **Kingston Container Terminal** – a 30 year Concession Agreement (CA) was executed on April 7, 2015 with Kingston Freeport Terminal Limited (KFTL) to finance, expand, operate, maintain, and transfer the Kingston Container Terminal (KCT). The concessionaire successfully secured financing of US$265mn for Phase 1 works and satisfied all requirements to achieve financial closure on June 30, 2016. Activities to facilitate the handover of the Terminal to KFTL were also successfully completed and facilitated the achievement of handover on the same date of financial closure.

- **Norman Manley International Airport (NMIA**) – The initial drive to identify a long-term concessionaire to operate, finance, develop and maintain the NMIA did not materialize. Notwithstanding, the prequalified bidders continue to show interest in partnering with the Government in the development of the airport. In July 2016, Cabinet approved the NMIA Enterprise Team continuing with efforts to identify a concessionaire. The Government intends to re-package the opportunity and relaunch an international procurement for the expansion and operation of the Airport.

- **Jamaica Railway Corporation (JRC) –** GOJ received a revised business plan from Herzog International Inc. in December 2015. In August 2016, Cabinet approved the GOJ, acting through the Ministry of Transport and Mining and the JRC, to enter into a non-binding Memorandum of Understanding with Herzog to allow the company to undertake further due diligence to finalize its business plan for the railway rehabilitation. The company intends to rehabilitate approximately 207km of the 334.9km rail track. The work will be undertaken on a phased basis.

Appendix III

TAX REFORM

Comprehensive tax reform to support economic growth and employment creation remains a critical plank of GOJ's reform programme. The reform involves simplification of the tax system, minimization of economic distortions, limiting ministerial discretion as it relates to the granting of tax incentives, and further broadening of the tax base. The reformed tax system is expected to facilitate a significant improvement in compliance.

The Government, in a 'bold move', implemented tax reform measures for FY 2016/17 commencing a programme to move away from direct taxation towards the more efficient, less burdensome and growth enhancing indirect taxation. These reforms included:

(i) Raising the exemption threshold for personal income tax (PIT) from $592,800 to $1,000,272, with effect from July 1, 2016. This represented Phase I of adjustments to the PIT as a further upward adjustment in the exemption threshold for PIT is planned for April 1, 2017 when the exemption threshold will be increased to $1,500,096 (Phase II). The revenue loss to the Government from the implementation of Phase I is estimated at 0.9% of GDP.

(ii) Implementation of revenue measures to compensate for the revenue loss associated with Phase I of the PIT adjustment. These included a $7.00 per litre increase in the SCT on fuels, a $2.00 per stick increase in the SCT on cigarettes to $14.0 per stick, an increase in the departure tax to US$35.00 (up from US$14.53) and the introduction of an SCT regime for liquid natural gas (LNG).

    Phase II of the PIT adjustment is also estimated to produce a revenue loss equivalent to 0.9% of GDP. The GOJ will be exploring various revenue measures to offset this loss for implementation in FY 2017/18, whilst simultaneously putting into place necessary support structures for the most vulnerable of the society.

The GOJ intends to enforce compliance with respect to the new transfer pricing legislation for the year of assessment 2016. The transfer pricing legislation was passed in November 2015 and an implementation strategy is being finalized with technical assistance from the IMF's Fiscal Affairs Division (FAD). An implementation date of October 2016 is being targeted.

Tax Administration Jamaica continues to receive technical assistance from the Organization for Economic Cooperation and Development (OECD) in respect of Advanced Pricing Agreements.

Going forward the initiatives outlined below will continue:

- Implementation of TAJ's National Compliance Plan (NCP) for 2016/17, including the refinement of key performance indicators (KPIs) to facilitate the preparation of quarterly matrices indicating targets versus results for each KPI in the NCP.

- Staffing of the TAJ under its new classification as a Semi-Autonomous Revenue Authority (SARA) is expected to be completed by end-November 2016. Strengthening of the institution's capacity will continue with the training of Audit managers which is expected to commence in November 2016;

- Efforts to increase the filing rate of large taxpayers to 99% will continue alongside the completion of approximately 70 comprehensive audits of large taxpayers by March 2017.

- With respect to medium size taxpayers, TAJ will be increasing efforts to improve the e-filing rates for the major tax types of GCT, PAYE and CIT. In 2018/19 small taxpayers will be required to commence e-filing.

- Drafting of legislation under Phase III of amendments to the Customs Act is expected to be completed by end-December 2016 with tabling in Parliament by the end of FY 2016/17. The amendments aim to support enhanced trade facilitation by the Jamaica Customs Agency (JCA).

- Subsequent to an entity-by-entity review of all grandfathered tax incentives, a Fiscal Impact Report is expected by September 2016.

- The Special Economic Zone Act promulgated in February 2016 with an Appointed Day Notice of August 1, 2016 facilitated the appointment of the members of the Oversight Board Authority of the Special Economic Zone (SEZ). Going forward the following actions are expected to occur;

    (i) The hiring of the Authority's management team is expected to begin in October 2016; and

    (ii) Drafting of the regulations, to facilitate implementation of the Act is expected to be completed by October 31st 2016.

The GOJ will continue to implement tax and customs automation operations.

Appendix IV

PUBLIC FINANCIAL MANAGEMENT REFORM

In consultation with its development partners, the GOJ is currently executing an updated public financial management reform action plan. In this regard:

- A new procurement manual has been developed, with technical support from the IDB and is currently being reviewed. Implementation of an Electronic Tendering System has been executed across four (4) pilot institutions - the Ministry of Finance and the Public Service, E-Gov, Ministry of Health and the National Health Fund. Three additional institutions (HEART Trust, Office of the Prime Minister and Port Authority) were included under the pilot in June 2016.

- The GOJ and the BOJ signed a service level agreement (SLA) in August 2016. Full responsibility for the management of government bank accounts is being transferred to the AGD. It is anticipated that by end-September 2016, a list of all dormant and inactive accounts to be closed, will be prepared to facilitate closure by December 2016.

- The GOJ continues its expansion of the coverage and functionality of the central treasury management system (CTMS). As at August 2016, the salaries of 53,000 public servants are paid through the TSA. A ledger accounting system, with ledgers for the RTGS and ACH accounts, has been developed for the CTMS. Steps are being taken to introduce ledgers for all other accounts. Responsibility for further development and management of the CTMS has been transferred from the Ministry of Finance and the Public Service to the AGD.

- A new organizational structure for the Accountant General's Department (AGD) should be approved by September 30, 2016.

- By March 2017, all earmarked Central Government revenue flows or Appropriations-in-Aid (AIA) will be required to be lodged to the Consolidated Fund, with daily sweeps of revenue transit accounts. All MDA bank accounts used for depositing AIA proceeds are therefore to be closed by end FY 2016/17.

- With continued technical assistance support from the IMF, the MOFPS has been enhancing its macro-fiscal capacity. This process focuses on:

    - Strengthening the assessment of fiscal risks;
    - Documenting methodology and processes for the efficient production of key outputs and continuous effective management of datasets and information;

- Re-structuring and reclassification of the Fiscal Policy Management Unit; and
- Hands-on output-based training in Debt Sustainability Analysis (DSA)

The Public Investment Management Committee continues to meet to review and evaluate proposed projects.

Appendix V

PUBLIC SECTOR REFORM

Improving the efficiency, quality and cost effectiveness of the public sector, remains the full commitment of the GOJ**.** To this end, several initiatives outlined in the action plan for public sector transformation will be actioned, including the following:

(i) The GOJ will centralize all its legal services under the office of the Attorney General, with support of Justice Canada;

(ii) Once legislative approval is obtained, the organizational structure for the merging of the Betting, Gaming and Lotteries Commission (BGLC) with the Jamaica Racing Commission (JRC) is to be completed by April 2017.

(iii) Legislation to enable the formation of the Jamaica Agricultural Commodities Regulatory Authority (JACRA), from the merger of various commodity boards and the regulatory functions of the Export Division of Ministry of Agriculture pertaining to spices, has been submitted to Parliament. The full merger is anticipated to be completed by end-September 2016.

(iv) The GOJ, with funding in place, will seek to complete the procurement process for the Asset Management Shared Services software and to secure a contract with the successful bidder by April 2017.

The GOJ has concluded wage negotiations with approximately 97 percent of all public sector bargaining units for the FY 2015/17 period. Negotiations for the new 2 year cycle (2017/19) are expected to commence in November 2016 and to be concluded in time to inform the new budget. These negotiations will be informed by the GOJ's goal to achieve a Wage-to-GDP ratio of 9 percent by FY 2018/19 and for it to remain at or below this level over the medium term.

The GOJ will be carrying out a Compensation Review to properly document the range of allowances as well as the categories of workers who receive these allowances. A pilot has been conducted at the Ministry of Finance and the Public Service (August 2016) and will be extended out to cover the Ministry of Health (medical professionals), Ministry of Education. Youth and Information (teaching groups) and Ministry of National Security (JCF) by end November 2016. The remaining MDAs will be completed by March 2017.

The GOJ is expected to implement the new pension system in April 2017, following its re-tabling in Parliament in July 2016. Progress is being made with the implementation of the human resources software system (the HCMES system, including Payroll). The Project plan as well as a full time project management team is in place. A roll-out of the system to some fourteen (14) MDAs took place in June 2016.

With respect to the public bodies, the following activities are being undertaken:

(i) A new structure of the Auditor General's office was finalized in the first quarter for FY 2015/16. Implementation has been ongoing since, with full implementation expected by April 2019. This will allow for (a) more detailed and frequent audits of financial statements for public bodies, in receipt of budget support and (b) better enforcement of the six-month time line for submission of these financial statements to the Auditor General.

(ii) The GOJ in June 2016 approved a new policy for public bodies, consistent with PFM rules for these entities. This policy will create classes of public bodies and outlines key PFM principles/guidelines to be adhered to by each class of public body.

(iii) The GOJ will also review and evaluate the scope for the re-integration of certain public bodies, based on their classification, back into Central Government. Consistent with this, a strategy will be formulated to implement the rationalization by end September 2016 and the placing of all public bodies into these new classes by February 2017.

Appendix VI

FINANCIAL SECTOR REFORM

The GOJ will continue to fortify the prudential framework for financial supervision as outlined below.

(i) The GOJ under the Banking Services Act, issued a code of conduct on consumer related issues in August 2016. A suite of regulations related to agent banking are to be tabled in Parliament in September 2016. These regulations and rules will be shared with stakeholders in November 2016, with a view to table them by March 2017.

(ii) For the securities industry, the GOJ will ensure that, in the near to medium term, the retail repo portfolios of firms and the industry as a whole are systematically safe and satisfy prudential requirements. To this end the GOJ will require that;

- All securities dealers to conduct regular stress tests and to submit such test results by December 2016.
- The extension given to securities dealers to obtain signatures from their clients for the Master Retail Repo Agreements (MRRAs) end in March 2017. Only assets related to those signed repo agreements will be held in the trust on behalf of clients.

(iii) Further steps will be taken to further strengthen depositor protection and investor compensation across financial institutions including credit unions. Drafting instructions for amendments to the Cooperative Society Act is in train.

Work will continue on the development of a resolution framework for the financial sector. GOJ will be dialoguing with stakeholders to determine (i) scope of the financial sector to be covered by this resolution regime (ii) the powers of such a body (iii) its legal structure, whether administrative or court based or both (iv) the role/responsibilities of the various agencies involved in resolution. By February 2017, proposals for legislation should be submitted to Cabinet.

The GOJ, as part its thrust to strengthen the BOJ, introduced a Financial System Stability Committee, through an amendment to the BOJ Act in October 2015. This committee will become formerly established in September 2016 and its mandate includes (i) providing regular exchange of information on financial sector risks (ii) commissioning stress tests and determining the parameters which will trigger macro-prudential action (iii) producing financial stability assessments.

Appendix VII

GROWTH-ENHANCING REFORMS

The GOJ remains committed to stronger economic growth and job creation over the medium-term. To this end, an Economic Growth Council (EGC) made up of largely representatives from the private sector and a representative from the Jamaica Confederation of Trade Unions was established. Following a series of consultations with various ministries, departments and agencies, private sector groups, the Opposition and international partners, the EGC has identified a framework of priority initiatives designed to facilitate and stimulate growth. The EGC is supported by an Executive Secretariat and is mandated to work closely with Government ministries, departments, agencies, civil society and the private sector.

Reforms to the Business Environment

The GOJ has been actively pursuing reforms that promote economic growth. Further actions that will be taken to improve the business climate include:

- Prioritization of the National Competitiveness Council's work plan for the Business Environment Reform. These reforms are expected to increase access to capital, promote online systems for business registration and paying taxes, improve the framework for processing land development applications and land titling and facilitate trade and border transactions. A project manager has been recruited (August 2016) and a project plan with deliverables is being developed.
- The establishment of a Public Portal System II to facilitate online submission, processing and tracking of all development applications by 2017.
- Implementation of a revised standardized pricing framework by 2017. A review of the revised framework is currently underway with submission to Cabinet expected before end-October 2016.
- Implementation of standardised processes and procedures across all parish councils and commenting agencies to significantly reduce the turn-around time for approval of development projects. The aim is to achieve approval of development applications within 60 days by March 2018.
- The issuing of 15,000 titles each year for FY 2016/17 and FY 2017/18 under the GOJ Land Titling programme following the issue of 9,093 titles in FY 2015/16. The issuing of these land titles to beneficiaries improves their ability to access capital.

- Continued development of the Venture Capital Eco-System through the development of a legislative and taxation framework conducive to venture capital and public enterprise that will be supported by widespread sensitization, training and capacity building initiatives.

- Reduction of the wait time for entrepreneurs to obtain electricity connection by completing automation of the work processes within the Government Electrical Regulator (GER) by 2017. The acquisition of further modules for the Application Management and Data Analysis (AMANDA) software by 2017 is expected to streamline procedures for scheduling, inspecting, approving and certifying electrical installations.
- Examination of the implications of all of the above systems and solutions by a Trade Facilitation Task Force that has been set up to ensure that Jamaica has an integrated and modern trade and logistics environment. The systems and solutions also include the Port Community System (PCS), ASYCUDA system, E-trade system and the development and implementation of a Single Trade Electronic Window (STEW).
- In January 2016, the PCS that electronically integrates and streamlines export and import procedures was launched. Full implementation of the PCS is scheduled to be completed by December 2017.
- An umbrella financial inclusion strategy, covering key areas including MSME financing, housing finance, payments, rural finance, consumer protection and literacy has been developed and a financial inclusion council will be established by 2017 to oversee the launch and implementation of the strategy.
- Advancement of the operationalization of the Secured Interest in Personal Property Act (SIPPA) by (a) developing asset valuation protocols to enable MSMEs to leverage its provisions, (b) amending regulations of the BOJ related to collaterals to consider moveable assets, (c) executing capacity development initiatives for financial institutions, members of the judiciary, MSMEs and other stakeholders on the provisions of the SIPPA, and (d) drafting regulations for the Act.
- Improving processes related to land ownership, titling and transfer through the design, and development of an electronic platform to allow for the issuing of electronic titles and preservation of records in an electronic format.
- Improving processes to enforce contracts which include (a) mandatory filing of commercial matters in the commercial division, (b) extending the hours of the courts to facilitate processing of more matters, and (c) application of technology to online tracking of legislation and digitization of court records.

Strategic Investment Projects

It is expected that strong capital investments will stimulate employment growth and will contribute to a sustained increase in economic growth. This will be done through investments in agriculture, tourism, logistics, business process outsourcing (BPO), and energy. With regard to logistics and energy;

- Implementation under the Kingston Container Terminal (KCT) project continues with the capital works programme including the dredging of Kingston Harbour and the KCT basin to enable the handling of very large ships that traverse the expanded Panama Canal
- Privatization of the Norman Manley International Airport has been restarted with the appointment of a new enterprise team.
- China Harbour Engineering Company is continuing plans for the development of a transhipment port as well as industrial and commercial zones in the Portland Bight area. Feasibility studies are underway which will provide a basis for construction methodology as well as assessment of environmental impacts.
- An action plan to reduce the cost of electricity has been developed by the Electricity Sector Enterprise Team (ESET). This plan seeks to replace fossil-fuel (oil based) generation capacity with gas and ethane fired plants, thus achieving significant cost savings. The Bogue power plant has already been converted to LNG (August 2016) and the GOJ has approved the construction of Jamaica's first natural gas fired power plant which will have a 190MW capacity. This JPS owned plant is expected to be operational by 2018.

Labour Market Reform

The GOJ recently launched a Comprehensive Labour Market Reform Agenda aimed at improving the efficiency and flexibility of the labour market by focusing on five thematic areas: Social Protection; Labour Policies & Legislation; Technology, Productivity and Innovation; Education & Training; and Industrial Relations. The reform process is being spearheaded by a Labour Market Reform Commission (LMRC), which became operational in April 2015. The Commission has started work on a first draft of recommendations which is slated for completion by end-October 2016. The Commission's final report is slated to be submitted to Cabinet by end-FY 2016/17, and the implementation of recommendations emanating from this final report will be critical to transforming the labour market.