

PRESS RELEASE NO. 16/459

IMF Reaches Staff-Level Agreement with Jamaica on Three-Year Precautionary Stand-By Arrangement

October 13, 2016

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

- Staff-level agreement was reached on a new SBA to support an economic program aimed at sustaining macroeconomic stability, boosting employment, raising living standards, and progressively reducing poverty.
- The precautionary SBA will be an insurance against unforeseen economic shocks that are beyond the control of Jamaica.

An International Monetary Fund (IMF) mission led by Uma Ramakrishnan visited Kingston during September 21–30, 2016, to conduct discussions on a new IMF-supported economic program with Jamaica. To underscore the positive outcomes of these discussions, The Most Honorable Prime Minister Andrew Holness of Jamaica and Alejandro Werner, Director of the IMF's Western Hemisphere Department, issued the following statement in Kingston today:

“The IMF team and the Jamaican authorities have reached a staff-level agreement on a new economic program for Jamaica that would be supported by a 36-month Stand-By Arrangement (SBA) with the IMF with access of SDR 1.2 billion (equivalent to 312 percent of quota or about US\$1.7 billion). If approved by the IMF's Executive Board, SDR300 million (about US\$430 million) would be immediately available. Given the Bank of Jamaica's comfortable foreign reserves position, the Jamaican authorities have indicated their intention to treat the SBA as precautionary, that is, effectively an insurance policy against unforeseen economic shocks that are beyond the control of Jamaica.

“This new proposed program, and the important commitment of IMF resources that it entails, is a firm vote of confidence in Jamaica. The request to move to a precautionary arrangement is a sign

of strength and reflects the policy credibility and strong macroeconomic management of the government.

“Jamaica has made commendable progress in its economic adjustment program over the past three and a half years under the existing IMF-supported program (see Press Release No. 13/150). Fiscal discipline and proactive debt management have helped reduce public debt by more than 25 percent of GDP since the start of the arrangement under the Extended Fund Facility (EFF). Macroeconomic stability is becoming entrenched as evidenced by low inflation, the buildup of foreign currency reserves, and a decline in the current account deficit. And important reforms are being undertaken to unlock Jamaica’s growth potential.

“Nevertheless, a renewed focus on growth and job creation is needed and the new program is aimed at sustaining macroeconomic stability, boosting employment, raising the living standards of the Jamaican people, and progressively reducing a poverty level that remains too high.

“The government’s goals—which the IMF staff team will recommend that the IMF’s Management and Executive Board support—are to:

- (i) re-orient public resource allocation toward infrastructure, social protection, and security-related spending, while transforming the public sector to be more efficient and delivery-focused;
- (ii) modernize the monetary policy framework and build the foundation for an eventual move to inflation targeting;
- (iii) bolster the resilience of the financial system; and
- (iv) work with the Economic Growth Council to implement initiatives that unlock Jamaica’s growth potential and promote private sector jobs.

“The Jamaican government’s request for IMF support is tentatively scheduled for consideration by the Executive Board in November, at which point the arrangement under the EFF would be replaced with the precautionary SBA.

“The IMF staff team and the Jamaican authorities look forward to a continued productive collaboration, as the Government of Jamaica implements its ambitious reform program.”

The IMF team met with Prime Minister Andrew Holness, Finance Minister Audley Shaw, Bank of Jamaica Governor Brian Wynter, State Minister Fayval Williams, Ambassador of Economic Affairs Nigel Clarke, Financial Secretary Everton MacFarlane, senior government officials, as well as members of the private sector and civil society.

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