GOVERNMENT OF JAMAICA

FISCAL POLICY PAPER
FY 2018/19

15th February 2018

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PART 1

FISCAL RESPONSIBILITY STATEMENT

Introduction

The enhanced fiscal rules, made effective through amendments to the Financial Administration and Audit (FAA) and Public Bodies Management and Accountability (PBMA) Acts in March 2014, require the Minister to, within 6 months of the passage of the Appropriation Act for the respective financial year to which the relevant Estimates of Revenue and Expenditure relate, table in both Houses of Parliament, a Fiscal Policy Paper (FPP). The Minister duly complied with this requirement by tabling a FPP Interim Report in Parliament on September 26, 2017.

The FAA Act also establishes a budget calendar, which requires that the annual Estimates of Revenue and Expenditure and the accompanying FPP, be tabled simultaneously in February of each year to allow for the passage of the budget prior to the start of the fiscal year to which those estimates relate. The tabling of both the annual Estimates of Revenue and Expenditure and the accompanying FPP provides both houses of Parliament with full information on the budget. This information facilitates robust debate among parliamentarians who are entrusted with oversight of the management of the public resources of Jamaica and have ultimate responsibility for the performance of the economy.

Through tabling of the FY 2018/19 FPP, during February 2018, the Government of Jamaica (GOJ) hereby ensures compliance with the budget calendar.

Provisional data on fiscal operations of the Central Government, over the period April-December 2017 indicates that the performance was well within the budgeted ceilings. The GOJ notes the sustained positive developments in the economy during 2017, including the return to positive quarterly real growth, following the first quarter decline, low inflation, increased employment and the sustained strong performance of revenue and grants. This bodes well for the GOJ's thrust to generate fiscal surpluses over the medium term to facilitate gradual reduction in the debt/GDP ratio.

Commitment to Fiscal Responsibility

Prudent fiscal management entails strict adherence to targets, continuous monitoring of fiscal events and a willingness to make timely and sound fiscal decisions. It requires well-planned and clear actions to minimize or mitigate risks, which pose a threat to sustainability of public finances either in the current fiscal year or over the medium term. Within this context, the current policy decisions of the GOJ must not only have been informed by the expected immediate impact, but must also have benefited from a view of the fiscal implications across the medium term.

The GOJ is unequivocally committed to the tenet of fiscal prudence. Economic growth and job creation are dependent on stable economic conditions. Sustainability of the fiscal operations is an essential requirement for stability of the economy.
The GOJ accepts and understands that the pathway of fiscal prudence is not an easy one and requires fortitude and vision of a country where entrepreneurship is facilitated by a transformed and efficient public sector. Accordingly, the GOJ's **priority objectives for FY 2018/19 and through the medium term are to grow the economy and facilitate the creation of durable jobs through actions focused on the continued reduction of the public debt to GDP ratio toward a sustainable level.** To that end, a transformed, efficient and agile public sector continues to be critical to this process going forward**.** The GOJ's economic programme will continue to be anchored by fiscal discipline and fiscal certainty as it relates to the public finances. The objectives of the economic programme will continue to be underpinned by efficient expenditure management; progressive rebalancing of the tax burden toward indirect taxation, whilst protecting the vulnerable in the society, through continued social expenditure.

Economic Programme Update and Outlook

There have been two reviews under the Precautionary Stand-By Arrangement (PSBA), of the performance at end-December 2016 and end-June 2017. All performance criteria and structural benchmarks were met and programme implementation remains strong. Tax revenues have continued their strong performance which began in FY 2015/16 and have been bolstered by the shift toward indirect taxation, implementation of which continued during FY 2017/18. Lower than budgeted expenditure in tandem with the strong revenue performance have contributed to the primary balance outturn exceeding target. Against this backdrop of strong revenue performance, the GOJ, in the face of damage to infrastructure from excessive rainfall as well as the adverse impact of crime, utilized the increased fiscal space to: (a) address the damage to infrastructure, including roadways; and (b) facilitate the declaration of certain areas as Zones of Special Operations (ZOSO), with the aim being to significantly reduce crime. These new activities were reflected in the First Supplementary Estimates which was tabled in the Houses of Parliament on December 5, 2017.

Jamaica's gross domestic product for FY 2016/17 was recorded as growth of 1.3 percent. However, the first quarter of FY 2017/18, saw a decline of 0.1 percent in GDP, attributable to the negative impact of persistent rainfall, particularly on agriculture. The economy has since rebounded, with the second quarter of FY 2017/18, registering growth of 0.8 percent, however, growth for FY 2017/18 is currently estimated at 0.9 percent, down from the forecast of 2.3% at the start of the year and the mid-year forecast of 1.7%.

Sustained improvements continue to be reflected in the labour market with continued growth in employment. Employment increased by approximately 27,300 persons between October 2016 and October 2017. Unemployment, at October 2017 was recorded at 10.4 percent, the lowest in since October 2008.

Risks to the economy remain, with oil price projected to rise over the medium term in addition to the potential impact of other exogenous geo-political factors, particularly in the energy sector. The GOJ continues to monitor these risks and to identify risk mitigating actions that may be employed to limit the negative impact of the realization of these risks.

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

- Real GDP growth of 1.3% was recorded for FY 2016/17. Expectation for FY 2017/18 is growth of 0.9%, a decline of 0.4 percentage points over FY 2016/17. Over the medium term growth is expected to range between 2.0-3.0% per annum;

- Debt-to-GDP for FY2017/18 is projected at 102.8% (new definition), a reduction of 10.4 percentage points compared to the 113.2% (new definition) recorded for FY2016/17. This outcome is also lower than the initially-projected 107.1% which informed the FY 2017/18 budget. Table 1 reports for FY 2016/17 a debt/GDP of 121.2% (old definition);

- The Central Government recorded a Primary Surplus of $135,880.1mn (7.6% of GDP) for FY 2016/17, surpassing the target of $122,126.0mn (7.0% of GDP). The current outlook for FY 2017/18 is that the fiscal operations will generate a Primary Surplus slightly higher than the 7.0% of GDP per annum targeted over the three year life of the PSBA;

  Central Government operations is projected to achieved a fiscal surplus of $1,765mn, or 0.1% of GDP in FY 2017/18 compared with a budgeted deficit of [0.8]% of GDP. Near fiscal balances of -0.3% and -0.2% of GDP were generated for FY 2015/16 and FY 2016/17, respectively.

- For FY 2017/18, the overall Public Sector is projected to generate a surplus of 0.7% of GDP. This is consistent with the fiscal policy stance aimed at lowering the debt burden and creating space for private sector-led growth;

- Jamaica recorded a Current Account deficit for the April-September period of FY 2017/18 of US$377.8mn, a deterioration of US$126.2mn when compared to the similar period of FY 2016/17. The current account of the Balance of Payments (BOP) is expected to record a deficit of US$567.2mn for FY 2017/18 representing a US$152.9mn deterioration from the deficit of US$414.3mn recorded for FY 2016/17;

- Over the last three fiscal years, the Jamaica dollar has depreciated against the US dollar by an average of 6.8% per annum. With the Jamaica dollar now fairly valued, there has been a reversal in this trend. Supported by measures to strengthen the operation of the foreign exchange market including a lowering of the foreign exchange surrender requirements and a more transparent auction system for interventions by the Bank of Jamaica, the domestic currency appreciated by 2.9% for FY 2017/18 through end-December 2017. For the 2017 calendar year, the domestic currency appreciated by 2.7% compared to a depreciation of 6.7% for the previous calendar year;

- Inflation for calendar year (CY) 2017 was 5.2%, 3.5 percentage points higher than the 1.7% recorded for calendar year 2016 (lowest inflation since 1964) and represents a break in the downward trend observed since CY 2014. For the fiscal year to December 2017, inflation was 3.2% and is projected to be 4.4% for FY 2017/18, which is within the BOJ's 4.0% to 6.0% target range. Over the medium term inflation is expected to remain at low single digit levels;

- The NIR increased from US$2,719.4mn at end-December 2016 to US$3208.3mn at end-December 2017 and is expected to end FY 2017/18 at US$3,176.0mn;

- The unemployment rate in October 2017 was 10.4%, compared to 12.9%, a year earlier. The October 2017 unemployment rate represents the lowest rate recorded since October 2008, when the unemployment rate was 10.3%. Strong growth initiatives are expected to continue to positively impact unemployment;

- Jamaica received two (2) positive ratings actions during FY 2017/18. On September 25, 2017, S&P Global Ratings affirmed its 'B' long- and short-term foreign and local currency sovereign credit ratings for Jamaica. The outlook on the long-term rating remains stable. At the same time, S&P Global Ratings affirmed its 'B+' transfer and convertibility assessment for the country. Similarly, Fitch Ratings Agency on January 31, 2018 affirmed Jamaica's long-term foreign and local currency Issuer Default Ratings at 'B' and revised the outlook from "Stable" to "Positive".

Fiscal Developments

First Supplementary Estimates

The FY 2017/18 First Supplementary Estimates called for a total Revised Estimates of $805,484.4mn, compared with the Original Approved Estimates of $715,604.4mn.

This represented a net increase in expenditure of $89,879.7mn which is comprised of:

i. Public Debt Service, with an increase of $68,507.0mn as a result of liability management transactions executed by the Ministry of Finance and the Public Service (MoFPS) in August;
ii. A loan of $12,652.0mn or US$100 million which is being provided to Petrojam Limited, to assist the refinery in mitigating the negative impact on its financing arising from an Executive Order issued by the United States of America in respect of Venezuela;
iii. The balance of $8,720.8mn represents an increase in the Recurrent Budget to address several critical issues, some of which are outlined below;

Recurrent Expenditure:

The increase in Recurrent Expenditure incorporates additional expenditure for activities including:

i. Implementation of the new national security initiatives (Zones of Special Operations) - $1,500.0mn;

ii. Island-wide road patching programme to address the effects of excessive rains earlier in the year - $1,000.0mn;
iii. Restoration of roads/gullies and bridges which were impacted by the 2017 May/June Flood Rains - $1,292.0mn;

REVISED REVENUE ESTIMATES

A revised Revenue & Grants profile was developed for FY 2017/18 indicated inflows of $546,229.3mn comprised: Tax Revenue of $486,146.5mn; Non Tax Revenue of $52,468.7mn; Grants of $4,919.8mn with the balance of $2,694.3mn being amounts for Capital Revenue and Bauxite Levy. The revised Revenue and Grant forecast represents an increase over the Original Budget of $9,159.9mn or 1.7% with Tax Revenue representing an increase over the original Budget estimate of $7,891.9mn or 1.7%.

IMPACT OF SUPPLEMENTARY ESTIMATES ON THE FISCAL OPERATIONS

The Primary Balance requirement for the Original Approved Estimates of Expenditure and Revenue was set at $131,865.9mn. However, with the revision to the GDP forecast, the Primary Balance target was revised to $132,305.0mn (2017/18 Interim Fiscal Policy Paper).

The Revised Expenditure Estimate was calibrated within the fiscal space afforded by the Revised Estimates for Revenue and Grants and generates a Primary Balance of $132,305.0mn. Accordingly, the Primary Balance requirement of 7.0% of GDP was satisfied by this revised profile for the fiscal operations. The loan of US$100 million to Petrojam Limited will be captured below the line of the Central Government operations and will therefore not impact the primary balance.

Special Data Dissemination System (SDDS)

The IMF's Statistics Department conducted a government finance statistics (GFS) Technical Assistance (TA) mission during October 23–November 3, 2017, to support the GOJ authorities in improving GFS reporting to meet the requirements of the IMF Special Data Dissemination Standard (SDDS). The mission met with officials from the Ministry of Finance and the Public Service (MoFPS), Bank of Jamaica (BOJ), and the Statistical Institute of Jamaica (STATIN).

The GOJ is committed to improvement of its macroeconomic and fiscal statistics and as such, with the support of the IMF, developed a National Summary Data Page (NSDP), which went live on February 15, 2017. The NSDP serves as a one-stop publication vehicle for essential macroeconomic and fiscal data. The MoFPS is responsible for the publication of fiscal data, and currently publish central government operations (CGO) for the budgetary central government (BCG) and central government debt (CGD) data, but do not currently publish general government or public sector operations data, therefore, the GFS TA mission assisted with this work to publish data on these areas. It is expected that the MoFPS will begin the routine compilation and publication of general government operations data by end-2018 in the framework of the IMF Government Finance Statistics Manual 2001/2014

(GFSM 2001/2014). A follow-up GFSTA mission is scheduled to take place later this year to continue work in this area.

FY 2017/18 (April-December 2017)

Provisional data indicates that Central Government operations for April to December 2017 generated a Primary Surplus of $96,542.1mn, which exceeded the $75,261.6mn budget target and the $59,000.0mn target established under the new precautionary SBA. The fiscal surplus outturn of $1,322.0mn was better than the budgeted fiscal deficit of $22,623.6mn by $23,945.6mn or 105.8% and reflected the strong overall performance of Revenue and Grants combined with lower than budgeted expenditure (net of amortization).

The Fiscal Management Strategy provides a detailed assessment of the fiscal outturn to December 2017 as well as an estimate of the outturn to end March 2018, relative to the Supplementary Budget. The Central Government's operations are projected to exceed the budgeted primary balance target of $132,305.0mn for FY 2017/18 predicated on continued buoyant tax revenue performance and an expenditure profile that is projected to be lower than budget, primarily due to under execution of the capital expenditures and savings from lower debt service.

Revenue and Grants of $390,947.6mn was $14,505.2mn or 3.9% better than the Supplementary Budget target of $376,442.5mn. This strong performance was led by Tax Revenue, Non-Tax Revenue, Capital Revenue and Grants which were ahead of budget by 3.4%, 4.1%, 256.4% and 5.0% respectively. The only shortfall was Bauxite Levy, for $3.5mn or 2.7%. Expenditure of $389,625.7mn was $9,440.5mn or 2.4% lower than programmed and reflected lower spending in all areas except capital programmes, which recorded a 3.0% higher than budgeted expenditure.

The GOJ has been in negotiations with the major unions representing public sector workers for wage settlements for the 2017/19 contract period. The current status of the negotiations are that a number of Unions (representing over 66.0% of the Central Government) have indicated agreement to a four-year contract period with increases of 5.0% and 2.0% on basic salary for the first two years of the period. As a result of the imminent signing of Agreements the GOJ will be tabling a Second Supplementary Estimate for FY 2017/18 to facilitate payment of the increased amounts related to FY2017/18 by end-March 2018.

Formulation of the FY 2018/19 Budget has been done on the assumption that all unions will accept the four year contract offer in time to facilitate payments related to FY 2017/18 by end-March 2018.

The Overall Balance for the group of Self Financing Public Bodies (SFPBs) is currently projected at a surplus of $11,194.7mn for FY 2017/18 compared to the budgeted surplus of $2,512.4mn. Contributing to this outturn was an Operating Balance of $89,650.6mn which was 10.0% above budget. The projected capital expenditure/investment of the group at $51,536.2mn reflects an 87.0% achievement of the budgeted amount. The largest shortfalls on capital expenditure were reported by

Petrojam and NWC. Estimated net transfers to Government of $45,380.2mn are higher by 13.6% against the budgeted amounts.

FY 2018/19 Budget and the Medium Term

Developing on the solid performance of tax revenues over the last three consecutive fiscal years (FY2015/2018) and the GOJ's adherence to fiscal discipline, the FY 2018/19 budget has been crafted to be consistent with the achievement of the programme targets agreed under the PSBA. The medium term Macroeconomic Framework has informed development of the medium term fiscal and debt profile (Table 1A).

The macroeconomic forecast for FY 2018/19 includes, inter alia:

- Real GDP growth of 2.4% (up from an estimated 0.9% in 2017/18);
- Inflation rate (annual point to point) of 4.3% (5.0% estimated for 2017/18);
- Oil price (WTI) avg. of US$56.20 per barrel (avg. for 2017/18 US$53.4); and
- Core imports increasing by 5.4% relative to estimates for FY 2017/18

The FY 2018/19 expenditure is programmed at $586,480.5mn (reflecting a 0.1 percentage point of GDP decline to 29.1% over the projected 29.2% for FY 2017/18) comprising: Recurrent Programmes of $188,656.1mn; Compensation of $201,051.4mn; Capital Programmes at $59,825.1mn; and Interest Costs of $136,947.9mn. The most significant increase is reflected in Capital Programmes, which is projected to increase from 2.4% of GDP to 3.0% of GDP consistent with the growth objectives of the GOJ. The Central Government budget includes contingency provisions for:

(i) Interest payments on guaranteed loans of $7,159.7mn, consisting of $2,514.6mn for domestic and $4,645.1mn for external interest;
(ii) Amortization (principal) payments on guaranteed loans of $2,770.5mn, with $1,442.1mn allocated for external and $1,328.4mn for domestic payments;
(iii) Liability management of the internal debt - amortization (principal) payments of $10,000.0mn and interest payments of $2,000.0mn;
(iv) Liability management of the external debt - amortization (principal) payments of $1,901.0mn and interest payments of $633.9mn; and
(v) The new salary rates for FY 2018/19; and
(vi) Recovery from natural disasters of $500.0mn.

Revenue & Grants are projected to be at $552,963.3mn or 29.3% of GDP in FY 2017/18. For FY 2018/19, Revenue & Grants are forecast to come in at $590,588.4mn, equivalent to 29.3% of GDP. Further details on the performance of tax revenue are provided in the FMS while Appendix V outlines some key administrative initiatives to be pursued by Tax Administration of Jamaica (TAJ) and Jamaica Customs Agency (JCA). The passive forecasts for Revenue and Grants and the Expenditure requirements for FY 2018/19 generate a Primary Surplus of $141,055.9mn, which is in line the 7.0% of GDP primary balance target. The forecast for Revenue & Grants for

FY 2018/19 provides full financing for the expenditure budget (net of amortization) and **therefore no new revenue measures are required**.

The Public Bodies Regulations provide for the distribution of profit or surplus from public bodies to the Consolidated Fund. Additionally, transfers to the Consolidated Fund are made by some Executive Agencies and the 3 public bodies that were de-earmarked during the last fiscal year. For **FY-to-December 2017/18**, an amount of $10,321.3mn was transferred to the Consolidated Fund from public bodies and executive agencies including $8,550.0mn from the National Housing Trust (NHT). Additional transfers from the three de-earmarked entities amounted to $5,882.6mn. Programmed transfers from public bodies (including NHT) and Executive Agencies to the Consolidated Fund for FY 2018/19 amount to $13,051.9mn. These flows will augment additional flows from ongoing improvement in tax administration and contribute toward meeting the fiscal targets.

Table 1A: Medium Term Fiscal & Debt Indicators

	Actual	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
(J$mn)	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Revenue & Grants	**455,835.8**	**499,879.9**	**552,963.3**	**590,588.4**	**620,325.7**	**658,876.8**	**701,973.7**
of which Tax Revenue	411,854.0	458,323.4	491,110.1	518,435.3	546,955.4	585,638.9	625,054.1
Expenditure	**460,719.4**	**503,356.0**	**551,198.3**	**586,480.5**	**597,521.5**	**621,950.0**	**652,658.8**
of which Wages & Salaries	163,517.8	166,484.7	181,410.9	185,274.7	196,035.5	208,485.7	223,479.0
of which Interest	125,679.5	139,356.2	134,161.5	136,947.9	128,409.8	125,130.2	124,502.1
Cent Govt Fiscal Balance	**-4,883.7**	**-3,476.1**	**1,765.0**	**4,108.0**	**22,804.2**	**36,926.8**	**49,315.0**
Cent Govt Primary Balance	**120,795.9**	**135,880.1**	**135,926.5**	**141,055.9**	**151,214.0**	**162,057.0**	**173,817.0**
Domestic Debt	815,948.4	848,505.9	746,871.7	736,099.7	773,158.5	757,517.1	744,984.6
External Debt	1,252,810.7	1,311,430.5	1,161,400.2	1,145,022.3	1,140,846.0	1,170,255.6	1,156,264.8
Net Public Bodies			19,990.1	22,327.4	23,348.0	13,525.6	669.3
Total Debt	**2,068,759.1**	**2,159,936.4**	**1,928,262.0**	**1,903,449.4**	**1,937,352.5**	**1,941,298.3**	**1,901,918.7**
(% GDP)							
Revenue & Grants	27.0%	28.0%	29.3%	29.3%	28.7%	28.5%	28.3%
of which Tax Revenue	24.4%	25.7%	26.0%	25.7%	25.3%	25.3%	25.2%
Expenditure	27.3%	28.2%	29.2%	29.1%	27.7%	26.9%	26.3%
of which Wages & Salaries	9.7%	9.3%	9.6%	9.2%	9.1%	9.0%	9.0%
of which Interest	7.4%	7.8%	7.1%	6.8%	5.9%	5.4%	5.0%
Cent Govt Fiscal Balance	**-0.3%**	**-0.2%**	**0.1%**	**0.2%**	**1.1%**	**1.6%**	**2.0%**
Cent Govt Primary Balance	**7.2%**	**7.6%**	**7.2%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**
Domestic Debt	48.3%	47.6%	39.6%	36.5%	35.8%	32.7%	30.0%
External Debt	74.1%	73.6%	61.5%	56.7%	52.8%	50.5%	46.6%
Net Public Bodies	-	-	1.1%	1.1%	1.1%	0.6%	0.0%
Total Debt	**122.3%**	**121.2%**	**102.1%**	**94.3%**	**89.7%**	**83.9%**	**76.6%**

Source: MoFPS

The policy measures to be implemented in FY 2018/19 will enable the GOJ to achieve the key fiscal targets of the primary balance and debt/GDP across, the medium term. The policy measures are designed to deliver sustainable benefits to generate incremental surpluses over the medium term, to facilitate the achievement of the Debt/GDP legislated ceiling of 60% by or before FY 2025/26. The expected reduction in debt and debt servicing costs will provide more fiscal space to support proper maintenance of the GOJ's physical assets and further provide enhanced social protection, as necessary. Nevertheless, should there be any adverse shocks to programmed revenue and/or increased expenditure requirements, the GOJ stands ready to make the necessary adjustments and to take the necessary measures to correct any fiscal deviation that may emerge.

Fiscal Reporting

This Fiscal Responsibility Statement sets out projections for the Central Government's Fiscal Balance, Primary Balance, and Debt Stock for FY 2018/19 - FY 2021/22. The fiscal accounts are compiled on a cash accounting basis and are consistent with the IMF Government Finance Statistics (GFS) guidelines.

As required under the enhanced fiscal rules (Fiscal Responsibility Framework Regulations 2012), this FPP includes a Fiscal Risk Statement, which evaluates contingent liabilities and other risks that may affect the fiscal accounts but due to the uncertainty of an actual occurrence, are not budgeted. The various contingent liabilities presented may also contribute to an increase in the debt stock and accordingly must be properly managed.

The policy-priorities and objectives enunciated in this Fiscal Responsibility Statement are consistent with those in other GOJ documents and in the PSBA. It is important, however, to note some differences with respect to presentations, as follows:

(i) The actual Revenue and Grant figures referenced in this FPP represent actual collections by the revenue departments/agencies to December 2017. However, the revenue data contained in the Revenue Estimates represent transfers from the revenue departments/agencies to the Consolidated Fund. Transfers to the Consolidated Fund may differ from actual revenue collections because of a lag between receipt of revenue and the physical transfer of such revenue to the Consolidated Fund. The fiscal and primary balances shown in Table 1A and the remainder of the FPP are compiled on the basis of actual/projected revenue collections. Additionally, the estimated expenditure outturn for FY 2017/18 shown in Table 1A and upon which fiscal and primary balances are computed is based on actual cash expenditure to December 2017 and projections for the rest of the fiscal year.

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

1. At the start of FY 2016/17, the Central Government adopted a Revised Chart of Accounts (RCOA). Although the Estimates of Expenditure for FY 2016/17 were prepared and presented in the RCOA format, the Revenue Estimates were not. The RCOA establishes a set of standard accounting codes for revenue, expenditure, assets and liabilities to be used throughout the public

sector in order to standardize Government's financial reports. The revenue estimates presented in this FPP and in the Revenue Estimates 2018/19 utilize the RCOA reflecting a number of changes in the classification of some revenue elements. For example, effective last fiscal year, collections for Quarry tax, Telecommunications licences and Import licences collected by the Trade Board and formerly captured as Non-Tax revenue are now reflected as Tax Revenue, with Royalties captured as Non-Tax Revenue rather than Capital Revenue. Beginning this FY 2018/19, the GOJ will now formally reflect the revenues coming from three de-earmarked entities, CHASE Fund, Tourism Enhancement Fund and the Jamaica Civil Aviation Authority (JCCA) as Non-Tax Revenue flows. These entities were, in the past allowed to keep their revenues to carry out their activities. However, with the advent of the de-earmarking policy, these three entities were identified for the FY 2017/18 Budget. Legislative Amendments had to be made to their respective Acts in order for these flows to go to the Consolidated Fund.

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

3. The Estimates of Expenditure for FY 2018/19 will now include forward expenditure estimates for financial years 2019/2020, 2020/2021 and 2021/2022. The forward estimates are aligned with the medium term aggregate expenditure ceilings as reflected in the Fiscal Management Strategy (*Table 3L: Central Government Summary Accounts*) and in the summaries at Appendix 1 (*Medium Term Expenditure Profile 2018/2019 – 2021/2022*). The forward estimates are indicative and are not voted by the Parliament. The Parliament will continue, as it currently does, to vote only on the expenditure presented for the budget year 2018/2019. The spending authorization by parliament will continue to be only in respect of the expenditure for the budget year 2018/2019. The Appropriations Bill will, as it currently does, continue to reflect only the appropriations for the budget year 2018/2019.

Fiscal Responsibility with Flexibility

Maintaining a prudent fiscal policy stance with respect to revenue and expenditure is critical for the achievement of the medium term targets established under the economic reform programme. Any revenue or expenditure measure which poses a risk to the achievement of the targets will not be adopted without the identification and implementation of requisite offsetting measures. Note is also made of the impact of decisions for FY 2018/19 on the medium term.

The size and direction of the fiscal balance and public debt rely on the macroeconomic assumptions considered, including: inflation, exchange and interest rates; external and domestic demand and expectations for the price of oil and other key commodities. Based on the macroeconomic assumptions over the medium term (inclusive of higher growth) and the maintenance of a primary balance of no less than 7.0% of GDP in FY 2018/19 and over the medium term, the trajectory of Public Debt is downward toward meeting the FY 2025/26 ceiling of 60%. The macroeconomic forecast may change in response to developments in world markets, particularly oil and other primary commodities markets. Such changes in world markets that lead to a material deviation in the macroeconomic variables will affect fiscal performance and necessitate adoption of the requisite fiscal response.

The enhanced fiscal rules are focused on fiscal consolidation to achieve debt sustainability. However, the rules allow for flexibility to deal with unanticipated events which have a bearing on fiscal outcomes. The preservation of fiscal equilibrium is not incompatible with cyclical fluctuations in economic activity and disruptions related to public disaster, national emergency, a severe economic contraction or a financial sector crisis that has a severe impact on fiscal operations.

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

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

Conclusion

The GOJ will continue to drive the implementation of those critical structural reforms deemed necessary to spur stronger economic growth and job creation. The economic growth momentum in the economy has continued and inflation remains in low single-digit territory, unemployment is at its lowest in 10 years and Business and Consumer Confidence Indices continue to be high.

The administration is fully aware of the country's tight fiscal situation and will remain fiscally responsible by adhering to the agreed targets. At the same time, the GOJ will aggressively focus on the objective of growing the economy and creating meaningful jobs which will enable a more rapid and sustainable reduction in the public debt. The GOJ understands its responsibility to provide a safe and stable environment that will allow the people to use their talents to create wealth. It is within this context that the GOJ will continue its efforts toward further tax reform, divestment of some public assets, cost containment in government operations and accelerating the economic growth momentum. The GOJ is confident that these efforts will ensure a more stable macroeconomic environment, sustainable debt reduction and an improved business climate that will attract new investments and result in durable job creation and increased prosperity, thereby allowing citizens to realize the vision of making **Jamaica, the place of choice to live, work, raise families and do business.**

In this Fiscal Responsibility Statement, I hereby declare that, in pursuing the policy objectives of the Government, I will adhere to the principles of prudent fiscal management and seek to manage fiscal risks accordingly. In so doing, I hereby attest to the reliability, accuracy and completeness of the information contained in this Fiscal Policy Paper and its compliance with fiscal responsibility principles.

Audley Shaw, MP
Minister of Finance and the Public Service
February 15, 2018

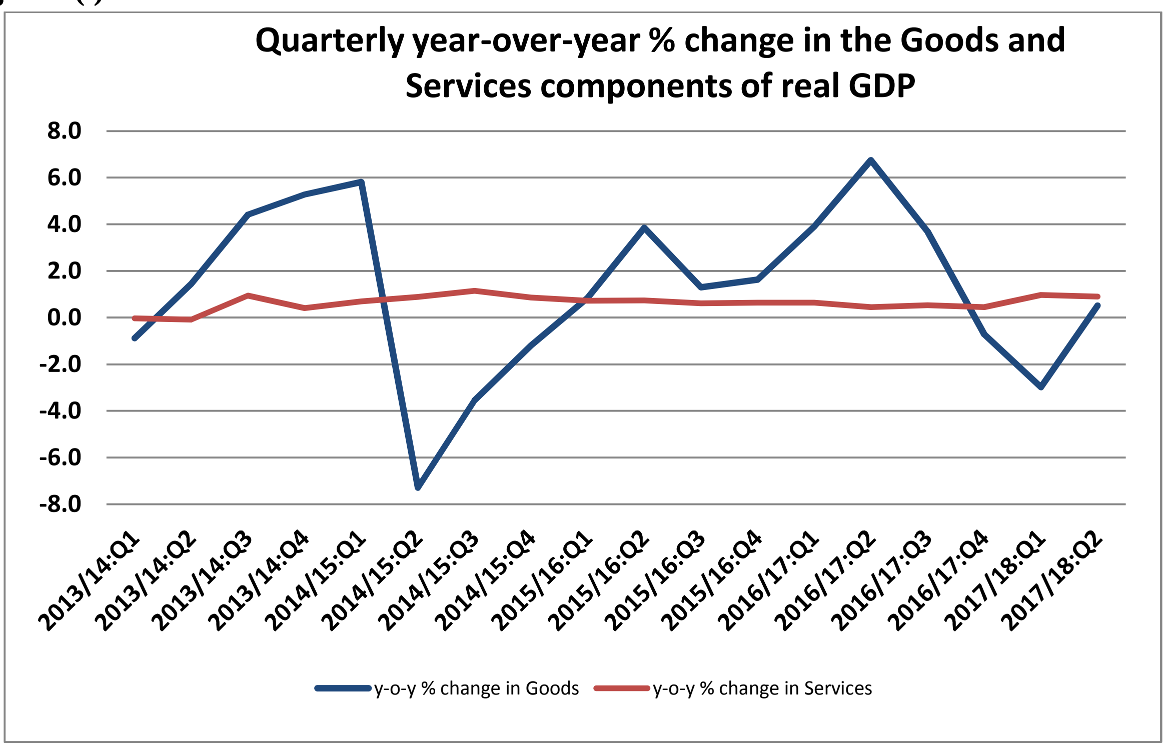
Part 2

MACROECONOMIC FRAMEWORK

Overview of Macroeconomic Developments FY 2017/18

The Jamaican economy continued to perform positively over the first half of FY 2017/18, although there was a slowdown in the pace of growth in real GDP when compared to the corresponding period of FY 2016/17. The deceleration is attributable to the contraction in output from the goods producing industry, as there continues to be stable, though modest, expansion in the services industry (Figure 2(i)).

Figure 2(i)



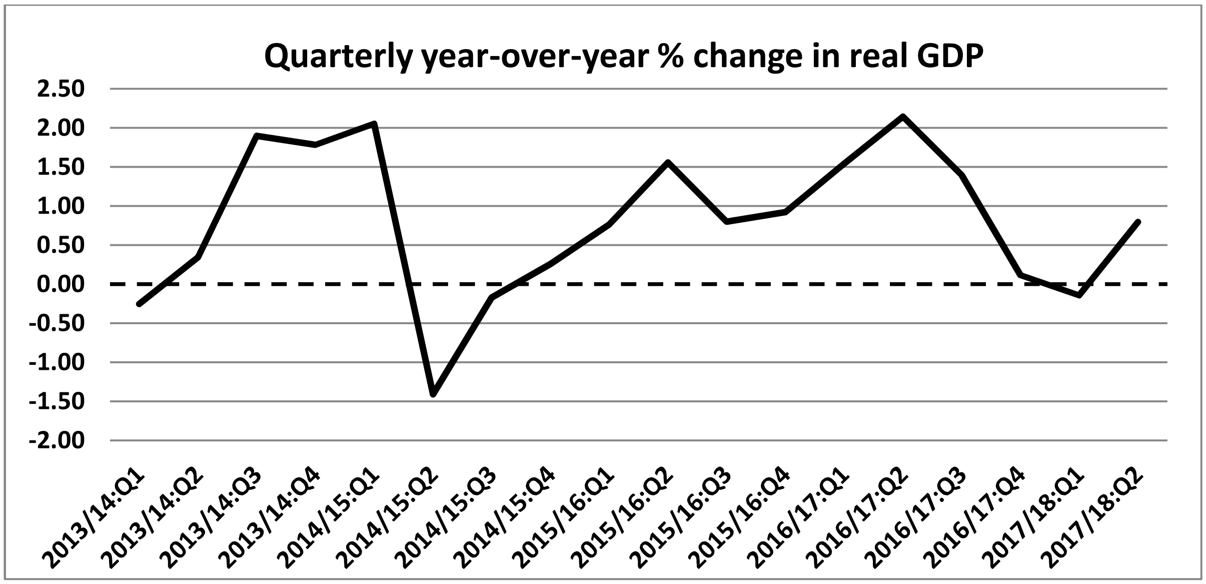
Source: STATIN

Accounting for the falloff in the goods producing industry are declines in the Agriculture and Mining sectors, both of which were impacted by excessive rainfall, particularly during the first quarter of the fiscal year. The deterioration was partially offset by increased activity in the Manufacturing sector. The second quarter performance of the Goods Producing Industry showed improvement, largely on account of a further pickup in Manufacturing as well as a slowdown in the rate of decline in Agriculture and Mining due to less adverse weather conditions.

Within the Services industries, all the sectors recorded increased levels of output. The expansion was led by Hotels & Restaurants, influenced primarily by an increase in visitor arrivals. Electricity & Water Supply also recorded strong performance, benefitting significantly from the high levels of rainfall.

In terms of quarterly outturns, the Jamaican economy contracted marginally during the first quarter of the fiscal year. However, as illustrated in Figure 2(ii) below, there was evidence of a recovery in Real GDP growth during the second quarter.

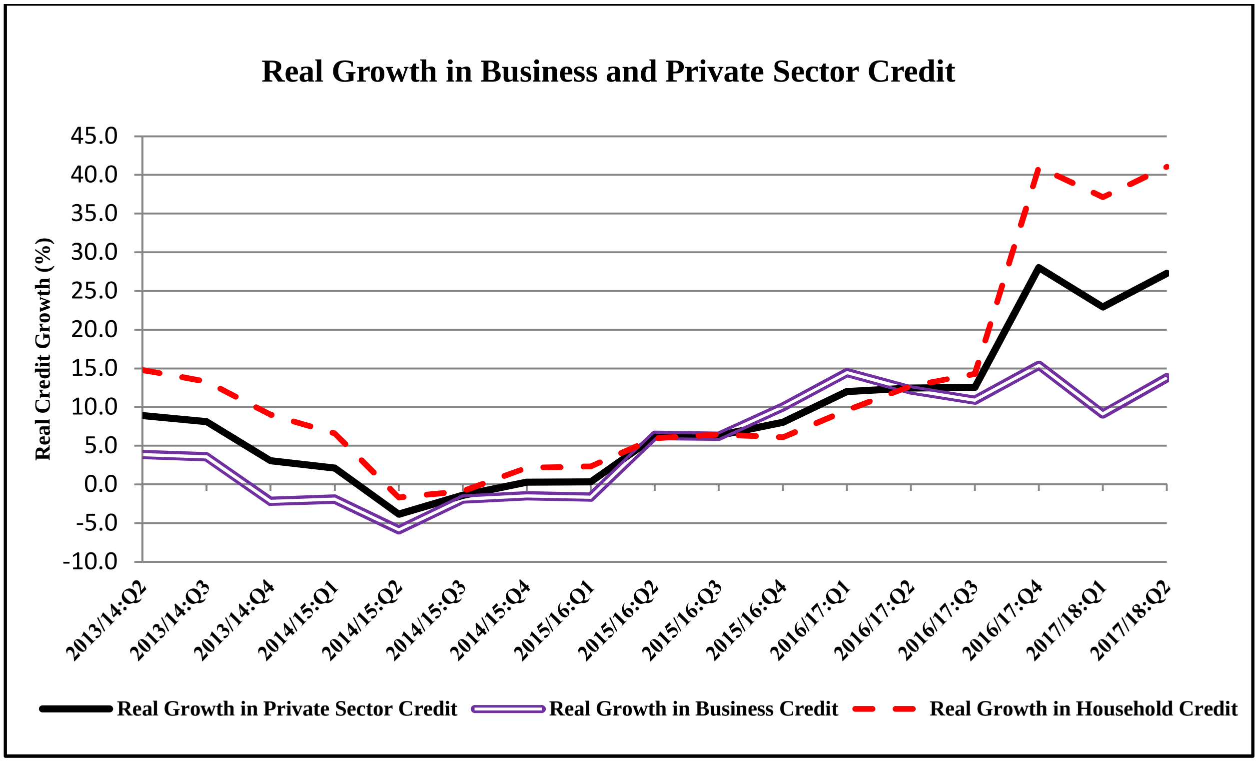
Figure 2(ii)



Source: STATIN

The real sector developments for the review period transpired against the background of an accommodative monetary environment. During the first half of the fiscal year, the Bank of Jamaica (BOJ) changed its benchmark instrument from the 30-day certificates of deposit (CD), to the overnight deposit instruments held by deposit-taking institutions (DTIs). The change is aimed at strengthening the relationship between the policy (signal) rate and market interest rates. Additionally, BOJ lowered the signal rate, based on its assessment that inflation will remain moderate and is expected to end the fiscal year within the targeted range. Consistent with the decline, Commercial Banks' domestic and foreign currency lending rates as well as T-Bill yields have been trending downwards. This has stimulated loan activity, as evidenced by the strong growth in Commercial Banks' credit to the private sector, although the rate of increase in household credit continues to soar above that of business credit (Figure 2(iii)). Increased growth in business credit would be economically beneficial, contingent on greater investment in growth-inducing activities.

Figure 2(iii)



Source: BOJ

The performance of the external accounts deviated from the trending improvements observed in the recent past. This is evident from the deterioration in the current account deficit for the April to September period of the fiscal year (Table 2F). Despite the deterioration of the current account, the stock of net international reserves (NIR) increased.

Conditions in the Labour market improved during the first half of the fiscal year, with unemployment falling to its lowest rate in a decade and employment reaching historic levels. While both males and females shared in the improvements, the decline in unemployment was more pronounced among females. Correspondingly, female employment rose more sharply than that of males. During the review period, youth unemployment continued its downward trend. There has been increased employment in most industries, except Mining and Quarrying.

Inflation remained moderate, within the context of lower average international commodity prices for the first half of FY 2017/18 relative to the corresponding period of FY 2016/17. The increase in value of the domestic currency also contributed positively to the restraint on inflation. During the review period, the Bank of Jamaica announced its adoption of an inflation - targeting regime. Under the inflation-targeting regime, the Bank of Jamaica will make adjustments to monetary policy on the basis of the targeted inflation which will be set by the Minister with responsibility for finance.

The Government of Jamaica's strong commitment to fiscal consolidation contributed to a positive fiscal performance for the fiscal year to end-December 2017. Revenue and Grants exceeded budget, while Expenditure (net of amortization) was below. Interest payments over the period were lower than budget, partly due to appreciation of the local currency. Consequently, the primary balance and the fiscal balance were better than programmed for the period.

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

A summary of the macroeconomic performance of Jamaica for FY 2015/16 to FY 2016/17 is provided in Table 2A, along with the estimated outturn for FY 2017/18.

Table 2A: Summary of Economic Performance

	Unit	FY 2015/16 (Actual)	FY 2016/17 (Actual)	FY 2017/18 (Projected)
Real GDP Growth Rates	%	1.0	1.3	1.1
Inflation (Annual Pt to Pt)	%	3.0	4.1	4.8
Broad Money Supply (M2*)	%	13.3	10.9	
Unemployment Rate (Oct.)	%	13.5	12.9	10.4
Exchange Rate (weighted average selling rate)	J$=US$1	118.76	127.14	127.48
Treasury Bill (average 3-month)	%	6.2	5.8	4.9
Current Account Balance	% of GDP	-2.0	-2.8	-2.2
Net International Reserves (NIR)	US$mn	2,415.6	2,769.2	2,885.8
Gross Reserves (Goods & Services Imports)	Weeks	22.6	23.8	24.1
Fiscal Accounts				
Central Gov't Fiscal Balance	%GDP	-0.4	-0.2	0.0
Central Gov't Primary Balance	%GDP	7.2	7.6	7.1
Public Bodies Overall Balance	%GDP	2.0	1.1	0.6
Debt Stock*	%GDP	122.3	121.2	102.8

Source: MOFPS/BOJ/PIOJ

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

Real Sector Developments

Economic Performance for the period April to September of FY 2017/18

Real GDP grew by 0.3% for the first half of FY 2017/18, reflecting deceleration in the pace of growth relative to the 1.8% achieved for the corresponding period of FY 2016/17 (Table 2B). The economic expansion is attributable to improvements in the Services industries, as the Goods Producing industries contracted (Table 2B).

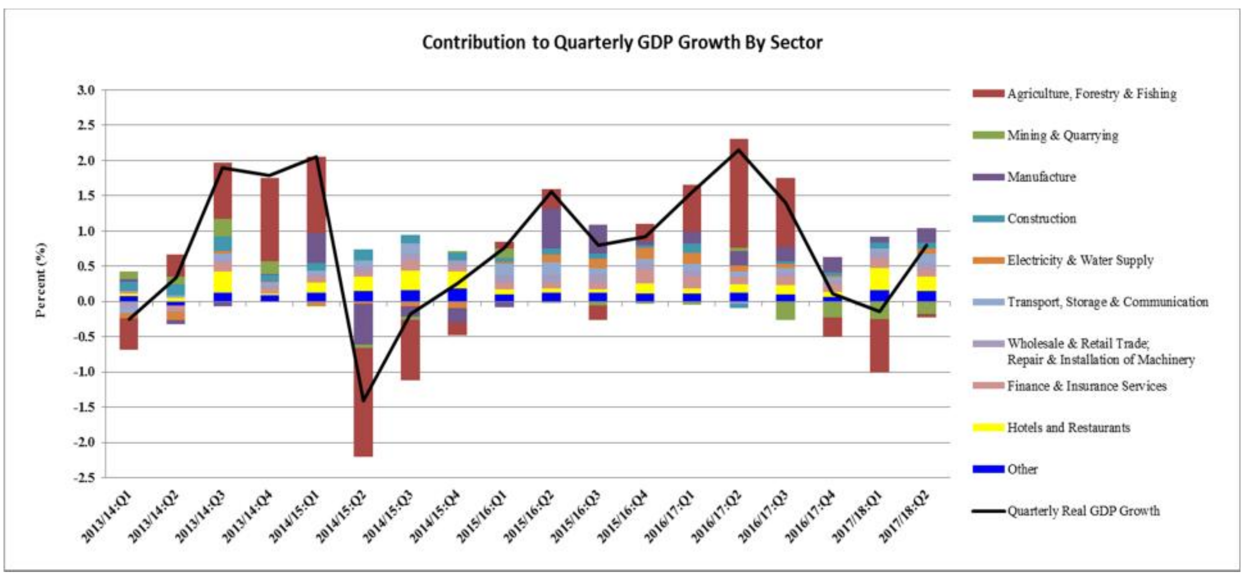
The Goods Producing industries contracted by 1.6%, with only Manufacturing and Construction recording increased value added. The Agriculture, Forestry and Fishing industry declined, as a result of lower production of agricultural crops including legumes, fruits and vegetables, as well as lower output for traditional crops such as sugarcane and cocoa. The industry was negatively impacted by adverse weather conditions. Mining & Quarrying also recorded a decline, reflecting contractions in both alumina and crude bauxite production due to the unfavourable weather conditions that affected mining operations and alumina production.

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

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

The Services industry recorded growth of 1.0% for the review period. The most significant contribution emanated from the increase in Hotels & Restaurants, which resulted primarily from a surge in visitor arrivals. Electricity & Water Supply also recorded strong performance, given the high levels of rainfall during the period.

Figure 2(iv)



Source: STATIN

Projected Performance for FY 2017/18[1]

An economic expansion of 0.9% is projected for FY 2017/18. Growth of 0.4% in the Goods Producing industry and 1.1% in the Services Industry is expected to contribute to the increase in real GDP. The

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

Goods Producing Industry is expected to benefit from improvements in 'Mining and Quarrying', 'Manufacture' and 'Construction'. A reduction in value added for the Agriculture, Forestry & Fishing sector is anticipated as the industry continues to suffer from the lagged effects of unfavourable weather conditions. Growth in the manufacturing industry is expected to be supported by a rise in output of petroleum products and non-metallic minerals, as well as an increase in food processing. Construction will be driven mainly by the building and expansion of hotels, as well as activities associated with the Major Infrastructure Development Project (MIDP).

Within the Services industry, Hotels & Restaurants and Electricity & Water Supply are expected to be the main contributors to the expansion. An increase in visitor arrivals is expected to be the primary growth stimulus for Hotels & Restaurants. Electricity & Water Supply is expected to be driven by increased water production based on high rainfall levels.

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

	FY 2016/17 April-September (Actual)	FY 2017/18 April-September (Actual)	FY 2016/17 Full Fiscal Year (Actual)	FY 2017/18 Full Fiscal Year (Projection)
GOODS PRODUCING INDUSTRY	5.5	-1.6	3.4	0.4
Agriculture, Forestry & Fishing	17.0	-5.6	10.8	-2.1
Mining & Quarrying	-0.1	-9.3	-5.5	1.1
Manufacture	2.2	1.7	2.4	1.8
of which: Food, Beverages & Tobacco	1.7	2.0	3.6	1.8
Other Manufacturing	2.9	1.3	-15.6	1.7
Construction	0.6	1.2	0.6	1.2
SERVICES INDUSTRY	0.7	1.0	0.6	1.1
Electricity & Water Supply	3.8	1.2	2.5	1.6
Transport, Storage & Communication	0.8	0.8	0.6	1.0
Wholesale & Retail Trade; Repair and Installation of Machinery	0.2	0.6	0.2	0.7
Finance & Insurance Services	1.2	1.1	1.1	1.2
Real Estate, Renting & Business Activities	0.6	0.5	0.5	0.7
Producers of Government Services	-0.1	0.1	-0.1	0.1
Hotels and Restaurants	1.7	4.6	1.7	4.8
Other Services	1.0	1.2	0.8	1.1
Less Financial Intermediation Services Indirectly Measured (FISIM)	1.6	0.9	1.4	1.0
TOTAL GDP AT BASIC PRICES	1.8	0.3	1.3	0.9

Source: STATIN & PIOJ

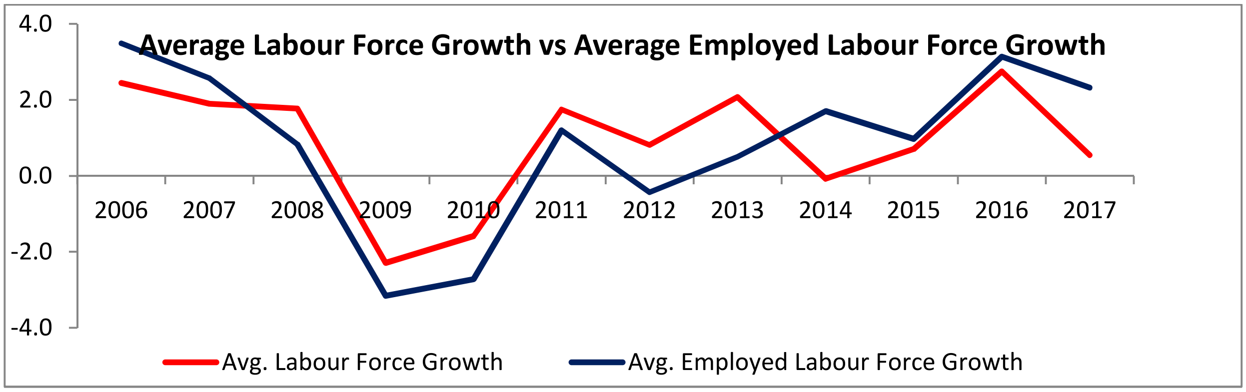
Labour Market Developments

The improving economic conditions continue to be mirrored by the evolution of labour market indicators (Table 2C). The unemployment rate continued to decline throughout 2017 as average employment growth surpassed average labour force growth (**Figure 2(v)**). By October 2017, the unemployment rate was down to 10.4%, the lowest since October 2008. The October 2017 unemployment rate was 2.5 percentage points lower than the October 2016 rate and 2.3 percentage points lower than the January 2017 rate. This marked the fourth consecutive quarterly decline since October 2016 (**Figure 2(vi)**) and was largely driven by improvements in the female unemployment rate which declined by 3.4 percentage points while Male unemployment rate improved by 1.6 percentage

[2] The growth rate presented for FY 2017/18 is PIOJ's baseline projection and is lower than that used in tables 2A and 2H, which reflects BOJ's projection.

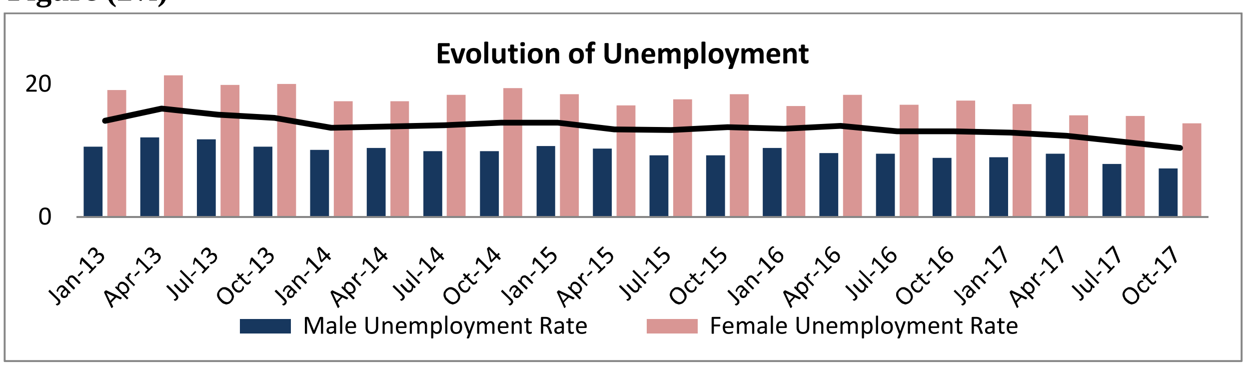
points over the October 2016 rate. In addition, the unemployment rate for youth in the age group 14-24 years declined by 7.0 percentage points to 25.4% when compared to the October 2016 rate of 32.4%. The number of persons in the working age population (14 years and over) estimated to be outside the labour force increased by 1.1% when compared to the number reported in October 2016 and was due to an additional 8,100 males being outside the labour force.

Figure 2(v)



Source: STATIN

Figure (2vi)



Source: STATIN

TABLE 2C: SELECTED LABOUR FORCE INDICATORS

		2016		2017	
		October	CY Average Up to October	October	CY Average Up to October
BOTH SEXES	TOTAL POPULATION	2,730,400	2,729,650	2,732,400	2,731,650
	Population 14 years and over	2,089,300	2,088,725	2,090,800	2,090,225
	Labour Force	1,354,100	1,352,925	1,347,600	1,360,325
	Employed Labour Force	1,179,500	1,174,475	1,206,800	1,201,750
	Unemployed Labour Force	174,600	178,475	140,900	158,600
	Outside The Labour Force	735,200	735,800	743,200	729,900
	Employment Rate	87.1	86.8	89.6	88.4
	Unemployment Rate	12.9	13.2	10.4	11.7
	Job Seeking Rate	8.6	8.6	6.4	7.3
	Percentage of Population under 14 years	23.5	23.5	23.5	23.5
	Percentage of Population 14 years & over	76.5	76.5	76.5	76.5
	Percentage of Population 14 + Outside LF	35.2	35.2	35.5	34.9
	Labour Force as a % age of Total Population	49.6	49.6	49.3	49.8
	Labour Force as a % age of Population 14+	64.8	64.8	64.5	65.1
MALE	TOTAL POPULATION	1,350,600	1,350,300	1,351,800	1,351,325
	Population 14 years and over	1,025,000	1,024,825	1,026,000	1,025,600
	Labour Force	728,600	729,250	721,500	730,800
	Employed Labour Force	663,600	659,275	668,900	669,075
	Unemployed Labour Force	65,000	69,975	52,600	61,725
	Outside The Labour Force	296,400	295,575	304,500	294,800
	Employment Rate	91.1	90.4	92.7	91.6
	Unemployment Rate	8.9	9.6	7.3	8.5
	Job Seeking Rate	5.7	6.4	4.4	5.4
	Percentage of Population under 14 years	24.1	24.1	24.1	24.1
	Percentage of Population 14 years & over	75.9	75.9	75.9	75.9
	Percentage of Population 14 + Outside LF	28.9	28.9	29.7	28.8
	Labour Force as a % age of Total Population	53.9	54.0	53.4	54.1
	Labour Force as a % age of Population 14+	71.1	71.2	70.3	71.3
FEMALE	TOTAL POPULATION	1,379,800	1,379,350	1,380,600	1,380,325
	Population 14 years and over	1,064,300	1,063,900	1,064,800	1,064,625
	Labour Force	625,500	623,675	626,100	629,525
	Employed Labour Force	515,900	515,200	537,900	532,675
	Unemployed Labour Force	109,600	108,500	88,300	96,875
	Outside The Labour Force	438,800	440,225	438,700	435,100
	Employment Rate	82.5	82.6	85.9	84.6
	Unemployment Rate	17.5	17.4	14.1	15.4
	Job Seeking Rate	12.1	11.3	8.9	9.7
	Percentage of Population under 14 years	22.9	22.9	22.9	22.9
	Percentage of Population 14 years & over	77.1	77.1	77.1	77.1
	Percentage of Population 14 + Outside LF	41.2	41.4	41.2	40.9
	Labour Force as a % age of Total Population	45.3	45.2	45.3	45.6
	Labour Force as a % age of Population 14+	58.8	58.6	58.8	59.1

Source: STATIN Labour Force Survey Jan 2016-Oct 2017

The employed population was recorded at 1,206,800 persons, an increase of 27,300 persons (2.3%) over the 1,179,000 persons recorded in the October 2016 report. An examination of the Employed Labour Force by industry group showed that 11 of the 16 industries recorded increased employment levels relative to October 2016. The industry group "Health & Social Work" recorded the largest increase in number of persons employed, increasing by 32,500 persons (28.0%). The industry group "Other Community Social and Personal Service Activities" recorded the largest reduction in the number of persons employed, reducing by 2,800 persons (3.9%) (Table 2D).

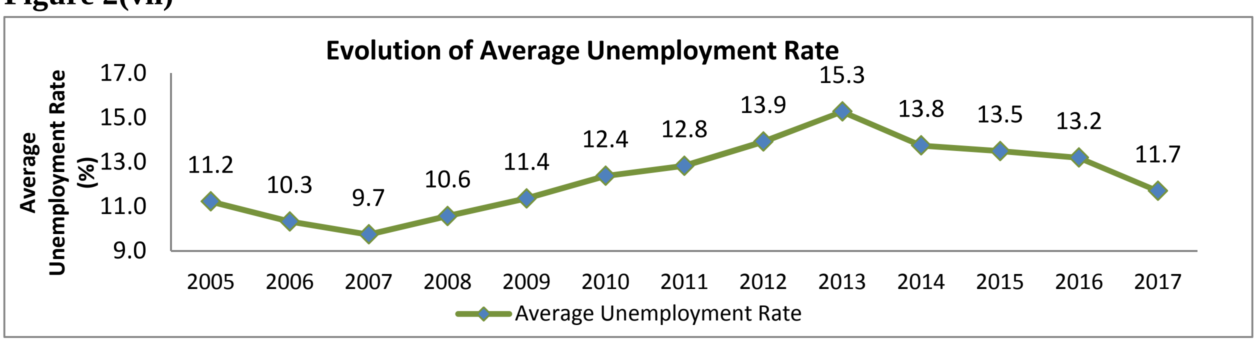
Table 2D: EMPLOYED LABOUR FORCE BY INDUSTRY

INDUSTRY GROUP	2016		2017		Absolute Change	
	October	CY Average	October	CY Average	Oct-16 - Oct-17	Avg-16 - Avg-17
	BOTH SEXES					
Agriculture Hunting Forestry & Fishing	191,700	195,350	194,500	200,825	2,800	5,475
Mining & Quarrying	5,100	5,225	5,200	5,150	100	-75
Manufacturing	74,300	77,450	79,100	79,675	4,800	2,225
Electricity Gas and Water Supply	5,400	6,625	5,500	5,825	100	-800
Construction	98,300	94,675	103,100	97,975	4,800	3,300
Wholesale & Retail Repair of Motor Vehicle & Equipment	243,100	238,425	246,300	238,475	3,200	50
Hotels & Restaurants Services	95,700	94,750	95,200	99,300	-500	4,550
Transport Storage and Communication	73,400	73,475	79,600	77,175	6,200	3,700
Financial Intermediation	24,100	25,950	25,700	27,025	1,600	1,075
Real Estate Renting & Business Activities	80,000	75,525	81,900	82,125	1,900	6,600
Public Administration & Defence; Compulsory Social Security	59,300	58,975	60,500	60,525	1,200	1,550
Education	70,700	69,175	69,800	69,350	-900	175
Health & Social Work	25,400	29,975	32,500	30,850	7,100	875
Other Community Social and Personal Service Activities	71,200	67,700	68,400	67,400	-2,800	-300
Private Households with Employed Persons	57,200	57,350	56,000	57,000	-1,200	-350
Industry Not Specified (Incl. Extra-Territorial Bodies)	4,600	3,850	3,500	3,075	-1,100	-775
TOTAL EMPLOYED LABOUR FORCE	1,179,500	1,174,475	1,206,800	1,201,750	27,300	27,275

Source: STATIN

The average unemployment rate for the calendar year 2017 declined by 1.6 percentage points relative to the levels attained for calendar year 2016 and was the lowest average outturn since CY 2009. The average unemployment rate decreased for both male and female during calendar year 2017.

Figure 2(vii)



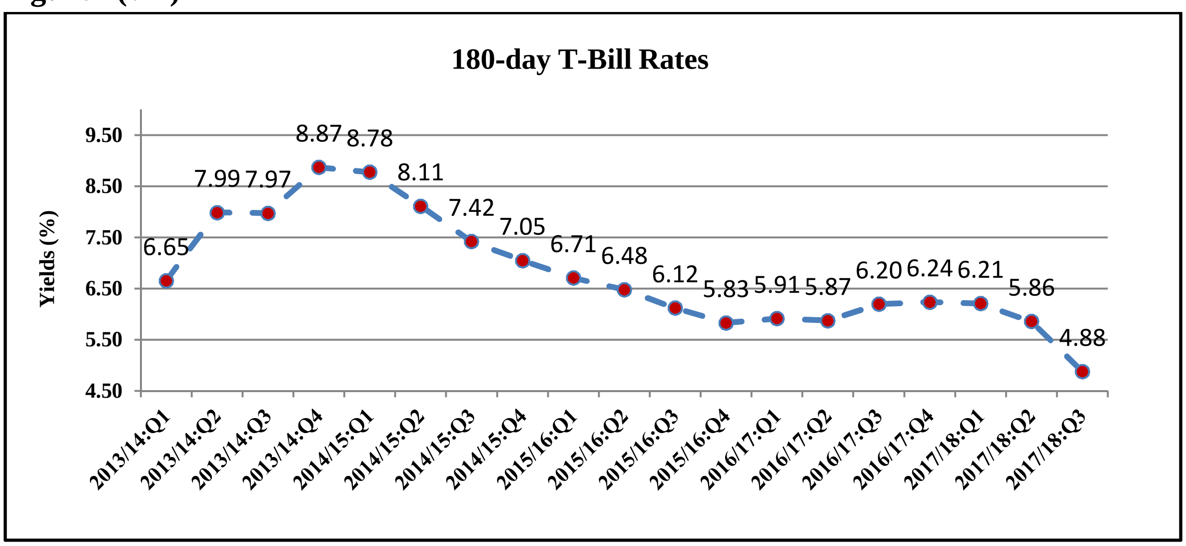
Source: STATIN

Monetary Development

Monetary policy remained broadly accommodative, supported by favourable inflation expectations and improvement in the local macroeconomic environment. The central bank changed its benchmark instrument from the 30-day certificate of deposit (CD), to the overnight deposit instrument held by deposit-taking institutions (DTIs). The change is aimed at strengthening the relationship between the policy rate and market interest rates. BOJ also twice lowered the signal rate, which moved from 4.0% to 3.5%, based on its assessment that inflation will remain moderate and is expected to be within the targeted range. Consistent with the signal rate decline, Commercial Banks' domestic and foreign currency lending rates as well as T-Bill yields have been trending downwards (Figure 2(viii)). This has stimulated loan activity, as evidenced by the strong growth in Commercial Banks' credit to the private sector, although the rate of increase in household credit continues to soar above that of business credit (Figure 2(iii)).

The continued robust growth in private sector loans was also reflected in the performance of the monetary aggregates, as evidenced by expansion in the monetary base. This increase reflected in larger currency stock and higher levels of commercial banks' cash reserves. The main source of growth in the monetary base was the increase in NIR, the impact of which was partially offset by a contraction in net domestic assets (NDA). The increase in the NIR was associated with inflows from foreign currency surrenders and net prudential reserves, the impact of which was partly offset by GOJ debt payments.

Figure 2(viii)



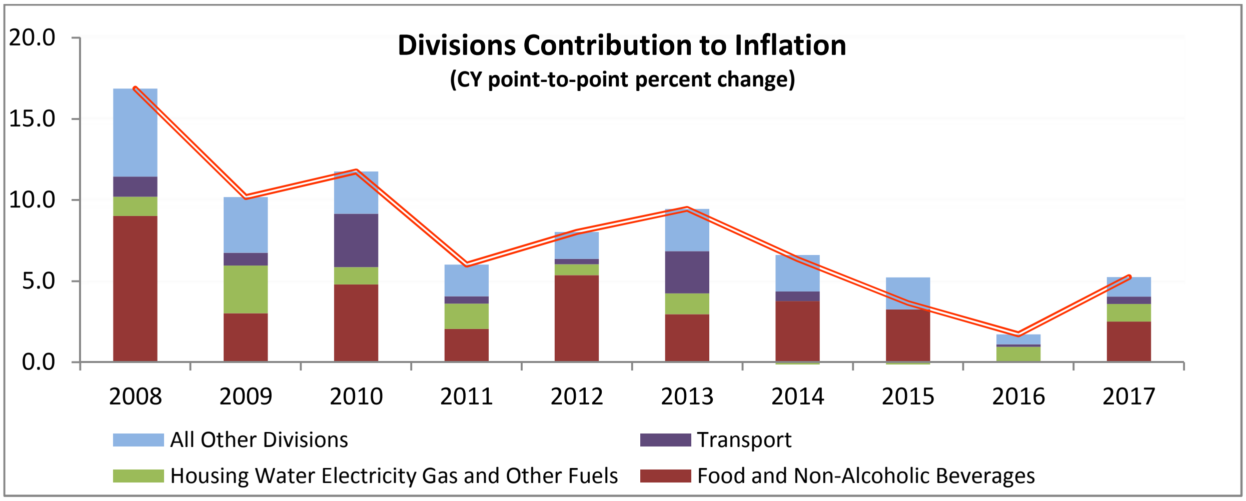
Source: BOJ

Inflation

The All Jamaica 'All Divisions' Consumer Price Index (CPI) increased from 236.3 in December 2016 to 248.7 in December 2017 representing headline inflation of 5.2% for CY 2017 (**see Table 2E**). This outturn is 3.5 percentage points higher than the 1.7% recorded for calendar year 2016 (lowest inflation since 1964) and represents a break in the downward trend observed since

CY 2014. The acceleration in headline inflation during CY 2017 largely reflected the shock to agricultural crop production caused by excessive rainfall that resulted in increases in domestic agricultural prices. In addition, stronger domestic demand conditions and an uptick in international commodity prices contributed to the higher inflation outturn for CY 2017.

Figure (2ix)



Source: STATIN

All divisions of the CPI posted increases during CY 2017, however, inflationary pressure was highest within the divisions "Food and Non-Alcoholic Beverages", the highest weighted division, which increased by 6.7% during the year, and the 'Housing, Water, Electricity, Gas and Other Fuels' division which increased by 8.5%. The increase within the "Food and Non-Alcoholic Beverages" was primarily influenced by the class 'Vegetables and Starchy Foods' which increased by 16.9%, and was reflective of the impact of the prolonged period of rain that affected crop production. The increase in 'Housing, Water, Electricity, Gas and Other Fuels' division was largely due to a 13.3% increase in the class 'Electricity, Gas and Other Fuel and Routine', which reflected the impact of the increase in electricity cost (**see Figure 2(ix)**).

Inflation for FY 2017/18 to end-December 2017 was recorded at 4.2%, 1.1 percentage points higher than the 3.1% recorded for the corresponding period of 2016. The outturn for FY 2017/18 is projected to be within the BOJ's target range of 4.0% to 6.0%.The overall risk to the inflation forecast for the remainder of FY 2017/18 is considered to be balanced. The upside risks include: adverse weather conditions, stronger than expected domestic demand, and higher than anticipated increases in agricultural commodity prices associated with the prolonged period of flood rains. Among the downside risks are: faster than anticipated recovery in the agricultural sector following flood rains, lower than expected international commodity prices and weaker than anticipated demand conditions.

Table 2E

All Jamaica 'All Divisions' and Division Indices and Movements (Base period December 2006 = 100)		Dec 2016 Index	Mar 2017 Index	Nov 2017 Index	Dec 2017 Index	Monthly % change for Dec 20167	Calendar Year 2017 (% change)	FY 17/18 to Dec 2017 (% change)
	ALL DIVISIONS - ALL ITEMS	236.3	238.7	247.3	248.7	0.6	5.2	4.2
1	Food and Non-Alcoholic Beverages	294.0	296.2	311.1	313.6	0.8	6.7	5.9
2	Alcoholic Beverages and Tobacco	294.7	296.5	310.6	310.8	0.1	5.5	4.8
3	Clothing and Footwear	234.8	235.7	239.5	240.1	0.3	2.3	1.9
4	Housing, Water, Electricity, Gas and Other Fuels	220.2	230.1	236.2	239.0	1.2	8.5	3.9
5	Furnishings, Household Equipment and Routine Household Maintenance	232.8	233.7	236.1	236.7	0.3	1.7	1.3
6	Health	145.5	145.9	147.4	147.6	0.1	1.4	1.2
7	Transport	202.9	202.6	209.9	210.0	0.0	3.5	3.7
8	Communication	66.9	66.5	67.1	67.1	0.0	0.3	0.3
9	Recreation and Culture	186.7	187.2	191.8	192.2	0.2	2.9	2.7
10	Education	190.3	190.3	194.4	194.4	0.0	2.2	2.2
11	Restaurants and Accommodation Services	190.8	191.1	196.0	196.1	0.1	2.8	2.6
12	Miscellaneous Goods and Services	227.8	229.7	231.9	232.5	0.3	2.1	1.2

Source: STATIN

Exchange Rate

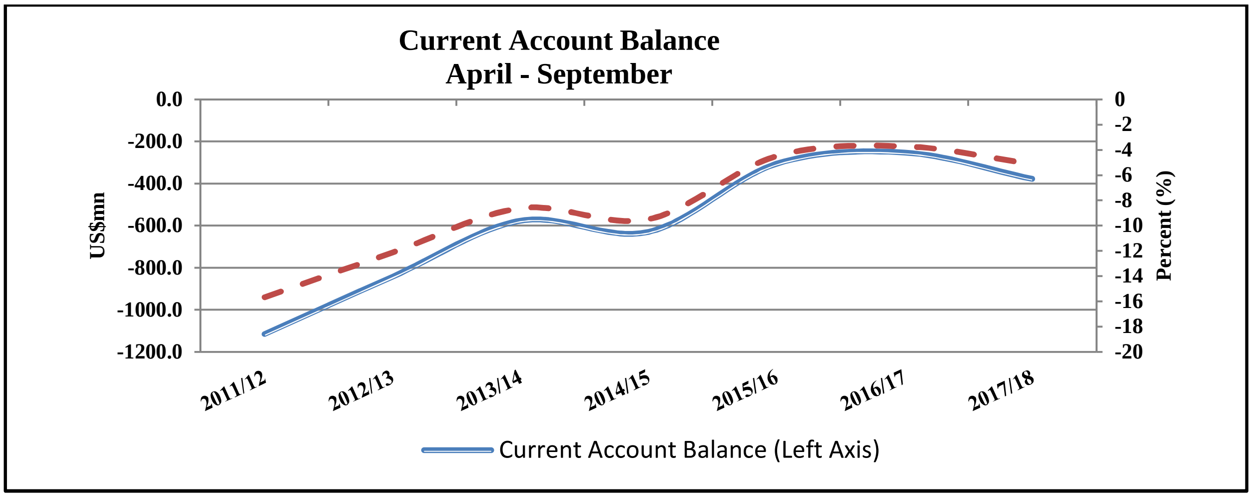
The selling rate of the US dollar at the end of December 2017 was US$1.00 = J$125.00. This represents a 2.9% appreciation of the domestic currency since the beginning of FY 2017/18, compared to the 5.2% depreciation recorded for the corresponding period of FY 2016/17. With the Jamaica dollar fairly valued, the reversal in the exchange rate movement corresponds with the implementation of the Bank of Jamaica's Foreign Exchange Intervention and Trading Tool (B-FXITT), which is designed to enhance the transparency and efficiency of the foreign exchange market. The increase in the value of the domestic currency for the review period primarily reflected weakened demand and excess supply in the foreign exchange market, influenced by an unexpected early redemption of a Government of Jamaica US dollar bond, a reduction in the amount of foreign exchange that authorized dealers and cambios are obliged to sell to the Bank of Jamaica each day, as well as increased foreign currency inflows associated with the booming tourism industry.

For the 2017 calendar year, the domestic currency appreciated by 2.7% compared to a depreciation of 6.7% for the previous calendar year.

External Sector Developments

The Current Account balance worsened for the first half of FY 2017/18 when compared with the corresponding period of the previous fiscal year (Table 2F). The outturn for the review period deviated from the upward trend seen since the corresponding period of 2014 (Figure 2(x)). Except for Primary Income and Services, all sub-accounts deteriorated. The decline was most pronounced in the Goods sub-account, reflecting a higher increase in imports relative to the rise in exports. The Primary Income sub-account improved, notwithstanding a decline in inflows, as there was a greater reduction in outflows.

Figure 2(x)



Source: BOJ

The Secondary Income account benefited from higher Private Transfers associated with an increase in remittance inflows.

Deterioration of the financial account reflected a decrease in the holdings of Portfolio Investments by residents. However, the flows from official and private sources were sufficient to finance the net deficit on the Current and Capital Accounts. As a result, the NIR increased.

Table 2F

Balance of Payments for the First Half of FY 2017/18: April - September 2017

Balance of Payments (US$MN)	FY 2016/17 April - September	FY 2017/18 April - September	Change
Current Account Balance	**-251.6**	**-377.8**	**-126.2**
Credits	3624.4	3818.5	194.1
Debits	3876.0	4196.3	320.2
Goods & Services	-1093.0	-1343.1	-250.2
Exports	2149.2	2337.5	188.3
Imports	3242.2	3680.6	438.5
Goods	-1526.5	-1868.8	-342.3
Exports	620.8	657.2	36.5
Imports	2147.3	2526.1	378.8
Services	433.5	525.7	92.2
Credits	1528.4	1680.3	151.8
Debits	1094.9	1154.6	59.7
Primary Income	-380.1	-260.5	119.7
Credits	139.9	135.9	-4.1
Debits	520.1	396.3	-123.7
Secondary Income	1221.5	1225.8	4.3
Credits	1335.3	1345.2	9.8
Debits	113.8	119.3	5.5
Capital Account	**13.6**	**4.5**	**-9.1**
Credits	13.6	4.5	-9.1
Debits	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	**-238.0**	**-373.3**	**-135.3**
Financial Account Net lending (+) / net borrowing (-) (balance from financial account)	**408.8**	**-278.3**	**-687.1**
Direct Investment	-263.1	-425.0	-161.9
Net acquisition of financial assets	208.8	0.7	-208.1
Net incurrence of liabilities	471.9	425.7	-46.2
Portfolio Investments	149.9	-506.5	-656.4
Net acquisition of financial assets	392.2	51.6	-340.6
Net incurrence of liabilities	242.4	558.1	315.7
Financial derivatives	41.1	31.7	-9.4
Net acquisition of financial assets	18.4	10.2	-8.2
Net incurrence of liabilities	-22.8	-21.5	1.2
Other Investments	319.1	230.5	-88.6
Net acquisition of financial assets	247.2	-234.3	-481.5
Net incurrence of liabilities	-71.9	-464.8	-392.9
Reserve Assets	161.8	391.0	
Net Errors and Omissions	**646.8**	**72.0**	

Source: BOJ

The Commodities Market

International commodity prices saw a general decline over the first three quarters of the fiscal year. This is reflected in the World Bank's International Commodity Price Index which saw declines in the Non-Fuel and Fuel Price Index by 2.8% and 13.3%, respectively, with the Fuel Price Index declining at a faster pace relative to the corresponding period of the previous fiscal year (Table 2G). Prices of agricultural commodities remained broadly stable quarter over quarter globally, according to World Bank statistics. However, the price of several internationally traded agricultural commodities with significance for Jamaica declined sharply over the period. In particular, world sugar prices plummeted by 23.2% relative to the 47.2% increase recorded for the April to December period of the last fiscal year. There was a similar occurrence for coffee and cocoa, two other high income earning commodities for Jamaica, which saw large price reductions. Average aluminum prices grew by 22.8% for the review period. The main driver behind this price surge has been expectations of lower supply. China's policy of reducing production capacity of aluminum has spurred its price increase.

Table 2G: International Commodity Prices

Commodity	Unit	Average Percentage Change	
		Apr-Dec FY 2016/17	Apr-Dec FY 2017/18
Non-Fuel Price Index		0.9	-2.8
Fuel (Energy) Price Index		-8.0	-13.3
Select Commodities			
Cocoa	US$ per Kg	-10.8	-29.9
Coffee, Arabica	US$ per Kg	9.0	-13.3
Soybean meal	US$/metric tonne	3.8	-11.2
Maize/Corn	US$/metric tonne	-5.6	-4.0
Wheat, US, HRW	US$/metric tonne	-17.8	14.0
Sugar, EU, domestic	US$ per Kg	0.4	3.8
Sugar, World	US$ per Kg	47.2	-23.2
Crude Oil	US$ per Barrel	-4.6	8.8
Aluminum	US$/metric tonne	0.9	22.8

Source: World Bank Commodity Prices

Energy and non-energy commodity price indices are projected to increase in 2018. Oil prices are anticipated to rise over the next fiscal year based on strong oil demand and restraint in the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC production. However, there are substantial risks to the forecast as supply to the global market from politically-stressed oil producers could be volatile and the agreement among OPEC and non-OPEC countries to cut production more deeply could materially tighten markets. Conversely, a failure to extend the agreement could exert downward pressure on prices.

Box A: International Commodity Prices

Jamaica remains a price taker for a variety of internationally traded primary commodities (Table 2G) such as alumina, coffee, cocoa and sugar which are important foreign exchange earners for Jamaica. At the same time, Jamaica spends considerable amounts of foreign exchange on commodities such as oil, soybean, corn/maize and wheat.

The prices of soybean meal and maize/corn are of critical importance to Jamaica as these are some of the main inputs in animal feed, especially poultry feed. Poultry (chicken meat) is heavily weighted in the Consumer Price Index (CPI) basket and movements in the prices of inputs for poultry feed impact inflation in Jamaica. Crude oil prices are also critical as it affects every aspect of the production process in Jamaica, mainly via electricity costs and gas at the pumps. When the dimension of adverse J$ foreign exchange rate movements is added, it brings into sharp focus the need to sustain relative stability in the foreign exchange market.

The International Environment

Global economic activity continues to improve as global output is estimated to have grown by 3.7% in 2017 according to the January 2018 issue of the World Economic Outlook (WEO) update. This estimated outturn is 0.2 percentage point faster than projected in the April 2017 WEO report and 0.5 percentage point better than the 2016 outturn. Economic activity picked up in advanced economies during the third quarter of 2017 and was most noticeable in Germany, Japan, Korea and the United States. Growth among emerging markets and developing economies was also stronger during the third quarter of 2017 than was previously projected and was strongest in Belize, China and South Africa.

The strong momentum in global economic activity is expected to continue into 2018 and 2019, with world output projected at 3.9% for both years. Growth forecast has been revised upwards for advanced economies with projections at 2.3% and 2.2% in 2018 and 2019, respectively. Projections are reflective of expectations of buoyant financial market conditions and more robust global demand which will be especially beneficial to advanced economies with large exports. In addition, changes to the U.S. tax policy is expected to temporarily increase growth in the U.S. economy, increase domestic demand and create positive spill over effects for major trading partners. Growth for emerging markets and developing economies are projected at 4.9% and 5.0% in 2018 and 2019, respectively. The risks to economic forecasts are balanced in the near term but remain skewed to the downside over the medium term as the US may be in the mature phase of its business cycle, with increased possibility of a tightening of global financial market conditions.

Macroeconomic Outlook FY 2018/19 to 2021/22

Economic activity is expected to accelerate in the medium term, predicated on improvements in most industries. The Medium Term Macroeconomic Profile (Table 2H) summarizes the key macroeconomic projections that will underpin the development of the estimates of revenue and expenditure over the period from FY 2018/19 to FY 2021/22. Notwithstanding the existence of risks that could derail the profile, the outlook remains positive.

Table 2H: Medium Term Macroeconomic Profile

Macroeconomic Variables	2015/16 Actual	2016/17 Actual	2017/18 Proj.	2018/19 Proj.	2019/20 Proj.	2020/21 Proj.	2021/22 Proj.
Nominal GDP (J$bn)	1,687.4	1,782.7	1,887.8	2,017.9	2,160.2	2,315.1	2,483.1
Nominal GDP growth rate(%)	7.6	5.6	5.9	6.9	7.1	7.2	7.3
Real GDP growth rate (%)	1.0	1.3	1.1	2.4	2.1	2.0	2.0
Inflation: Annual Pt to Pt (%)	3.0	4.1	5.0	4.3	5.0	5.0	5.0
Interest Rates:							
90-day Treasure Bill (end-period)	5.75	6.1					
90-day Treasure Bill (average)	6.22	5.8					
Average Selling Exchange Rate (J$=US$1)	118.76	127.14					
NIR (US$mn)	2,415.5	2,769.2	3,176.0	3,558.8	3,884.5	3,908.9	3,736.0
Current Account (%GDP)	-2.0	-2.8	-2.2	-1.4	-1.7	-2.3	-2.0
Oil Prices (WTI) (Average US$/barrell)	45.0	47.9	53.4	56.2	57.0	58.6	60.1

Source: BOJ/PIOJ/STATIN

Real GDP is projected to grow by an average of 2.1% over the fiscal years from FY 2018/19 to FY 2021/22. Growth in both the goods and services industries is expected to drive the expansion. Inflation is expected to fall to 4.3% in FY 2018/19, and then stabilize around 5.0% over the medium term. This expectation is made against the background of the adoption of an inflation-targeting regime by the BOJ.

The current account deficit as a percentage of GDP is projected to remain relatively low, averaging 1.9% over the medium term. This is predicated on the expectation of improvements in Jamaica's external competitiveness.

Medium Term Growth Projections

The projected real sector performances for FY 2018/19 through to FY 2021/22 are presented in Table 2I below.

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

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
	Actual	'PIOJ's Estimates				
GOODS PRODUCING INDUSTRY	3.4	0.4	5.9	6.5	5.3	5.2
Agriculture, Forestry & Fishing	10.8	-2.1	7.0	8.0	9.0	10.0
Mining & Quarrying	-5.5	1.1	25.0	21.3	6.0	3.1
Manufacture	2.4	1.8	2.2	2.8	3.9	4.0
of which: Food, Beverages & Tobacco	3.6	1.8	2.0	3.0	4.5	4.5
Other Manufacturing	0.7	1.7	2.5	2.5	3.0	3.3
Construction	0.6	1.2	1.4	2.0	2.5	2.0
SERVICES INDUSTRY	0.6	1.1	1.4	1.7	1.8	1.9
Electricity & Water Supply	2.6	1.6	2.5	3.5	3.8	4.0
Transport, Storage & Communication	0.6	1.0	2.3	2.5	2.0	2.0
Wholesale & Retail Trade; Repair and Installation of Machinery	0.2	0.7	0.7	1.0	1.4	1.5
Finance & Insurance Services	1.1	1.2	1.7	1.9	2.0	2.0
Real Estate, Renting & Business Activities	0.5	0.7	1.3	1.6	1.8	1.9
Producers of Government Services	-0.1	0.1	-0.2	-0.1	-0.2	0.0
Hotels and Restaurants	1.7	4.8	4.0	4.0	4.5	5.0
Other Services	0.8	1.1	1.2	1.8	2.0	2.1
Less Financial Intermediation Services Indirectly Measured (FISIM)	1.4	1.0	1.5	1.5	1.5	1.0
TOTAL GDP AT BASIC PRICES	1.3	0.9	2.5	3.0	2.8	2.9

Source: STATIN & PIOJ

FY 2018/19 Projected Performance

- **Real growth of 2.5 per cent is projected**. This is predicated on continued strengthening of most industries. Increased local demand, associated with projected higher employment levels and investment; growth in external demand for Jamaica's goods and services; strengthening of competitiveness in some industries, following upgrading of plants in the previous year; improvements in the business environment; the roll-out of major strategic investment projects; and recovery from the negative impact of flooding and excess rainfall in FY2017/18. These developments are expected to spur domestic output and result in increased activities mainly in the following industries:

  - ✓ **Agriculture, Forestry & Fishing (up 7.0 per cent)**. This is predicated on more favourable weather conditions relative to FY2017/18 when the industry was negatively impacted by flooding and excess rainfall. It is also expected that the industry will benefit from stronger linkages with the Hotels & Restaurants and Manufacture industries which are expected to grow.

- ✓ **Mining & Quarrying (up 25.0 per cent)**. It is projected that global demand for aluminium will continue to increase, which is expected to lead to higher demand for alumina, a key ingredient in the production of aluminium. The industry's growth will be supported by increases in the capacity utilization rate at local refineries, especially at the Alpart Alumina refinery, which continues to make significant investment to improve the operations at the plant. Production at Alpart was plagued by setbacks in FY2017/18 due to technical problems associated with the reopening of a plant that last produced in 2009. The industry is also expected to benefit from the diversification of the market, especially the Asian market.

- ✓ **Hotels & Restaurants (up 4.0 per cent).** This is predicated on increased visitor arrivals as a result of expected growth in the global economy, as well as, Jamaica's reputation in the global market as a world leading tourist destination, which has resulted in the country winning several world travel awards. The increase in visitor arrivals will be facilitated by an increase in room stock and the frequency of flights into Jamaica.

- ✓ **Electricity & Water Supply (up 2.5 per cent).** This increase is predicated on an increase in business activities, as well as, the housing stock, which is expected to lead to higher electricity and water consumption and will be facilitated by higher levels of production.

FY 2019/20 Projected Performance

- o **Economic growth of 3.0 per cent is projected**. This projection reflects growth in all industries, except Producers of Government Services due to the fiscal consolidation programme that is being implemented by the Government of Jamaica. Growth is expected to be pushed by increased capacity utilization in some industries as a result of higher demand locally and externally. The industries expected to spur growth are:

  - ✓ **Mining & Quarrying (up 21.3 per cent)**. Increased capacity utilization across all plants as a result of increased global demand for Aluminium. Growth will also be supported by the upgrading of plants, which is expected to lead to less plant down-time due to technical issues.

  - ✓ **Agriculture, Forestry & Fishing (up 8.0 per cent).** Pushed mainly by expected increases in domestic and external demand, which will be facilitated by increased use of irrigation and greenhouse technology.

  - ✓ **Hotels & Restaurants (up 4.0 per cent).** This is expected to be driven by increased stop-over arrivals as a result of higher global output and will be facilitated by an increase in the room stock, marketing and frequency of flights into Jamaica.

FY 2020/21 Projected Performance

- **Economic growth of 2.8 per cent is projected**. This reflects growth in all industries, except Producers of Government Services. Heightened domestic demand as well as increased capacity and supply side improvements will drive the growth. Public Sector efficiency and improved crime reduction initiatives will also contribute to the growth out-turn. The main drivers of growth will be:

  - ✓ **Agriculture, Forestry & Fishing which is projected to grow by 9.0 per cent**, due to increased usage of technology and irrigation aimed at building the industry’s resilience to shocks, product diversification, import substitution and increased linkages with the Hotels & Restaurants and Manufacture industries.

  - ✓ **Hotels & Restaurants which is projected to grow by 4.5 per cent**, driven by increased stop-over arrivals as a result of higher global output and will be facilitated by an increase in the room stock, marketing and frequency of flights into Jamaica.

  - ✓ **Manufacture which is projected to grow by 3.9 per cent, stemming from** increased demand for Jamaican goods, which will be facilitated by improved competitiveness as a result of capacity and efficiency gains, as well as, a competitive exchange rate. Additionally, gains due to increased linkages are also anticipated for the industry.

FY 2021/22 Projected Performance

- The economy is expected to expand by 2.9 per cent. This growth is due to improvements in all industries, continued strengthening of domestic demand as well as growth in major trading partners. Product diversification and the intensification of manufacture output by some producers, will also contribute to the expected out-turn. Consequently, growth is expected to be driven by Agriculture, Forestry & Fishing (10.0 per cent), Manufacture (4.0 per cent) and Hotels & Restaurants (5.0 per cent).

PART 3

FISCAL MANAGEMENT STRATEGY

Central Government Operations FY 2017/18

Background

Jamaica's commitment to fiscal prudence continues to be highly recognized by the international financial community. Recently, Fitch Ratings Agency affirmed Jamaica's long-term foreign and local currency Issuer Default Ratings at 'B' and revised the outlook from "Stable" to "Positive", supported by the evidence that Jamaica's reforms continue to produce dividends from macroeconomic stability. The country has also benefitted from positive rating actions form Standard and Poor's. Alongside commendation received from the International Monetary Fund (IMF), this signals to the international community that Jamaica continues to improve its creditworthiness through commitment to macroeconomic stability and fiscal consolidation.

The fiscal performance of the country has improved significantly over the last few years, anchored by an almost four-year Extended Fund Facility programme and a successor three-year Precautionary Stand-By Arrangement (PSBA). Continued improvement in the fiscal operations has been the result of the ongoing modernization of the tax administration systems and more strategic allocation of budgetary resources with paramount importance placed on growth-enhancing programmes that will assist with public debt reduction and ultimately improve the standard of living of all citizens.

As part of efforts to reduce the public debt-to-GDP ratio, the GOJ has legislated through the Financial Administration and Audit (FAA) Act and the Public Debt Management Act (PDMA) certain tools designed to prescribe the desired fiscal balance that is consistent with the achievement of debt sustainability within a specified timeline. In conforming to these fiscal rules, the GOJ has continued to target a primary balance of 7.0% of GDP alongside a fiscal balance that allows for the achievement of a public debt ratio that declines steadily towards a ratio of 60.0% or less by FY 2025/26. The Government continues to reduce its wage bill/GDP ratio, as it rethinks the role, responsibilities and size of its workforce to create fiscal space for much-needed spending on health, education, social safety net, public safety, and growth-enhancing capital projects.

Expenditure

The Central Government outlays, excluding amortization for FY 2017/18 was budgeted at $543,056.3mn, an increase of 7.9% over FY 2016/17 (see Table 3A.1). Growth-oriented capital expenditure was budgeted to increase to 2.6% of GDP in FY 2017/18 from the 2.4% recorded last fiscal year. Similarly, the budget provided for modest increases this fiscal year in the ratios of Programmes-to-GDP and Compensation of Employees–to-GDP. The Interest Payments ratio to GDP, on the other hand, was projected to decline from 7.8% to 7.3%, a reduction of 0.5 percentage points over last year.

Table 3A.1: FY 2017/18 Expenditure Budget vs. FY 2016/17 Outturn ($mn)

	2016/17	2017/18	% Change
Expenditure	**503,356.1**	**543,056.3**	**7.9%**
Recurrent Expenditure	**461,400.8**	**493,773.8**	**7.0%**
Primary Recurrent Expenditure	322,044.6	355,921.0	10.5%
Programmes	142,976.4	162,736.2	13.8%
Compensation of Employees	179,068.2	193,184.8	7.9%
Interest	139,356.2	137,852.9	-1.1%
Capital Expenditure	**41,955.3**	**49,282.5**	**17.5%**
Primary Expenditure (net of interest)	**363,999.9**	**405,203.5**	**11.3%**

Source: MoFPS

Table 3A.2: FY 2017/18 Expenditure Budget vs. FY 2016/17 as a Per cent of GDP

	2016/17	2017/18	%age pt. Δ
Expenditure	**28.2%**	**28.8%**	**0.6**
Recurrent Expenditure	**25.9%**	**26.2%**	**0.3**
Primary Recurrent Expenditure	18.1%	18.9%	0.8
Programmes	8.0%	8.6%	0.6
Compensation of Employees	10.0%	10.3%	0.2
Interest	7.8%	7.3%	-0.5
Capital Expenditure	**2.4%**	**2.6%**	**0.3**
Primary Expenditure (net of interest)	**20.4%**	**21.5%**	**1.1**

Source: MoFPS

Primary Expenditure (total expenditure net of interest) was budgeted at $405,203.5mn for FY 2017/18, an increase of 11.3% over FY 2016/17. Recurrent Expenditure and Primary Recurrent Expenditure showed increases of 7.0% and 10.5%, respectively due to increased budgetary allocations under Programmes and Compensation of Employees.

Recurrent Programmes budgeted at $162,736.2mn accounts for 30.0% of the expenditure budget and 40.2% of the primary expenditure budget. In addition, the programme expenditure for FY 2017/18 was budgeted to increase by 13.8% over last fiscal year's outturn and included the following allocations:

- Provisions of $34,535.0mn to meet pension payments for public sector employees;
- $1,200.0mn in subsidies to the JUTC;
- $1,300.0mn to meet increased tuition grants in secondary schools;
- $700.0mn allocation to the Electoral Office of Jamaica (EOJ) to carry out preparatory works for a voter reverification exercise to commence in FY 2018/19; and
- Over $1,750.0mn in additional resources for the National School Feeding Programme.

Compensation of Employees represented 35.6% of total expenditures and 47.7% of Primary Expenditure. The Compensation of Employees expenditure profile FY 2017/18, consisting of Wages and Salaries and Employer's Contribution (statutory deductions and health insurance for employees), was budgeted to increase by 7.9% over FY 2016/17. The increased profile for Compensation of

Employees was budgeted to accommodate planned negotiated wage increases and retroactive payments.

The Capital Expenditure budget for FY 2017/18, net of Appropriations-in-Aid, was set at $49,282.5mn, an increase of 17.5% over FY 2016/17. Of this total, the largest budgeted allocation was made to the Ministry of Economic Growth and Job Creation, with the Major Infrastructure Development Project (MIDP) receiving more than two-thirds of the total distribution. Under the MIDP, a significant amount of work was planned for FY2017/18. This included the upgrade of 430km of key arterial roads, reconstruction of 27 critical bridges, the repair of community roads, retaining walls and drainage structures. The FY 2017/18 budget also included a contingency provision of $500.0mn as a mitigation measure against weather-related risks.

Interest Expenditure for FY 2017/18, was budgeted at $137,852.87mn, representing a quarter of the total expenditure budget. As a share of GDP, Interest Expenditure is budgeted to decline by 0.5 percentage point over last fiscal year's outturn. This decline is due to continued fiscal consolidation efforts, favourable conditions in the foreign exchange market, as well as sustained single digit inflation that "feeds through" to lower repricing costs mirrored by the Treasury Bill (T-Bill) auctions. In addition, there is increased confidence in investors' perception of the GOJ's fiscal operations as a result of positive ratings from the rating agencies.

Revenue and Grants

Table 3B.1: FY 2017/18 Revenue Forecast vs. FY 2016/17 Outturn ($mn)

	2016/17	2017/18	% Change
Revenue and Grants	**499,879.9**	**537,069.4**	**7.4%**
Recurrent Revenue	492,077.5	530,358.2	7.8%
Tax Revenue	458,323.4	478,254.6	4.3%
Non-Tax Revenue	33,754.1	52,103.6	54.4%
Bauxite Levy	1,940.9	131.0	-93.3%
Capital Revenue	568.7	2,228.1	291.8%
Grants	5,292.8	4,352.1	-17.8%

Source: MoFPS

Table 3B.2: FY 2017/18 Revenue Forecast vs. FY 2016/17 Outturn as a Per cent of GDP

	2016/17	2017/18	%age pt. Δ
Revenue and Grants	**28.0%**	**28.5%**	**0.5**
Recurrent Revenue	27.6%	28.2%	0.6
Tax Revenue	25.7%	25.4%	-0.3
Non-Tax Revenue	1.9%	2.8%	0.9
Bauxite Levy	0.1%	0.0%	-0.1
Capital Revenue	0.0%	0.1%	0.1
Grants	0.3%	0.2%	-0.1

Source: MoFPS

Revenue and Grants for FY 2017/18 were forecasted at $537,069.4mn, representing an increase of 7.4% over FY 2016/17 (see Table 3B.1). As a percentage of GDP, this represents an increase of 0.5

percentage points (see Table 3B.2). Recurrent revenue, which makes up 98.8% of the total Revenue and Grants profile, was projected to increase by 7.8% over last fiscal year. This increase was driven by the "pick-up" in economic activities and increased employment.

Tax Revenue was forecasted to increase to $478,254.6mn for FY 2017/18 up 4.3% over the $458,323.4mn realized for FY 2016/17. This was predicated on the basis of continued positive economic growth, assumptions around the movement of other macroeconomic variables and continued compliance efforts by both the Tax Administration of Jamaica (TAJ) and the Jamaica Customs Agency (JCA). Affirming its commitment to tax reform, through the rebalancing of direct to indirect taxes, the GOJ's Revenue Measures for FY 2017/18 were primarily geared towards replacing the expected revenue lost from the second phase of the Personal Income Tax (PIT) reform with other revenue that would be spread across the wider economy (see Table 3C).

The budgeted Non-Tax Revenue was $52,103.6mn, representing a 54.4% increase relative to FY 2016/17. The forecast for Non-Tax Revenue represents a 0.9 percentage point increase in GDP terms, moving from 1.9% in FY 2016/17 to 2.8% in FY 2017/18.

The projected Non-Tax revenue included, *inter alia*:

- Transfers from the National Housing Trust (NHT) of $11,400.0mn;
- Customs Administration Fees (CAF) of $5,400.0mn;
- Dividend distribution from other self-financing public bodies of $21,535.6mn; and
- Receipts of $675.2mn from Royalties and $276.0mn from a profit sharing agreement between the GOJ and Noranda Bauxite Company.

Receipts in the Consolidated Fund from the Bauxite Levy were budgeted to decrease significantly to $131.0mn from the $1,940.9mn recorded in FY 2016/17, a reduction of 93.3%. This is related to a profit-sharing agreement that represents a temporary bauxite levy regime modification for the sector.

Capital Revenue, which was programmed to increase to $2,228.1mn during FY 2017/18, constituted a significant growth of 291.8% over FY 2016/17, due to a scheduled loan repayment by a public entity to the GOJ. Grants, on the other hand, declined to 0.2% of GDP in FY 2017/18 from 0.3% in FY 2016/17. The continued reduction in Grants is as a result of lowered budgetary support from the European Union.

Table 3C: Summary of the Revenue Measures for FY 2017/18

TAX MEASURES – FY 2017/18	REVENUE IMPACT (-ve / +ve) (J$ Million)
1. PIT reform phase 2: Increase the annual general income tax threshold to $1,500,096.	(14,200)
2. Increase Excise on Pure Alcohol (from $1,120 per litre to $1,230 per litre)	403
3. Increase Excise on Tobacco Products (from $14 per stick to $17 per stick)	826
4. Increases in specific SCT on Fuels	7,459
5. Apply GCT at 16.5 per cent to Group Health Insurance	1,884
6. Reduce the threshold for the application of GCT on the consumption of residential electricity from 350kWh per month to 150kWh per month	1,498
7. Increase Motor Vehicle Licence and Fees by 20%	464
8. Re-Impose Withholding tax on General Insurance Premiums paid by Jamaican Residents to non-residents at a rate of 15%	990
TOTAL	**(676)**

Source: MoFPS

The First Supplementary Estimates for FY 2017/18 was approved by the House of Representatives on Wednesday, December 6, 2017 (see table 3D). Given the performance of revenues and the emerging realities, the GOJ revised its fiscal profile to utilize additional fiscal space. The change resulted in an upward adjustment of $9,159.8mn in Revenue and Grants and an upward adjustment of $8,422.3mn in Expenditure allowing for an increase in recurrent expenditure from $493,773.8mn to $502,797.1mn, while Capital Expenditure decreased from $49,282.5mn to $48,681.5mn. The increased expenditure allocation was used to fund crime fighting measures as well as to provide for island wide rehabilitation of parish council, farm and main roads, which suffered structural damage from excess rainfall during the first quarter of the fiscal year. The fiscal balance is projected to be better than the original budget. Whereas a deficit of $5,986.9mn had been projected in the Budget, the Supplementary Budget reflected a reduced deficit of $5,249.4mn. These improvements are predicated on the continuation of compliance efforts by the revenue agencies, favourable economic conditions and continued fiscal prudence by the Government of Jamaica.

Table 3D: Central Government Summary Accounts FY 2017/18 (Budget vs. Supplementary)

	Supplementary Budget	Original Budget	% Change
Revenue and Grants	**546,229.3**	**537,069.4**	**1.7%**
Recurrent Revenue	538,615.2	530,358.2	1.6%
Tax Revenue	486,146.5	478,254.6	1.7%
Non-Tax Revenue	52,468.7	52,103.6	0.7%
Bauxite Levy	127.5	131.0	-2.7%
Capital Revenue	2,566.8	2,228.1	15.2%
Grants	4,919.8	4,352.1	13.0%
Expenditure	**551,478.7**	**543,056.3**	**1.6%**
Recurrent Expenditure	**502,797.1**	**493,773.8**	**1.8%**
Primary Recurrent Expenditure	365,242.7	355,921.0	2.6%
Programmes	172,824.9	162,736.2	6.2%
Compensation of Employees	192,417.8	193,184.8	-0.4%
Interest	137,554.4	137,852.9	-0.2%
Capital Expenditure	**48,681.5**	**49,282.5**	**-1.2%**
Primary Expenditure	**413,924.2**	**405,203.5**	**2.2%**
Fiscal Balance	**-5,249.4**	**-5,986.9**	**-12.3%**
Overall Balance	**-12,869.7**	**-7,221.6**	**78.2%**
Primary Balance	**132,305.0**	**131,866.0**	**0.3%**

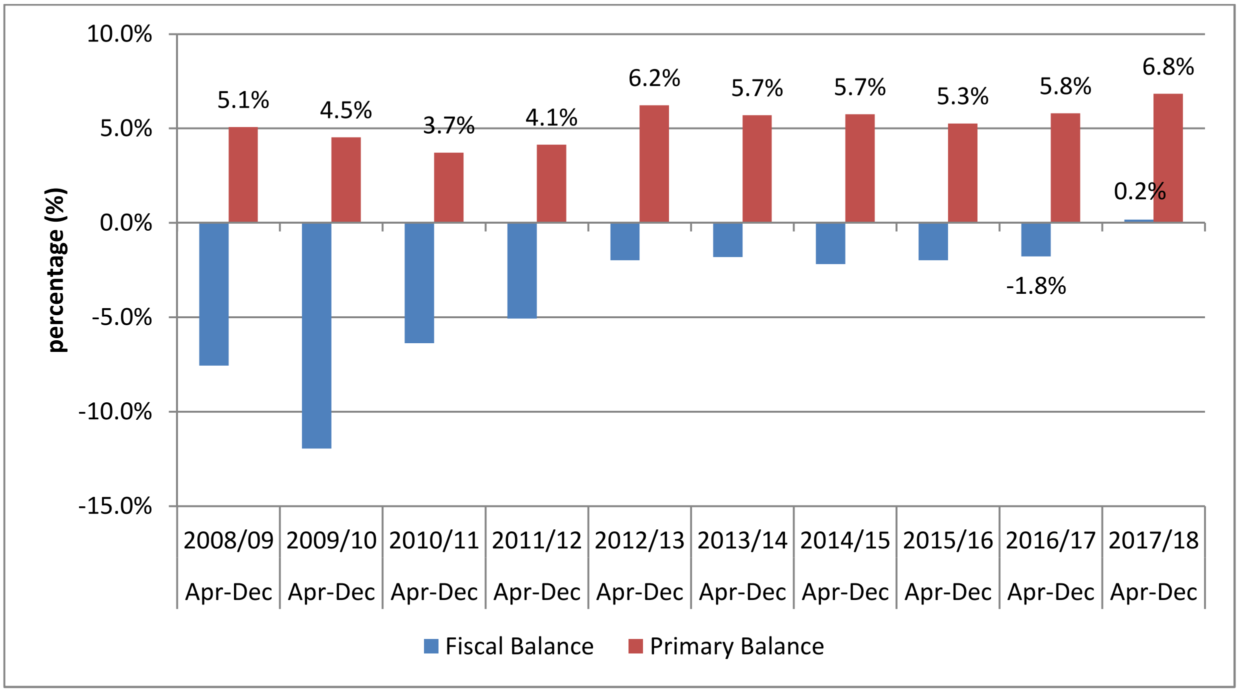
Source: MoFPS

Fiscal Performance

Central Government Operations: April-December 2017

A fiscal surplus of $1,322.0mn was achieved in the April to December period of FY 2017/18 (see Figure 3E). This follows a period of over ten years of deficits (for the period April to December). Specifically, for the April to December period of 2017 the fiscal balance was $23,945.6mn higher than budgeted and the primary balance was $21,280.5mn better than projected. This was a result of higher than budgeted revenue collections and lower execution of recurrent expenditure. Revenue & Grant inflows have outperformed both the budgeted amount by 3.9% and the collections for the similar period last fiscal year by 11.1%. Also contributing to this strong revenue performance has been targeted multi-pronged efforts to strengthen compliance focused on enhanced detection, deterrence and prosecution for tax evasion and delinquency; improvement in taxpayer registration; on-time payment rate; and public education regarding the ease of using the online payment method. Efforts to rely less on taxes on income and more on taxes on consumption and other “indirect” taxes continued. The improved fiscal balance is also seeing the benefits of the reduced debt servicing costs, through lower interest rates and a stable currency.

Figure 3A: Primary Balance and Fiscal Balance as a percentage of GDP (April to December FY 2008/09- FY 2017/18)[3]



Source: MoFPS

[3] The GDP estimate for the April to December period of FY 2017/18 is based on two official quarterly outturns published by Statin and one quarterly estimate produced by the Bank of Jamaica (BOJ).

Table 3E: Central Government Summary Accounts FY 2017/18
(in millions of Jamaican dollars)

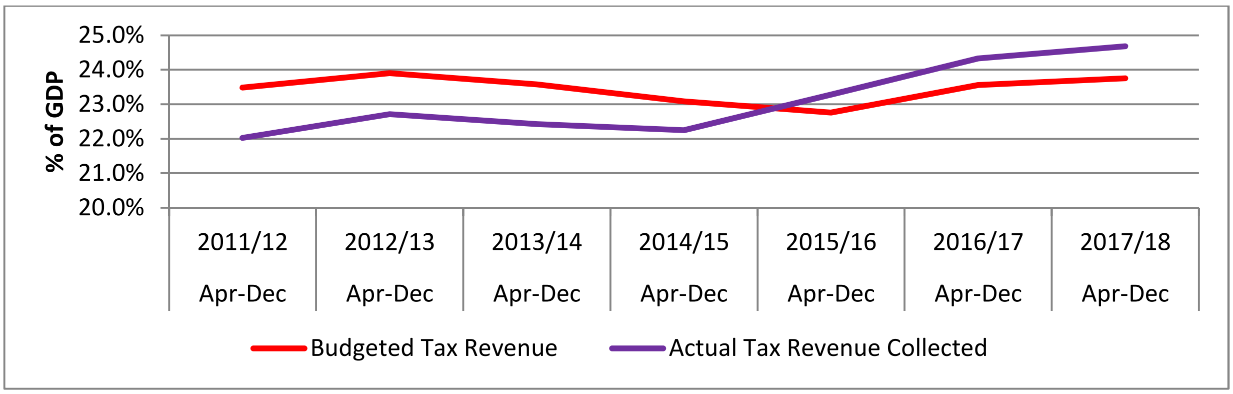
Item	Prov Apr - Dec	Budget Apr - Dec	Diff	Diff %	FY 16/17 Apr - Dec	Diff	Diff %
Revenue & Grants	**390,947.6**	**376,442.5**	**14,505.2**	**3.9%**	**352,039.9**	**38,907.7**	**11.1%**
Tax Revenue	353,063.2	341,562.9	11,500.3	3.4%	322,067.9	30,995.3	9.6%
Non-Tax Revenue	32,202.8	30,930.0	1,272.7	4.1%	22,854.2	9,348.5	40.9%
Bauxite Levy	127.5	131.0	-3.5	-2.7%	1,830.9	-1,703.5	-93.0%
Capital Revenue	2,187.9	613.8	1,574.1	256.4%	416.0	1,772.0	426.0%
Grants	3,366.3	3,204.7	161.6	5.0%	4,870.9	-1,504.6	-30.9%
Expenditure	**389,625.7**	**399,066.1**	**-9,440.5**	**-2.4%**	**375,529.2**	**14,096.4**	**3.8%**
Recurrent Expenditure	358,653.8	369,009.5	-10,355.8	-2.8%	345,652.3	13,001.5	3.8%
Programmes	123,161.4	126,604.3	-3,442.9	-2.7%	113,107.3	10,054.1	8.9%
Compensation of Employees	140,272.3	144,520.0	-4,247.7	-2.9%	132,267.5	8,004.8	6.1%
Wages & Salaries	129,509.2	134,480.0	-4,970.8	-3.7%	122,929.7	6,579.5	5.4%
Employers Contribution	10,763.1	10,040.0	723.1	7.2%	9,337.8	1,425.3	15.3%
Interest	95,220.1	97,885.2	-2,665.1	-2.7%	100,277.5	-5,057.4	-5.0%
Domestic	45,483.8	44,234.8	1,249.0	2.8%	44,481.0	1,002.8	2.3%
External	49,736.3	53,650.5	-3,914.2	-7.3%	55,796.5	-6,060.2	-10.9%
Capital Expenditure	30,971.9	30,056.6	915.3	3.0%	29,877.0	1,094.9	3.7%
Capital Programmes	30,971.9	30,056.6	915.3	3.0%	29,877.0	1,094.9	3.7%
Fiscal Balance (Surplus + / Deficit -)	**1,322.0**	**-22,623.6**	**23,945.6**	**-105.8%**	**-23,489.3**	**24,811.3**	**-105.6%**
Loan Receipts	**187,627.4**	**197,027.2**	**-9,399.8**	**-4.8%**	**69,109.8**	118,517.6	171.5%
Domestic	57,613.4	66,824.3	-9,210.9	-13.8%	38,006.0	19,607.4	51.6%
External	130,014.0	130,202.9	-188.9	-0.1%	31,103.8	98,910.2	318.0%
Project Loans	13,827.5	12,178.4	1,649.1	13.5%	11,968.8	1,858.7	15.5%
Other	116,186.5	118,024.5	-1,838.0	-1.6%	19,135.0	97,051.5	-
Divestment Proceeds/Other	**11,400.1**	**11,701.3**	**-301.2**	**-2.6%**	**14,604.7**	**-3,204.7**	**-21.9%**
Amortization	**204,317.8**	**209,999.7**	**-5,681.9**	**-2.7%**	**61,390.0**	**142,927.8**	**232.8%**
Domestic	149,768.8	152,785.1	-3,016.3	-2.0%	25,859.3	123,909.5	479.2%
External	54,549.0	57,214.6	-2,665.6	-4.7%	35,530.7	19,018.3	53.5%
Overall Balance (Surplus + / Deficit -)	**-3,968.4**	**-23,894.8**	**19,926.4**	**-83.4%**	**-1,164.9**	**-2,803.5**	**240.7%**
Primary Balance (Surplus + / Deficit -)	**96,542.1**	**75,261.6**	**21,280.5**	**28.3%**	**76,788.1**	**19,753.9**	**25.7%**

Source: MoFPS

Tax Revenue

Tax Revenue continues to perform above budget (see Figure 3B). The two main contributing factors to this performance were the rebalancing of taxes towards indirect taxation and increased compliance measures from the revenue authorities. The single-most important factor in recent years has been the continued economic recovery that is evidenced by improvements in external trade, credit expansion, and confidence indices, although the nominal and real GDP growth data signalled a less buoyant economy than is reflected by the strong revenue performance.

Figure 3B: April to December Actual vs. Budgeted Tax Revenue Performance from FY 2011/12 to FY 2017/18



Source: MoFPS

As outlined above, the rebalancing of taxes towards indirect taxation has contributed to the over-performance of Tax Revenue. With the change in the tax system, Consumption Taxes are now conducive to bringing more taxpayers inside the tax collection net, reducing reliance on taxes on incomes, resulting in overall improvements in compliance (see Figure 3D).

The Tax Administration of Jamaica (TAJ) through its National Compliance Plan 2017/18 has also embarked on renewed compliance efforts. These compliance efforts included closer monitoring of arrears through the implementation of the Revenue Administration Information System (RAiS); the mandating of medium sized taxpayers to file their GCT returns online; and the application of a system generated penalty for late filing. Additionally, since the implementation of enhancements to the RAiS, the TAJ has embarked on a sensitization campaign to encourage greater use of the online platform and has increased the number of services offered online.

Finally, the less than projected domestic borrowing (13.8% less than budgeted) by the Government (see Table 3E) and the increased liquidity in the financial market, partially resulting from liability management exercises, have limited the crowding out effect. Liquidity in the market has been directed to the productive sectors.

Table 3F: Detail of Revenue FY 201718
(in millions of Jamaican dollars)

Item	Prov. Apr - Dec	Budget Apr - Dec	Diff	Diff %	FY 16/17 Apr - Dec	Diff	Diff %
Revenue & Grants	**390,947.6**	**376,442.5**	**14,505.2**	**3.9%**	**352,039.9**	**38,907.7**	**11.1%**
Tax Revenue	**353,063.2**	**341,562.9**	**11,500.3**	**3.4%**	**322,067.9**	**30,995.3**	**9.6%**
Income and profits	78,379.7	77,184.9	1,194.7	1.5%	85,448.9	-7,069.2	-8.3%
Bauxite/alumina	0.0	0.0	0.0	-	0.0	0.0	-
Other Companies	32,226.3	25,496.9	6,729.4	26.4%	23,586.3	8,639.9	36.6%
PAYE	37,689.2	38,925.5	-1,236.3	-3.2%	47,765.1	-10,075.8	-21.1%
Tax on dividend	1,318.7	1,026.6	292.2	28.5%	1,078.6	240.1	22.3%
Individuals	2,240.5	1,897.5	343.0	18.1%	2,002.6	237.9	11.9%
Tax on interest	4,904.9	9,838.4	-4,933.5	-50.1%	11,016.2	-6,111.3	-55.5%
Production and consumption	129,388.2	118,531.0	10,857.2	9.2%	106,670.6	22,717.6	21.3%
Min Business Tax	824.0	665.2	158.8	23.9%	625.8	198.1	31.7%
SCT	20,571.3	15,781.2	4,790.1	30.4%	13,296.9	7,274.4	54.7%
Environmental Levy	361.7	340.8	20.8	6.1%	265.3	96.4	36.3%
Motor vehicle licenses	2,870.7	2,638.2	232.5	8.8%	2,302.4	568.4	24.7%
Other licenses	745.1	751.5	-6.4	-0.9%	324.1	421.0	129.9%
Quarry Tax	39.2	38.6	0.6	1.6%	0.0	39.2	-
Betting, gaming and lottery	2,025.2	2,219.7	-194.5	-8.8%	2,142.1	-117.0	-5.5%
Accomodation Tax	1,962.9	1,796.4	166.5	9.3%	1,719.1	243.8	14.2%
Education Tax	19,127.1	18,040.1	1,087.0	6.0%	16,927.4	2,199.7	13.0%
Telephone Call Tax	2,843.1	3,204.9	-361.8	-11.3%	3,541.9	-698.9	-19.7%
Contractors levy	1,530.7	1,081.9	448.8	41.5%	901.8	628.9	69.7%
GCT (Local)	66,913.1	61,950.6	4,962.6	8.0%	54,884.2	12,028.9	21.9%
Stamp Duty (Local)	9,574.2	10,021.9	-447.7	-4.5%	9,739.4	-165.3	-1.7%
International Trade	145,295.3	145,846.9	-551.7	-0.4%	129,948.3	15,346.9	11.8%
Custom Duty	29,182.2	27,757.0	1,425.2	5.1%	27,026.1	2,156.0	8.0%
Stamp Duty	1,817.9	1,783.3	34.6	1.9%	1,657.2	160.8	9.7%
Travel Tax	14,119.4	12,088.1	2,031.4	16.8%	9,988.2	4,131.3	41.4%
GCT (Imports)	59,882.5	62,284.3	-2,401.9	-3.9%	55,708.3	4,174.2	7.5%
SCT (imports)	38,002.7	39,609.1	-1,606.4	-4.1%	33,480.7	4,522.0	13.5%
Environmental Levy	2,290.6	2,325.1	-34.6	-1.5%	2,087.9	202.7	9.7%
Non-Tax Revenue	**32,202.8**	**30,930.0**	**1,272.7**	**4.1%**	**22,854.2**	**9,348.5**	**40.9%**
Bauxite Levy	**127.5**	**131.0**	**-3.5**	**-2.7%**	**1,830.9**	**-1,703.5**	**-93.0%**
Capital Revenue	**2,187.9**	**613.8**	**1,574.1**	**256.4%**	**416.0**	**1,772.0**	**426.0%**
Grants	**3,366.3**	**3,204.7**	**161.6**	**5.0%**	**4,870.9**	**-1,504.6**	**-30.9%**

Source: MoFPS

Of the three tax revenue categories, Production and Consumption recorded the highest performance over budget by 9.2%, and similarly, the highest growth over the corresponding period of FY 2016/17 by 21.3%. Income and Profits were 1.5% higher than budgeted, but showed a reduction in collections by 8.3% when compared to the corresponding period of the previous fiscal year. International Trade performed creditably for the review period, recording collections of 11.8% higher than the corresponding period for last fiscal year. However, this outturn was 0.4 percent lower than budgeted, partly due to the appreciation of the Jamaica dollar vis-à-vis the US dollar

Income and Profits

The Income and Profits tax category has performed better than anticipated for the review period in tandem with the overall tax performance. Corporate taxes had the highest positive deviation against budget showing an over performance of 26.4% (or $6,729.4mn) and 36.6% (or $8,639.9mn) over the corresponding period for FY 2016/17. A number of factors have influenced this outturn. Companies have been reporting increased profitability due to increased sales and lower operational expenses. For those companies involved with exports, it was observed that year-over-year exports increased by 9.2%. There was also a significant increase in the number of companies registered as well as the number of companies transitioning from the Junior Stock Exchange, thus becoming liable to pay the full corporate tax.

With Companies realizing greater than anticipated profitability, Tax on Dividend payable has also increased by 28.5% (or $292.2mn) over budget.

Similarly, the sub-category “Other Individuals” exhibited an outturn that was 18.1% ($343.0mn) over the budget and 11.9% (or $237.9mn) over the similar period last year. This is partially due to increased compliance efforts by the TAJ, which includes the use of a consolidated form to collect all the payroll taxes including the National Housing Trust contribution. With better prospects for acquiring housing solutions, more persons are being compliant, evidenced by increased filing. Education Tax has likewise experienced higher than budgeted collections, which were 6.0% (or $1,087.0mn) higher than budget and reflect increased compliance as well as higher employment.

PAYE collections on the other hand, have exhibited a shortfall when compared to budget of 3.2% ($1,236.3mn). This is mainly due to the non-implementation of the programmed wage increases for public sector workers, due to non-settlement of the wage negotiations for the period. Also, the addition to the employed labour force constituted primarily individuals in the youth age group (employed in the BPO sector) with the implication being that their income would fall below the $1.5mn threshold. The year-over-year PAYE collections have also decreased by 21.1% (or $10,075.8mn) (see Figure 3D). As of April 2017, the second phase of the income tax threshold increase became effective. This adjustment has resulted in the taxable income threshold moving to $1,500,096 up from $1,000,272 per annum.

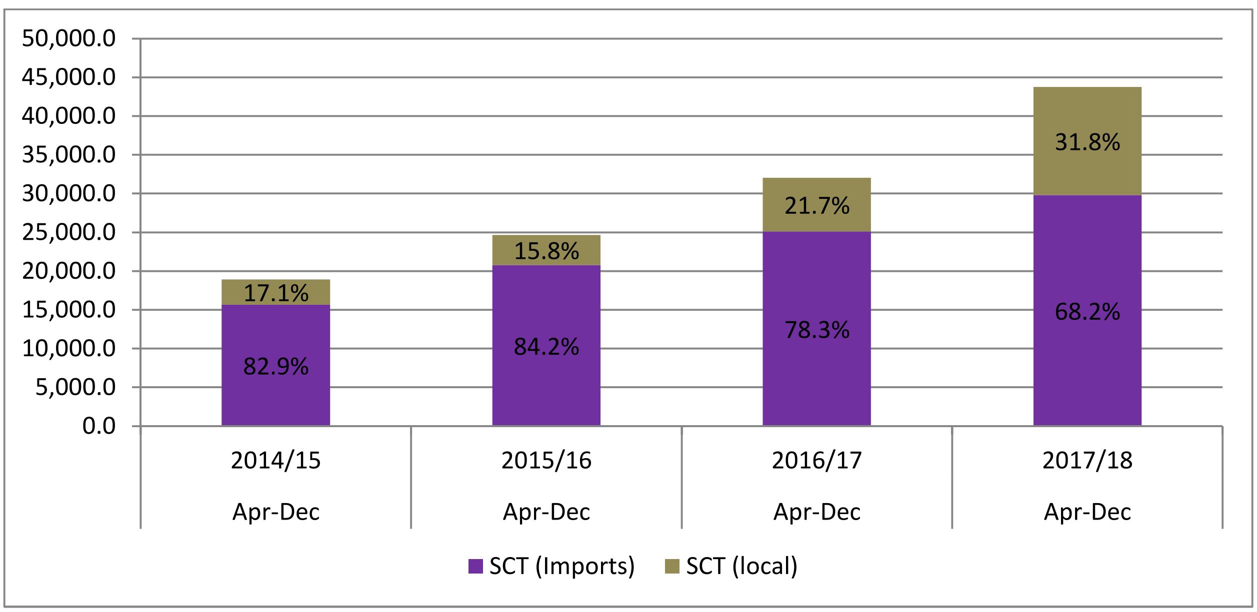
Collections from Tax on Interest recorded a shortfall against budget of 50.1% (or $4,933.5mn) and also in comparison to the last fiscal year (decrease of 55.5%). Contributing to the shortfall was the higher than programmed refund of withholding taxes, which was more than compensated for by the above programme performance of other tax types. Lagged effects from the continued downward trajectory of interest rates, while contributing to lower tax on interest, has positively impacted the GOJ's domestic interest costs. Specifically, the 180-day T-Bill rate declined by 0.34 percentage points this fiscal year when compared to the same period last fiscal year (see Figure 2viii in Part 2).

Production and Consumption

The Production and Consumption category showed the highest over-performance compared to budget for the April to December 2017 period. As seen in Table 3F, there was a 9.2% (or $10,857.2mn) above budget outturn and 21.3% (or $22,717.6mn) increase over last year. This over performance was mainly attributable to the real sector categories of Hotel & Restaurant and Construction and Manufacturing.

Special Consumption Taxes (SCT) also significantly exceeded budget during the first nine months of the fiscal year. Collections were 30.4% (or $4,790.1mn) higher than projected. This is partly due to higher than anticipated production at the local refinery, Petrojam. SCT collections were also considerably impacted by the revenue measures. For the review period, SCT was recorded as 54.7% ($7,274.4mn) higher than FY 2016/17. This was due to the increased excise on pure alcohol, tobacco products and fuel (Table 3C). The tax measures on SCT were estimated to increase collections by $8,688.0mn for the fiscal year.

Figure 3C: Petroleum SCT collections (in J$mn) from Imports versus Local Production



Source: MoFPS

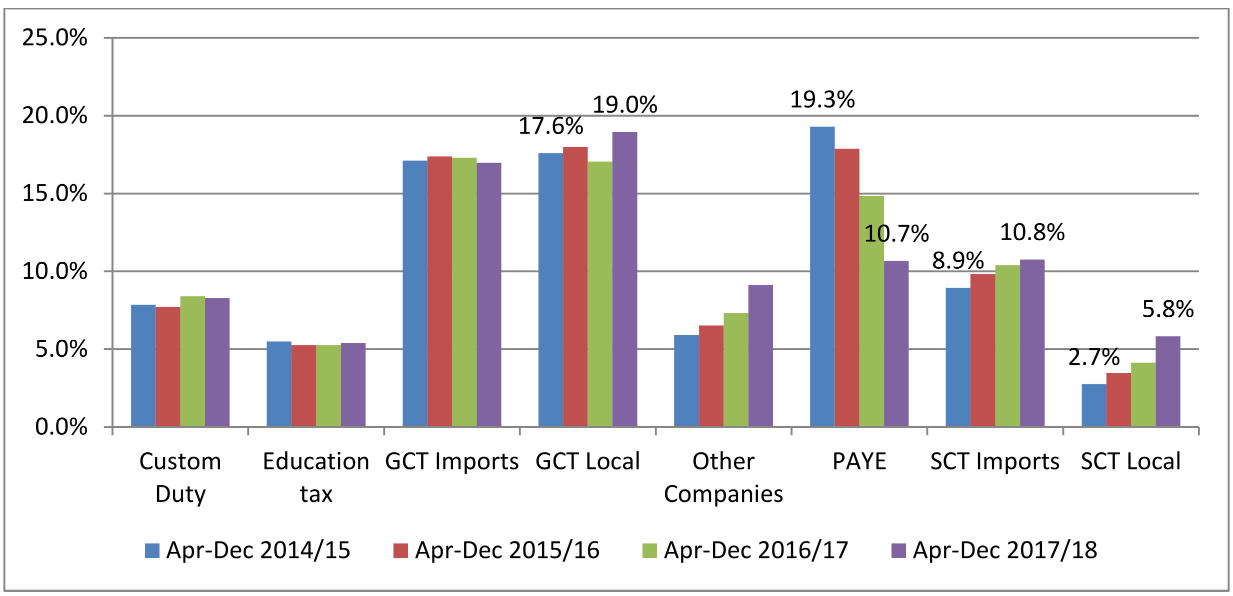
Environmental Levy was another tax type positively impacted by the increased local production of petroleum and its by-products. The levy collections were 6.1% above projections. Other industries that have contributed to this outturn were the Food, Beverage, Tobacco and other sub industries which also posted increased outputs.

Contractors levy collections have performed strongly (41.5% higher than budget) supported by increased renovation and construction work in both the residential and commercial sectors.

Similar to the Corporate Tax, the Minimum Business Tax (MBT) has also performed well for the review period showing a surplus of 23.9% (or $158.8mn) above budget and 31.7% (or $198.1mn) above FY 2016/17. This performance was due to the increased compliance efforts by the revenue authorities who recognized that small businesses were among the tax group that had a high delinquency rate and low on-time filing rate. The results of TAJ's compliance strategy have been higher, more accurate and timelier collections.

GCT (Local) collections were $4,962.6mn or 8.0% above projection and collections to date have been 21.9% more than the corresponding period of last fiscal year. This performance can be attributed to increased consumption emanating from the record employment levels and economic momentum. The operationalization of the government's strategy to move away from taxes on earned income to taxes on income spent is evident in the increase in the GCT and SCT shares which were offset by the decline in the PAYE share of total Tax Revenue (figure 3D).

Figure 3D: Performance of major tax types expressed as shares of total Tax Revenue



Source: MoFPS

TAJ has been focused on increased e-Filing for GCT. The large and medium size tax payers are already mandated to file using this medium. These efforts have resulted in greater sensitization and increased e-Filing for this tax type.

Telephone Call Tax & Betting, Gaming and Lottery were two of the taxes that under-performed compared to projections and where collections actually declined when compared to the corresponding period of FY 2016/17. Taxes on telephone calls were 11.3% (or $361.8mn) lower than planned and 19.7% (or $698.9mn) lower than last fiscal year. This tax continues to be impacted by the increased usage of over-the-top bypass applications. The category ‘Betting, Gaming and Lottery’ also underperformed in comparison to both the budget by 8.8% (or $194.5mn) and the corresponding period for FY 2016/17 by 5.5% ($117.0mn). This shortfall can be attributed to the lower than projected growth for the first two consecutive quarters of FY 2017/18.

International Trade

The category International Trade performed as expected and was broadly in line with projections. Travel Tax collections posted the strongest performance alongside Custom Duty which partly offset the lower than expected outturn from GCT and SCT.

Similar to increased collections from accommodations (which was over the budget by 9.3%), Travel Tax had higher than budgeted inflows. The provisional collections are estimated to be 16.8% (or $2,031.4mn) higher than budget and 41.4% (or $4,131.3mn) higher than last fiscal year. For this fiscal year, the GOJ has stepped up in its pursuit to be the best Caribbean destination for tourists. The data reveals that travel tax performance was impacted by higher than projected stopover arrivals. The efforts toward building and maintaining the tourism brand was affirmed with Jamaica winning three (3) major tourism awards in 2017. These awards were:

- World's Leading Wedding Destination;
- World's Leading Cruise Destination; and
- Caribbean's Leading Tourist Board.

The uptick in crime in St. James represents a serious risk to “Brand Jamaica” and the recent crime fighting initiatives taken by the government are intended to address the problem.

Custom Duty also recorded an increase over target of 5.1% (or $1,425.2mn). The major contributor to this increased revenue flow was the higher than anticipated budgeted year-over-year import growth rate. There has been growth in the quantity of duty-paid motor vehicles being imported. This increase more than cancelled out the effect from the appreciation of the Jamaica currency on imports in J$ terms.

Being the largest subcategory under International Trade, the shortfall in the GCT (Imports) partially offset the surplus from the Travel Tax and Custom Duty collections. GCT (imports) shortfall of 3.9% (or $2,401.9mn) was due to the currency appreciation and lower importation of a range of items attracting this tax, including aerated water and cigarettes. Despite the lower than anticipated collection, inflow from GCT (Imports) were 7.5% (or $4,174.2mn) higher than last year.

The smaller than budgeted collection from SCT (Imports) (of 4.1%) was firstly due to the notable shift in the preference for smaller cars. The importation of cars with smaller engine capacity and possibly better mileage have substantially increased over the review period and as such, has impacted the duty collected. Another factor has been the noticeable decline in the number of duty-paid cigarette sticks.

This may be linked to the increased illegal importation and distribution of contraband cigarettes. Finally, there was a lower than budgeted importation of finished petroleum products.

Non- Tax Revenue

Receipts from Non-Tax Revenue components for the period were higher than budget by $1,272.7mn or 4.1% and collections were also significantly higher than the corresponding period in FY 2016/17 by $9,348.5mn or 40.9%. Collections from Non-Tax Revenue is made up of distributions from the self-financing Public Bodies and Executive Agencies amounting to $7,471.3mn,the de-earmarked revenue flows from three Public Bodies and Royalties and Custom Administration Fee (CAF) transfers amounting to $4,132.3mn. The CAF transfers were 18.6% higher than budgeted and provide a partial explanation for the deviation.

Bauxite Levy, Capital Revenue & Grants

Bauxite Levy collection of $127.5mn was 2.7% lower than budget and was $1,703.5mn and 93.0% less than the corresponding period of last fiscal year. The smaller amount relative to the previous year's inflows from bauxite levy is based on the new payment agreement between the owners of Alpart, Noranda and the GOJ. This temporary arrangement is based on the companies making payments specific to each agreement. A partial offset is expected from profit-sharing.

Capital Revenue over-performed, with receipts up by 256.4% (or $1,574.1mn) higher than expected and $1,772.0mn above the similar period last fiscal year. This significantly higher inflow was due primarily to higher than budgeted loan repayment transactions.

Grants were forecasted at $3,204.7mn; however, the actual flows were slightly higher by 5.0% (or $161.6mn). This was partially due to higher than the programmed project disbursements.

Expenditure

The Central Government spending (excluding Amortization) was equivalent to $389,625.7mn, 3.8% above last fiscal year. The year over year increase is the lowest rate recorded in the last four years. Expenditure for the period was 2.4% lower than budgeted. The shortfall in expenditure was due to a reduction of 2.8% in Recurrent Expenditure and was partially offset by increased capital spending.

Recurrent Expenditure

Recurrent Expenditure totalled $358,653.8mn and was 3.8% above last fiscal year. The major contributor to the gap was the under spending in Compensation of Employees (lower by 2.9%), Recurrent Programmes (2.7% less than projected) and Interest Payments (2.7% below budget).

Recurrent Programmes

Spending on Recurrent Programmes amounted to $123,161.4mn, which was $3,442.9mn (or 2.7 %) lower than budget. This shortfall is mainly due to under execution of planned expenditure by the Ministries Department and Agencies (MDAs) in December 2017.

Notwithstanding the lower than expected outlay, spending was executed for the Caribbean Catastrophe Risk Insurance Facility (CCRIF) at a premium of US$ 6.1mn; pension payments; $688.0mn in subsidy to the Jamaica Urban Transit Company (JUTC); the subvention to the University Hospital of the West Indies (UHWI) and the establishment of the Zones of Special Operations (ZOSO) and social spending.

The ZOSO is part of a comprehensive plan to build a national security architecture that is robust, resilient and adaptable, to address crime and yield long-lasting transformational results. Social spending continued to be protected and have received the full allocation budgeted.

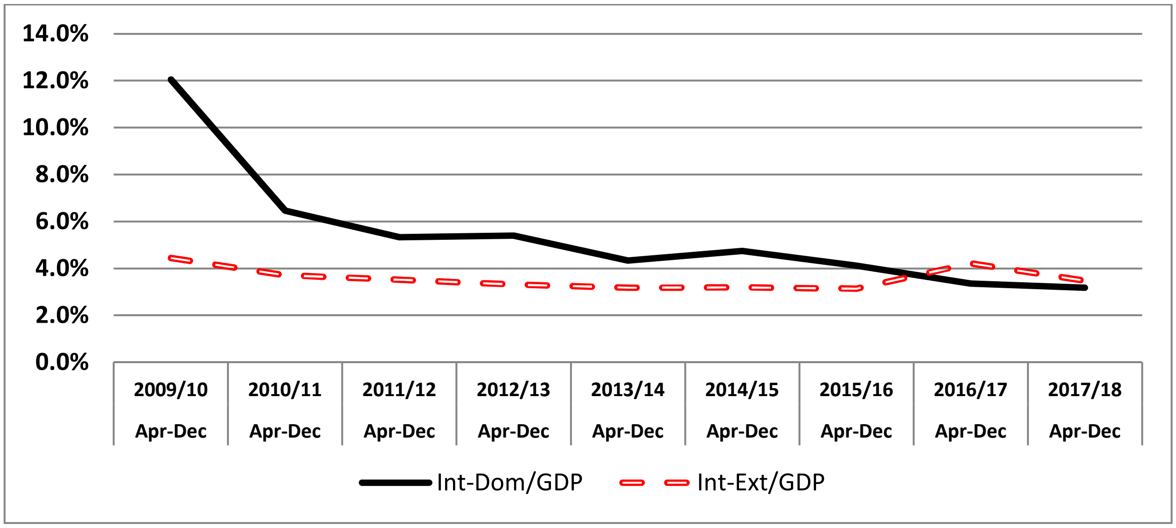
Compensation of Employees

Compensation of Employees amounted to $140,272.3mn with a deviation of $4,247.7mn from budget. The wages and salaries component was the main contributor to the shortfall in compensation. This was mainly due to no payment of the budgeted increase for wages as up to December 2017, there was no settlement of wage negotiations for the contract period 2017/19. Lower than anticipated retroactive payments also contributed to the variance. The shortfall in wages and salaries was partially offset by higher than projected employer's contributions.

Interest Payments

Interest payments totalled $95,220.1mn, $2,665.1mn or 2.7% lower than budgeted. Interest payments on External Debt were $3,914.2mn (or 7.3%) lower than budgeted, and 10.9% lower than the corresponding period in FY 2016/17. This was mainly due to appreciation of the Jamaica dollar relative to the USD. Macroeconomic stability, in particular contained inflation pressures, fiscal consolidation, and the reduced debt burden all contributed to the stability in the exchange rate. Total interest payments for the period were below 4.0% of GDP (see Figure 3E).

Figure 3E: Domestic and External Interest Payment Ratios to GDP-%



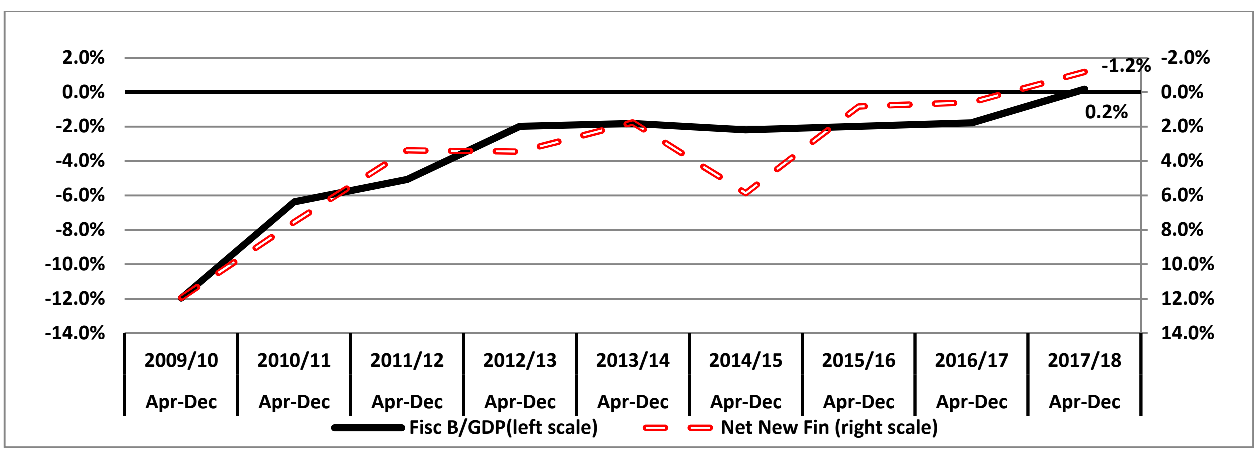
Source: MoFPS

Capital Expenditure

Capital Expenditure recorded a marginally higher outlay than projected due to closer monitoring of projects. A total of $30,056.6mn was programmed to be spent; however, $915.3mn (or 3.0%) more was disbursed for the period. Capital Expenditure activities for FY 2017/18 included activities to improve the road network, road rehabilitation and expenditure to support the establishment of BPO facilities.

Financing Flows

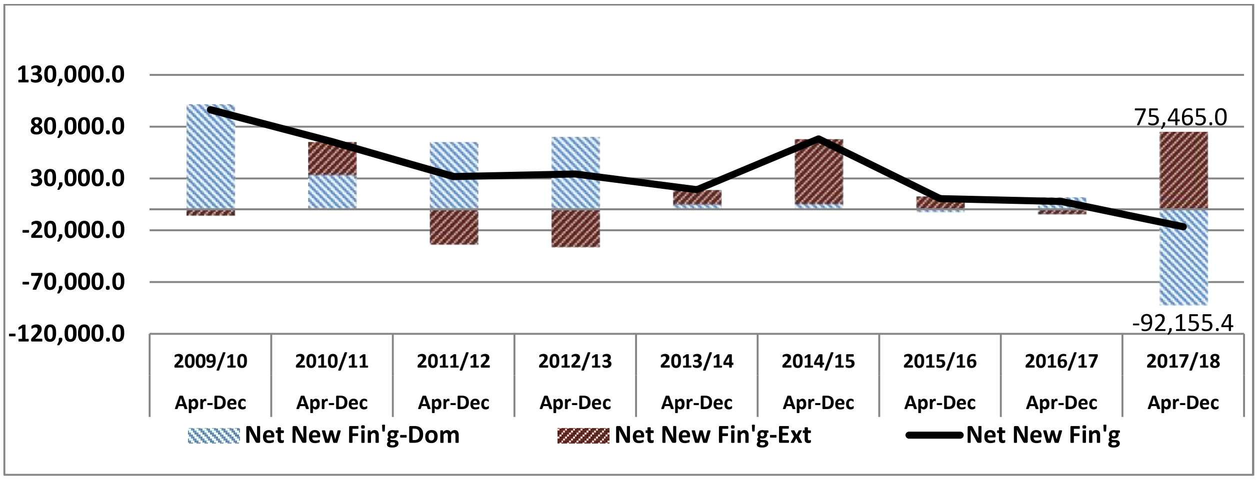
Figure 3F: Evolution of the Fiscal Balance and Net new Financing Ratios to GDP (%)



Source: MoFPS

The elimination of the deficit this fiscal year has negated the need for net new debt financing[4], as shown in Figure 3F. As such, Loan Receipts for April to December 2017 were less than the total Principal Repayments. This has contributed to a decline in stock of debt.

Figure 3G: Net New Domestic and External Financing (J$mn)



Source: MoFPS

Loan inflows for the period amounted to $187,627.4mn, $9,399.8mn lower than budgeted. This was a result of lower financing requirements due to the strong revenue outturn. External loan receipts amounted to $130,014.0mn. This encompassed financing from the International Capital Market (ICM) and the inflow of project loan funds. Part of the proceeds from an external liability management operation was used to finance a US dollar denominated domestic debt buy-back.

Amortization of $204,317.8mn included the repayment of $149,768.8mn in domestic principal and $54,549.0mn in external principal. The high pay-out of domestic principal was mainly due to the repurchase of two tranches of US dollar-denominated Bonds in the domestic market as part of an opportunistic liability management operation (LMO) that was executed during the second quarter of the fiscal year. The buyback was funded by proceeds raised under the LMO through the ICM. External Amortization was lower than programmed primarily as a result of the appreciation of the Jamaican currency against its US dollar counterpart. These factors resulted in a marginal change in the composition of the debt stock. Net new External Financing amounted to $75,465.0mn while domestic amortization exceeded domestic loan receipts by $92,155.4mn (see Figure 3G). This accounted for a net decline of $16,690.4mn in the overall debt stock.

The negative net new financing (net debt pay-down) contributed to a decline in the debt stock from $2,017,998.8mn at end-March 2017 to $1,952,965.6mn at end-December 2017, a reduction of $65,033.2mn under the new Public Debt definition.

[4] Net new financing is the difference between Loan receipts and Amortization.

Central Government Operations: Estimates to March 2018

Based on the performance of the Central Government Operations up to December 2017 and the projection for the last quarter of FY 2017/18, the Fiscal Balance is estimated to be a surplus of 0.1% of GDP while the primary balance is expected to record a surplus of 7.2% of GDP (see Table 3G).

Revenue & Grants

Revenue & Grants are projected at $552,963.3mn, which is higher than the forecast for the First Supplementary Estimates (see Table 3D). Tax Revenue, Non-Tax Revenue and Capital Revenue, all positively contributed to the overall performance. The Grants profile, however, is expected to be slightly below budget while Bauxite Levy is estimated to be in line with budget. Specifically, Tax Revenue is projected to be $4,963.6mn higher than budget reflecting continued strong compliance and economic activity. As noted before, Capital and Non-Tax Revenue are also expected to perform above budget. Capital Revenue is expected to be $1,235.4mn over the budget, consistent with the higher loan repayments received and Non-Tax Revenue is anticipated to be $941.1mn higher than budget.

Expenditure

Provisional Expenditure for FY 2017/18 (excluding debt amortization) is expected to be slightly lower than the First Supplementary Estimates. This is mainly due to Capital Expenditure but is partially offset by increased Recurrent Expenditure. This varies from the robust performance recorded during the first nine months of the fiscal year.

The Capital Budget of $48,681.5mn is projected to be under executed in relation to the budget. This projected shortfall in capital spending reflects the slower than anticipated pace of project implementation for the last quarter resulting from the inclement weather conditions.

The Recurrent Expenditure is expected to be $3,230.4mn above the First Supplementary Estimates. This is attributable to increased spending over the First Supplementary Estimates for Programmes in the amount of $2,705.1mn and Compensation of Employees of $3,918.2mn. The higher than budgeted spending in Programmes is to fast track the pay-down of arrears. The outlay for Compensation of Employees also is expected to increase above the First Supplementary moving from $192,417.7mn to $196,336.0mn, an increase of $3,918.2mn or 2.0%. This is due to higher spending on Wages and Salaries and Employers Contribution. The increased spending of wages and salaries reflects in part the payment of arrears, to the Medical consultant group, which was originally scheduled for FY 2018/19 and additional provisions made to finance negotiated wage settlements with unions. The increase in employer's contribution includes NHT arrears brought forward.

This increased spending on wages and salaries will be offset by lower Interest Payments. Domestic Interest is expected to be $1,229.0mn (or 1.9%) lower than budget as a result of lower than projected interest rates. Similarly, External Interest is anticipated to be $2,164.0mn (or 2.9%) less than budget reflecting the impact of lower exchange rates.

Financing Flow

At the end of the fiscal year, amortization is projected to be $231,897.6mn while Loan Receipts are anticipated to amount to $200,027.4mn. This will contribute to the reduction in the debt stock, which is also positively impacted by appreciation of the currency during the year.

Table 3G: Central Government Summary Accounts FY 2017/18

Item	Prov Apr - March	1st Suppl Budget Apr - March	Diff	Diff %	FY 16/17 Apr - March	Diff	Diff %
Revenue & Grants	**552,963.3**	**546,229.3**	**6,734.0**	**1.2%**	**499,879.9**	**53,083.4**	**10.6%**
Tax Revenue	491,110.1	486,146.5	4,963.6	1.0%	458,323.4	32,786.7	7.2%
Non-Tax Revenue	53,409.8	52,468.7	941.1	1.8%	33,754.1	19,655.7	58.2%
Bauxite Levy	127.5	127.5	0.0	0.0%	1,940.9	-1,813.4	-93.4%
Capital Revenue	3,802.2	2,566.8	1,235.4	48.1%	568.6	3,233.5	568.6%
Grants	4,513.6	4,919.8	-406.2	-8.3%	5,292.8	-779.2	-14.7%
Expenditure	**551,198.3**	**551,478.7**	**-280.4**	**-0.1%**	**503,356.0**	**47,842.3**	**9.5%**
Recurrent Expenditure	506,027.5	502,797.2	3,230.4	0.6%	461,400.8	44,626.8	9.7%
Programmes	175,530.0	172,824.9	2,705.1	1.6%	142,976.4	32,553.6	22.8%
Compensation of Employees	196,336.0	192,417.8	3,918.2	2.0%	179,068.1	17,267.9	9.6%
Wages & Salaries	181,410.9	178,569.1	2,841.8	1.6%	166,484.7	14,926.2	9.0%
Employers Contribution	14,925.1	13,848.7	1,076.4	7.8%	12,583.4	2,341.7	18.6%
Interest	134,161.5	137,554.5	-3,393.0	-2.5%	139,356.2	-5,194.7	-3.7%
Domestic	62,749.6	63,978.6	-1,229.0	-1.9%	63,544.0	-794.4	-1.3%
External	71,411.9	73,575.9	-2,164.0	-2.9%	75,812.2	-4,400.3	-5.8%
Capital Expenditure	45,170.8	48,681.5	-3,510.7	-7.2%	41,955.3	3,215.5	7.7%
Capital Programmes	45,170.8	48,681.5	-3,510.7	-7.2%	41,955.3	3,215.5	7.7%
Fiscal Balance (Surplus + / Deficit -)	**1,765.0**	**-5,249.4**	**7,014.3**	**-133.6%**	**-3,476.1**	**5,241.1**	**-150.8%**
Loan Receipts	**200,027.4**	**209,681.1**	**-9,653.7**	**-4.6%**	**89,826.8**	**110,200.5**	**122.7%**
Domestic	66,276.4	72,882.4	-6,606.0	-9.1%	55,544.1	10,732.4	19.3%
External	133,750.9	136,798.7	-3,047.8	-2.2%	34,282.8	99,468.1	290.1%
Project Loans	17,564.5	18,774.2	-1,209.7	-6.4%	15,147.8	2,416.7	16.0%
Other	116,186.5	118,024.5	-1,838.0	-1.6%	19,135.0	97,051.5	507.2%
Amortization	**231,897.6**	**241,353.5**	**-9,455.9**	**-3.9%**	**75,389.7**	**156,507.9**	**207.6%**
Domestic	167,285.6	172,295.0	-5,009.4	-2.9%	29,709.8	137,575.8	463.1%
External	64,612.0	69,058.5	-4,446.5	-6.4%	45,679.9	18,932.1	41.4%
Other Inflows (inc'ds PCDF)	**11,400.1**	**11,400.1**	**0.0**	**0.0%**	**14,604.7**	**-3,204.6**	**-21.9%**
Other Outflows (incl'ds BOJ Recapitalization)	**14,000.0**	**14,000.0**	**0.0**	**0.0%**			
Overall Balance (Surplus + / Deficit -)	**-32,705.2**	**-39,521.7**	**6,816.5**	**-17.2%**	**25,565.7**	**-58,270.9**	**-227.9%**
Primary Balance (Surplus +/Deficit -)	**135,926.5**	**132,305.0**	**3,621.5**	**2.7%**	**135,880.0**	**46.5**	**0.0%**
Total Payments	**797,095.9**	**806,832.2**	**-9,736.3**	**-1.2%**	**578,745.7**	**218,350.2**	**37.7%**

Source: MoFPS

Specified Public Sector Debt

The debt profile of Jamaica has changed significantly over the last fiscal year with the implementation of the new debt definition that took effect April 1, 2017. This new definition outlines total debt as the consolidated debt of the Specified Public Sector (SPS). This includes the debt of the central government as well as that of public financial and non-financial corporations, except that of the BOJ, net of any cross-holdings. The previous GOJ definition included Central Government, Bank of Jamaica and external guaranteed debt.

In line with the fiscal surplus for April to December 2017, the need for net new financing has been negated. The total outstanding stock of public debt reported at end-December 2017 was $1,952,965.6mn. This represents a $65,033.2mn (or 3.2%) reduction over the end-March debt stock of $2,017,998.8mn. The reduction can be attributed to liability management operations (LMOs) executed during the second quarter of the fiscal year and the impact of lower-than-anticipated exchange rates. Of note, GOJ raised financing through the reopening of longer tenor global bonds (JAMAN 2028 and JAMAN 2045) in the International Capital Market (ICM) in August 2017, part proceeds of which were used to buy back near to maturity external bonds. US dollar-denominated domestic bonds were also redeemed in December 2017 from the proceeds of the ICM issuances.

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

	Mar. 2017[5]	**Dec. 2017**
Central Government Debt	**1,992,535.8**	**1,936,923.5**
External Debt Stock (J$)	**1,144,029.9**	**1,176,647.7**
Domestic Debt Stock (J$)	848,505.9	760,275.8
Net Public Bodies Debt	***25,463.0***	***16,042.1***
Total Debt Stock	**2,017,998.8**	**1,952,965.6**

Source: MoFPS

The Central Government External Debt stock as at December 2017 stood at $1,176,647.7mn (see Table 3H), increasing by $32,617.8mn or 2.9% over the end-March 2017 figure. This increase was due to net new financing in the ICM, but was tempered by the appreciation of the Jamaica dollar in December 2017 relative to March 2017. Conversely, the stock of SPS Domestic Debt was reduced substantially, by over sixty billion dollars. The GOJ took advantage of strategic opportunities to eliminate foreign currency debt from the domestic portfolio.

[5] Under the old GOJ definition, total public debt at end-March 2017 was $2,160.0 billion. This is $141.9 billion or 6.6 percent more than the amount recorded under the new GOJ definition.

Table 3I: Stock of Specified Public Debt Stock End-Dec. 2017 (J$mn)

	J$ millions	(%)Total Cen Gov. Debt
Total Specified Public Sector Debt	**1,952,965.6**	**-**
Total Central Government Debt	**1,936,923.5**	**100**
Central Government Domestic Debt	**760,275.8**	**39.3**
Marketable Securities	**757,981.2**	**39.1**
Bonds	750,181.2	38.7
Treasury Bills	7,800.0	0.4
Loans (Commercial Bank, Public Sector)	**2,294.6**	**0.1**
-		
Central Government External Debt	**1,176,647.7**	60.7
Marketable Securities	**719,467.4**	**37.1**
Bonds	719,467.4	37.1
Loans	**457,180.3**	**23.6**
Bilateral	**85,259.3**	**4.4**
OECD	9,132.4	0.5
Non-OECD	76,126.9	3.9
Multilateral	**362,766.6**	**18.7**
IDB	189,263.7	9.8
IBRD	107,794.3	5.6
Other	65,708.6	3.4
Commercial Banks	**9,154.4**	**0.5**
Non Central Government Debt	**16,042.1**	**-**
Net Public Bodies	16,042.1	-

Source: MoFPS

Note: Total specified public sector debt reflects the new GOJ definition.

As at end-December 2017, the Central Government Domestic Debt stock accounted for 39.3% of the Total Central Government Debt (see Table 3I), down from the 42.6% recorded at end-March 2017. Conversely, External Debt as a percentage of the Total Central Government Debt was 60.7%, a 3.3 percentage point increase over end-March 2017. Domestic and external bonds accounted for 38.7% and 37.1% of Total Central Government Debt respectively. The net Public Bodies debt has declined by 37.0% over the end-March 2017 figure and is expected to continue decreasing as the government reduces its guaranteed debt portfolio.

SELF-FINANCING PUBLIC BODIES OPERATIONS - FY 2017/18

Public Bodies,[6] as instruments of Government Policy, have been established to develop strategic sectors of the country. Consequent on the on-going reform of the public bodies sub-sector, the number of active entities has been reduced to approximately 163 based on mergers, closure and privatisation. A number of these are corporate bodies that perform regulatory, advisory, supervisory, research, technical, administrative or quasi-judicial functions of a governmental nature. Approximately 54 deliver public policy objectives while engaging in commercial activities.

<u>SFPBs Performance</u>

For the group of Self-Financed Public Bodies[7] (SFPBs) an Overall Balance[8] surplus of $11,396.5mn is estimated for FY 2017/18, compared to a budgeted surplus of $2,512.4mn. Contributing to this higher than budgeted outturn is estimated capital expenditure of $51,549.8mn; accounting for approximately 87.1% of the budget. Significant underperformance on capital expenditure is expected from the National Water Commission (NWC). The NWC is estimating to spend $3,599.0mn (Budget: $7,961.0mn), while Petrojam Limited estimates $2,769.0mn (Budget: $4,050.0mn).

The National Housing Trust (NHT) estimates that its Overall Balance deficit should deteriorate by $1,897.0mn due to increased lending driven by recent changes in policies.

Net Transfers to Government are estimated at $45,389.8mn compared with the budget of $39,933.6mn. The increase of $5,456.2mn is due primarily to increased Special Consumption Tax transfers of $4,292.0mn from Petrojam due to higher than anticipated prices.

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

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

[7] Public Bodies which earn more than 50% of their revenue by way of sales of products and/or services, fees and other charges which are not sourced from the Consolidated Fund.

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

Table 3J: Public Bodies: Summary of Estimated Outturn for Financial Year 2017/18 (Selected & Other)

		J$m			
		Actual 2016/17	Original 2017/18	Estimated 2017/18	Projected 2018/19
Statement 'A' Flow of Funds					
1	Current Revenue	382,427.76	394,708.30	382,867.67	404,292.07
2	Current Expenses	(284,115.88)	(319,378.28)	(296,815.00)	(324,164.52)
3	Current Balance	98,311.88	75,330.03	86,052.67	80,127.55
4	Adjustments	(10,474.05)	6,178.25	3,820.44	17,758.84
	Change in Accounts	0.00	0.00	0.00	0.00
	Receivable/Payable	(9,028.68)	(9,220.46)	(11,117.92)	2,183.16
	Items not requiring outlay of cash:	0.00	0.00	0.00	0.00
	Depreciation	13,686.41	13,926.83	13,989.25	15,642.40
	Other Non-Cash Items	(15,131.78)	1,471.88	949.11	(66.72)
	Prior Year Adjustment	0.00	0.00	0.00	0.00
5	Operating Balance	87,837.83	81,508.27	89,873.11	97,886.39
6	Capital Account	(26,783.02)	(39,062.33)	(33,086.81)	(50,939.23)
	Revenue	15,654.35	19,118.63	17,263.02	18,989.32
	Expenditure	(36,222.37)	(59,191.59)	(51,549.82)	(68,374.27)
	Investment	(255.83)	(1,588.21)	(451.64)	(1,529.70)
	Change in Inventory	(5,959.17)	2,598.84	1,651.62	(24.58)
7	Transfers from Government	12,908.55	17,010.46	13,191.43	14,142.27
	Loans	0.00	0.00	0.00	0.00
	Equity	2,927.83	2,827.82	2,827.82	2,827.82
	On-Lending	0.00	0.00	0.00	0.00
	Other	9,980.72	14,182.64	10,363.61	11,314.45
8	Transfers to Government	(54,361.27)	(56,944.02)	(58,581.23)	(71,443.14)
	Dividend	(4,671.75)	(16,061.61)	(14,004.39)	(25,962.50)
	Loan Repayments	0.00	0.00	0.00	0.00
	Corporate Taxes	(2,600.83)	(2,770.65)	(2,386.59)	(2,322.66)
	Other	(47,088.69)	(38,111.76)	(42,190.25)	(43,157.97)
9	OVERALL BALANCE (5+6+7+8)	19,602.09	2,512.38	11,396.50	(10,353.71)
10	FINANCING (11+15)	(19,602.09)	(2,512.38)	(11,396.50)	10,353.71
10a	Total	14,848.78	4,016.74	165.67	10,873.07
	Capital Revenue	11,980.71	7,761.74	216.76	5,810.22
	Loans	2,468.07	(100.00)	(51.09)	5,062.85
	Equity	400.00	0.00	0.00	0.00
	On-Lending	0.00	0.00	0.00	0.00
	Loan Repayments	0.00	(3,645.00)	0.00	0.00
11	Total Foreign (12+13+14)	(15,075.80)	(42,000.20)	(26,348.27)	(18,823.72)
12	Government Guaranteed Loans	(1,638.29)	(32,641.30)	(19,457.54)	(5,022.27)
	Disbursement	3,152.52	4,319.39	1,676.74	3,658.84
	Amortization	(4,790.81)	(36,960.69)	(21,134.28)	(8,681.11)
13	Direct Loans	(13,375.97)	(9,302.17)	(6,681.22)	(13,776.63)
	Long Term:	(19,632.07)	(12,779.64)	(12,732.66)	(11,964.43)
	Disbursement	1,504.03	5,046.30	1,997.75	8,156.88
	Amortisation	(21,136.10)	(17,825.94)	(14,730.41)	(20,121.31)
	Short Term:	6,259.99	3,477.47	6,082.50	(1,812.20)
	Change in Trade Cred	6,256.10	3,477.47	6,051.44	(1,812.20)
14	Change in Deposits Abroad	(61.54)	(56.73)	(209.52)	(24.82)
15	Total Domestic (16+17+18)	(19,375.07)	35,471.08	14,786.10	18,304.36
16	Banking System	(19,253.86)	15,284.01	1,316.19	3,227.02
	Loans (Change)	(3,156.63)	26,862.32	(449.52)	734.47
	Overdraft (Change)	(87.99)	44.50	43.35	0.00
	Deposits (Change)	(16,009.23)	(11,622.81)	1,722.36	2,492.55
17	Non-Banks (Change)	(921.09)	(1,245.01)	(1,245.66)	(636.11)
18	Other (Change)	799.87	21,432.08	14,715.57	15,713.44

Source: MoFPS

MEDIUM TERM FISCAL PROGRAMME

The Government of Jamaica has demonstrated commitment to the strengthening of its fiscal position and remains steadfast in adherence to sound fiscal governance, in pursuance of achieving the legislated Debt/GDP ratio of 60.0%, or lower, by the end of FY 2025/26. The fiscal prudence being exercised is also aimed at maintaining a stable macro-economic environment, through sustainable economic expansion, progressive reduction in the country's debt stock, improvements in employment and labour productivity whilst providing effective social protection for the most vulnerable in the society. Accordingly, the medium term fiscal programme has been developed within the context of these overarching objectives. Underscoring the GOJ's dedication to achieving the targeted debt-to-GDP ratio, in conformity with the fiscal rule legislation, is the successive attainment of the targeted Central Government Primary Surplus since FY 2013/14. The unwavering commitment persists, with the Primary Surplus programmed to be at least 7.0% of GDP for FY 2018/19 and across the medium term. The Overall Balance of the public bodies is programmed to be in balance over the medium term.

The medium term fiscal profile, outlined in Tables 3K and 3L, reflects the assumptions detailed in the Macroeconomic Framework. The fiscal programme requires the generation of a Central Government Primary Surplus equivalent to 7.0% of GDP from FY 2018/19 through the medium term. Central Government operations are expected to generate a Fiscal Surplus of 0.2% of GDP in FY 2018/19, with incremental surpluses thereafter.

Revenue Strategy

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

Tax Administration Reform

Initiatives previously commenced by TAJ and JCA to improve the efficiency of the tax system will continue to be implemented. Additionally, consideration of new strategic approaches is ongoing, with a view to implement those which are identified to be most likely to contribute to the efficient and equitable collection of revenue. The activities to be pursued during FY 2018/19 are summarised below with details provided in Appendix V.

Tax Administration Jamaica (TAJ)

TAJ's strategic focus will be to build on the significant gains achieved in FY 2017/18, as efforts are amplified to satisfy the expectations of both taxpayers and stakeholders. In this regard, there are a number of strategic objectives which have been identified for the medium term. These include:

- *Continuously improving voluntary compliance***:** focus will continue to be directed at the four primary quadrants of compliance: registration, filing, payment and accurate reporting. Initiatives to be implemented towards improving these areas include: the publication of the National Compliance Plan (NCP), strengthening of the legislative support and implementing the special property tax project;

- *Engendering a customer centric organization***:** TAJ will broaden this concept through the development and implementation of a stakeholder management plan/communication matrix to further address stakeholder needs and expectations. The current service offerings of TAJ will be continuously reviewed and redesigned to improve the levels of engagement with the public as it relates to their taxpayer obligations. For FY2018/19, products and service channels will be strengthened by exploring additional e-strategies such as expansion of payment options and mobile application development;

- *Institutional strengthening***:** Business processes such as RAiS will continue to be enhanced and ECM Phase 2 will be implemented. TAJ will continue to forge institutional agreements for information sharing with third parties and institutionalize quarterly divisional expenditure management and control to ensure an effective cost of collections ratio. A most critical delivery will be the development plan that will focus on producing an infrastructure standardization policy framework to guide work on tax offices. TAJ will advance the centralization of project coordination, which is expected to greatly support the 5-year development plan

- *Building human capital synergies***:** This initiative will be supported by implementation of the findings from the employee satisfaction survey along with strengthening of the staff performance management system; and

- *Corporate governance and culture enhanced***:** The TAJ will aim to enhance corporate governance through strengthening the accountability and transparency mechanisms within the organization. A key strategic initiative to be implemented is a governance framework that among other things will fully establish TAJ as a Semi-Autonomous Revenue Authority (SARA). This governance framework will be supported by implementation of the ERM framework aimed at conducting business continuity testing.

Jamaica Customs Agency (JCA)

In support of the GOJ's overarching revenue strategy, and, building upon its achievements in FY 2017/18, the strategic objectives of JCA for the medium term include, inter alia:

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

- Automating and strengthening information management, information and communication technology, and financial management systems.

Revenue Profile

Supported by the previously stated strategies and guided by the macroeconomic assumptions outlined in the Macroeconomic Framework, Revenue and Grants are passively forecast: to be 29.3% of GDP in FY 2018/19, which is similar to the projected ratio for FY 2017/18; and to average 28.7% of GDP across the medium term to FY 2021/22 (Tables 3K and 3L). Both Tax Revenue and Non-tax Revenue are expected to remain generally stable over the medium term, averaging 25.4% and 2.9% of GDP, respectively.

The stability of tax revenue is hinged on the fact that although particular components of some tax types, such as SCT, are based on fixed rates (not ad valorem) and will, therefore, not increase in line with nominal GDP growth, the continued implementation of administrative improvements at the TAJ and JCA are likely to yield higher collections. The success of these efforts has been demonstrated in recent years.

Non-tax Revenue is projected to increase to 3.0% for FY 2018/19, and average 2.9% of GDP over the medium term. Grants are projected to average approximately 0.3% of GDP over the medium term.

Expenditure Strategy

Expenditure management is a vital component of the overall Fiscal Management Strategy for achieving desirable fiscal outcomes over the medium to long term. The medium term expenditure profile shows a gradual but mild decline in programmed spending, moving from 29.1% of GDP in FY 2018/19 to 26.3% of GDP at the end of FY 2021/22. The declining expenditure ratio is influenced by the projected reduction in interest payments, predicated on the targeted decline in the public debt stock over the medium term.

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

Spending will be prioritized for the following purposes: conditional cash transfers for children and the elderly; basic school subsidy; basic education including early childhood, primary and secondary education; the school feeding programme; poor relief programmes; and assistance to persons with disabilities, among others.

FY 2018/19 BUDGET – CENTRAL GOVERNMENT

The GOJ Budget for FY 2018/19 is designed to achieve the targets entrenched in the fiscal rule legislation and within the context of the current PSBA with the IMF. The FY 2018/19 fiscal programme aims to support the objective of reducing the public debt stock and debt servicing costs, thus creating fiscal space to spur economic growth, job creation and ensure increased social well-being for Jamaicans. Accordingly, the focus will be towards achieving the primary balance target of 7.0% of GDP, and the corresponding fiscal balance which are the operational instruments being utilized to attain a Public Debt of 60.0% of GDP by the end of FY 2025/26. The fiscal surplus is budgeted at $4,108.0mn or 0.2% of GDP.

The GOJ is aware that challenges in the global economy remains, including: volatility in the movement of some commodity prices particularly oil and alumina and uncertainty surrounding global economic growth, and in particular, growth in the economy of our main trading partners. It is against this background that the FY 2018/19 Budget has been crafted.

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

Item	Act 2015/16	Act 2016/17	Proj 2017/18	Proj 2018/19	Proj 2019/20	Proj 2020/21	Proj 2021/22
Revenue & Grants	**27.0%**	**28.0%**	**29.3%**	**29.3%**	**28.7%**	**28.5%**	**28.3%**
Tax Revenue	24.4%	25.7%	26.0%	25.7%	25.3%	25.3%	25.2%
Non-Tax Revenue	2.1%	1.9%	2.8%	3.0%	3.1%	2.8%	2.8%
Bauxite Levy	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Revenue	0.0%	0.0%	0.2%	0.1%	0.1%	0.1%	0.1%
Grants	0.3%	0.3%	0.2%	0.4%	0.2%	0.2%	0.2%
Expenditure	**27.3%**	**28.2%**	**29.2%**	**29.1%**	**27.7%**	**26.9%**	**26.3%**
Recurrent Expenditure	25.4%	25.9%	26.8%	26.1%	24.6%	23.9%	23.3%
Programmes	7.9%	8.0%	9.3%	9.3%	8.9%	8.8%	8.6%
Compensation of Employees	10.0%	10.0%	10.4%	10.0%	9.8%	9.7%	9.7%
Wages & Salaries	9.7%	9.3%	9.6%	9.2%	9.1%	9.0%	9.0%
Employer's Contribution	0.3%	0.7%	0.8%	0.8%	0.7%	0.7%	0.7%
Interest	7.4%	7.8%	7.1%	6.8%	5.9%	5.4%	5.0%
Domestic	4.2%	3.6%	3.3%	3.0%	2.5%	2.1%	1.9%
External	3.2%	4.3%	3.8%	3.8%	3.5%	3.3%	3.1%
Capital Expenditure	1.9%	2.4%	2.4%	3.0%	3.0%	3.0%	3.0%
Capital Programmes	1.9%	2.4%	2.4%	3.0%	3.0%	3.0%	3.0%
Fiscal Balance (Surplus + / Deficit -)	**-0.3%**	**-0.2%**	**0.1%**	**0.2%**	**1.1%**	**1.6%**	**2.0%**
Loan Receipts	**17.7%**	**5.0%**	**10.6%**	**5.1%**	**4.7%**	**5.8%**	**2.9%**
Domestic	1.7%	3.1%	3.5%	3.9%	3.8%	3.9%	1.4%
External	16.0%	1.9%	7.1%	1.2%	0.9%	1.9%	1.5%
Amortization	**20.3%**	**4.2%**	**12.3%**	**7.5%**	**5.3%**	**7.0%**	**5.5%**
Domestic	4.61%	1.67%	8.86%	4.40%	2.77%	5.07%	2.23%
External	15.71%	2.56%	3.42%	3.13%	2.52%	1.89%	3.27%
Other Inflows (inc'ds PCDF)	**0.4%**	**0.8%**	**0.6%**	**0.7%**	**0.7%**	**0.7%**	**0.6%**
Other Outflows (incl'ds BOJ Recapitalization)	**0.0%**	**0.0%**	**0.7%**	**1.7%**	**1.2%**	**1.1%**	**0.0%**
Overall Balance (Surplus + / Deficit -)	**-2.5%**	**1.4%**	**-1.0%**	**-3.2%**	**1.2%**	**1.1%**	**0.0%**
Primary Balance (Surplus +/Deficit -)	**7.2%**	**7.6%**	**7.2%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**
GDP	**1,687,385.2**	**1,782,705.2**	**1,887,800.0**	**2,017,914.2**	**2,160,200.0**	**2,315,100.0**	**2,483,100.0**
TOTAL PAYMENTS	**47.6%**	**32.5%**	**42.2%**	**38.3%**	**34.1%**	**34.9%**	**31.8%**

Source: MoFPS

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

Item	Act 2015/16	Act 2016/17	Proj 2017/18	Proj 2018/19	Proj 2019/20	Proj 2020/21	Proj 2021/22
Revenue & Grants	**455,835.8**	**499,879.9**	**552,963.3**	**590,588.4**	**620,325.7**	**658,876.8**	**701,973.7**
Tax Revenue	411,854.0	458,323.4	491,110.1	518,435.3	546,955.4	585,638.9	625,054.1
Non-Tax Revenue	35,748.6	33,754.1	53,409.8	60,880.4	65,961.2	65,411.3	68,652.3
Bauxite Levy	2,116.9	1,940.9	127.5	126.0	128.8	133.7	135.7
Capital Revenue	652.7	568.6	3,802.2	2,088.1	2,235.4	2,395.6	2,569.5
Grants	5,463.6	5,292.8	4,513.6	9,058.7	5,045.0	5,297.3	5,562.1
Expenditure	**460,719.4**	**503,356.0**	**551,198.3**	**586,480.5**	**597,521.5**	**621,950.0**	**652,658.8**
Recurrent Expenditure	427,972.1	461,400.7	506,027.5	526,655.4	532,326.9	552,412.6	578,555.0
Programmes	133,502.4	142,976.4	175,530.0	188,656.1	192,760.2	202,591.0	213,125.7
Compensation of Employees	168,790.2	179,068.1	196,336.0	201,051.4	211,156.9	224,691.4	240,927.2
Wages & Salaries	163,517.8	166,484.7	181,410.9	185,274.7	196,035.5	208,485.7	223,479.0
Employer's Contribution	5,272.3	12,583.4	14,925.1	15,776.7	15,121.4	16,205.7	17,448.2
Interest	125,679.5	139,356.2	134,161.5	136,947.9	128,409.8	125,130.2	124,502.1
Domestic	71,391.3	63,544.0	62,749.6	60,970.9	53,320.1	49,302.6	47,832.1
External	54,288.3	75,812.2	71,411.9	75,977.0	75,089.8	75,827.6	76,670.0
Capital Expenditure	32,747.3	41,955.3	45,170.8	59,825.1	65,194.6	69,537.4	74,103.8
Capital Programmes	32,747.3	41,955.3	45,170.8	59,825.1	65,194.6	69,537.4	74,103.8
Fiscal Balance (Surplus + / Deficit -)	**-4,883.7**	**-3,476.1**	**1,765.0**	**4,108.0**	**22,804.2**	**36,926.8**	**49,315.0**
Loan Receipts	**298,600.5**	**89,826.8**	**200,027.4**	**103,198.3**	**101,467.8**	**133,754.1**	**71,673.0**
Domestic	29,004.3	55,544.1	66,276.4	78,071.6	81,241.7	89,975.9	33,973.5
External	269,596.2	34,282.8	133,750.9	25,126.7	20,226.1	43,778.2	37,699.5
Amortization	**342,725.9**	**75,389.7**	**231,897.6**	**152,044.3**	**114,180.5**	**160,998.2**	**136,697.9**
Domestic	77,718.9	29,709.8	167,285.6	88,843.6	59,754.7	117,317.6	55,441.6
External	265,007.1	45,679.9	64,612.0	63,200.7	54,425.8	43,680.6	81,256.2
Other Inflows (inc'ds PCDF)	**6,071.2**	**14,604.7**	**11,400.1**	**14,590.1**	**14,908.5**	**15,317.3**	**15,709.8**
Other Outflows (incl'ds BOJ Recapitalization)			**14,000.0**	**35,164.5**	**25,000.0**	**25,000.0**	
Overall Balance (Surplus + / Deficit -)	**-42,937.9**	**25,565.8**	**-32,705.2**	**-65,312.4**	**0.0**	**0.0**	**0.0**
Primary Balance (Surplus +/Deficit -)	**120,795.9**	**135,880.1**	**135,926.5**	**141,055.9**	**151,214.0**	**162,057.0**	**173,817.0**
Total Payments	**803,445.3**	**578,745.7**	**797,095.9**	**773,689.2**	**736,702.1**	**807,948.3**	**789,356.7**

Source: MoFPS

The GOJ is finalizing settlements with bargaining units representing public sector workers, for a four-year contract period (2017/2021) and will be submitting a Second Supplementary Estimate to facilitate payment of the 2017/18 new rates prior to the end of FY 2017/18.

The fiscal profile shows a Wage/GDP ratio of 9.2% of GDP for FY 2018/19, which falls to 9.0% of GDP by March 2021. Further actions will be taken during FY 2018/19 to ensure that by the end of FY 2018/19 the wage/GDP ratio meets the 9.0% legislated target and will be maintained across the medium term. The GOJ has developed a wage policy, (informed by a Compensation review), that will guide the negotiation process for the public sector going forward. The GOJ will also continue to implement critical aspects of the public sector transformation initiative, as part of the strategy to reduce the operating cost of Government.

As Jamaica continues to pursue Vision 2030, FY 2018/19 represents another challenging year during which, the MDAs will be required to be more prudent and efficient in their operations. In pursuit of the long term goal, the Capital budget outlined in the PSIP (Appendix VI), has sought to strategically allocate budgetary resources to growth enhancing, crime reducing activities.

Expenditure

Non-Debt Expenditure

The Estimates of Expenditure for FY 2018/19 includes forward expenditure estimates for financial years 2019/20, 2020/21 and 2021/22. The forward estimates are aligned with the medium term aggregate expenditure ceilings as reflected in the Fiscal Management Strategy (*Table 3L: Central Government Summary Accounts*) and in the summaries at Appendix 1 (*Medium Term Expenditure Profile 2018/19 – 2021/22*).

The forward estimates are indicative and are not voted by the Parliament. The Parliament will, vote only on the expenditure presented for the budget year 2018/19. Also, the Appropriations Bill will reflect only the appropriations for the budget year 2018/19.

Total Non-Debt Expenditure for FY 2018/19 is programmed at $449,532.6mn. This includes recurrent expenditures of $389,707.5mn and capital of $59,825.1mn.

The government has identified national security and the rule of law as the main strategic priority for FY 2018/19 and the medium term. This has resulted in a significant increase in budgetary allocation to the national security portfolio with strategic emphasis being placed on strengthening the capability of the Jamaica Defence Force through the provision of additional human resources, equipment and technology.

Compensation of Employees

A total of $201,051.4mn or 34.3% of the expenditure budget is allocated to Compensation of Employees. The compensation estimates for 2018/19 and the medium term are based on an assumption that the government's offer for increases on basic wages and linked allowances over the next four-years will be accepted by the public sector unions. The allocation for Wages and Salaries and Employer's Contribution are $185,274.7mn and $15,776.7mn, respectively.

Included in the projections for FY 2018/19 is $2,400.0mn to facilitate expansion in the size of the Jamaica Defence Force to include a new infantry battalion, a new training battalion and additional soldiers through the newly established Jamaica National Service Corps.

Recurrent Programmes

The total recurrent programmes proposed for FY 2018/19 is $188,656.1mn, representing 42.0% of the total non-debt budget. This reflects an increase of $13,126.1mn or 7.5% over the Revised Estimates 2017/18.

In keeping with the priority placed on national security the allocation to the Ministry of National Security has been increased by in excess of $2,000.0mn to among other things support the expanded operations of Jamaica Defence Force.

A provision of $4,979.0mn has been made for the Special Early Retirement Programme (SERP) with incentives for eligible public servants to proceed on early retirement from the public service.

Approximately $3,000.0mn has been allocated to meet pension payments for the normal retirement programme; the annual increase payable to government pensioners; the cost of recalculating of pension payments (for files currently being processed) due to the pending wage settlement; and an estimate for persons who will take up the offer of early retirement.

Capital Expenditure

For FY 2018/19, total capital spending is programmed at $59,825.1mn, reflecting an increase of $14,654.3mn or 32.4% above the Revised Estimates for FY 2017/18. This level of spending is equivalent to 3.0% of GDP, up from an estimated 2.4% of GDP in FY 2017/18. Capital expenditure will be financed by a combination of government funds, loans and grants from external Development Partners as well as from Appropriations-in-Aid provided by Self- Financed Public Bodies. (See Appendix VI)

The Ministry of Economic Growth and Job Creation has received the largest share of the capital expenditure with $20,670.0mn or 34.5% of the budget, the major part of which will be spent under the works portfolio which has an allocation of $16,730.0mn or 81.0% of the total sum allocated to the ministry.

The Major Infrastructure Development Programme received $12,010.0mn or 72.0% of the works portfolio, while the South Coast Highway Improvement Project (SCHIP), a new public investment project, financed by external loan funds by China EXIM bank, accounts for 24.0% or $3,950.0mn. Together these two projects account for 96.0% of the budgetary allocation to the works portfolio of the Ministry of Economic Growth and Job Creation.

Total capital spending allocated to the national security portfolio amounts to $12,414.0mn, a 132.0% increase over the Revised Estimates of $5,359.0mn in FY 2017/18. The growth in the national security expenditure is indicative of the government’s commitment to tackle the problem of crime and violence which has been plaguing the country for decades.

Just under $800.0mn has been allocated as a contingency to accommodate public investment projects under the Ministry of Finance and the Public Service. The MoFPS, at the time of budget preparation, had not yet completed the Public Investment Management approval process but would do so during the course of the financial year. Additional fiscal space will be required to commence the implementation. The public investment projects include the Montego Bay Perimeter Road and the Spanish Town Hospital Restoration Programme which are currently at the planning phase and undertaking preliminary activities.

Approximately $3,000.0mn in additional capital expenditure will be financed by grants from Self-Financed Public Bodies and is represented in the Estimates as Appropriations-in-Aid (AIA). The National Health Fund will provide $2,200.0mn to the Ministry of Health, which includes:

i. $314.0mn - Pre-Investment Study;
ii. $221.0mn - GOJ's Counterpart Funding for Western Children’s Hospital;
iii. $833.0mn - Regional Health Authorities;
iv. $773.0mn - Cornwall Regional Hospital Restoration;

The Universal Service Fund will provide $450.0mn to the Ministry of Science, Energy and Technology to support the E-Learning Project.

The Petro Caribe Development Fund will provide $125.0mn to support continued implementation of the Sanitation in School Programme being executed by the Jamaica Social Investment Fund (JSIF).

Social Programmes

Social programmes for protected groups will continue to receive priority with respect to the allocation of resources, to ensure that overall spending in these areas is not eroded by inflation. Included are programmes for youth employment, poor relief, children homes and places of safety, school feeding, and the PATH programme targeting the elderly, pregnant and lactating women and children attending school.

Debt Servicing

Total provision for Debt Service is $288,992.2mn, or 39.1% of the overall expenditure budget (including amortization). Interest payments are budgeted to increase by 2.1% over the outturn for FY 2017/18 to $136,947.9mn (6.8% of GDP).

Revenue and Grants

Revenue and Grants for FY 2018/19 are passively forecast at $590,588.4mn, or 29.3% of GDP, similar to the projected Revenue and Grants outturn of GDP for FY 2017/18. The forecast for FY 2018/19 represents a 6.8% increase over the projected outturn for FY 2017/18. Tax Revenue is budgeted at $518,435.3mn (25.7% of GDP) and is expected to account for 87.8% of total Revenue and Grants, compared to 88.8% of the projected outturn for FY 2017/18.

Table 3M: FY 2018/19 Revenue Forecast

	2017/18	2018/19	% Change
Revenue and Grants	**552,963.3**	**590,588.4**	**6.8%**
Recurrent Revenue	544,520.0	579,315.6	6.4%
Tax Revenue	491,110.1	518,435.3	5.6%
Non-Tax Revenue	53,409.8	60,880.4	14.0%
Bauxite Levy	127.5	126.0	-1.2%
Capital Revenue	3,802.2	2,088.1	-45.1%
Grants	4,513.6	9,058.7	100.7%

Source: MoFPS

Non-tax Revenue for FY 2018/19 is projected to be $60,880.4mn or 3.0% of GDP. This represents a 14.0% increase over the Revised Estimates for FY 2017/18 which amounted to 2.8% of GDP.

The Non-tax Revenue projection includes:

- receipts of $5,400.0mn from the Customs Administration Fees;
- transfers of $12,735.6mn from the de-earmarked entities: CHASE, TEF and JCAA;
- special distribution of USD 101.0mn from PCDF.

Capital Revenue is programmed to be $2,088.1mn, representing a 45.1% decline relative to the projected inflows for FY 2017/18. This higher capital revenue for FY 2017/18 is associated with a loan repayment by Airport Authority of Jamaica during the fiscal year.

Grants are projected to total $9,058.7mn for FY 2018/19, which is 0.4% of GDP. This reflects an increase of 100.7%. The amount includes EU grant inflows totalling $3,672.0mn, of which $1,377.0mn is budgeted to support the Justice Sector Reform Programme while $2,295.0mn represents the second tranche budget support receipts under the Accompanying Measures for Sugar (AMS) Protocol Countries 2013 Financing Agreement.

Financing

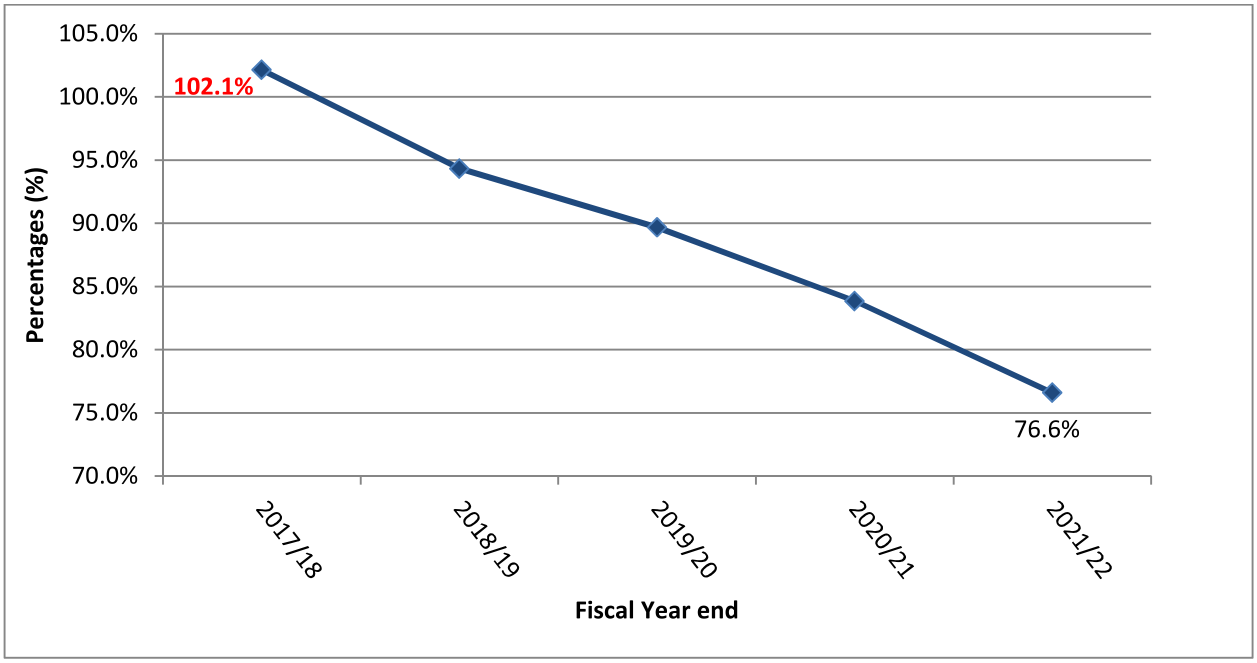
The borrowing requirement of the Central Government for FY 2018/19 amounts to $103,198.3mn. Of the budgeted Loan Receipts, $78,071.6mn is programmed to be raised domestically and $25,126.7mn is to be raised externally. This borrowing requirement represents a 48.4% reduction in total Loan Receipts when compared to FY 2017/18. The lower borrowing (year-over-year) requirement reflects the significantly lower Amortization costs for FY 2017/18 and the planned utilization of cash resources.

Specified Public Sector Debt

The GOJ seeks to control the growth of Specified Public Sector (SPS) debt through prudent fiscal management in pursuance of the 60.0% or less public debt-to-GDP target by the end of FY 2025/26. Figure 3B highlights the trajectory of debt-to-GDP over the last four years and projections over the medium term consistent with the legislated fiscal rules. The debt ratios are mandated to decline steadily through the period FY 2017/18 to FY 2025/26.

The GOJ foresees a debt-to-GDP ratio of 102.1%, by end-March 2018 as outlined by the legislation, a reduction of 11.1 percentage points over the 113.2% (new definition) ratio for FY 2016/17. Much of this decline can be attributed to GOJ's liability management exercises throughout the FY, the appreciation of the Jamaica dollar vis-à-vis its US counterpart and the paying down of outstanding debt. There is also a projected ratio of 76.6% to be realized by the end of FY 2021/22, representing a further decrease of 25.5 percentage points between FY 2017/18 and FY 2021/22 (see Figure 3H).

Figure 3H: Debt-to-GDP Trajectory



Source: MoFPS

FY 2018/19 BUDGET – SELF-FINANCING PUBLIC BODIES

The group of SFPBs, now 56 entities, is expected to attain an Overall Balance deficit of $10,353.7mn for FY 2018/19 (estimated FY 2017/18; $11,396.5mn surplus). This reduced Overall Balance is predicated primarily on increased capital expenditure as the entities pursue several developmental programmes. Capital expenditure is projected at $68,374.3mn (FY 2017/18; $51,549.8mn). Four (4) SFPBs namely the NHT ($33,505.0mn), NWC ($6,667.0mn), PAJ ($6,829.0mn) and Petrojam ($7,949.0mn) should account for 80.0% of the planned expenditure.

National Housing Trust (NHT)

The NHT will continue to pursue increased delivery of housing solutions in the medium term; the entity is employing several new strategies aimed at making housing solutions more affordable and accessible. Accordingly, 16,356 solutions (houses and residential lots) should be completed by FY 2020/21 of which 4,734 are scheduled for completion in FY 2018/19. The Trust projects to expend $31,645.0mn during FY 2018/19, in pursuit of these objectives. This should account for 94.0% of the Trust's budgeted total capital spend.

National Water Commission (NWC)

The NWC will continue the implementation of selected programmes that are expected to reduce the level of non-revenue water (NRW), achieve energy and other efficiency gains, contain operating costs and enhance revenues. Capital expenditure of $6,667.0mn includes financing for the KMA Water Supply Improvement project, as well as rehabilitation works under the K-factor Programme.

Petrojam Limited

Petrojam plans to undertake activities during FY 2018/19 aimed at enhancing its refinery capabilities, whilst improving marketability and containing costs. Petrojam will pursue commencement of construction for a Vacuum Distillation Unit (VDU) which is Phase 1 of the refinery upgrade programme and which will facilitate the production of asphalt. Funds will also be expended for new subsea pipelines and the repair of tank structures.

Port Authority of Jamaica (PAJ)

PAJ's development projects are strategically aligned to the Government of Jamaica's growth and employment agenda. The PAJ will continue to pursue several developmental activities; these include the Montego Bay cruise and cargo development and acquisition of a Sea Walk Floating Pier for use at Port Royal. The PAJ, in FY 2017/18 placed significant focus on completing Business Process Outsourcing (BPO) facilities in Portmore and Montego Bay as part of efforts to develop and expand Jamaica's outsourcing industry. The Montego Bay facility has been completed and construction of the Portmore facility is scheduled to be completed in FY 2018/19. Development projects are expected to account for over 80.0% of planned capital expenditure of $6,829.0mn.

Net flows from Public Bodies to GOJ are projected at $57,300.8mn resulting from $71,443.1mn Transfers to GOJ and $14,142.3mn Transfers from GOJ. The flows from SFPBs to GOJ include SCT from Petrojam Limited, corporate taxes, grants to support special programmes as well as financial distributions.

SFPBs scheduled to benefit from GOJ transfers include the Students' Loan Bureau (SLB) – support from Education Tax and the JUTC – support for acquisition of spare parts and fare subsidy.

The Table following outlines the financial projection of the group of Public Bodies for FY 2018/19.

Table 3N: Summary of Financial Forecast for Financial Year 2018/19 (Selected & Other) Public Bodies

Public Bodies (Selected & Other)	*Summary of Financial Forecasts for Financial Year 2018/19*		
	SPBs Projected 2018/19	**OPBs Projected 2018/19**	**TOTAL PBs 2018/19**
Statement 'A' Flow of Funds			
1 Current Revenue	346,090.68	58,201.39	404,292.07
2 Current Expenses	(281,904.38)	(42,260.14)	(324,164.52)
3 Current Balance	64,186.31	15,941.24	80,127.55
4 Adjustments	16,297.39	1,461.45	17,758.84
Change in Accounts	0.00	0.00	0.00
Receivable/Payable	2,245.10	(61.94)	2,183.16
Items not requiring outlay of cash:	0.00	0.00	0.00
Depreciation	13,978.50	1,663.90	15,642.40
Other Non-Cash Items	73.79	(140.51)	(66.72)
Prior Year Adjustment	0.00	0.00	0.00
5 Operating Balance	80,483.70	17,402.70	97,886.39
6 Capital Account	(46,597.73)	(4,341.50)	(50,939.23)
Revenue	18,989.32	0.00	18,989.32
Expenditure	(64,673.68)	(3,700.58)	(68,374.27)
Investment	(843.29)	(686.41)	(1,529.70)
Change in Inventory	(70.08)	45.50	(24.58)
7 Transfers from Government	10,947.27	3,195.00	14,142.27
Loans	0.00	0.00	0.00
Equity	0.00	2,827.82	2,827.82
On-Lending	0.00	0.00	0.00
Other	10,947.27	367.18	11,314.45
8 Transfers to Government	(53,285.33)	(18,157.81)	(71,443.14)
Dividend	(11,759.52)	(14,202.98)	(25,962.50)
Loan Repayments	0.00	0.00	0.00
Corporate Taxes	(1,807.21)	(515.45)	(2,322.66)
Other	(39,718.60)	(3,439.37)	(43,157.97)
9 OVERALL BALANCE (5+6+7+8)	(8,452.10)	(1,901.61)	(10,353.71)
10 FINANCING (10a +11+15)	8,452.10	1,901.61	10,353.71
10a Total	7,529.17	3,343.90	10,873.07
Capital Revenue	5,677.78	132.44	5,810.22
Loans	1,851.39	3,211.46	5,062.85
Equity	0.00	0.00	0.00
On-Lending	0.00	0.00	0.00
Loan Repayments	0.00	0.00	0.00
11 Total Foreign (12+13+14)	(1,639.29)	(17,184.43)	(18,823.72)
12 Government Guaranteed Loans	(5,022.27)	0.00	(5,022.27)
Disbursement	3,658.84	0.00	3,658.84
Amortization	(8,681.11)	0.00	(8,681.11)
13 Direct Loans	3,407.80	(17,184.43)	(13,776.63)
Long Term:	5,220.00	(17,184.43)	(11,964.43)
Disbursement	6,975.00	1,181.88	8,156.88
Amortisation	(1,755.00)	(18,366.31)	(20,121.31)
Short Term:	(1,812.20)	0.00	(1,812.20)
Change in Trade Credits	(1,812.20)	0.00	(1,812.20)
14 Change in Deposits Abroad	(24.82)	0.00	(24.82)
15 Total Domestic (16+17+18)	2,562.22	15,742.14	18,304.36
16 Banking System	4,587.96	(1,360.94)	3,227.02
Loans (Change)	739.37	(4.90)	734.47
Overdraft (Change)	0.00	0.00	0.00
Deposits (Change)	3,848.59	(1,356.04)	2,492.55
17 Non-Banks (Change)	(728.21)	92.10	(636.11)
18 Other (Change)	(1,297.53)	17,010.98	15,713.44

Source: MoFPS

Appendix I

Medium Term Expenditure Profile 2016/17 - 2021/22
Table IA - Non-Debt Recurrent Expenditure

Heads	Actual 2016/2017	Revised Estimates 2017/2018	Estimates of Expenditure 2018/2019	Projected 2019/2020	Projected 2020/2021	Projected 2021/2022
His Excellency the Governor-General and Staff	193,206	250,172	248,943	261,306	275,208	284,446
Houses of Parliament	852,708	990,076	1,104,748	1,152,610	1,224,936	1,264,801
Office of the Public Defender	99,259	112,285	129,057	135,711	143,496	148,279
Office of the Contractor-General	295,828	288,186	317,787	335,409	355,728	369,454
Auditor General	620,719	646,998	703,234	744,165	793,785	820,210
Office of the Services Commissions	198,444	204,303	311,381	330,031	352,291	363,578
Office of the Children's Advocate	157,545	180,327	186,619	196,280	207,444	214,922
Independent Commission of Investigations	366,492	369,052	411,044	427,746	447,834	462,423
Office of the Prime Minister	5,126,927	5,940,756	5,896,324	7,375,339	7,848,146	8,194,548
Office of the Cabinet	569,464	616,091	672,931	713,337	770,392	787,949
Ministry of Tourism	1,949,514	8,722,717	11,529,503	12,225,349	12,871,681	13,486,582
Ministry of Economic Growth and Job Creation	9,101,056	12,029,059	12,738,855	13,128,026	13,909,890	14,456,074
Ministry of Finance and the Public Service	53,958,829	78,933,994	103,247,646	91,700,088	96,149,823	86,563,018
Ministry of National Security	58,543,323	58,321,790	66,119,459	69,302,363	73,084,420	75,131,302
Ministry of Justice	6,449,832	7,969,884	7,781,962	8,656,511	9,151,128	9,479,247
Ministry of Foreign Affairs and Foreign Trade	3,949,208	4,179,682	4,500,151	4,694,630	4,910,395	5,099,993
Ministry of Labour and Social Security	2,719,406	3,046,096	3,429,439	3,722,248	3,940,505	4,087,097
Ministry of Education, Youth and Information	93,872,500	99,275,525	103,023,702	107,942,391	113,667,770	116,888,860
Ministry of Health	56,967,702	63,833,214	65,609,471	69,147,826	73,394,358	75,687,430
Ministry of Culture, Gender, Entertainment and Sport	2,517,402	3,309,812	3,331,540	3,510,334	3,717,010	3,860,499
Ministry of Industry, Commerce, Agriculture and Fisheries	5,672,963	5,880,766	6,266,877	6,453,012	6,858,997	7,101,935
Ministry of Science, Energy and Technology	5,116,877	6,016,610	6,654,632	6,974,238	7,395,416	7,676,572
Ministry of Transport and Mining	3,203,140	6,973,548	8,705,296	9,143,634	9,620,889	10,096,590
Ministry of Local Government and Community Development	10,899,150	9,803,870	10,176,895	10,644,548	11,190,910	11,524,126
GRAND TOTAL RECURRENT	**323,401,494**	**377,894,813**	**423,097,496**	**428,917,132**	**452,282,452**	**454,049,935**

Medium Term Expenditure Profile 2016/17 - 2021/22
Table IB - Non-Debt Capital Profile

HEADS	Provisional 2016/2017	Revised Estimates 2017/2018	Estimates of Expenditure 2018/2019	Projected 2019/2020	Projected 2020/2021	Projected 2021/2022
Office of the Prime Minister	1,915,176	2,285,786	5,516,555	7,735,568	7,250,964	9,230,709
Office of the Cabinet	571,254	747,106	1,438,600	-	-	-
Ministry of Tourism	17,000	-	-	-	-	-
Ministry of Economic Growth and Job Creation	13,698,985	18,060,920	20,676,390	25,411,323	26,812,212	17,838,874
Ministry of Finance and the Public Service	3,718,615	3,778,861	5,225,096	3,570,634	8,975,000	22,892,901
Ministry of National Security	6,250,342	5,358,919	12,414,446	10,752,782	8,149,603	5,947,993
Ministry of Justice	920,993	1,269,409	1,875,900	2,049,537	1,282,366	1,897,000
Ministry of Labour and Social Security	6,036,251	8,279,871	7,973,764	8,053,731	8,568,350	8,640,550
Ministry of Education, Youth and Information	2,598,175	1,965,683	1,670,634	1,542,474	2,455,167	1,311,103
Ministry of Health	1,626,990	2,025,196	2,165,928	3,179,583	3,190,000	2,733,000
Ministry of Culture, Gender, Entertainment and Sport	188,516	28,360	20,725	-	-	-
Ministry of Industry, Commerce, Agriculture and Fisheries	3,375,250	2,171,960	1,122,378	622,480	596,238	1,779,170
Ministry of Science, Energy and Technology	835,743	751,625	802,749	1,003,127	1,072,500	1,072,500
Ministry of Transport and Mining	2,329,919	1,310,671	771	1,729	-	-
Ministry of Local Government and Community Development	718,410	647,140	695,614	1,271,632	1,185,000	760,000
TOTAL CAPITAL	44,801,619	48,681,507	61,599,550	65,194,600	69,537,400	74,103,800

Medium Term Expenditure Profile 2016/17 - 2021/22
Table IC - Non-Debt Recurrent Economic Classification

Object Classification	Provisional 2016/2017	Revised Estimates 2017/2018	Estimates of Expenditure 2018/2019	Projected 2019/2020	Projected 2020/2021	Projected 2021/2022
Compensation of Employees	**179,933,615**	**194,636,000**	**201,051,400**	**211,156,900**	**224,691,400**	**240,927,200**
Recurrent Programmes (of which:)	**143,467,879**	**183,258,813**	**222,046,096**	**217,760,232**	**225,791,052**	**213,122,735**
Travel Expenses and Subsistence	14,090,310	17,093,069	15,040,023	16,116,147	16,467,278	17,200,286
Rental of Property and Machinery	3,996,625	4,713,880	4,457,379	4,596,589	4,812,547	5,176,789
Utilities and Communication Services	8,804,227	9,627,830	8,367,403	8,736,729	9,984,276	10,180,556
Use of Goods and Services	35,973,732	42,738,582	36,645,941	39,757,839	42,557,717	45,546,323
Grants, Contributions and Subsdies	36,565,296	48,854,041	64,445,166	67,544,519	70,298,679	72,921,120
Retirement Benefits	30,954,430	36,866,275	44,545,717	41,428,496	43,475,313	45,692,147
Awards and Social Assistance	8,120,560	10,943,794	11,351,363	11,730,965	11,818,138	13,008,488
Others	4,962,699	12,421,342	37,193,104	27,848,949	26,377,104	3,397,026
TOTAL RECURRENT	**323,401,494**	**377,894,813**	**423,097,496**	**428,917,132**	**450,482,452**	**454,049,935**

Functional Classification of Expenditure
Medium Term Expenditure Profile 2016/17 - 2021/22
Recurrent and Capital
$'000

		Provisional 2016/2017	Revised Estimates 2017/2018	Estimates of Expenditure 2018/2019	Projected 2019/2020	Projected 2020/2021	Projected 2021/2022
1	**General Public Services**						
1	Executive and Legislative Services	2,557,531.0	3,221,287.0	5,549,572.0	6,268,718.0	5,813,060.0	5,607,988.0
2	Economic and Fiscal Policies Management	24,351,732.0	39,044,517.0	30,529,330.0	26,885,924.0	28,379,651.0	28,720,082.0
3	Personnel Management	6,528,825.0	7,550,104.0	8,512,515.0	8,687,108.0	8,920,856.0	8,960,608.0
4	Foreign Affairs	4,577,984.0	4,499,272.0	4,843,243.0	5,380,821.0	7,268,980.0	6,202,955.0
5	Economic Planning and Statistical Services	2,569,827.0	2,986,343.0	3,563,865.0	4,516,599.0	2,526,243.0	3,644,323.0
6	Public Works	1,559,069.0	1,118,963.0	1,391,036.0	1,349,354.0	1,421,814.0	1,468,414.0
7	Public Debt Management Services, Internal Debt	97,954,658.0	236,273,643.0	149,814,473.0	113,074,805.0	168,420,214.0	103,273,749.0
8	Public Debt Management Services, External Debt	126,586,132.0	142,634,392.0	139,177,681.0	129,515,563.0	119,508,234.0	157,926,216.0
99	Other General Public Services	43,213,681.0	56,475,879.0	92,949,248.0	86,559,583.0	94,928,078.0	103,928,103.0
	Total General Public Services	**309,899,439.0**	**493,804,400.0**	**436,330,963.0**	**382,238,475.0**	**437,187,130.0**	**419,732,438.0**
2	**Defence Affairs and Services**						
1	Military Defence	17,494,245.0	18,211,103.0	29,445,061.0	27,958,153.0	27,002,123.0	25,014,660.0
	Total Defence Affairs and Services	**17,494,245.0**	**18,211,103.0**	**29,445,061.0**	**27,958,153.0**	**27,002,123.0**	**25,014,660.0**
3	**Public Order and Safety**						
1	Police Services	43,000,875.0	42,972,087.0	45,633,894.0	48,139,543.0	50,255,227.0	51,867,073.0
3	Law Courts	7,739,012.0	9,890,127.0	10,562,262.0	11,614,734.0	11,346,572.0	12,293,828.0
4	Correctional Services	7,832,901.0	6,721,371.0	7,250,610.0	7,784,378.0	7,898,656.0	8,218,549.0
	Total Public Order and Safety	**58,572,788.0**	**59,583,585.0**	**63,446,766.0**	**67,538,655.0**	**69,500,455.0**	**72,379,450.0**
4	**Economic Affairs**						
1	Industry and Commerce	3,301,145.0	5,291,131.0	6,055,629.0	4,806,068.0	5,266,673.0	5,229,278.0
2	Labour Relations and Employment Services	1,424,520.0	1,466,908.0	1,715,089.0	2,054,731.0	2,388,201.0	2,193,957.0
3	Agriculture, Forestry and Fishing	11,849,879.0	10,910,120.0	10,916,344.0	11,698,160.0	12,280,660.0	13,603,122.0
4	Fuel and Energy	1,302,757.0	2,272,411.0	2,604,039.0	2,931,918.0	3,119,674.0	3,199,923.0
5	Mining, Manufacturing and Construction	188,329.0	185,949.0	188,264.0	198,615.0	211,090.0	218,553.0
6	Road Construction and Repairs	13,732,419.0	20,148,842.0	21,051,717.0	23,574,961.0	25,992,586.0	18,290,764.0
7	Road Transport	4,386,094.0	3,186,573.0	2,958,271.0	3,105,372.0	3,262,367.0	3,424,810.0
8	Rail Transport	178,835.0	168,882.0	168,882.0	180,704.0	193,353.0	206,888.0
9	Shipping, Ports and Lighthouses	1,377,677.0	1,758,176.0	352,518.0	369,061.0	388,047.0	398,865.0
10	Civil Aviation	-	4,764,853.0	4,844,880.0	5,082,279.0	5,336,393.0	5,613,886.0
11	Postal Services	2,421,591.0	2,429,556.0	2,844,334.0	2,924,969.0	3,097,908.0	3,211,687.0
12	Telecommunication Services	810,968.0	556,653.0	824,917.0	832,763.0	839,027.0	842,219.0
13	Tourism	5,898,557.0	10,340,011.0	11,704,032.0	12,404,585.0	13,058,580.0	13,681,559.0
14	Physical Planning and Development	553,738.0	700,703.0	788,621.0	773,116.0	814,500.0	844,091.0
15	Scientific and Technological Services	963,646.0	1,019,328.0	1,034,520.0	1,014,726.0	1,053,019.0	1,096,458.0
99	Other Economic Affairs	46,748.0	10,149.0	11,149.0	12,389.0	13,699.0	14,442.0
	Total Economic Affairs	**48,436,903.0**	**65,210,245.0**	**68,063,206.0**	**71,964,417.0**	**77,315,777.0**	**72,070,502.0**
5	**Environmental Protection and Conservation**						
1	Solid Waste Management	1,187,198.0	1,566,620.0	1,651,355.0	1,702,390.0	1,479,263.0	1,594,154.0
3	Pollution Abatement	17,182.0	15,429.0	17,314.0	19,272.0	35,635.0	71,285.0
4	Protection of Biodiversity and Landscape	1,403,633.0	1,455,536.0	1,778,801.0	1,942,948.0	1,479,338.0	1,200,627.0
99	Other Environmental Protection and Conservation	22,976.0	110,220.0	67,794.0	18,291.0	-	-
	Total Environmental Protection and Conservation	**2,630,989.0**	**3,147,805.0**	**3,515,264.0**	**3,682,901.0**	**2,994,236.0**	**2,866,066.0**
6	**Housing and Community Amenities**						
1	Housing Development	732,240.0	643,527.0	592,063.0	435,799.0	440,187.0	446,738.0
2	Community Development	7,531,989.0	7,219,022.0	7,719,224.0	8,622,856.0	9,007,192.0	8,793,985.0
3	Water Supply Services	1,125,019.0	811,768.0	817,271.0	797,368.0	702,572.0	720,156.0
	Total Housing and Community Amenities	**9,389,248.0**	**8,674,317.0**	**9,128,558.0**	**9,856,023.0**	**10,149,951.0**	**9,960,879.0**
7	**Health Affairs and Services**						
1	Health Administration	11,973,027.0	7,643,667.0	11,580,080.0	12,636,623.0	14,032,631.0	9,464,434.0
3	Outpatient Services	94,283.0	147,279.0	144,321.0	146,752.0	149,290.0	157,197.0
4	Hospital Services	5,558,638.0	7,676,468.0	5,615,527.0	5,896,303.0	6,292,119.0	6,292,119.0
5	Public Health Services	45,020,061.0	53,170,092.0	52,848,547.0	55,288,649.0	57,541,581.0	63,287,611.0
	Total Health Affairs and Services	**62,646,009.0**	**68,637,506.0**	**70,188,475.0**	**73,968,327.0**	**78,015,621.0**	**79,201,361.0**
8	**Recreation, Culture and Religion**						
1	Recreational and Sporting Services	786,215.0	726,538.0	758,868.0	784,134.0	851,448.0	717,847.0
2	Art and Cultural Services	1,491,315.0	2,134,800.0	2,132,129.0	2,166,270.0	2,227,049.0	2,539,809.0
3	Broadcasting and Publishing Services	1,033,475.0	1,002,719.0	1,165,044.0	1,071,805.0	1,109,334.0	1,148,818.0
4	Religious and Other Community Services	738,000.0	795,663.0	795,663.0	834,650.0	876,383.0	921,955.0
5	Youth Development Services	877,386.0	401,599.0	419,493.0	432,396.0	447,852.0	490,087.0
	Total Recreation, Culture and Religion	**4,926,391.0**	**5,061,319.0**	**5,271,197.0**	**5,289,255.0**	**5,512,066.0**	**5,818,516.0**
9	**Education Affairs and Services**						
1	Education Administration	2,713,556.0	3,315,090.0	3,373,525.0	3,955,320.0	3,990,239.0	3,746,665.0
2	Pre-Primary Education	3,146,488.0	3,523,833.0	3,466,550.0	3,596,608.0	3,855,278.0	3,850,321.0
3	Primary Education	29,137,824.0	28,023,471.0	31,300,281.0	35,517,103.0	40,310,470.0	37,677,362.0
4	Secondary Education	32,783,199.0	36,867,460.0	37,173,909.0	36,452,173.0	37,235,198.0	40,968,649.0
5	Tertiary Education	20,609,286.0	19,913,312.0	21,115,866.0	21,705,347.0	22,065,587.0	22,133,302.0
6	Education Not Definable by Level	1,693,797.0	1,235,610.0	1,183,560.0	1,280,320.0	1,222,448.0	1,222,448.0
7	Subsidiary Services to Education	7,183,244.0	9,356,000.0	9,328,520.0	9,286,754.0	9,824,293.0	10,892,411.0
	Total Education Affairs and Services	**97,267,394.0**	**102,234,776.0**	**106,942,211.0**	**111,793,625.0**	**118,503,513.0**	**120,491,158.0**
10	**Social Security and Welfare Services**						
1	Sickness and Disabled	231,387.0	294,351.0	213,077.0	158,761.0	153,761.0	143,746.0
2	Senior Citizens	483,397.0	553,478.0	561,481.0	569,981.0	589,981.0	599,981.0
3	Survivors Assistance	216,439.0	231,348.0	280,552.0	302,488.0	291,488.0	607,340.0
4	Family and Children	97,071.0	104,503.0	129,885.0	133,500.0	137,955.0	139,495.0
99	Other Social Security and Welfare Services	11,017,533.0	13,490,076.0	13,632,492.0	13,879,727.0	14,476,499.0	14,821,265.0
	Total Social Security and Welfare Services	**12,045,827.0**	**14,673,756.0**	**14,817,487.0**	**15,044,457.0**	**15,649,684.0**	**16,311,827.0**
99	Unallocated	-	-	-	-	-	-
	Total Unallocated	-	-	-	-	-	-
	Gross Total	**623,309,233.0**	**839,238,812.0**	**807,149,188.0**	**769,334,288.0**	**841,830,556.0**	**823,846,857.0**
	Less Apropriations-in-Aid	***31,375,846.0***	***33,754,457.0***	***33,459,988.0***	***32,632,188.0***	***33,882,256.0***	***34,490,157.0***
	Net Total	**591,933,387.0**	**805,484,355.0**	**773,689,200.0**	**736,702,100.0**	**807,948,300.0**	**789,356,700.0**

Appendix II

PUBLIC FINANCIAL MANAGEMENT (PFM) REFORM PROGRAMME

PFM Reform remains a major pillar of the MOFPS' Transformation Programme. The strengthening of the PFM Systems has helped to solidify fiscal discipline, and enhance fiscal projections, planning and operations, which support improved service delivery.

The MOFPS has undertaken critical actions to institutionalise key PFM reforms, including:

1. Proposing amendments to the PBMA and FAA Acts in order to strengthen the Fiscal Rules;
2. Facilitating restructuring of the Accountant General's Department in keeping with its continued transformation to a modern treasury;
3. Proposing new legislation for Public Procurement Management;
4. Facilitating operationalisation of key ICT infrastructure for revenue management (RAiS and ASCYCUDA World);
5. Restructuring of the debt management functions to align with international best practice; and
6. Implementation of a Public Investment Management System.

Public Expenditure and Financial Accountability (PEFA) Assessment

The GOJ undertook a PEFA assessment on the status of its PFM system in October 2016. The 2016 PEFA results affirmed that Jamaica has a strong public financial management system, with noted improvements since the last assessment in 2012. Some of the key areas of significant progress are as follows:

Budget Reliability

Actual revenues and expenditures over the period of assessment (2013/14 -2015/16) exhibited no significant adverse deviation from the original approved budget. During the period, actual revenues consistently surpassed budget while actual expenditure remained consistently lower than budget estimates.

Transparency of Public Finances

The transparency of public finances was further improved with the adoption of enhanced fiscal rules in March 2014, requiring inter alia, that the expanded Fiscal Policy Paper (FPP) be tabled alongside other budget documents in February of each year. In addition, the new Chart of Accounts, which now underpins budget preparation, was developed to harmonize with the IMF's Government Finance Statistics Manual (GFS) 2001, CASH IPSAS[9] and COFOG[10].

Management of Assets and Liabilities

GOJ's public debt management was further strengthened with the enactment of the Public Debt Management Act, 2012(PDMA). The main focus of the PDMA is the management of the public debt. The Debt Management Branch (DMB) of the MOFPS was also established to increase the efficiency of debt management operations.

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[9] International Public Sector Accounting Standards

[10] Classification of Functions of Government

This enhanced debt management framework has enabled the MOFPS to more effectively develop and implement debt management strategies to enable achievement of the Debt to GDP target of 60.0% by FY 2025/26.

Policy-based Fiscal Strategy and Budgeting

The FPP has been presenting detailed and improved macroeconomic forecasts that underlie the budget, alongside strengthened analysis of the fiscal risks. In addition, the enhanced fiscal rules provide for preparation of a budget calendar that entails issuing a Budget Call by end-September and approval of the budget prior to the commencement of the next fiscal year. A clear and comprehensive budget circular provides guidance on budget preparation.

Public Financial Management Reform Action Plan (PFM RAP) III 2017/18-2020/21

Jamaica's PFM Reform Action Plan II (2015-2017) acknowledged significant weaknesses in many areas of the MOFPS operations which stemmed from outdated or inadequate systems and software. The 2016 PEFA confirmed that despite significant improvements in various areas, financial management reporting still face challenges regarding: performance information for service delivery; public access to fiscal information; in-year budget reports; and annual financial reports, among others. In addition, a significant share of reporting is still being done manually, partly due to the lack of an appropriate ICT solution to collect and organise financial and performance information in a central database to support budget preparation, budget execution, financial reporting and other fiscal outcomes.

In September 2017, Cabinet approved the PFM RAP III 2017/18-2020/21. The Plan has five main goals:

- Building the institutional structures and systems to facilitate the creation of a modern Integrated Financial Management Information System and Policy Framework;
- Facilitating the Goals of the Public Sector Transformation Programme;
- Finalizing the formation of a modern treasury;
- Creating and enhancing an institutional framework and human resource capacity to support forward planning, monitoring and evaluation of revenue and expenditure; and
- Enabling an improved institutional capacity within the PFM institutions to identify and manage system-wide risks.

Jamaica Integrated Financial Management Information System (JIFMIS)

JIFMIS consists of a set of computer programs, databases, associated processes, procedures and technology platforms that enables government finance and accounting staff to carry out their day-to-day operational tasks. These tasks include originating, receiving, recording, processing transactions related to budget authority, requests for financial resources, payment of bills, loan and grants, tax assessments, duties and other levies, recording receipts, and managing deposits in government bank accounts. As these transactions are processed, the information collected in the system databases enables government finance managers to plan, prepare and approve budgets, approve payments, monitor and report on financial resources collected, available and expended.

In February 2018, the Cabinet approved the JIFMIS Policy, which is a road map for the implementation of the necessary ICT to ensure the effective and efficient operations of the GOJ's PFM systems.

The Policy has the following objectives:

- To improve financial management reporting in line with IMF GFS guidelines;
- To develop accurate and timely consolidated accounts for the whole of government;
- To enhance transparency through the provision of government accounting records for all stakeholders; and
- To attain greater levels of coordination in the development and implementation of ICT systems for PFM.

JIFMIS is a key component of any e-governance initiative as it underpins budgetary control and financial management across all functions of government, and links financial outcomes with performance. The implementation of JIFMIS is expected to improve PEFA ratings pertaining to: (i) predictability and control in budget execution; (ii) management of assets and liabilities; and, (iii) accounting, recording and reporting.

Near Term Implementation Outlook

Going forward, the MOFPS will pursue the following:

- Launch of the Office of Public Procurement Policy and the Public Procurement Commission Secretariat;
- Rollout of an Enterprise Risk Management Framework across select MDAs;
- Establishment of the Medium Term Results Based Budgeting (MTRBB) Implementation Unit;
- Development of a Risk Based Monitoring Framework for Public Bodies;
- Development of an Integrated Financial Management Information System roadmap;
- Rollout of the E-Purchasing Module of the E-Procurement System;
- Acquisition of an Asset Management System;
- Web-enablement of the Central Treasury Management System (CTMS);
- Development of the Revenue Management Module in CTMS;
- Continued strengthening of the Cash Management function and the transitioning of the Accountant General’s Department into a modern Treasury.

APPENDIX III

Developments in the Financial Sector

Introduction

Financial sector reform advanced throughout FY 2017/18, as the Ministry of Finance and the Public Service (MOFPS) intensified efforts to improve the legislative framework and strengthen the institutional capacity for the supervision of financial institutions. The reform initiatives relate to, among others, the resolution regime for financial institutions, consolidated supervision of deposit taking and non-deposit-taking institutions, and modernization of the central bank.

Other noteworthy developments include activities by the Financial Investigations Division (FID) to tackle financial crimes, including money laundering, while the Financial Sector Adjustment Company (FINSAC) Limited continued its winding down operations.

Bank of Jamaica (Amendment) Act

The Cabinet Submission outlining proposals to amend the Bank of Jamaica (BOJ) Act to enhance BOJ's governance and autonomy was submitted to Cabinet in July 2017. However, deliberations were deferred to allow time for further review by Cabinet members. In December 2017, Cabinet approved the high level recommendations to modernize the BOJ, pending submission of a more detailed Cabinet Submission at a later date.

Banking Services Act (BSA)

The MOFPS is awaiting further comments from the BOJ on the draft Banking Services (Capital Adequacy) Regulations and Banking Services (Financial Holding Companies) (Licence Application) Rules, which will inform additional drafting instructions to the Chief Parliamentary Counsel (CPC). The Regulations on capital adequacy impose capital adequacy requirements on both a consolidated and solo basis and will repeal and replace the existing Capital Adequacy Regulations, 2015.

Private Sector Pensions Reform

The MOFPS is in consultation with the Financial Services Commission (FSC) regarding certain issues raised by the FSC on the Pensions (Superannuation Funds & Retirement Schemes) Bill. The outcome of these consultations will inform further instructions to the CPC for revision of the Bill.

Insurance (Amendment) Act

Cabinet approved a Submission in May 2017 to amend the Insurance Act in order to facilitate the creation of a micro-insurance legislative framework and to pave the way for regulations to be developed to regulate the industry. Following rounds of consultations among the CPC, MOFPS and FSC, the final draft Bill is being prepared for review by the Attorney General's Chambers.

Proposed Microcredit Act

The latest draft of the Microcredit Bill is being reviewed by key stakeholders and the comments therefrom will inform the issuance of further instructions to the CPC for revision of the Bill, and subsequent review, submission and approval through the requisite legislative process. The proposed new Act aims to enhance operational efficiency, promote greater transparency, protect consumers, and reduce or eliminate the risk of the industry being used as a vehicle to facilitate money laundering.

National Financial Inclusion Strategy (NFIS)

The National Financial Inclusion Council (NFIC) was established on March 29, 2017 and the National Financial Inclusion Strategy (NFIS) launched on the same date. Since then, the working groups under the Financial Inclusion Steering Committee (FISC) have been meeting and working on the implementation of the action plans contained in the NFIS. The working groups cover the areas of Micro, Small and Medium-Sized Enterprises (MSMEs) and agriculture and housing finance, consumer protection and financial capability and retail payment system.

The NFIS is expected to stimulate inclusive growth through expanding underserved households and MSMEs' knowledge and access to financial products and services.

Proposed Credit Union (Special Provisions) Act

In May 2017, Cabinet approved the policy proposal for the enactment of legislation to facilitate the supervision of credit unions by the BOJ. Subsequently, the draft Bill has been circulated to key stakeholders for review and the MOFPS is awaiting comments.

Proposed Amendment to the Financial Services Commission Act

With regards to proposed amendments to the FSC Act for the establishment of group-wide supervision of non-deposit taking financial groups, the MOFPS is awaiting the review and comments of the Attorney General's Chambers. These comments will inform finalisation of a Submission for Cabinet approval.

Proposal for the enhancement of the Resolution Framework for Financial Institutions
Cabinet, in October 2017, approved policy proposals for a special resolution regime (SRR) for non-viable financial institutions. The MOFPS is currently preparing the requisite drafting instructions to issue to the Chief Parliamentary Counsel in February 2018.

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

Financial Investigations Division

During FY 2017/18, the FID continued to pursue its mandates under the FID Act (FIDA) and the Proceeds of Crimes Act (POCA). Some notable achievements include:

- A Prior Options Review of FID as part of the strategic transformation being undertaken by the GOJ, resulting in a decision that FID should transition from a Division to a Department of Government.

- A public education programme advising the public of the J$1.0mn cash transaction limit on persons and institutions by way of amendments to the POCA in 2013 (i.e. section 101A).

- Consensus obtained with the Ministries of National Security and Justice on the development of regulations governing an Asset Incentivisation Scheme. This will entail part of the proceeds arising from post-conviction forfeiture being reserved and utilized specifically for law enforcement and the justice system.

- The FID led the co-ordination of Jamaica's anti-money laundering framework to meet global standards. Some important measures that were undertaken to improve Jamaica's framework in 2017 include:

  - the issue of Ministerial Orders under the Terrorism Prevention Act (TPA), to bring certain non-financial professions under that Act;
  - the passage of amendments to the Companies Act to deal with issues relating to beneficial ownership and bearer share warrants; and
  - the expeditious obtaining of orders by the Office of the Director of Public Prosecution (ODPP) under the TPA in listing terrorist entities per the UN Security Council Listings.

- The FID sensitised approximately one hundred and seventy five (175) persons in eight (8) financial and non-financial institutions.

- The implementation of the electronic reporting system (goAML) progressed with the roll out of training to staff at FID and the financial institutions that are obligated to report suspicious and threshold transactions. The system is to go "live" in the 2nd quarter of 2018.

- Sixteen (16) new Digital Forensics cases were received (including requests for assistance from external law enforcement) and 13 were completed.

- Greater focus was placed on higher level financial crimes and criminal matters, leading to the arrest of 27 persons and laying of 61 money laundering charges.

- Several joint cases were launched with the Major Organised Crime Agency (MOCA), Tax Administration Jamaica (TAJ), Office of the Contractor General (OCG), Jamaica Customs Agency (JCA) and the Jamaica Constabulary Force (JCF). The FID also rendered critical assistance to overseas partners, such as the United States (US) Drug Enforcement Administration (DEA), Immigration and Customs Enforcement (ICE), the US Marshalls and the UK Crown Prosecution Service.

- The FID conducted its first pecuniary penalty order hearing under section 5 of the POCA and obtained its first enforcement order under section 50 of the POCA. These matters have set important precedents in the court and developed jurisprudence in the area that will guide future cases.

- The FID was successful in clearing the way for forfeited properties to be disposed of by resolving a legislative glitch in the POCA, as well as obtaining Cabinet's approval for an expedited process to sell forfeited properties. Over the period, six (6) forfeited properties valued at J$178,800,000.00 were transferred to the Crown, one of which has recently attracted a bid of US$710,000.00 when offered for sale.

- As at end-December 2017, the FID successfully forfeited through the courts, $62.4mn and seized $59.9mn, which will be subject to forfeiture hearings before the court. Property valued at $61.2mn was also forfeited.

Financial Sector Adjustment Company Ltd and Financial Institutions Services Ltd

FINSAC Limited continued the wind up of residual activities including selling remaining properties under its control. Some key developments include:

- Completion of the sale of several properties as follows:

- Mutual Life warehouse complex in Kingston concluded in November 2017 and netted J$73.0mn.

- 17-acre beachfront property at Culloden, Westmoreland was concluded in December 2017 and netted US$1.8mn, from which FINSAC is expected to receive approximately J$130.0mn.

- The sale of one (1) of four (4) ½-acre lots at Drax Hall, St. Ann in December 2017, netting J$7.6mn. Sale agreements have been executed for the other three (3) lots with expected net proceeds of approximately $15.0mn.

- In addition to the real estate mentioned above, there were a number of FINSAC-related entities with shares in various listed companies. During the year, a total of $2.4mn was collected from share sales and another $23.0mn is anticipated from remaining sales by March 2018. Listed shares for dissolved companies will be transferred to the Accountant General by March 2018. The value of these shares is in excess of J$40.0mn.

- Some litigation matters are being pursued in the Courts by or against FINSAC and its affiliated entities. The main issues are as follows:

  – A case inherited by FINSAC against the former Eagle Commercial Bank for allegedly withholding $15.0mn from customer's funds for four years and the claim for resultant loss of business/profit. Judgment was handed down in favour of the claimant in 2014 requiring FINSAC to pay $15.0mn plus interest compounded monthly since October 1992, and costs. This decision was appealed on various grounds and was heard in late 2016. The decision is still pending.

  – The Privy Council handed down a judgment of about J$3,000.0mn plus interest against Donovan Crawford in 2005 in the Century litigation. Since then, various Crawford-owned/related properties were sold to reduce the debt including the sale of one (1) property in July 2017, which netted $8.4mn. There are two (2) properties remaining to be sold with estimated value of $8.0mn.

  – A judgment of $1,000.0mn was handed down in May 2006 against Dr Paul Chen Young in favour of FINSAC in the Eagle litigation. Dr Chen Young appealed the judgment and also brought a suit of bias, claiming undue influence at the trial. Both matters were heard in late 2013. Due to delays and other setbacks, Dr Chen Young filed a motion in October 2017 for a new hearing of the appeal to be scheduled before new judges. The Appeal Court has now heard Dr Chen Young's latest application and has reserved judgment, promising a decision before end of March 2018.

    In addition, in February 2017, Dr Chen Young brought an action in the Miami-Dade County Court claiming US$3.0mn for wrongful injunction resulting from actions commenced by FINSAC in April 2007, in attempts to collect under the judgment it received in the local court.

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

  - Jamaica Mutual Life Staff Superannuation Fund:

    - Two of the three schemes have no surplus, while the third has a surplus. In line with the Trust Deeds and Rules, no part of this surplus is to be paid to the employer. The actuary has done the requisite calculations to determine the amounts payable to each beneficiary. In line with regulations, the FSC's approval has been sought regarding the distribution of the surplus and FINSAC awaits their response.

    - FINSAC identified an additional 23 former staff members who were erroneously omitted from the list of eligible pensioners. The cost to purchase the annuities is $52.6mn. FINSAC is seeking to locate the persons before completing the purchase.

    - Over 420 of the 1500 beneficiaries have not contacted the administrators. The regulations require that advertisements should be placed in a daily newspaper annually for at least five (5) years. Where the benefits remain unclaimed after five (5) years, the moneys should be paid into the Supreme Court. GLL will commence the advertisement process in January 2018.

- Eagle Merchant Bank Pension Scheme – Payment of the remaining surplus of $227.3mn to FINSAC was completed in July 2017. Seven (7) payments totalling $133.0mn were received during the period January to July 2017.

- Scheme for the Jamaica Mutual Properties Limited - Distribution of surplus to the beneficiaries commenced in June 2015. Efforts continue to locate remaining beneficiaries to complete the pay-out.

- Resolution of the matter regarding a property in St. Lucia which was owned by Mutual Life et al compulsorily acquired by the Government of St. Lucia in April 2008. The agreed amounts of US$400,000.0, plus interest at 6.0% p.a. due half-yearly are being made. To date, nine (9) payments totalling US$4.2mn including interest due up to October 2017 were received. The final payment of approximately US$412,000 is due in April 2018.

Proposed Areas of Focus for Fiscal Year 2018/19

The MOFPS will concentrate on the following areas during FY 2018/19:

- Enabling the second phase of private sector pension reform to address issues such as vesting, portability and indexation;
- Amending the Insurance Act to facilitate the creation of a micro-insurance legislative framework;
- Enacting the Microcredit Bill to provide for the licensing and regulation of small privately-owned money lending institutions;
- Amending the Bank of Jamaica Act to enhance BOJ's governance and autonomy;
- Enacting legislation to facilitate the supervision of credit unions by the BOJ;
- Assisting in the various stages of the legislative process to develop appropriate legislation for the enhancement of the resolution framework for financial institutions;

- Facilitating the development of Regulations for financial holding companies and consolidated supervision under the Banking Services Act;
- Facilitating legislative amendments for the establishment of group-wide supervision of non-deposit taking financial groups;
- Implementing the Action Plans of the National Financial Inclusion Strategy;
- Finalizing and implementing the Asset Incentivisation Scheme;
- Finalizing arrangements between the MOFPS and FID for the use of proceeds derived from civil recoveries, to be used for the benefit of the Department;
- Co-ordinating the passage of legislative amendments (e.g. to POCA, TPA and the United National Security Council Resolution Implementation Act) to meet international standards;
- Completing the roll out of goAML to both financial and non-financial partners. By the end of 2018 it is envisioned that all major financial institutions will be making reports on this system and that the system will be introduced to smaller entities and professions that are also obliged to make reports;
- Establishing the FID as an autonomous entity in accordance with the provisions of the FID Act. A submission will be made to Cabinet to position the FID as a Department;
- Expanding the FID's network of MOUs with domestic and international law enforcement partners;
- Strengthening engagement efforts between the FID and the JCF to ensure a wider use of the POCA in day to day investigations. The FID will work with the JCF to increase the JCF's awareness of opportunities to "Take the Profit out of Crime". The FID will also deliver targeted training to Legal Officers in the wider JCF on the making of cash seizure applications;
- Launching of at least 3 significant cases and bringing several important on-going cases to resolution (including considerations for settlement);
- Seeking to strengthen the FID's capacity to prosecute criminal cases via secondment of legal officers to the ODPP;
- Further engaging of the FID and its Financial Intelligence Unit (FIU) with regulatory bodies and their licensees to improve Anti-money Laundering (AML) standards across industries and to improve the quality of reporting by institutions obliged to prepare and submit these reports. The FID will also seek to negotiate and execute a number of intelligence sharing MOUs with both domestic and overseas law enforcement agencies; and
- Seeking to close out FINSAC/FIS's operations and manage residual activities from the MOFPS.

APPENDIX IV

STRATEGIC HUMAN RESOURCE MANAGEMENT

Public Sector Reform

Public Sector Efficiency Programme (PSEP)

The GOJ continues to make steady progress in implementing the Human Resource (HR) Capacity Enhancement Project under the Public Sector Efficiency Programme (PSEP). A delegation of twelve (12) HR professionals attended the Society for Human Resource Management (SHRM17) Conference in New Orleans in June 2017, which focussed on HR Transformation and Professional Development. In addition, face-to-face training of HR Professionals in the Strategic Human Resource Management Division (SHRMD), Office of Services Commissions (OSC), and Ministries, Department and Agencies (MDAs), in core competencies commenced in December 2017, and will continue through to December 2018. The PSEP is strategically aligned to Jamaica's National Goal No. 1 – "*Jamaicans are empowered to achieve their fullest potential*" – and is expected to enhance the management of human resources and productivity within the public sector.

Human Capital Management Enterprise System (HCMES)

The integrated HR and payroll system, which has been rebranded as MyHR+, was implemented in the following entities:

Entity	Go-Live
eGov Jamaica Limited	April 2017
Office of the Services Commissions (OSC)	May 2017
Passport Immigration and Citizenship Agency (PICA)	June 2017
Transport Authority of Jamaica	July 2017
Accountant General's Department	November 2017

Implementation is slated for another ten (10) entities over the next 4 months, as follows:

Entity	Go-Live
National Water Commission	March 2018
National Housing Trust	February 2018
Jamaica Customs Agency	March 2018
Aeronautical Telecommunications Limited	February 2018
Tax Administration Jamaica	March 2018
Ministry of Finance and the Public Service	March 2018
Jamaica Constabulary Force – Civilians	April 2018
Ministry of Industry, Commerce, Agriculture & Fisheries	April 2018
Office of the Prime Minister / Office of the Cabinet	March 2018
HEART Trust/NTA	August 2018

Compensation Review

The first phase of the compensation review process, which informed development of the negotiation framework for the 2017/19 contract period, was completed. The next phase of this process will be the stakeholder consultations, and this is slated to begin in the first quarter of the FY 2018/19. These consultations will provide an opportunity to ascertain stakeholders' views on compensation and its adequacy, and once completed the development of the overall compensation policy will begin.

Public Sector Pension Reform

Public Sector Pension Reform is integral to Jamaica's fiscal sustainability. Discussion in Parliament of the Bill entitled "*The Pensions (Public Service) Act, 2017*" was delayed to facilitate further consultations with stakeholders on concerns raised. Subsequent to those consultations, the Bill was debated and passed in the Houses of Parliament and enacted in October 2017. The accompanying Regulations are being finalized and are expected to be approved by March 2018. A significant aspect of the Regulations is that District Constables will now have pensionable status retroactive to April 1, 2016. It is expected that the *Pensions (Public Service) Act, 2017* and its *Regulations* will become effective as of April 1, 2018.

Public Employees' Pension Administration System (PEPAS)

During FY 2017/18 significant progress was made in respect of implementation of the new Public Employee Pension Administration System (PEPAS). Roll-out of the PEPAS pilot is scheduled for the final quarter of FY 2017/18, while "*Go-live*" for all entities is planned to coincide with the implementation of the reformed pension system. Seven entities have been identified for the pilot implementation phase, these are:

- i) Jamaica Defence Force
- ii) Jamaica Constabulary Force
- iii) North East Regional Health Authority
- iv) Ministry of Education, Youth and Information
- v) Ministry of Science, Energy and Technology
- vi) Office of the Prime Minster/Office of the Cabinet Office
- vii) St. Ann Municipal Corporation

Training for the final cohort of staff from the Pension Administration Unit (PAU) was conducted during the period January 18-22, 2018. This will be followed by a refresher exercise for staff members in the pilot entities who were previously trained by a PricewaterhouseCoopers team in June 2017.

PEPAS will enhance the administration of pension within the public sector. HR Training in the use of the system will be rolled out gradually over the course of FY 2018/19 in order to accommodate the large number of HR personnel to be trained.

Establishment Control

Operation of Posts in the Public Sector

The processing of submissions by the Post Operations Committee (POC) in keeping with the established guidelines is integral to the achievement of public sector efficiencies to buttress GOJ's fiscal policies, including containment of the size of the public sector and the wage bill. In this context, a review of the POC Guidelines is currently being undertaken to ensure alignment with the Special Early Retirement Programme (SERP) and the revised GOJ Employment Rules.

Establishment General (G) Order

The Civil Service Establishment (General) Order, 2017 was published during the fourth quarter of FY 2017/18.

Scholarships and Assistance awarded under GOJ and Donor Programmes

During FY 2017/18, 692 public sector workers received financial assistance towards tuition fees for tertiary studies, in keeping with negotiated Heads of Agreement. Between January and December 2017, scholarship offers were received from China, Cuba, Japan, Serbia, the Commonwealth

Scholarship to New Zealand, and the UK. Applicants were shortlisted, interviewed and recommended on the basis of:

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

In this regard, 54 citizens received awards for undergraduate studies, academic or technical, postgraduate and/or research leading to university degrees or professional development. Ninety-seven (97) Jamaicans benefitted under the PetroCaribe Development Fund/Ministry of Finance Scholarship totalling approximately $23.0mn. The programmes targeted Jamaican citizens from the lower socio-economic and vulnerable groups (including youth, youth-at-risk, persons with disabilities and persons impacted by HIV/AIDS) who are studying in the areas of Energy, Logistics, Spanish and Entrepreneurship.

Employee Benefits

Funeral Grants, as well as loans for acquisition of computers, motor vehicles, miscellaneous items and tertiary education were processed and approved in accordance with the relevant guidelines. During the April to December 2017 period, disbursements for loans and grants totalled $139.1mn, a reduction from the corresponding period in FY 2016/17. Moreover, there was a marginal reduction in applications submitted for all other loans, which also impacted total disbursement.

Industrial Relations

Wage Negotiations

During FY 2017/18, the remaining Heads of Agreement with Trade Unions/Staff Associations for the 2015/2017 contract period were signed, thereby concluding settlements for all thirty-two (32) claims received for the contract period as at December 31, 2017, for employees in Central Government.

The Government is currently in receipt of twenty-one (21) claims for the 2017/2019 contract period. Prior to the commencement of this round of negotiations, Cabinet approved a ***Negotiation Framework for the Public Sector*** in May 2017. This framework sets out the guidelines for negotiations within the context of achieving the 9.0% Wage to GDP target by March 2019. Discussions have commenced with all but five (5) bargaining units, and the Government continues to engage the unions in an effort to arrive at amicable and timely settlements.

Industrial Harmony

Industrial harmony for the 2017-2018 period stood at 97.0% against a 95.0% target. This was achieved through continuous engagement with the unions, the provision of timely and sound advice to MDAs in the implementation of agreed benefits, as well as robust efforts to resolve grievances amicably.

The ***Disciplinary Policy for Public Bodies*** was officially launched and disseminated at a Public Sector Human Resource Network Session held in May 2017. The policy was developed through consultations with Chief Executive Officers, HR Practitioners and representatives from Trade Unions and Staff Associations, with a view to providing a framework for consistent action in the administration of discipline, resulting in improved relations between management and employees.

Appendix V

TAX PROGRAMME

TAX ADMINISTRATION JAMAICA

Tax Administration Jamaica (TAJ) remains focused on enhancing taxpayer education and improving service delivery, including through the provision of online facilities. In this regard, TAJ has made considerable upgrades to its ICT infrastructure, which has contributed to a significant increase in compliance rates and collections.

STRATEGIC PERFORMANCE FY2017/18 (DECEMBER)

The strategic focus for FY 2017/18 was to: continuously improve voluntary compliance; engender a customer centric organization; strengthen the institution; build human capital synergies; and enhance corporate governance and organizational culture.

1. ***Continuously improving voluntary compliance***

For the first three quarters, collections were above target by 9.4%, 7.1% and 8.4% respectively. As at December 2017, net collections stood at $207,767.9mn which was $13,036.4mn or 6.7% above target (see Table 1). Robust compliance activities, inter alia, contributed to this healthy over performance, a trend seen over the last three years.

Table 1: Performance against Projections

	FY 17/18	FY 16/17	FY 15/16	FY 14/15	FY 13/14	FY 12/13
Apr	99.9%	101.1%	99.2%	99.0%	105.1%	99.9%
May	98.9%	111.2%	110.1%	111.5%	105.1%	99.9%
June	125.3%	112.2%	100.6%	89.2%	89.6%	101.7%
Qtr. 1	**109.4%**	**109.3%**	**103.1%**	**98.3%**	**99.5%**	**100.6%**
July	102.3%	100.3%	99.4%	104.6%	106.8%	98.7%
Aug	116.1%	104.4%	96.5%	75.3%	77.3%	92.5%
Sept	108.0%	98.5%	113.9%	92.2%	102.0%	89.8%
Qtr. 2	**107.1%**	**100.3%**	**103.5%**	**90.4%**	**95.1%**	**93.4%**
Oct	88.9%	92.4%	103.5%	102.3%	94.5%	99.5%
Nov	106.2%	112.2%	97.8%	103.3%	92.3%	100.8%
Dec	105.6%	126.9%	102.2%	82.4%	92.4%	88.4%
Qtr. 3	**108.4%**	**111.4%**	**101.1%**	**94.2%**	**93.0%**	**94.4%**
YTD	**106.7%**	**107.0%**	**102.6%**	**94.1%**	**95.8%**	**96.3%**

For FY17/18 tax compliance activities were developed to provide a risk-based approach to treat with taxpayer segmentation. Seventeen (17) programmes were developed and implemented covering registration, filing and payment compliance, audit, and taxpayer service and education. These strategies included a mixture of treatments, such as: taxpayer education and assistance to clarify legislation or to simplify overly complex administrative procedures; outreach and communication programmes; audit and enforcement; as well as the leveraging of third parties (e.g. *tax professionals, industry associations, financial institutions, and other government agencies*).

Treatment strategies to improve registration compliance were intensified with activities aimed at identifying and registering taxpayers currently operating outside the tax net. This included TAJ garnering third party information to accurately treat with the applicable tax types. Greater focus was placed on industries or sectors within which business is usually conducted, predominantly through cash transactions. Additionally, risk compliance programmes were developed in Revenue Administration Information System (RAIS), through a Discovery module, targeting taxpayers who are subject to the 3.0% Withholding Tax on Specified Services who are not duly registered for Income Tax and/or GCT. For the fiscal year to December, 15,106 new taxpayers were registered, a 46.0% increase over the corresponding period last year.

The registration plan also included the identification of deceased individuals and defunct businesses, and the subsequent closure of their respective accounts/ledgers, as well as updating pertinent registration details such as nature of business, occupation and contact information for active taxpayers. The registration programme was enhanced with the introduction of a "*Notice to Make Return*" under Section 70 (1) of the Income Tax Act issued to potential taxpayers under this programme, along with the requisite Summons and Affidavit for persons charged for failure to respond to the Notice. These forms are being incorporated into RAiS to be used as the main tools in the engagement of entities identified via detection (registration leads).

The thrust of the education programme for FY 2017/18 is on improving the rate of on-time and online filing for the core tax types. Efforts are being made to target new taxpayers and provide the requisite education and support to guide them toward complete registration, on time filing and payment, and accurate reporting. TAJ focussed on: a GCT on-time Filing Programme; the New Taxpayer Programmes; the Special Taxpayer Assistance Programme; and an eServices Programme, for a targeted segment of taxpayers. The GCT on-time filing saw a 4.0% increase in the number of returns being filed on or before the due date.

TAJ continues to advance initiatives to identify taxpayers failing to file the required returns/obligations and to develop programmes to pursue them. Payment compliance initiatives were complemented with taxpayer services and education activities geared towards encouraging and facilitating on-time payments to meet projected revenue targets.

For the fiscal year to December, on-time filing rate was 49.7% whereas on time payment rate was 97.8%. Comparable rates for FY 2016/17 were 47.2% and 96.5% respectively. While filing patterns across taxpayer segments continue to improve and perform within expectations, a review of the Micro segment for PAYE will be conducted given the threshold increase.

Under the arrears management programme, taxpayers with outstanding arrears continued to be ranked by the arrears risk model for collection efforts undertaken by the various compliance and enforcement teams. Whereas, high and medium priority cases were concentrated on for collections, given that they have the more sizable balances, low priority cases were selected based on collections risk criteria. Arrears collections as at end December was 76.0% of the annual target.

Whilst the FY 2017/18 compliance programme was developed to treat with taxpayers in the MSME segments with strategies ranging from taxpayer education and services to enforcement, it is the audit scope which actually emphasizes TAJ's current focus. In a bid to extend the national audit coverage, TAJ audited 8,615 taxpayers in this segment during April – December 2017. Further, in keeping with international best practice, a transfer pricing regime was introduced. To facilitate implementation of this regime, TAJ developed an audit procedure and process manual, alongside a work plan to guide activities. Based on analyses conducted on at least forty companies, four (4) were selected for audit.

The compliance successes have been enhanced by the data mining capability that analyse and compare tax data against/with relevant economic data. Further, TAJ is gathering information to form a comprehensive picture of each taxpayer's financial dealings, through continued strategic alliances with partner agencies.

2. ***Engendering a customer centric organization***

As at September 2017, a customer satisfaction survey undertaken through the public sector Customer Service Monitoring and Evaluation System (CSME) indicated a satisfaction level of 85.0%. Additionally, TAJ engaged an external party to review its customer service operations. Arising from this review, TAJ is moving steadfastly to address areas in which taxpayers provided negative feedback, in its thrust to increase voluntary compliance and reduce compliance costs.

During FY 2017/18, TAJ expanded the use of its multi-channel approach in an effort to enhance the awareness of service offerings to its diverse stakeholders. The TAJ coordinated and/or promoted stakeholder engagements, issued several news releases, participated in media interviews, as well as increased the use of social media, as part of the strategy to increase its visibility. A number of hashtags, augmented by its Instagram, Twitter and Facebook platforms, were used to support all promotional activities.

TAJ included its inaugural "Tax Administration Week" as part of its strategic initiative of corporate social responsibility. The week of activities involved various seminars, workshops and expos in collaboration with key stakeholders, which in addition to showcasing TAJ's corporate social responsibility also provided a useful channel to sensitize the public on their tax obligations.

3. ***Institutional strengthening (processes, technology and physical infrastructure)***

TAJ continues to implement sound and prudent enterprise risk management (ERM) practices. An ERM working group was established to coordinate mitigating strategies such as the Business Continuity Management Plan and other mission-critical plans. Real time incident reporting has been advanced to address risks in a timely manner. In addition, sensitization sessions with respect to risk approaches continue at all levels of the organization.

RAiS has now transitioned into a production support phase where the system is being operated and maintained over time. This includes correcting system errors to enable the optimal functioning of the system.

Implementation of the Human Content Management project spearheaded by the MOFPS is ongoing with data for 2,163 employees keyed into the system and 1,422 personnel files scanned. Parallel runs have been conducted to ensure synchronization between the payroll component and HR component.

TAJ continues to undertake major infrastructure upgrades to several tax offices. For FY 2017/18, three such projects were earmarked. The Falmouth Tax Office and the Donald Sangster Building are 99.0% and 74.0% completed, respectively. Renovation of the Large Taxpayer Office (LTO) will be completed during FY 2018/19.

*4. **Building human capital synergies***

Given the importance of competence and knowledge to advancing the vision of the organization, a key task for TAJ is to build and sustain critical competencies. To realise a skilled and engaged labour force, designing a workforce capability and retention framework is critical. Against this backdrop, TAJ intends to implement a competency framework for mission critical positions by the end of FY 2017/18. Work commenced for two critical positions, one of which was completed and another is in progress.

The rolling HR Training Plan is being implemented according to the training assessment needs for FY 2017/18. As at December 2017, 1,568 staff members spanning all functional areas were trained internally and externally.

Work is also underway on other important complementary activities such as the succession planning framework and the staff awards and recognition policy.

*5. **Corporate governance and culture enhanced***

TAJ is strengthening and building on its core values and culture that is to be reflective of its new semi-autonomous revenue authority (SARA) status. During FY 2017/18 work commenced on developing the new organizational philosophy and implementing transformational activities.

FY2018/19 Onwards

Given the policy priorities of the GOJ, coupled with the analysis of TAJ's operating environment, the strategic objectives for TAJ (strategic objective 4 and 5) were modified to account for not only threats but opportunities to be gained from enterprise risks faced by the Administration. Going forward TAJ's realigned strategic objectives are:

1. ***Continuously improving voluntary compliance*:** Key results for improving voluntary compliance will continue to focus on the four primary quadrants of compliance (registration,

filing, payment and accurate reporting). Supporting initiatives to be implemented to strengthen or reduce/close identified gaps will include:

i. Publication of the National Compliance Plan (NCP) to:
   a. specifically address the Tax Administration Diagnostic Assessment Tool Performance Outcome Areas scores & reduce the cost of compliance; and
   b. strengthen the risk management approach so that industries and taxpayers with the greatest risk are targeted.
ii. Strengthen legislative support (Base Erosion and Profit Shifting, Global Forum – Exchange of Information, FACTA, et al.);
iii. Bolster the quality assurance framework; and
iv. Implement the special property tax project.

2. ***Engendering a customer centric organization*:** As TAJ consolidates the gains made in communicating with taxpayers, this concept will be broadened to develop and implement a stakeholder management plan/communication matrix to further address stakeholder needs, wants, expectations, and specific requirements to boost compliance, and thus reduce the cost of compliance. TAJ will continuously review and redesign its service offerings to improve the levels of engagement with the public as it relates to their taxpayer obligations. For FY2018/19, products and service channels will be strengthened by exploring additional e-strategies such as expansion of payment options and mobile application development.

3. ***Institutional strengthening*:** In furtherance of institutional strengthening, the main strategy to be deployed will be to enhance business processes to improve service quality. Business processes such as RAiS will continue to be enhanced and (Enterprise Content Management System) ECM Phase 2 will be implemented. TAJ will continue to forge institutional agreements for information sharing with 3rd parties and institutionalize quarterly divisional expenditure management and control to ensure an effective cost of collections ratio. A most critical delivery will be the development plan that will focus on producing an infrastructure standardization policy framework to guide work on tax offices. TAJ will advance the centralization of project coordination, which is expected to greatly support the 5-year development plan.

4. ***Building human capital synergies and culture*:** Building TAJ's leadership capacity is integral to the continued strengthening of its human capital and to reinforcing the guiding principles for positive staff engagement, and creating the desired workplace culture. This initiative will be supported by implementation of the findings from the employee satisfaction survey along with strengthening of the staff performance management system.

5. ***Corporate governance enhanced*:** The TAJ will aim to enhance corporate governance through strengthening the accountability and transparency mechanisms within the organization. A key

strategic initiative to be implemented is a governance framework that among other things will fully establish: TAJ as a SARA; Head Quarters corporate function & operational level functions; a new HR Policy, Code of Conduct, Integrity Framework and Change Management Programme; Vision Boards; and Corporate Policies, Guidelines & Procedures. This governance framework will be supported by implementation of the ERM framework aimed at conducting business continuity testing as scheduled. Timely implementation of internal audit recommendations as a method of strengthening internal controls will also be a main criterion for monitoring.

JAMAICA CUSTOMS AGENCY

Introduction

The Jamaica Customs Agency (JCA) operates as an essential arm of the GOJ, collecting thirty five percent (35.0%) of national tax revenue annually. The JCA collaborates with other agencies to facilitate effective border management of people and goods, while managing and mitigating related risks.

Operating Environment

The JCA operates in a dynamic environment where opportunities and risks have to be continually identified and monitored. The strategic focus for FY 2017/18 emphasized engagement of stakeholders, stemming the transhipment of illegal drugs, interception of illegal international activity and illicit trade, promotion of public health and safety, and preventing the importation of harmful and hazardous goods.

JCA Achievements – December 2017

Revenue Collections

Revenue collection continues to record steady growth. As at December 31, 2017 net revenue collected amounted to $157,390.0mn, which was an increase of $16,122.0mn or 11.1% over the corresponding period of FY 2016/17. Ninety two percent (92.0%) of this revenue was from taxes which grew by 11.5% or $15,026.0mn over the previous year.

ASYCUDA World

The ASYCUDA World Project activities began in July 2014 and ended December 31, 2017. As at March 31, 2016, the ASYCUDA World project had been substantially implemented following a 24-month implementation period. The implementation of the ASYCUDA System can be classified under three major tasks as follows:

1. *The implementation of the ASYCUDA World System*

   The implementation of the system has accommodated an end-to-end processing by all stakeholders, which allows the processing of all international transactions from manifest submission to release of cargo from the point of advance manifest submission to the point of clearance, release and delivery of cargo.

2. *The development of specialized module (procured by Jamaica specifically)*

   Development of the following modules: Enforcement, Post Clearance Audit Management System, Appeal/ Legal, and Rulings have been started and are in various stages of completion.

The Seizure and Offenses module is complete.

3. *Enhancements, extensions, modifications and new modules and features*

   Following ASYCUDA World System implementation, varied non-contractual enhancements, extensions and modifications were required. One such module is the Post Clearance Audit Management module which aims to automate the case management processes, and was 40.0% implemented as at end-December 2017.

Port Community System Project (PCS)

The Trans-shipment module of the PCS became fully paperless at end-December 2017, providing real time information and cost saving to the industry. Further, the Manifest module has been transformed into a global format.

Legislative Amendments

A Discussion Paper was prepared in respect of a Bill to repeal and replace the Customs Act. The Paper is with the Administrator General's Chambers for review and comments to inform the preparation of the Bill.

International Trade

During the period, December 4-8, 2017, the JCA coordinated and hosted, the World Customs Organisation (WCO) National Workshop on the Time Release Study (TRS). The JCA, in the workshop, stressed the importance of implementing its “Triple E” concept of Effectiveness, Efficiency and Excellent Service to all stakeholders, with the intended result of improving the trade profile of Jamaica.

Human Resource Development

The JCA, as at December 31, 2017, transitioned 1,170 or 81.0% of staff onto the Executive Agency structure. Two hundred and ninety three (293) staff members have been appointed under the new structure while 141 staff members are enrolled under the Executive Agency Pension Scheme.

Post Clearance Audit

As at December 31, 2017, the JCA completed 67 Post Clearance Audits while 24 or 36.0% were identified by Risk Management.

Stakeholder Engagement

The JCA has facilitated several initiatives including three (3) Customs Business Partnership Forums, which are held on a quarterly basis. In addition, three (3) surveys were conducted namely, Customer (Broker Couriers and Importers) Satisfaction Survey, Broker Survey and Staff Perception Survey. The ‘*Customs Meet the Community*’, a mobile engagement forum, was held in three (3) parishes.

Strategic Objectives for FY 2018-2019 and the Medium Term

The JCA's medium term strategic objectives and strategies for FY 2018/19 to FY 2020/21 are as follows:

1. ***To maximize collection of revenue by:***
    - Maintaining and implementing trade and tax policies that are guided by tariff classification and country of origin;
    - Assessing goods and ensuring that the correct amount of duty is collected before the goods are released from Custom's control;
    - Developing and managing a coordinated, risk-based approach for completing Post Clearance Audits;
    - Conducting joint post clearance audits with TAJ; and
    - Identifying and initiating collection actions for revenue past due.

2. ***To ensure efficient and effective use of resources by:***
    - Assessing budget execution and implementing cost saving strategies.

3. ***To maximize the rate of detection of illegal and prohibited goods by:***
    - Uncovering un-customed goods at ports of entry and exit through risk management techniques, intelligence, non-intrusive inspections and joint operations with partner agencies.

4. ***To maximize voluntary compliance in customs declaration by:***
    - Maintaining valuation verification system to verify the values declared to Customs; and
    - Encouraging voluntary compliance through continued stakeholder engagement.

5. ***To minimize processing time of legitimate goods and persons by:***
    - Ensuring the effective and efficient processing of passengers and cargo within the Agency's Citizen's charter and legal framework.

6. ***To develop and maintain a team of motivated, professional and competent staff by:***
    - Developing and implementing systems or programmes to address poor performance areas;
    - Formulating and implementing HR best practices, policies and initiatives aimed at improving employee welfare and satisfaction; and
    - Developing and conducting agency-critical training sessions.

7. **To adhere to occupational health, safety and environmental national, regional and international standards by:**
    - Developing, implementing and enforcing an occupational health and safety programme.

8. ***To improve and maintain the system of internal controls by:***
    - Monitoring and evaluating the systems of internal control to ensure compliance.

9. ***To enhance planning and research activities by:***
    - Developing and utilizing the Corporate/ Operational Plans as a tool to guide the management decision-making process.

10. ***To assess and enhance the impact of internal audit on the JCA's operations b:y***
    - Monitoring and evaluating systems of internal control to ensure compliance with established standards.

11. ***To establish and maintain quality assurance mechanisms by:***
    - Ensuring that the Agency's Financial Statements are produced in accordance with the relevant accounting standards and GOJ guidelines; and
    - Enhancing the internal assurance systems through enterprise risk management and anti-corruption policy implementation.

12. ***To maximize customer satisfaction by:***
    - Developing and implementing an Enterprise Customer Service Framework to manage customer service complaints and issues; and
    - Conducting workshops and surveys to enhance customer service delivery.

13. ***To improve service delivery to the public by:***
    - Facilitating Customs Stakeholder Exchange;
    - Coordinating and facilitating Lunch and Learn Sessions with stakeholders;
    - Conducting trade policy workshops to engage stakeholders internally and externally; and
    - Ensuring the resolution of trade policy queries in keeping with the Citizen's charter.

Appendix VI

PUBLIC SECTOR INVESTMENT PROGRAMME (PSIP)

FY 2018/19–FY 2022/23

The Government of Jamaica Public Sector Investment Programme (PSIP) is a rolling five-year plan of Cabinet-approved new and ongoing prioritized public sector investment projects.

Financing of the PSIP FY 2018/19-FY 2022/23

The PSIP is financed through a combination of government funds, loans and grants from International Development Partners as well as from equity provided by Self-Financed Public Bodies. The table below shows the expenditure programmed for public investment projects in the Central Government and the Public Bodies in FY 2018/19 and projections for the next four years.

Summary of PSIP Financing

($'000)					
Financial Year	***Loan/Debt***	***Grant***	***Consolidated Fund***	***Equity***	***Total***
2018/2019	*34,319,461*	*7,023,442*	*29,939,061*	*15,975,859*	***87,257,823***
2019/2020	*31,619,269*	*10,402,162*	*32,408,801*	*13,347,816*	***87,778,048***
2020/2021	*26,069,642*	*8,938,299*	*34,811,900*	*13,602,499*	***83,422,341***
2021/2022	*17,006,227*	*4,933,941*	*52,445,952*	*11,887,594*	***86,273,714***
2022/2023	*7,063,220*	*2,739,929*	*69,536,051*	*0*	***79,339,200***
Total	***116,077,819***	***34,037,773***	***219,141,765***	***54,813,768***	***424,071,126***

In FY 2018/19 a total of $87,300.0mn has been programmed to facilitate the implementation of 173 new/ongoing public investment projects within the Central Government (CG) and Public Bodies (PB).

The Central Government (CG) will commence/continue implementation of 104 investment projects from an allocation of $59,825.1mn in FY 2018/19. This allocation includes contingency provisions of $500.0mn for natural disasters and $794.5mn for new investment projects that were not finalised for inclusion in theFY 2018/19 Estimates of Expenditure but are expected to be approved by Cabinet during the fiscal year. In the CG investment programme, 34.6% of the allocation has been earmarked for the Ministry of Economic Growth & Job Creation (MEGJC); 20.7% - Ministry of National Security (MNS); 13.3% - Ministry of Labour and Social Security (MLSS); 9.2% - Office of the Prime Minister (OPM); and 6.1% - Ministry of Finance & the Public Service (MOFPS). A further disaggregation of the allocation shows that $29,900.0mn or 50.0% of the investment projects will be funded from the Consolidated Fund, 38.2% - external loans and 11.8% - external grants.

For the Public Bodies (PB), 78 investment projects are scheduled to commence/continue implementation utilising an allocation of $27,400.0mn. Approximately $16,100.0mn (58.8 %) of the funding for these projects will be provided from internal revenue and the balance of $11,300.0mn (41.2%) from loans. The National Housing Trust has been allocated 27.9 % of the PB investment budget, the Port Authority of Jamaica (PAJ) – 20.7%, PetroJam – 20.4%, National Water Commission (NWC) - 16.4%, Airports Authority of Jamaica (AAJ) - 13.7% and the Urban Development Corporation (UDC) – 0.9%.

The information below highlights some of government's planned investments for FY 2018/19.

NATIONAL SECURITY

In order to improve public safety and citizen security, the government has identified national security and the rule of law as the main strategic priorities for FY 2017/18 and the medium term. This is reflected in an increase in the level of public spending for these programme areas, with emphasis being placed on physical infrastructure, machinery and equipment and social intervention programmes.

Construction of New JDF Facilities

During FY 2017/18, a $1,530.0mn contract was signed for the construction of six buildings under the Lathbury Barracks Project. There was significant progress on two of the buildings and early stage civil works on another two buildings have begun.

The development of physical infrastructure for the Jamaica Defence Force (JDF) will continue during FY 2018/19 with the ongoing construction of the Lathbury Barracks for which $53.0mn has been allocated to complete five buildings (A4, A3, A2, B4 and B2) along with other related infrastructure works.

Resources have been allocated for the construction of a training facility for the Jamaica National Service Corps and to commence construction of two Western Bases - Burke Barracks in Montego Bay and Barham Wharf in Savanna-la-Mar, to support critical services and operations in western parishes.

Procurement of Equipment

Approximately $3,450.0mn was allocated during FY 2017/18 for the procurement of motor vehicles and other specialized equipment, such as surveillance and operational equipment, to replace aged and unserviceable units and bolster the JDF's and JCF's ability to respond to both physical threats and cyber-attacks.

The replacement of this specialised equipment is being undertaken on a phased basis and will continue into the medium term (FY 2018/19 – FY 2021/22). This will spread the expenditure over a number of years to prevent all the specialised equipment from becoming obsolete at the same time. Approximately $8,839.0mn is programmed to be expended duringFY 2018/19.

Construction & Improvement of Police Stations & Other Buildings

In FY 2018/19, an allocation of $566.0mn has been provided to: (i) facilitate the construction of the 2nd floor of the Caribbean Regional Drug Law Enforcement Training Centre (REDTRAC) to provide additional space for classrooms, computer labs, breakout rooms and other vital work areas; ii) acquire lands in Montpelier, St. James for the construction of a western base for a Mobile Reserve Operation Facility for the JCF; iii) construct divisional headquarters in Port Maria, St. Mary and Port Antonio, Portland and; iv) construct an autopsy suite in Kingston.

Citizens Security and Justice Programme (CSJP)

The programme has reached approximately 50 communities over the past decade and services including internship opportunities, skills training and on the job exposure continued. It is envisaged that during the FY 2018/19, institutionalization of service offerings can be attained and as a result, inter-agency collaboration actively commenced during FY 2017/18.

An allocation of $1,370.0mn is allocated for the continuation of social intervention programmes with an increased focus on improving governance and promoting behaviour change especially as it relates to conflict resolution, social inclusion and safety, and an increased use of gender-responsive justice services through the operationalization of the legal aid council, victim support services and the justice training institute.

Construction and Improvement of Correctional Facilities

The Department of Correctional Services (DCS) continued its initiative to upgrade and improve the physical conditions of its facilities and focused on the Tamarind Farm Correctional Facility during FY 2017/18. The DCS's programme of activities for FY 2018/19 seeks to address the lack of dedicated accommodation and services for the mentally challenged and vulnerable inmates. The FY 2018/19 allocation of approximately $108.0mn will facilitate the construction of an accommodation block at the Tower Street Adult Correctional Centre and St. Catherine Adult Correctional Centre to attend to the deficiencies identified.

SOCIAL SECTOR

Social Protection

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

During FY 2017/18, the graduation process was initiated and sensitization sessions conducted with stakeholders and PATH families. Approximately 8,000 families who have been beneficiaries since the inception of the programme in 2002 were invited to re-apply and this process is on-going.

The programme continues to provide labour activation services and skills training that can empower household members on PATH to seek and retain employment; and fiscal provisions in the form of an annual budget over the medium term – for FY 2018/19, this amounts to $7,036.0mn.

Jamaica Social Investment Fund (JSIF)

The JSIF has been tasked with implementation of various projects, such as;

- construction/rehabilitation of basic and primary schools;
- rehabilitation of agricultural feeder roads;
- construction/rehabilitation of agro-processing facilities;
- provision of water and sanitary facilities; and
- provision of soft programmes such as vocational skills training, entrepreneurial/market awareness, entrepreneurial skills, employment profiling, personal development and job preparation skills.

The FY 2017/18 budget for JSIF was increased from $1,916.0mn to $2,038.0mn in the Supplementary Estimates to facilitate the continued implementation of five (5) major projects and the completion of two others (BNTF7 & BNTF8).

The allocation for FY 2018/19 is $2,989.0mn and this will be used to continue the implementation of 48 sub-projects under existing projects - the *Poverty Reduction Project IV, Integrated Community Development Project (ICDP), Disaster Vulnerability Reduction Project (DVRP), School Sanitation Programme* and commence 12 new sub-projects under the *Basic Needs Trust Fund Nine (BNTF9)*. These projects will be implemented over a period of two to five years.

HEALTH

The Ministry of Health (MOH) continues to implement initiatives geared at strengthening the health system through the implementation of capital projects which seek to reduce morbidity and mortality in key populations. This is being done through effective biomedical, behavioural and structural interventions, as well as improvements in health care facilities and service delivery.

In FY 2017/18, the MOH was allocated a total budget of $4,578.0mn to implement eight (8) capital projects. Ninety six percent (96.0%) of the allocation was to support the implementation of activities under programmes related to *health services improvements*, *HIV/AIDS preventative/control measures* and the *reduction of maternal and child mortality*.

For FY 2018/19 a total of $4,408.0mn is allocated to continue the implementation of programmes geared towards health service improvements, HIV/AIDS prevention/control, reducing child mortality and improving maternal health. During the fiscal year, the *Programme for Reduction of Maternal and Child Mortality* (PROMAC) will focus primarily on establishing five High Dependency Units (HDUs) in five public hospitals across the island.

Cornwall Regional Hospital Restoration

The main objective of this project is to facilitate the rehabilitation of all ten floors of the Cornwall Regional Hospital over a 24 month period, utilizing funds provided by the National Health Fund.

The rehabilitative works commenced in April 2017 with the main focus being the replacement of the HVAC system on floors 1- 5 and the upgrading of the flooring, plumbing and electrical wiring in those areas in a state of disrepair. An allocation of $827.0mn was provided during FY 2017/18 for the commencement of the restorative works and $773.5mn for FY 2018/19 to complete the works.

Jamaica Western Children's Hospital

The Jamaica Western Children's Hospital is being constructed to provide health care services for children and adolescents in the western section of the island. Preliminary works on the hospital are scheduled to start during FY 2018/19 with an allocation of $221.7mn from the National Health Fund. However, construction of the hospital and other infrastructure works will be financed by a grant from the Chinese Government. Civil works are expected to start in the fourth quarter of FY 2018/19.

EDUCATION (*Additional school places, training and reform)*

In FY 2017/18, the Ministry of Education, Youth and Information (MOEYI) was allocated a capital budget of $1,966.0mn to implement 17 capital projects. More than two thirds of the allocation was to support the implementation of activities under programmes related to c*onstruction, renovation & improvements of school infrastructure, provision of safety & security equipment, training of school personnel and curriculum development.* The successful implementation of these programmes will result in an improved learning environment which can help to transform the education sector.

The following projects were completed during FY 2017/18, *Upgrading of the University of Technology, Strengthening the School Feeding Programme in Jamaica and Electrical Upgrading of the MOEYI's Caenwood facility.*

The MOEYI capital budget for FY 2018/19 is $1,671.0mn. This is to implement projects geared at improving quality education by providing a safe and conducive learning environment and improving service delivery by training educational practitioners. The reduction in the capital budget when compared to the previous fiscal year is due to the completion of several major projects during FY 2017/18 with three additional projects slated to end by December 2018.

AGRICULTURE

Agricultural Competitiveness Programme Bridging Project

The objective of the project is to place Jamaica in a competitive position that will provide solutions to the structural challenges affecting the local agricultural sector. A total of $20.0mn was included in the FY 2017/18 First Supplementary Estimates to facilitate start-up activities for Phase 2 of the Project.

For FY 2018/19 a total of $150.0mn is allocated to the project to: (i) commence the development of the Spring Gardens Agro Park in Portland, and (ii) the development of an Agri-Business Value Chain.

ENHANCING COMPETITIVENESS AND GROWTH

Jamaica: Foundations for Competitiveness and Growth

The goal of this project is to assist in providing an enabling environment for private sector competitiveness to help unleash growth and job creation in the Jamaican economy. This is expected to be attained by enhancing competition in the business environment, facilitating large-scale private investment and supporting small and medium-size enterprises (SMEs) by providing low-cost financing and development grants.

The project is funded by a US$50.0mn loan from the World Bank and is being implemented over a 6-year period.

The project has been instrumental in the establishment of the Application Management and Data Analysis (AMANDA) system in the 13 Municipal Corporations and the upgrading of the system that existed in agencies linked to the developmental approval process. During FY 2017/18, a full fledgeed roll-out of the system started in three (3) pilot Municipal Corporations while computers, scanners and other hardware devices were provided for the other municipalities.

The training of judges, attorneys and other legal professionals in areas relating to the Insolvency Act continued, with over 100 persons trained up to December 2017. The provision of legal services to review key commercial transaction documents at the Attorney General's Chambers continued, and a firm was engaged to review issues relating to mergers and acquisitions under the Fair Trading Commission Act.

The Special Economic Zone (SEZ) Authority commenced operations as a regulatory body during FY 2017/18 and a study to determine the feasibility of establishing the Caymanas Economic Zone (CEZ) was in progress. The development of a master plan for the Logistic Hub Initiative (LHI) was completed and a final report submitted.

The strong interest shown by SMEs in accessing funds under the line of credit continued with over $440.0mn disbursed by the Development Bank of Jamaica (DBJ) during the period April to December 2017. The provision of loans under the line of credit is scheduled to continue with about $500mn expected to be disbursed. Several eligible SMEs are expected to benefit from technical assistance and/ or matching grants under the Jamaica Business Fund match grants programme.

The provision of financial and legal advisory services for the divestment of NWC Shares in the Soapberry Water Treatment Facility will also continue in FY 2018/19.

Economic Partnership II (EPA II) Capacity Building Project

The goal of this project is to support the Government of Jamaica in reducing trade deficits, by helping to increase exports, enhancing small business competitiveness and integrating the economy into the global marketplace. During FY 2017/18, the project continued the development of sales and marketing strategies for the sauce and spice industries with the international market being the main target. The establishment of a Computerised Accreditation Management System for Jamaica National Agency for Accreditation (JANAAC) was completed and is in use. A database to log information on pesticide residues and food contaminants was established at the Food Storage & Prevention of Infestation Division of the Ministry of Industry, Commerce, Agriculture & Fisheries (MICAF) and is being used as a model for other laboratories.

In FY 2018/19, the sum of $108.3mn has been allocated to: (i) continue the food safety certification of four (4) sauces and spices firms; (ii) continue implementation of a marketing programme for sauces & spices industry in four states in the USA; (iii) complete the coffee farmers registration programme and launch a financing and insurance programme; and (iv) complete the coffee seedling distribution programme. The project will also continue the upgrading of the Plant Protection Unit laboratories at MICAF in accordance with ISO/IEC 17025 accreditation.

ENERGY EFFICIENCY AND CONSERVATION

Energy Efficiency and Conservation Programme (EECP)

This is the final year of implementation of this project, ending over seven years of the initiative to reduce electricity usage in several state agencies by the installation of solar control films, roof membranes to reduce the effect of radiation on buildings, and the replacement of inefficient window and mini-split A/C units, and the upgrading/replacement of chill water units.

During FY 2017/18, contracts for the replacement of inefficient air conditioning units at the May Pen Hospital and the Ministry of Education, Youth and Information was awarded and works started. A consultant was engaged to develop national guidelines for the disposal of hazardous waste generated from the retrofitting of air conditioning units.

For FY 2018/19, the sum of $330.1mn has been allocated to complete the retrofitting of air conditioning units at the May Pen Hospital and Ministry of Education head office. The project will also retrofit air conditioning units at the Jamaica Cultural Development Commission, Mobile Reserve, May Pen Police Station, National Police College and the Post and Telecommunications Department.

Energy Management and Efficiency Project

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

For FY 2018/19, the project has been allocated $414.2mn which will be used to commence the retrofitting of air conditioning systems and lighting in six (6) state owned facilities and commence the procurement and installation of the Urban Traffic Management System (UTMS).

INFRASTRUCTURE

For FY 2018/19, $16,728.0mn or approximately 81% of the $20,676.0mn allocated to the Ministry of Economic Growth and Job Creation is earmarked for the works related projects aimed at developing and improving the country's infrastructure. Civil works were completed on the Rural Road Rehabilitation Project.

Ninety five (95) percent of the allocation under the *works* portfolio is attributed to two major road works projects; the Major Infrastructure Development Programme (MIDP) and the commencement of civil works under the Southern Coastal Highway Improvement Project. The remaining five percent or approximately $759.0mn is to facilitate works in relation to the completion of two construction projects - the construction of the Ministry of Foreign Affairs Head Office and continuation of the Road Rehabilitation Project II.

Details are as follows:

(a) ***Major Infrastructure Development Programme (MIDP)*** – the main objectives of this project are the: upgrading of 430km of key arterial roads, reconstruction of 27 critical bridges, and implementation of nine phases of the Employment Programme (JEEP/HOPE) – to effect repairs to community roads, retaining walls and drainage structures. This project was programmed to be implemented over 54 months (commencing FY 2014/15) at a cost of US$352.9mn (US$300.0mn - CHINA EXIM Bank; US$52.9mn GOJ). However, the necessity to undertake the replacement of old corroded water mains and sewerage pipeline infrastructure along five major thoroughfares (Mandela Highway, Constant Spring Road, Hagley Park Road, Marcus Garvey Drive and Barbican Road) required revisions to the project's scope and cost.

The project scope and cost were adjusted to facilitate the upgrading of water and sewer infrastructure along the section of the road being rehabilitated. Works are now programmed to be completed seven months later than the September 2018 deadline, at a revised cost of approximately US$397.0mn. The project has completed all phases of the employment programme; eight of the 27 programmed bridges and rehabilitated 192 km of roads.

For FY 2018/19 a total of $12,013.2mn is allocated to the project to: (i) continue and complete Mandela Highway (phase1); ii) continue and complete 54 local road works – subcontracts; iii) commence road construction works on Hagley Park Road and achieve 65% completion; iv) continue road construction works on Constant Spring Road and achieve 70% completion; v) continue and complete road construction works on Barbican Road; and vi) commence road construction works along Ferris – Mackfield Road section - Westmoreland and achieve 70% completion.

(b) ***Road Rehabilitation Project II*** – This project was originally formulated to facilitate economic development/growth through the upgrading of four (4) main roads totalling an approximate 57 km of road network, to support agricultural, industrial and tourism activities in the parishes of St. Mary, St. Ann and Westmoreland. The project is currently focusing on rehabilitation of a section of the Broadgate to Agualta Vale main road (Junction, St Mary).

This project is allocated $500.2mn in FY 2018/19 to facilitate the commencement of:

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

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

The Southern Coastal Highway Improvement Project (SCHIP) was designed to improve the main south eastern road corridor from Harbour View, St Andrew to Port Antonio, Portland (110Km) and Morant Bay to Cedar Valley (26Km) to increase commerce and spur economic growth and development in the eastern section of the island. The project will also construct the third phase (1C) of the East–West Highway from May Pen, Clarendon to Williamsfield in Manchester (27km). The project is estimated to cost US$384mn and will be implemented over a 5 year period.

The project has been allocated $3,957.0mn for FY 2018/19 to facilitate land acquisition, design and supervision and the commencement of civil works along both major road segments.

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

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

The project has been allocated the sum of $253.8mn for FY 2018/19 to facilitate construction of additional coastal protection infrastructure and drainage systems, installation of utilities and security for the building's site. The allocation also includes provision for the supervision of the construction related works necessary for the erection of the MFAFT Office Building. All major construction activities of the Project are anticipated to be completed by the end of the 2018 calendar year.

ENVIRONMENTAL RESILIENCE & CLIMATE CHANGE

Jamaica Disaster Vulnerability Reduction Project (DVRP)

The DVRP seeks to enhance Jamaica's resilience to natural disasters and climate risk, through improved disaster preparedness and the institution of bespoke response mechanisms suitable for Jamaica. Since achieving project effectiveness in September 2016, the DVRP's major achievements include the procurement and installation of seismic equipment island-wide to bolster seismic research and analysis and advanced architectural and engineering designs for Montego Bay, Port Maria and Yallahs fire stations.

The sum of $518.0mn has been allocated for FY 2018/19 to commence the construction of the fire stations; the procurement of fire engines and water tanker trucks to support the Jamaica Fire Brigade's ability to protect life and property. The project will continue seismic research, conduct coastal micro-zonation studies for Alligator Pond and Savanna-la-Mar, continue eco-system based adaptation activities, and execution of training and awareness programmes.

PPCR II - Improving Climate Data and Information Management

The goal of this project is to improve the use of climate related data and information for effective planning and action at the local and national levels. During FY 2017/18, the project (i) facilitated the upgrade of the Water Resources Authority (WRA) water monitoring network and the development of a real time data platform; (ii) installed and commissioned power supplies at the Meteorological Service of Jamaica (MSJ) and WRA; and (iii) provided support to commence the installation of MSJ hydro and agro-met network.

The allocation of $139.1mn for FY 2018/19 will be used to (i) mobilise the supplier of the Doppler Weather Radar, (ii) complete data rescue and capacity building of MSJ, (iii) commence vulnerability assessment of the health sector, and (iv) commence the behaviour change and public education campaigns.

PPCR II - Adaptation Programme and Financing Mechanisms

The goal of this project is to increase the country's resilience to the effects of climate change by enhancing the capacity of priority sectors, with direct focus on (i) mainstreaming climate change into development planning; (ii) provision of climate financing to overcome the challenges brought about by climate change; and (iii) the dissemination of lessons learned from adaptation interventions.

The main achievement during FY 2017/18 was the disbursement of funds through the two financing mechanisms – a *Line of Credit* and *Special Climate Change Adaptation Fund*. Several Micro, Small and Medium-Size Enterprises, non-government organizations and selected public sector entities benefitted from the financing mechanisms and have implemented innovative climate smart projects in several communities to mitigate the effects of climate change. The Crop Resilience/Suitability Modelling also commenced and will help to determine possible adaptation strategies to improve crop resilience and diversification.

The targets for FY 2018/19 include the establishment of check dams, rainwater harvesting systems, aquaponics systems, green/shade house, preparation of technical papers for the National Spatial Plan, reforestation programme and adaptation measures in the Upper Rio Minho Sub-watershed. The project will also continue financing climate change interventions related to agriculture, water management and tourism through the Line of Credit and Special Climate Change Adaptation Fund; and the execution of climate change public awareness training programmes. A total of $573.3mn has been allocated in FY 2018/19 to facilitate the implementation of these targets.

PUBLIC SECTOR TRANSFORMATION

This initiative has remained a priority of the GOJ developmental agenda. The programmes and projects are being coordinated and implemented by several MDAs including the Office of the Cabinet, Office of the Prime Minister (OPM) and the Ministry of Finance and the Public Service (MOFPS).

The main projects currently underway in relation transformation of the public sector are the *Public Sector Transformation and Modernization Project* - Office of the Cabinet; and the *Strategic Public Sector Transformation Project* - Ministry of Finance and the Public Service. A new project, the *Public Sector Transformation Implementation Project* – Office of the Prime Minister, will commence implementation in FY 2018/19. These projects focus on the transformation of human resources management systems and processes, introducing more efficient planning, budgeting and performance management and ICT systems to aid in the delivery of service to the public in a timely and efficient manner.

Major achievements under this initiative include the establishment of the Public Investment Management System (PIMS); the implementation of MyHR+ (HR and payroll software) in 14 MDAs and the introduction/upgrading of the Application Management and Data Automation Software (AMANDA) in several local authorities and referral agencies. These reforms have resulted in greater efficiency and transparency in the public sector.

For FY 2018/19 over $4,000.0mn in fiscal space has been allocated to continue the implementation of activities to modernize and transform the public sector under these projects. The major activities to be implemented include, inter alia, building the capacity of several state agencies to improve overall performance, improving the public procurement process and ICT governance framework, enhancing management efficiency and Parliament’s oversight role, improving the Public Investment Management System; and implementing change management activities within various MDAs.

IMPROVED REVENUE COLLECTION

Fiscal Administration Modernization Programme (FAMP)

This seven (7) year programme which is being financed by a US$60.0mn loan from the IDB ends on December 8, 2018. To date, the project has assisted with facilitating aggressive fiscal reforms in the Ministry of Finance and the Public Service (MOFPS) and its agencies, which has contributed to improved customs and inland tax collections, and more effective government payment operations.

Major achievements since the project commenced in 2011 include the implementation of the new Automated Operations Management System (ASYCUDA) at the Jamaica Customs Agency (JCA); an Integrated Tax Administration System (ITAS)/Revenue Administration Information System (RAIS) at Tax Administration Jamaica (TAJ); and the enhancement and upgrading of MDA’s accounting system (FINMAN) across 37 MDAs.

These cost saving measures have resulted in greater efficiency, transparency and accountability in financial management.

With a budget of $1,319.0mn for its final year of implementation, the Programme will continue to reform, improve and strengthen the systems and processes of Tax Administration Jamaica (TAJ), the Jamaica Customs Agency (JCA), and the Accountant General's Department (AGD). Some of the major activities supported include the continued rehabilitation of the TAJ East Street building, the implementation of an Electronic Content Management System (ECMS) in TAJ, JCA and AGD, and the implementation of an Electronic Single Window.

PUBLIC BODIES

Public bodies as instruments of Government Policy, continue to contribute to the infrastructure development of the country. During FY 2018/19, significant contributions to the Public Sector Investment Programme will be made by Self-Financed Public Bodies (SFPBs) at a cost of $27,432.0mn, with approximately $11,456.0mn or 41.7% being financed by loan funding. The SFPBs with significant contribution to Public Sector Investment are highlighted below:

Airports Authority of Jamaica (AAJ)

AAJ will continue to undertake activities towards implementing the 20-year Capital Development Programme at the Norman Manley International Airport (NMIA) at a cost of $2,696.0mn. This should account for approximately 72.0% of the budgeted capital expenditure of $3,759.0mn. Works will also continue in respect of other approved projects: the NMIA shoreline protection, as well as preliminary works for the Vernamfield Development Project.

Port Authority of Jamaica (PAJ)

PAJ's development projects are strategically aligned to the Government of Jamaica's growth and employment agenda. The PAJ's developmental activities will include the Montego Bay cruise and cargo development, as well as the acquisition of the Sea Walk Floating Pier for use at Port Royal. The PAJ in FY 2017/18 placed significant focus on completing Business Process Outsourcing (BPO) facilities in Portmore and Montego Bay as part of efforts to develop and expand Jamaica's outsourcing industry. The Montego Bay facility has been completed and the Portmore facility is scheduled for completion in FY 2018/19. Development projects are expected to account for over 80.0% of planned capital expenditure of $5,689.0mn.

National Housing Trust (NHT)

The NHT will continue to pursue increased delivery of housing solutions in the medium term; the entity is employing several new strategies aimed at making housing solutions more affordable and accessible. Accordingly, 16,356 solutions (houses and residential lots) should be completed by FY 2020/21 of which approximately 4,734 are scheduled for completion in FY 2018/19. NHT has forecast expenditure of $31,645mn for FY 2018/19, inclusive of $7,655.0mn for projects to be undertaken directly/jointly by the Trust.

National Water Commission (NWC)

The NWC will continue the implementation of selected strategic and capital projects that are expected to reduce the level of non-revenue water (NRW), achieve energy and other efficiency targets, contain operating costs and enhance revenues. NWC's public investments are projected at $4,494mn and include financing for the KMA Water Supply Improvement Project, as well as rehabilitation works under the K-factor Programme.

Petrojam Limited (Petrojam)

Petrojam plans to undertake activities during FY 2018/19 aimed at enhancing its refinery capabilities, whilst improving marketability and containing costs. Notably, Petrojam will commence the construction of a Vacuum Distillation Unit (VDU) which is Phase 1 of the refinery upgrade programme and which will facilitate the production of asphalt.

PROJECTS	Funding Agency	Revised 2017/2018 Total	Proposed 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total	Projection 2021/2022 Total	Projection 2022/2023 Total
OFFICE OF THE PRIME MINISTER							
Development of a National Identification System	*GOJ*	262,723	-	-	-	-	-
National Identification System (NIDS) Project	*IDB*	30,000	1,248,788	2,166,626	2,000,000	1,735,772	1,200,000
Youth Employment in Digital and Creative Industries	*IBRD*	154,540	1,005,364	574,289	-	-	-
Public Sector Transformation Implementation	*IDB*	-	615,647	1,009,288	1,591,000	1,311,000	1,128,850
Projects Managed by JSIF:		2,038,523	2,771,756	4,185,365	3,909,964	6,433,937	563,270
Jamaica Disaster Vulnerability Reduction Project	*IBRD*	236,167	517,793	547,793	1,700,000	1,133,937	313,270
Rural Economic Development Initiative	*IBRD*	238,930	-	-	-	-	-
Poverty Reduction Project III	*EU*	9,780	-	-	-	-	-
Poverty Reduction Project IV	*EU*	100,000	602,664	650,000	125,000	700,000	-
Basic Needs Trust Fund (BNTF7)	*CDB*	234,426	-	-	-	-	-
Basic Needs Trust Fund (BNTF8)	*CDB*	119,415	-	-	-	-	-
School Sanitation Programme	*PDF*	200,000	125,000	200,000	250,000	250,000	250,000
Jamaica Integrated Community Development Project	*IBRD*	899,805	1,100,099	2,250,000	1,558,564	3,500,000	-
Basic Needs Trust Fund (BNTF9)	*CDB*		360,308	537,572	276,400	850,000	-
Support to Rural Micro Enterprise	*CDB*		65,892	-	-	-	-
TOTAL OFFICE OF THE PRIME MINISTER		2,285,786	5,516,555	7,735,568	7,250,964	9,230,709	2,642,120
OFFICE OF THE CABINET							
Public Sector Transformation and Modernization Programme (PSTMP)		747,106	1,438,600	-	-	-	-
	IDB	263,522	610,630	-	-	-	-
	CHINA	169,063	513,700	-	-	-	-
	EU	270,504	233,600	-	-	-	-
	GOJ	44,017	80,670	-	-	-	-
TOTAL OFFICE OF THE CABINET		747,106	1,438,600	-	-	-	-
MINISTRY OF ECONOMIC GROWTH & JOB CREATION							
General		*1,454,939*	*2,318,237*	*3,283,580*	*1,407,202*	*2,280,700*	*770,741*
Understanding Social Effects of Financial Crisis	*IDB*	2,395	-	-	-	-	-
Building Capacity in Post Disaster Needs Assessment	*CDB/GOJ*	8,500	-	-	-	-	-
Development of National Policy and Plan Action on International Migration and Development	*GOJ/ IOM*	37,250	31,181	49,867	55,606	48,583	55,000
PPCR II - Improving Climate Data & Information Management	*CIF/IBRD*	200,000	139,082	297,562	91,750	-	-
Economic Partnership (EPA) Capacity Building Project	*EU*	17,000	-	-	-	-	-
Economic Partnership II (EPA II) Capacity Building Project	*EU*	130,000	108,319	103,523	-	-	-
Enhancing the Resilience of the Agri Sector and Coastal Areas	*Adaptation Fund*	20,019	412,468	237,468	-	-	-
Jamaica Foundation for Competitiveness and Growth	*IBRD*	850,000	1,037,296	1,873,200	350,000	1,500,000	-
Planning Institute of Jamaica		450,000	537,296			1,500,000	
Development Bank of Jamaica		400,000	500,000			-	
Technical Cooperation Facility (TCF) V	*EU*	80,000	78,569	57,890	-	-	-
Technical Cooperation Facility (TCF) VI	*EU*	10,036	19,230	64,070	79,846	82,117	65,741
Strengthening the Capacity to Manage Environmental and Social Risks - PIOJ	*CDB*	5,247	-	-	-	-	-
Establishment of United Nations (UN) House	*GOJ*	50,000	204,554	-	-	-	-
Third City Planning	*GOJ*	44,492	37,538	-	-	-	-
Credit Enhancement Programme for MSMEs	*IDB*		250,000	600,000	830,000	650,000	650,000

PROJECTS	Funding Agency	Revised 2017/2018 Total	Proposed 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total	Projection 2021/2022 Total	Projection 2022/2023 Total
Works		*15,856,666*	*16,728,919*	*19,315,766*	*23,194,058*	*13,933,174*	*3,581,100*
Southern Coastal Highway Improvement Project	*GOJ/ CEXIM*	246,000	3,956,800	6,564,175	18,433,652	12,933,174	3,581,100
Construction of Ministry of Foreign Affairs Head Office	*GOJ/PRC*	232,000	253,800	590,664	2,260,406	1,000,000	-
Islandwide Flood Damage Mitigation & Vector Control	*GOJ*	600,000	-	-	-	-	-
Palisadoes Shoreline Protection & Rehabilitation Works Project	*GOJ/ CEXIM*	3,000	5,000	5,000	-	-	-
Road Rehabilitation Project II	*GOJ/ OPEC*	500,000	-	-	-	-	-
Road Rehabilitation Project	*GOJ*	167,000	500,155	382,355	-	-	-
Major Infrastructure Development Programme	*GOJ/CHINA EXIM*	12,038,666	12,013,164	11,773,572	2,500,000	-	-
Repairs to Roads	*GOJ*	2,070,000	-	-	-	-	-
Land, Environment and Climate Change		511,636	921,289	953,686	290,952	3,000	3,000
Strengthening the Operational and Financial Sustainablity of the National Protected Area System	*GOJ/GEF/ UNEP*	7,330	-	-	-	-	-
National Quick Start Programme Trust Fund	*UNEP*	3,269	-	-	-	-	-
National Biodiversity Planning Project	*UNDP*	4,507	-	-	-	-	-
Hdrochloro Fluoro Carbon (HCFC) Phase-out Mgmt Plan	*UNDP/ MLF*	11,790	8,640	3,000	3,000	3,000	3,000
Integrated Management of Yallahs/Hope River Watershed Management Area	*GOJ/GEF*	80,000	197,759	119,013	-	-	-
3rd National Communication & Binnial Report to the UN Framework Convention on Climate Change (UNFCCC)	*GOJ/GEF UNDP*	19,160	-	-	-	-	-
PPCR II - Adaptation Programme & Financinf Mechanism	*CIF/IDB*	338,000	573,290	709,772	132,876	-	-
Integrating Water, Land and Ecosystems Management in Caribbean Small Island Developing States (IWEco)	*UNEP*	28,000	40,000	96,344	155,076	-	-
Developing a Comprehensive Bush Fire Warning Index for Effective Bush Fire Management	*CDB*	19,580	15,000	10,000	-	-	-
Green Climate Fund Readiness Support Project	*Green Climate Fund*		86,600	15,557	-	-	-
Water		*487,679*	*707,945*	*1,858,291*	*1,920,000*	*1,622,000*	*1,290,000*
Construction/Maintenance of Water Supply Systems	*GOJ*	190,000	100,050	190,000	190,000	190,000	190,000
Rehabilitation of Irrigation Infrastructure (NIC)	*GOJ*	150,000	100,000	100,000	100,000	400,000	400,000
Support to Update the Jamaica Water Resources Development Master Plan	*GOJ/IDB*	22,778	10,991	-	-	-	-
Essex Valley Irrigation Infrastructure Development Prog.	*CDB*	70,000	457,613	1,550,000	1,630,000	1,032,000	700,000
Hermitage Dam Rehabilitation Study	*CDB*	39,829	21,000	-	-	-	-
Strategic Storm Water Drainage Subsector Plan	*IDB*	3,612	-	-	-	-	-
Upgraded Flooded Early Warning System for the Rio Cobre Water shed	*CDB*	11,460	18,291	18,291	-	-	-
TOTAL MINISTRY OF ECONOMIC GROWTH & JOB CREATION		18,060,920	20,676,390	25,411,323	26,812,212	17,838,874	5,644,841

PROJECTS	Funding Agency	Revised 2017/2018 Total	Proposed 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total	Projection 2021/2022 Total	Projection 2022/2023 Total
MINISTRY OF FINANCE & THE PUBLIC SERVICE							
Construction of Falmouth Tax Office	*GOJ*	158,483	-	-	-	-	-
Contingency Provision - Public Investment Management System	*GOJ*	52,769	794,480	2,000,000	6,000,000	21,392,901	43,677,018
Contingency for Natural Disasters/Infrastructure Rehabilitation	*GOJ*	-	500,000	500,000	1,900,000	1,500,000	2,500,000
Build-out of the Accountant General Dept. Offices	*GOJ*	40,008	90,000	-	-	-	-
Fiscal Administration Modernization Programme(FAMP)	*IDB*	1,347,000	1,318,994	-	-	-	-
FID/Caribbean Criminal Asset Recovery Programme (CCARP)	*DFID*	13,272	-	-	-	-	-
Jamaica Business Taxation Reform (JAMTAX)	*GOJ/IFC*	2,400	-	-	-	-	-
Strategic Public Sector Transformation	*IBRD*	633,251	735,472	1,057,234	1,075,000	-	-
Support to the MoF&P Transformation Programme	*IDB*	21,678	-	-	-	-	-
Strengthening the Institutional Capacity of Finanacial Services Commission (TC)	*IDB*	10,000	11,700	13,400			
Loan to PAJ - BPO Expansion	*GOJ*	1,500,000	-	-	-	-	-
TOTAL MINISTRY OF FINANCE & THE PUBLIC SERVICE		3,778,861	3,450,646	3,570,634	8,975,000	22,892,901	46,177,018
MINISTRY OF NATIONAL SECURITY							
Construction and Improvement - JDF	*GOJ*	660,000	1,561,800	1,127,078	411,595	308,865	-
Purchase and Overhaul of Aircraft	*GOJ*	1,717,850	3,780,548	3,791,628	3,438,008	1,279,128	4,437,196
Acquisition of Vehicles	*GOJ*	869,612	2,522,038	1,941,000	1,470,000	1,250,000	1,250,000
Upgrade of Telecommunications and Vehicle Tracking System	*GOJ*	862,450	380,000	140,000	-	-	-
Constrution and Improvement of Police Buildings	*GOJ*	258,000	566,000	736,000	840,000	800,000	-
Construction and Improvement of Correctional Facilities	*GOJ*	101,750	108,000	393,123	80,000	250,000	-
Purchase of Equipment	*GOJ*		2,156,000	1,064,000	660,000	760,000	610,000
Justice, Security Accountability and Transparency Project (JSAT)	*EU*	222,380	279,460	211,400	-	-	-
Rehabilitation & Reintegration of Local Offenders & Deported Pers. Persons Programme	*FCD/ DFID*	-	6,600	-	-	-	-
Reintegration and Rehabilitation of Involuntary Returned Migrants Jamaica	*UNDP*	13,877	14,000	10,000	-	-	-
Citizens Security and Justice Programme III	*GOJ/DFATD/ IDB/DFID*	1,100,000	1,100,000	1,338,553	1,250,000	1,300,000	1,300,000
	IDB	378,429	408,613	463,550	-	-	-
	DFATD	276,685	368,164	357,307	-	-	-
	DFID	392,136	265,723	296,632	-	-	-
	GOJ	52,750	57,500	221,064	1,250,000	1,300,000	1,300,000
TOTAL MINISTRY OF NATIONAL SECURITY		5,358,919	12,414,446	10,752,782	8,149,603	5,947,993	7,597,196

PROJECTS	Funding Agency	Revised 2017/2018 Total	Proposed 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total	Projection 2021/2022 Total	Projection 2022/2023 Total
MINISTRY OF JUSTICE							
Construction and Improvement of Courthouses	*GOJ*	130,000	267,000	570,000	350,000	650,000	650,000
Motor Vehicle for Judges	*GOJ*	157,660	99,659	106,700	97,000	97,000	97,000
Justice Sector Reform Programme	*GOJ*	237,000	954,000	711,000	550,000	650,000	700,000
Citizens Security and Justice Programme III	*GOJ/DFATD/ IDB*	213,799	270,015	374,150	285,366	500,000	700,000
	IDB	73,999	100,300	103,912	-	-	-
	DFATD	64,800	90,372	106,740	-	-	-
	DFID	75,000	79,343	163,498	-	-	-
	GOJ	-	-	-	285,366	500,000	700,000
Justice, Security Accountability and Transparency Project (JSAT):	*EU*	410,000	203,249	161,000	-	-	-
MOJ		385,000	203,249	161,000	-	-	-
INDECOM		25,000	-	-	-	-	-
Justice Undertakings for Social Transformation	*CIDA*	120,950	81,977	126,687	-	-	-
TOTAL MINISTRY OF JUSTICE		1,269,409	1,875,900	2,049,537	1,282,366	1,897,000	2,147,000
MINISTRY OF LABOUR & SOCIAL SECURITY							
Integrated Social Protection and Labour Programme	*GOJ/IDB*	211,315	6,000	-	-	-	-
Social Protection Project II	*G0J/IBRD*	6,416,013	-	-	-	-	-
Social and Economic Inclusion of Persons with Disabilities	*JICA/IBRD*	130,000	55,500	-	-	-	-
Integrated Support to Jamaica Social Protection Strategy	*IDB*	1,522,543	7,912,264	8,053,731	8,568,350	8,640,550	8,847,934
TOTAL MINISTRY OF LABOUR & SOCIAL SECURITY		8,279,871	7,973,764	8,053,731	8,568,350	8,640,550	8,847,934
MINISTRY OF EDUCATION, YOUTH & INFORMATION							
Establishment of Diagnostic Centres (Special Education)	*GOJ*	32,000	5,000	60,000	-	-	-
Support to Tertiary Institutions	*GOJ*		-	154,000	256,000	256,000	-
CASE Facilities Upgrade	*GOJ*	23,000	-	-	-	-	-
Sanitary Block Project (Renovation/Refurbishing of Primary Schools)	*GOJ*	71,765	30,000	100,000	385,000	180,000	30,000
Education Transformation Programme I	*GOJ*	541,500	466,828	549,000	1,000,000	645,000	434,000
Renovation/Refurbishing of Infant Schools	*GOJ*	50,000	30,000	50,000	50,000	30,000	-
National Education Trust Solar School Project	*GOJ*	61,940	120,731	40,103	40,103	40,103	40,103
Renovation & Modification of Caenwood Office	*GOJ*	108,000	80,000	120,000	136,000	85,000	-
Electrical Upgrading Project	*GOJ*	50,000	-	-	-	-	-
Education System Transformation Programme	*IBRD/IDB/ GOJ*	503,669	461,825	-	-	-	-
Early Childhood Development Project	*IBRD*	59,057	82,419	-	-	-	-
University of Technology Enhancement Project	*CDB*	165,045	-	-	-	-	-
Primary Education Support Project	*IDB*	8,200	-	-	-	-	-

PROJECTS	Funding Agency	Revised 2017/2018 Total	Proposed 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total	Projection 2021/2022 Total	Projection 2022/2023 Total
Strengthening the School Feeding Programme in Jamaica	*FAO*	11,865	-	-	-	-	-
USAID/MOE Education Partnership for Improved Reading Outcomes	*GOJ/USAID*	1,001	-	-	-	-	-
Promoting Quality Education and Advancing the reality of a Child Friendly Environment	*UNICEF*	12,172	15,000	-	-	-	-
Technology to Empower Individuals & Communities for Development	*GOJ/B& M Gates Found.*	28,263	-	-	-	-	-
Construction of Early Childhood Institutions	*GOJ/ China*	100,000	41,591	224,216	424,217	-	-
School Renovation and Construction - Japanese Grassroots Project	*JAPAN/ GOJ*	45,249	162,800	71,500	80,000	75,000	60,000
USAID/ MOEYI Partnership for Improved Safety and Security in Schools	*USAID*	80,957	146,610	140,017	72,500	-	-
Support for Sustainability of Education Sector Reform	*IDB*	12,000	27,830	33,638	11,347	-	-
TOTAL MINISTRY OF EDUCATION, YOUTH & INFORMATION		1,965,683	1,670,634	1,542,474	2,455,167	1,311,103	564,103
MINISTRY OF HEALTH							
Upgrading of Water Supply System - Bellevue Hospital	*GOJ*	24,000	40,000	-	-	-	-
Health Services Improvement	*GOJ/ NHF*	1,059,170	1,147,000	1,000,000	1,000,000	-	-
Inner City Focus	*GOJ*	5,000	-	-	-	-	-
Upgrading of Ministry of Health Head Office (Construction & Upgrading)	*GOJ*	8,352	-	-	-	300,000	400,000
Pre-investment Study - upgrading/expansion of 5 hospital	*GOJ*	69,500	-	-	-	-	-
Cornwall Regional Hospital Restoration, Prelim Works Western Children Hospital & Health Centre Repairs	*GOJ*	1,494,000	773,500	110,000	110,000	250,000	300,000
Westren Adolescence Hospital	*GOJ*		221,650	1,156,000	1,090,350	1,512,000	1,512,000
HIV Prevalence in most-at-risk population reduced	*USAID*	577,502	647,437	623,583	615,000	640,000	550,000
Programme for Reduction of Maternal and Child Mortality (PROMAC)	*EU*	352,047	759,604	1,000,000	900,000	-	-
Institutional Strengthening to Improve National Surveillance, Prevention and Control of Infectious Diseases	*IDB*	15,722	-	-	-	-	-
Strengthening of Health Systems in Jamaica	*IDB*	29,722	-	-	-	-	-
Support to the National HIV/AIDS Response in Jamaica (formerly New Funding Mechanism)	*Global Fund*	934,851	758,887	700,000	675,000	581,000	600,000
Technical support to Reduce Teenage Pregnancy	*IDB*	8,500	-	-			
TOTAL MINISTRY OF HEALTH		2,025,196	2,165,928	3,179,583	3,190,000	2,733,000	2,662,000

PROJECTS	*Funding Agency*	Revised 2017/2018 Total	Proposed 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total	Projection 2021/2022 Total	Projection 2022/2023 Total
MINISTRY OF CULTURE, GENDER, ENTERTAINMENT & SPORT							
Santa Cruz Outreach Centre	*GOJ*	-	19,310	-	-	-	-
Revitilization of the Institute of Jamaica	*JICA*	16,080	-	-	-	-	-
Rallying for the Protection of Culture and Heritage in Small Island Developing States (SIDS)	*UNESCO*	7,280	-	-	-	-	-
Advancing Jamaican Biodiversity data products and information services	*EU*	5,000	1,415	-	-	-	-
TOTAL MINISTRY OF CULTURE, GENDER, ENTERTAINMENT & SPORT		28,360	20,725	-	-	-	-
MINISTRY OF INDUSTRY, COMMERCE, AGRICULTURE & FISHERIES							
Major Rural Farm Roads Rehabilitation/Devt Programme	*GOJ*	150,000	450,000	120,000	120,000	500,000	300,000
Production Incentives to farmers	*GOJ*	385,000	100,000	80,000	50,000	200,000	80,000
Bodles Redevelopment Project	*GOJ*		300,000	100,000	100,000	500,000	100,000
Sugar Transformation Programme	*GOJ*	956,948	-	-	-	-	-
Agricultural Competitiveness Programme Bridging Project	*GOJ*	20,000	150,000	250,000	250,000	500,000	500,000
Diversification of the Caribbean Livestock Sector through the Production of Small Ruminants	*GOJ/CFC*	200	-	-	-	-	-
Agricultural Competitiveness Programme	*GOJ/IDB*	400,677	-	-	-	-	-
Bannna Accompaning Measures (BAMS)	*GOJ/EU*	184,932	-	-	-	-	-
Enhancing the Resilience of the Agricultural Sector and Coastal Areas	*Adaptation Fund*	59,717	47,000	-	-	-	-
Promoting Community Based Climate Resilience in the Fisheries Sector	*IBRD*	14,486	75,378	72,480	76,238	79,170	34,488
TOTAL MINISTRY OF INDUSTRY, COMMERCE, AGRICULTURE & FISHERIES		2,171,960	1,122,378	622,480	596,238	1,779,170	1,014,488
MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY							
Energy Efficiency & Conservation Programme	*GOJ/IDB*	150,000	330,136	-	-	-	-
E-Learning Project	*GOJ /USF*	450,000	700,000	700,000	700,000	700,000	700,000
Energy Security and Efficiency Enhancement Project:	*GOJ/ IBRD*	325,546	-	-	-	-	-
Improving Innovation Capacities in the Caribbean	*GOJ/ ACP Group*	19,269	-	-	-	-	-
Support to the Energy Management and Effciency Programme	*IADB*	36,000	11,242	-	-	-	-
Cyber Security Capacity Building	*UK*	4,274	-	-	-	-	-
Youth Employment in Digital and Creative Industuries	*IBRD*	149,860	-	-	-	-	-
Upgrade to the International Postal System	*ITU*	46,676	47,190	8,627	-	-	-
Energy Management and Effciency Programme	*IDB*	20,000	414,181	994,500	1,072,500	1,072,500	1,072,500
TOTAL MINISTRY OF SCIENCE, ENERGY & TECHNOLOGY		751,625	802,749	1,003,127	1,072,500	1,072,500	1,072,500

PROJECTS	Funding Agency	Revised 2017/2018 Total	Proposed 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total	Projection 2021/2022 Total	Projection 2022/2023 Total
MINISTRY OF TRANSPORT & MINING							
Portmore Transportation Hub - Feasibility Study	*GOJ*	10,000	-	-	-	-	-
JUTC - Acquisition of spare parts and special tools	*GOJ*	1,300,000	-	-	-	-	-
Trifold National Transport Repository Project	*GOJ*	671	771	1,729	-	-	-
TOTAL MINISTRY OF TRANSPORT & MINING		1,310,671	771	1,729	-	-	-
MINISTRY LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT							
Acquisition of Garbage Trucks - NSWMA	*GOJ*	250,000	300,000	320,000	320,000	400,000	500,000
Fixed Asset Acquisition - Jamaica Fire Brigade	*GOJ*	187,111	232,651	270,000	265,000	360,000	470,000
Improvement of Emergency Communication System in Jamaica	*GOJ*	10,000	10,000	600,000	600,000	-	-
Drop-in-Centres - homeless people	*GOJ*	24,000	28,000	28,000	-	-	-
Portmore-Hagen Climate Change Park	*German Govt*	30,000	10,000	-	-	-	-
Emerging and Sustainable Citiies Initiative	*IDB*	80,881	-	-	-	-	-
Local Government Adaptation to Climate Change	*EU*	22,348	16,627	-	-	-	-
Fisheries Ecosystem Adaptation Strategies and Technologies	*CCCCC*	42,800	22,876	-	-	-	-
Strengthening the Disaster Risk Management Capacity of Portmore	*CDB*	-	27,936	23,156	-	-	-
Climate Change Adaptation and Risk ReductionTechnology and Strategies to Improve Community Resilience	*CDB*	-	47,524	30,476	-	-	-
TOTAL MINISTRY OF LOCAL GOVERNMENT & COMMUNITY DEVELOPMENT		647,140	695,614	1,271,632	1,185,000	760,000	970,000
TOTAL CENTRAL GOVERNMENT		48,681,507	59,825,100	65,194,600	69,537,400	74,103,800	79,339,200
PUBLIC ENTERPRISES							
				-	-	-	
Airport Authority of Jamaica				-	-	-	
NMIA Capital Development Programme (CDP) Phase 1b	Petrocaribe/AAJ	560,638	2,695,866	1,238,640	705,819	1,939,514	-
Vernamfield Aerodrome (preliminary works)	AAJ	40,430	273,000	-	-	-	-
Shoreline Protection	AAJ	31,495	790,105	650,000	16,900	16,900	-
AAJ SubTotal		632,563	3,758,971	1,888,640	722,719	1,956,414	-
Port Authority of Jamaica:							
Upgrade & Renovation of Reynolds Pier (O/Rios)	loan	2,266,534	394,124	-	-	-	-
Fisherman Village Land Acquisition/civil works/ consultancy (O/Rios)	Loan	416,067	30,000	-	-	-	-
BPO MBFZ 63000 sqt ft Building	Loan/MOFPS	774,918	-	-	-	-	-
BPO Portmore Informix centre	Loan/MOFPS	1,491,466	854,593	-	-	-	-

PROJECTS	*Funding Agency*	**Revised 2017/2018 Total**	**Proposed 2018/2019 Total**	**Projection 2019/2020 Total**	**Projection 2020/2021 Total**	**Projection 2021/2022 Total**	**Projection 2022/2023 Total**
Montego Bay Cruise and Cargo Development	PAJ	1,684,860	1,423,456	-	-	-	-
Sea Walk Floating Pier	PAJ	142,947	1,395,175		-	-	-
Logistics Kingston	PAJ	88,945	898,445	263,840	-	-	-
Falmouth Dredging - East Berth	PAJ	381,512	-		-	-	-
Falmouth Town Development Projects		155,016	-		-	-	-
KCT - Quay Wall	Loan	263,281	249,502	282,320	282,320	282,320	
Port Community System	PAJ	75,282	444,325	444,320	-		
PAJ Sub-Total		**7,740,828**	**5,689,619**	**990,480**	**282,320**	**282,320**	-
			-	-	-	-	
National Water Commission			-	-	-	-	
Rural Water Supply Improvement	NWC/loan	184,780	798,040	-	-	-	-
KMA Water Supply Improvement – Rio Cobre (content) water Treatment Plant	loan	2,485,990	1,510,479	1,346,248	-	-	-
Caribbean Regional Fund for Wastewater Management (CReW)	loan	194,900	600,000	800,000	-	-	-
K-Factor Projects	loan	48,980	1,555,000				
Hounslow Water Supply	NWC	11,500	30,000				
			-	-	-	-	-
NWC Sub-Total		**2,926,150**	**4,493,519**	**2,146,248**	-	-	-
Urban Development Corporation -				-	-	-	
Caymanas Primary Infrastructure Storm Water Drain	UDC	-	51,701	826	-	-	-
Caymanas Golf Club Sewage	UDC	-	12,537	-	-		
Hellshire Sewage Treatment Plant expansion	NHT	-	188,166	133,144	121	-	-
UDC Sub-Total		-	**252,404**	**133,969**	**121**	-	-
			-				
NATIONAL HOUSING TRUST							
Small Contractors Programme							
Granville, Trelawny	NHT	150,750	**204,200**	-	-	-	-
Barham, Westmoreland	NHT	-	**21,600**				
Maryfield, St. Catherine	NHT	-	**173,000**	-	-	-	-
Darliston, Westmoreland	NHT	190,320	**150,100**	-	-	-	-
Masemure, Westmoreland	NHT	-	**88,000**	-	-	-	-
Reddington, St. Mary	NHT	-	**84,500**	-	-	-	-
Yeast Plant, Westmoreland	NHT	-	**105,500**	-	-	-	-
Shrewsbury Ph 1, Westmoreland	NHT	-	**105,500**	-	-	-	-
Cashew Grove, St. James	NHT	-	**108,500**	-	-	-	
Shrewsbury Ph 2, Westmoreland	NHT	-	**46,000**	-	-	-	
Friendship Phase 1, St. Elizabeth	NHT	-	-	**151,230**	-	-	
Hellshire Phase 2, St. Catherine	NHT	-	-	**120,980**	-	-	
Perth 2, Village 1-5, Manchester	NHT	-	-	**181,470**	**417,560**	**690,000**	
Nashville, St. Mary	NHT	257,700	-	-			
NHT Joint Venture							
The Villages of Colebeck Castle - Ph 1 & 2, St Catherine	NHT	975,590	**410,000**	**25,020**	-	-	-
The Villages of Colebeck Castle - Ph 1 & 2, St Catherine (Housing)	NHT	260	**45,500**	**728,800**	**196,100**	-	-
The Villages of Colebeck Castle - Ph 3 & 4, St Catherine	NHT	-	**426,020**	**170,480**	**13,800**	**80,000**	-
The Villages of Colebeck Castle - Ph 3 & 4, St Catherine (Housing)	NHT	-	**15,500**	**220,970**	**710,360**	**436,180**	-
Hague, Trelawny	NHT	-	**5,500**	**139,130**	**266,270**	**35,000**	-
Estuary - Phase 1, St. James	NHT	2,256,850	**1,100,000**	-	-	-	-
Cashew Grove, St. James	NHT	38,050	-	-			

PROJECTS	Funding Agency	Revised 2017/2018 Total	Proposed 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total	Projection 2021/2022 Total	Projection 2022/2023 Total
NHT Projects - General							
Monymusk Country Estate, Clarendon	NHT	195,710	205,000	12,100	-	-	-
Monymusk Country Estate, Clarendon (Housing)	NHT	-	40,000	151,230	12,100	-	-
Anchovy, St. James	NHT	-	43,000	4,540	-	-	-
Barett Hall, St. James	NHT	-	35,000	423,440	1,089,290	2,100,000	-
Dry Valley - Phase 1	NHT	-	15,000	483,930	1,286,710	1,500,000	-
Friendship - Phase 1, St. Elizabeth	NHT	-	170,800	181,470	24,210	5,000	-
Friendship - Phase 2, St. Elizabeth	NHT	-	30,000	586,380	591,850	7,500	-
Hellshire Phase 2, St. Catherine	NHT	160,640	75,500				
Hellshire Phase 2, St. Catherine (Housing)	NHT	-	218,800	120,980	7,260	-	-
Hellshire Phase 3, St. Catherine	NHT	447,180	446,000	464,870	35,100	-	-
Industry Cove, Hanover	NHT	-	230,000	-	-	-	-
Longville - Phase 2A, Clarendon	NHT	564,660	15,000	98,000	-	-	-
Longville - Phase 3A, Clarendon (Housing)	NHT	-	102,000	9,070	6,050	-	-
Longville - Phase 4, Clarendon	NHT	430	64,000	44,760	2,118,070	500,000	-
Galina, St. Mary	NHT	-	102,000	565,400	417,560	40,000	-
Perth 1A, Manchester	NHT	105,240	180,000	57,470	127,080	24,000	-
Perth 2, Manchester	NHT	12,490	300,000	765,950	96,830	10,000	-
Humming Meadows Phase 1, Clarendon	NHT	-	200,490	141,550	20,580	11,700	-
Humming Meadows Phase 1, Clarendon (Housing)	NHT	-	115,000	90,740	9,080	1,000	-
Humming Meadows Phase 2, Clarendon	NHT	-	54,500	141,550	20,580	11,700	-
Sheckles 1, Clarendon	NHT	160	125,000	7,260	6,050	2,000	-
Sheckles 2, Clarendon	NHT	-	35,000	514,210	538,580	50,000	-
Twickenham Park, Phase 4, St. Catherine	NHT	-	212,500	332,670	30,260	15,000	-
Windsor - Duncans, Trelawny	NHT	3,730	120,000	39,320	9,080	5,000	-
Ruthven Road Phase 1, St. Andrew	NHT	665,190	400,000	61,820	6,050	-	-
Ruthven Road Phase 2, St. Andrew	NHT	-	8,500	656,140	816,970	300,000	-
Vineyard Town - Central Avenue & Third Avenue	NHT	-	40,000	18,450	640	-	-
Latium, St. James	NHT	-	95,000	30,250	4,240	-	-
Caymanas Phase 2, St. Catherine	NHT	-	19,000	302,450	393,360	50,000	-
Caymanas Phase 1, St. Catherine	NHT	-	15,000	456,200	593,060	650,000	-
Minard	NHT	-	65,000	556,200	593,060	650,000	-
Mount Nelson, Manchester	NHT	-	55,000	332,700	726,200	1,600,000	-
Negril Spots, Westmoreland	NHT	-	25,000	556,200	593,060	650,000	-
Ebony Phase 1, Clarendon	NHT	-	15,000	332,670	726,200	-	-
Darliston	NHT	12,050	-	-	-	-	-
Eltham Farms, S.t Catherine	NHT	196,060	-	-	-	-	-
Mary Field, St. Catherine	NHT	41,220	-	-	-	-	-
Sevens Village, Clarendon	NHT	263,300	-	-	-	-	-
							-
INNER CITY HOUSING / COMMUNITY RENEWAL PROG.							-
Majestic Gardens	NHT	21,440	34,000	-	-	-	-
White Wing	NHT	-	204,000	81,300	67,780	75,600	-
Maxfield Park (Frog City)	NHT	193,110	131,000	54,200	10,170	-	-
Arnold Road	NHT	-	-	21,170	72,860	-	-
Rasta City	NHT	-	10,000	-	-	-	-
Mona Commons	NHT	-	13,000	30,250	214,830	425,000	-

PROJECTS	*Funding Agency*	Revised 2017/2018 Total	Proposed 2018/2019 Total	Projection 2019/2020 Total	Projection 2020/2021 Total	Projection 2021/2022 Total	Projection 2022/2023 Total
SUGAR HOUSING PROGRAMME							
Jacksonville, Clarendon	NHT	20	**177,200**	33,270	**4,840**	**6,500**	-
Fontabelle, Westmoreland	NHT	-	**75,000**	**238,940**	**6,050**	-	-
Shewsbury, Westmoreland	NHT	90,180	**49,000**	**910**	-	-	-
Yeast Plant, Westmoreland	NHT	50,930	-	-	-	-	-
Barham	NHT	24,430	-	-	-	-	-
Masemure	NHT	66,640	-	-	-	-	-
NHT TOTAL		**6,984,330**	**7,654,710**	**10,750,190**	**12,879,780**	**9,931,180**	-
Petrojam Limited							
Refinery Upgrade Project - Phase 1 (VDU)	Loan/Petrojam	686,250	**5,583,500**	6,673,920	-	-	
			-				
			-				
Total Public Bodies		**18,970,121**	**27,432,723**	**22,583,447**	**13,884,941**	**12,169,914**	-
TOTAL PSIP		**67,651,628**	**87,257,823**	**87,778,047**	**83,422,341**	**86,273,714**	**79,339,200**

Appendix VII

FISCAL RISK STATEMENT

The Government of Jamaica (GOJ) remains committed to maintaining fiscal discipline and the achievement of long-term stability of public finances. Recognizing the sensitivity of budget outcomes to changes in macroeconomic assumptions as well as other influential factors, there is growing interest in understanding, monitoring and managing fiscal risks as this will strengthen fiscal policy management and analysis. This Fiscal Risk Statement seeks to outline the GOJ's exposure to fiscal risks originating from various sources such as deviations from the macroeconomic assumptions used in preparing the FY 2018/19 budget and medium term projections, public debt dynamics, the operations of state owned enterprises as well as public-private partnerships (PPP) and contingent liabilities.

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

Fiscal Risk Sources and Disclosure

Fiscal risks may emanate from a wide range of sources. Table VII (a) highlights some of these sources currently being monitored and managed by the MoFPS. Effective management of these risks is important due to their potentially large impact on public finances and their interrelationships.

Table VII (a)

Risk Factor	Implications for Fiscal Position
Macroeconomic Risks	
Economic Growth	Deviations in planned and actual economic growth are most likely to influence the Government's fiscal position through its impact on tax revenue. If growth is lower than planned, it is probable that shortfalls in revenue will result.
Commodity Prices	Oil Prices - Oil prices directly impact both revenue and expenditure. Revenue is impacted through the SCT on petroleum and petroleum products, whereas expenditure is impacted through the Government's housekeeping expenses - electricity, fuel etc.
Interest Rates	Increasing interest rates are a risk to debt servicing costs, based on the interest rate composition of the debt stock. That is, the percentage of the portfolio that is contracted on a floating vs fixed rate basis.
Exchange Rates	On the expenditure side, if the Jamaica dollar depreciates against other currencies, the external debt stock, and service will increase in J$ terms. On the revenue side, a depreciation of the $J will have a positive effect through increased earnings from international trade taxes and grant receipts (in J$ terms). The overall impact, however, is negative.
Contingent Liabilities	
Natural Disasters	Jamaica is located in a multi-hazard zone, and is therefore susceptible to natural disasters such as hurricanes, flooding, excess rainfall and earthquakes. Realisation of any of these disasters could lead to significant infrastructural damage, and will increase the GOJ's expenditure profile.
State Owned Enterprises	Public Entities can at any time require support from the Government to cover operating costs or for debt assumption. This could unexpectedly add pressure to the Government's expenditure budget.
Judicial Awards	Court judgements made against the GOJ pose a risk to fiscal targets, through increased unplanned expenditure.
Public Private Partnerships	PPP Projects have to be carefully designed to assess the probability of losses which may have to be assumed by the Government.
Other	
Wage Settlements	Wage settlements usually involve negotiations in which the outcome is uncertain. These negotiations can also be prolonged, so that payments might not be settled until after the approval of the Budget. This could result in expenditure being greater than planned.
Government Policy Changes	Where government policies change in response to economic conditions, both revenue and expenditure could be impacted.
Monetary Policy	Any unanticipated losses of the Central Bank will have to be covered by the Central Government. In the same way, profits made are also transferred. The operations of the Central Bank could therefore pose either positive or negative risks.

Source: MOFPS

Macroeconomic Risks

Economic Growth

The medium term revenue projections presented in this FPP are prepared using a range of macroeconomic parameters, one of which is economic growth. Table VI (b) below shows the changes in one year growth projections for both nominal and real GDP over the period FY 2013/14 to FY 2017/18. Based on provisional estimates for real and nominal GDP for FY 2017/18, it is expected that the fiscal year will close with a 1.3 and 1.4 percentage point shortfall in nominal and real GDP, respectively. For FY 2018/19, it is expected that the economy will grow by 6.9% in nominal terms, and 2.4% in real terms.

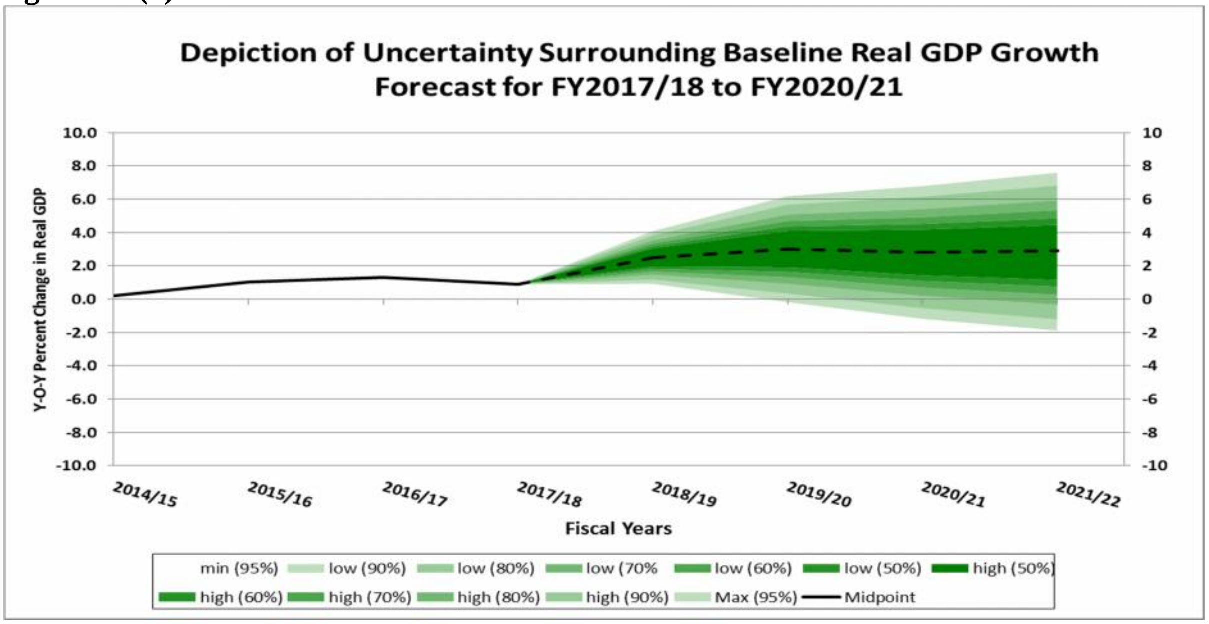
Table VI (b) Nominal and GDP Real Growth Projections vs. Actual

Period	Nominal GDP Growth (%)			Real GDP Growth (%)		
	Projection	Actual	Percentage Point Change	Projection	Actual	Percentage Point Change
FY 2013/14	10.4	9.2	-1.2	0.8	1.0	0.2
FY 2014/15	9.6	7.5	-2.1	1.4	0.2	-1.2
FY 2015/16	7.3	7.6	0.3	1.6	1.0	-0.6
FY 2016/17	5.8	3.9	-1.9	1.8	1.3	-0.5
FY 2017/18	7.2	5.9*	-1.3	2.3	0.9*	-1.4

**provisional estimate PIOJ*
Source: MOFPS

The uncertainty surrounding the baseline real GDP growth projections is depicted in the fan chart below. The solid line represents actual fiscal year Real GDP growth for the 3-year period from FY 2014/15 through to FY 2016/17 and the estimated growth for FY 2017/18, while the broken line represents the 4-year medium-term baseline projections (from FY 2018/19 to FY 2020/21). The fan chart utilizes the standard deviation of the forecast errors to determine the spread of the fan opening around the projected baseline values at different confidence levels. The blades nearest the centre of the fan chart in dark green define the range of projections corresponding to a 50% probability of occurrence, based on past experience. As the probability of occurrence increases, the colour is progressively less saturated and the spread between the minimum and maximum values rises. For FY 2018/19, the fan chart shows that there is a 50.0% probability that real GDP growth will turn out to be between 2.0% and 3.0%.

Figure VI (a)



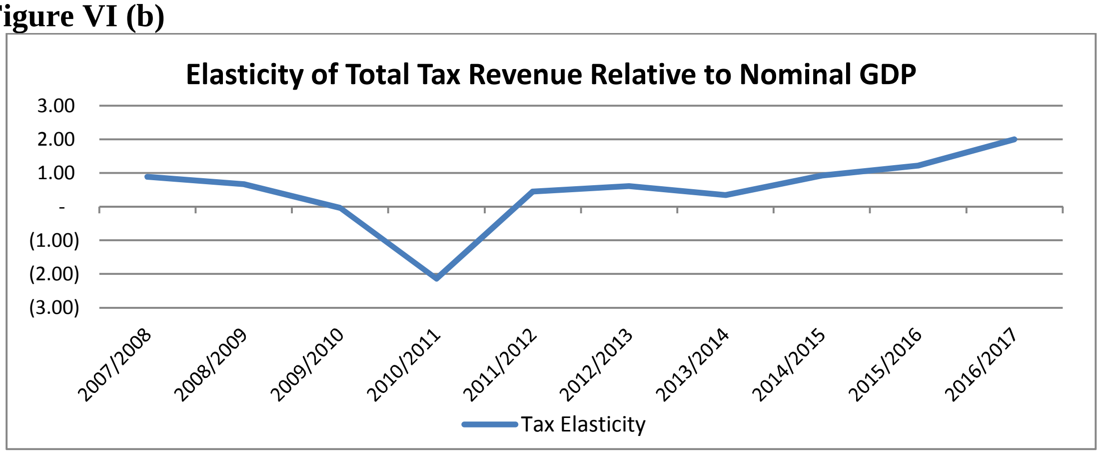
Source: STATIN/PIOJ

Economic growth poses a risk to the GOJ's fiscal position, primarily through the expected impact on tax revenue. For FY 2018/19 it is projected that tax revenue will account for roughly 88.0% of revenue collection. Any negative deviation in the rate of growth would likely impact total revenue through lower tax collection, especially in the Income and Profits, and Production and Consumption categories. The extent of the relationship between Jamaica's nominal GDP growth and tax revenue collection can be measured by the tax elasticity.

Tax elasticity measures the responsiveness of tax revenue to changes in GDP, controlling for any changes in tax policies. A tax elasticity of one (1) suggests that a 1.0% increase in GDP would result in a 1.0% increase in tax revenue. If the elasticity is greater (or less) than one (1), revenue would more than proportionately increase (or decrease) with GDP.

Figure VI (b) plots tax elasticity for the period FY 2007/08 to FY 2016/17.

Figure VI (b)



Source: MOFPS

Deviations in GDP growth could also directly impact Jamaica's ability to meet economic reform targets for the primary surplus (7.0% of GDP) and the wage bill (9.0% of GDP by 2021, estimated at 9.2% for FY 2018/19).

As a small open economy, Jamaica's GDP growth is closely linked to the economic performance of its major trading partners, particularly the United States. The IMF's World Economic Outlook (2018) suggests that the US economy is expected to realise growth through to 2020. If this expectation holds, the Jamaican economy is likely to be impacted positively, through increased exports, tourism, and remittances. In the same way, if the growth expectation for the US doesn't hold, Jamaica could see lower than expected economic growth. The macroeconomic forecast for FY 2018/19 includes a 4.0% increase in output in the Hotels and Restaurants sector, dependent on increased visitor arrivals. This is heavily reliant on preserving the international perception of Jamaica in light of recent negative press surrounding Montego Bay, the nation's "tourism capital".

Commodity Prices

Oil Prices

During 2017, crude oil prices averaged US$50.9/bbl, representing an increase of 17.8% over the average price for 2016. Crude oil prices are expected to increase to an average of US$56.0/bbl in 2018 amid expectations of strong oil demand, falling stocks and production restraints among OPEC and non-OPEC producers despite the expected increase in US Shale production. For oil-importing countries like Jamaica, increasing oil prices will result in higher inflation rates, as well as current account and fiscal balance pressures.

Changes in oil prices will directly impact both government revenue and expenditure. As it relates to revenue, this direct impact is reflected mainly in SCT collections on petroleum and petroleum products. The structure of the SCT on petroleum and petroleum products helps to buffer the impact of a reduction in oil prices on revenue collections as a portion is fixed (specific) and the remainder ad valorem. Following the reduction in crude oil prices, which started in 2014, the GOJ's revenue measures included increasing the specific SCT in FY 2015/16, FY 2016/17 and FY 2017/18 in order to prevent erosion of the SCT base which would have otherwise been negatively impacted from the price reduction. The fixed (specific) portion of the SCT contributed an estimated 79.4% of the total SCT collections for the April to December period of FY 2017/18 and represents an increase of 1.6 percentage points over the comparable period of FY 2016/17. This increased collection reflects a combination of several factors which include: increased production at Petrojam, an increase in the SCT on fuel which took effect in March 2017, and an uptick in crude oil prices. On the expenditure side, oil prices will influence transportation and energy costs for the Government, and hence overall "housekeeping" expenses.

As a strategy to reduce the impact of volatile oil prices on the expenditure budget, the GOJ has undertaken an Energy Management and Efficiency Project. The project promotes energy efficiency in Government entities and fuel conservation in order to reduce fuel imports. Activities will include the retrofitting of lighting and air conditioning systems, and the implementation of an urban traffic management system in the Kingston Metropolitan Area.

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

Interest Rates

Interest rate risk refers to the risk of increases in the cost of the debt arising from changes in interest rates. Increases in the market interest rate will increase the government's debt service cost for variable rate debt as well as the cost of rolling over near to maturity fixed rate debt. As at end-December 2017, the share of variable rate debt in the GOJ's debt portfolio was estimated at 35.6% (see Table VII (c)).

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

Interest Rate Composition of Debt Stock (%)	
	end-December 2017
Total Debt	
Fixed Rate	64.4
Variable Rate	35.6
Domestic Debt	
Fixed Rate	55.7
Variable Rate	44.3
External Debt	
Fixed Rate	69.3
Variable Rate	30.7

With a larger share of the portfolio contracted on a fixed rate basis, for both domestic and external debt, there is greater predictability and certainty of budgeted interest costs can be included in the budget. The GOJ's benchmark for the fixed/variable rate portfolio mix is 70:30. The GOJ's strategy to manage the interest rate risk, as outlined in the MTDS FY 2018/19 – FY 2020/21 is to gradually reduce the variable rate composition to 30.0% by end-March 2020 in order to optimize the interest rate structure of the portfolio. Therefore, to meet this target, the strategy outlines rolling-over of fixed rate instruments and replacing maturing variable rate debt with fixed rate debt. In addition, the Government's strategy for managing refinancing risk will be to focus on issuing longer tenor instruments and ensuring that debt instruments maturing in one-year account for at most 10.0% of the portfolio.

With respect to the broader fiscal impact, there is a negative correlation between interest rates and the fiscal balance. With the medium term projections showing an uptick in interest rates, especially in the external market, interest costs could increase and put pressure on the fiscal balance.

Exchange Rates

Foreign currency risk refers to the deterioration in the fiscal and debt profile that would result from a depreciation of the Jamaica dollar against other relevant currencies. The share of foreign currency debt in the total debt portfolio is a good measure of the foreign currency risk exposure. Depreciation in the value of the Jamaica dollar relative to the foreign currencies in the debt portfolio will result in an increase in both the stock position and the debt service costs in Jamaica dollar terms. The US dollar still remains the major currency in Jamaica's debt portfolio, followed by the Jamaica dollar and the Euro.

In keeping with the Government's strategy to manage the exposure of the debt portfolio to adverse exchange rate movements, the GOJ successfully executed a liability management exercise during the period August 2017 to September 2017 which involved operations in both the domestic and external debt portfolio. The transaction was structured to include the repurchase of near-to-maturity high coupon external bonds and the early redemption of all remaining US dollar-denominated Benchmark Investment Notes (BIN) issued in the domestic market. The objectives of the transaction were to: reduce the cost of funds, realign the interest rate structure in line with the current US dollar yield curve, mitigate refinancing risk through the extension of maturities in the external debt portfolio and eliminate foreign currency risk on the remaining US dollar-denominated debt in the domestic portfolio. As at end-December 2017, 60.7% of the GOJ's total debt portfolio was denominated in foreign currency and strictly reflects externally issued debt.

For the CY 2017 the Jamaica dollar appreciated by 2.7% vis-à-vis the US dollar, moving from an end of period selling rate of J$128.44=US$1.00 to J$125.00=US$1.00; while for the fiscal year to end-December 2017, the Jamaica dollar appreciated 2.9% relative to the US dollar. At end-December 2017, Jamaica's external debt stock was valued at $1,176.6bn and represents a 2.9% increase since end-March 2017. It is however important to note that this increase was largely due to net new financing in the international capital market (ICM) and was tempered by the appreciation of the Jamaica dollar for the fiscal year to end-December.

The foreign currency portion of the debt portfolio is expected to increase marginally, but will be no more than 65.0% by end-March 2020. As outlined in the MTDS FY 2018/19 – FY 2020/21, the GOJ is not expected to raise any foreign currency denominated debt in the domestic market and will continue to roll over external maturities. In addition, the GOJ will also explore the option to reduce its stock of external debt by using funds from central government revenue collections. It is worth noting that a natural hedge against foreign currency risk lies in the fact that Jamaica's major export revenues are earned in US dollars and its international reserves are held in US dollars.

On the fiscal side, adverse movement in the value of the Jamaica dollar has a negative impact on the fiscal balance through its significant impact on debt service. However, higher tax revenue collections, particularly from international trade, will partly offset this higher debt service costs.

Contingent Liabilities

A contingent liability, as defined by the Public Debt Management Act (PDMA) (Amendment), 2017, is *"an obligation (whether explicit or implicit) that materializes if a particular event occurs; or a potential liability that may occur depending on the outcome of an uncertain future event."* Contingent liabilities have the potential to cause severe strain on the fiscal resources as they expose the government to unexpected and substantial obligations over a short period of time. The GOJ's exposure to contingent liabilities may arise from various sources such as natural disasters, state-owned enterprises, public-private partnerships, and legal cases to name a few.

Natural Disasters

Jamaica's location in a multi-hazard zone makes it quite susceptible to natural disasters, mainly hurricanes, excess rainfall, flooding, earthquakes and drought. One mechanism that Jamaica has used to manage losses from catastrophic events is through its insurance policy with the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC) (formally the Caribbean Catastrophe Risk Insurance Facility).

For the 2017/18 policy year of the CCRIF SPC programme, which started June 1, 2017, 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$6.1mn (after discount of 10.0%). The GOJ's decision to renew its policies with CCRIF SPC was necessary considering the active season of the 2016/17 policy year where a total of 13 hazard events (four triggered events) were reported and the high level of activity (particularly excess rainfall) since the start of the 2017/18 policy year.

Disaster Risk Financing Technical Assistance (DRFTA)

The GOJ received technical assistance (TA) from the World Bank (WB) under the Disaster Risk Financing Technical Assistance program (DRFTA) to better identify and manage fiscal risks associated with natural disasters. At the end of the mission, the World Bank produced a report outlining options for Jamaica to consider. It is expected that this report will be used as a tool to raise awareness of the fiscal impacts that natural disasters have on the GOJ's budget. In addition, it is expected that this report will be used as a guide in the potential development of the country's disaster risk finance (DRF) framework that would equip the MOFPS with additional instruments to manage the contingent liability posed by disasters. The recommendations provided in the report should be viewed as a starting point for collaborative discussion within the Government on the development of a comprehensive strategy.

State Owned Enterprises

Public entities have often been a significant source of contingent liabilities for the GOJ as they may sometimes require unplanned cash infusions to operate or some form of debt relief and as such, the MOFPS continues to closely monitor the activities of these public bodies. Accordingly, steps are being taken to monitor, account for and reduce the stock of guaranteed debt. Additionally, public bodies have non-guaranteed debts which also present risk to the GOJ. These liabilities are also monitored and approval must be granted to the public bodies, consistent with the Public Bodies Management and Accountability Act, before these can be accessed.

The Government may also be required to provide significant financial support/capital to certain public bodies. Specific entities may be required to focus on achieving certain economic or social objectives of the Government and hence their products or services are not priced according to the dictates of the market. In these instances, regular transfers (subsidies) from central government are required to supplement cash flows generated by the entities. One such case is the JUTC, whereby the Government has committed to replacing the Company's rolling stock and infrastructure as necessary. Under the current fare table, the JUTC continues to provide subsidised fares to students and the elderly, while adult fares remain below the economic level.

Table VII (d) indicates projections for FY 2018/19 in respect of public bodies which receive support from GOJ.

Table VII (d)

Public Body	FY 2018/19 $mn	FY 2017/18 $mn
Jamaica Urban Transit Corporation	2,5842.5	2,945.7
Students' Loan Bureau*	2,827.8	2,827.8
Montego Bay Metro	44.7	50.7

Excludes funds for Grant in Aid to very needy students

Source: MOFPS

Public Bodies with Arrears

The GOJ is cognisant that public bodies with significant arrears present fiscal risks to the Budget. In addition, the GOJ also recognises that it is imperative that arrears, particularly that of large PBs, be monitored and managed closely. In the fourth quarter of FY 2016/17 the GOJ lent US$27.0mn to Clarendon Alumina Partners (CAP) to settle its arrears to the Jamalco Plant. In recognition of these risks, the Government has:

a. Undertaken to contain the domestic arrears of seven (7) large public bodies by establishing a ceiling ($6,400.0mn) on the accumulation of new debt by these entities. These public bodies are Clarendon Alumina Production Limited, National Water Commission, Housing Agency of Jamaica, the Jamaica Urban Transit Company Limited, National Health Fund, National Road Operating and Construction Company Limited and the Urban Development Corporation.

b. Established a contractual repayment schedule with CAP; full repayment is expected by June 2019. The surge in the price of alumina, bolstered by relatively low oil prices has contributed positively to the operations of the Jamalco Plant and to date, CAP has honoured all repayment obligations. Notwithstanding, the Government will continue to monitor the operations of

Jamalco given the vulnerability to increasing production costs and the current restructuring activities of the major off-taker for the plant, on the operations of CAP.

Public Private Partnership (PPP)

Investment in public infrastructure is vital to sustainable growth and development of the Jamaican economy, and PPPs are important mechanisms to undertake infrastructure upgrade and development, while facilitating shared risks. Nevertheless, these may present fiscals risks to the Government if not appropriately designed and financed and the associated risks recognised and monitored. The enhanced fiscal rules adopted through amendments to the FAA and PBMA Acts in March 2014, have put in place the institutional changes required to strengthen the financial and risk analysis of projects, risk sharing arrangements and project assessment.

As at March 2017, Jamaica's PPP Programme ranked 4th in Latin America and the Caribbean. This was announced by the Economist Intelligence Unit (EIU) and the Inter-American Development Bank (IDB) in the 2017 INFRASCOPE publication, a survey that ranks 19 countries in Latin America and the Caribbean based on their capacity to mobilise private investment in infrastructure through PPPs.

The Development Bank of Jamaica's (DBJ) functions as it relates to PPPs are complemented by the work of the PPP Unit within the Ministry of Finance and the Public Service (MOFPS) which assesses value for money of the projects and ensures that they are aligned with the Government's fiscal programme for debt reduction and sustainability. Both Units assess transactions consistent with the PPP criteria established in the PPP Policy.

During FY 2017/18, ongoing sensitisation and consultations continued in relation to the programme. In addition, amendments to the Privatisation and PPP Policies were pursued. The aim of the review is to (a) improve process efficiency; and (b) include in the Privatisation Policy, the process for new modalities (such as stock market listing) and to recognize in the PPP Policy, the Public Investment Management Secretariat and the role it plays. Activities in these regards should continue in FY 2018/19.

PPPs In progress

The following PPP transactions are currently in progress:

Norman Manley International Airport (NMIA) PPP **–** Eight (8) potential bidders were pre-qualified and provided with Requests for Proposal and draft Concession Agreements to facilitate commencement of the due diligence exercise. Commercial close is anticipated during FY 2018/19.

***Schools Solar Energy PPP* -** During FY 2017/18, the final Business Case and Procurement Plans were completed and approved by the Enterprise Team. Cabinet gave approval to proceed to the transaction stage, which was launched in December 2017. Approval of the preferred bidder is expected by May 2018 and commercial close in June 2018.

Several projects are being assessed for possible PPP Development. Including the Rio Cobre Water Treatment Plant; negotiations are to be completed between the National Water Commission (NWC) and Vinci for the implementation of a 15MIGD[11] Water Treatment Plant in Content, St. Catherine.

Wage Settlements

The wage bill can be a major source of risk to the expenditure budget especially as it relates to negotiations and disputes where the outcome is uncertain. The 2015/17 Heads of Agreement (HOA) with unions representing public sector workers ended on March 31, 2017. The new round of negotiations for the 2017/19 contract period got off to a late start, however, it is anticipated that a substantial proportion, if not all of the public sector will settle before March 31, 2018. At the point of publication the Jamaica Confederation of Trade Unions had settled The FY 2017/18 budget included a contingency provision for wage adjustment. The final wage settlement is likely to exceed this contingency provision thus highlighting the risk to the expenditure budget and the Government's fiscal programme. It should be noted however, that this possibility has been appropriately taken into consideration for the current fiscal year.

Prior to the commencement of this round of negotiations, Cabinet approved a ***Negotiation Framework for the Public Sector*** in May 2017. This framework sets out the guidelines for negotiations within the context of achieving the 9.0% Wage to GDP target by March 2019. The Government has received twenty-one (21) claims for the 2017/2019 contract period. Discussions have commenced with all but five (5) bargaining units, and the Government continues to engage the unions in an effort to arrive at amicable and timely settlements. It should be noted that the Government has offered a four year contract period to the public sector and in so doing has reduced the risk.

Monetary Policy

As outlined in Part III "Capital and Reserves" of the Bank of Jamaica Act, profits or losses of the Central Bank are transferrable to the Central Government at the end of each fiscal year. Therefore, any unanticipated losses may have to be picked up by the Central Government, which inherently poses a risk to the fiscal accounts. However, with improving economic conditions it is anticipated that the fiscal risks associated with the prudent conduct of monetary policy will be minimal.

Changes in Government policy

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

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

[11] *Million imperial gallon per day*

Judicial Awards

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

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

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