

PRESS RELEASE NO.

IMF Executive Board Concludes First Review under the Stand-By Arrangement for Jamaica

April 18, 2017

- Program implementation remains strong under the Stand-By Arrangement, with sustained positive GDP growth
- The rebalancing from direct to indirect taxes, which is accompanied by higher social expenditure, is expected to expand the revenue base to support growth-enhancing spending, which will create jobs and reduce poverty
- The Bank of Jamaica's planned move to introduce a market-based exchange rate pricing mechanism will facilitate the central bank's inflation targeting objective

On April 14, 2017, the Executive Board of the International Monetary Fund (IMF) completed the first review of Jamaica's performance under the program supported by the [Stand-By Arrangement](#) (SBA), on a lapse of time basis.^[1] The 36-month SBA with a total access of SDR 1,195.3 million (about US\$ 1.63 billion), equivalent of 312 percent of Jamaica's quota in the IMF, was approved by the IMF's Executive Board on November 11, 2016 (see [Press Release No.16/503](#)). The Jamaican authorities continue to view the SBA as precautionary, and to use it as an insurance policy against unforeseen external economic shocks that could lead to a balance of payments need.

Program implementation remains strong under the SBA. Sustained macroeconomic discipline and visible reforms have boosted stability and confidence. Positive real GDP growth has been recorded in 7 consecutive quarters, and Jamaica is projected to grow by 2 percent in FY2017/18, bolstered, by construction and tourism, among other factors. Inflation reached an all-time low in 2016, and investor confidence is at an all-time high, attracting foreign direct investment. The current account deficit has narrowed significantly, supporting accumulation in non-borrowed reserves.

Continued fiscal consolidation—as reflected in the 7 percent of GDP primary surplus target under the FY2017/18 budget—remains critical for further debt reduction. The ongoing revenue-neutral rebalancing from direct to indirect taxes, designed around the principles of fairness, progressivity and efficiency, will further expand the tax base and work incentives. The budget also provides for greater capital spending.

The significantly higher budget allocation for social spending will help insulate Jamaica's poor and vulnerable from the impact of the rebalancing to indirect taxes. Implementation of the PATH graduation strategy later this year will help reallocate resources to the neediest families. The planned targeting assessment will be critical to improving and expanding the coverage.

Decisive policy actions are required to improve public sector resource allocation and efficiency. Reducing the government's wage bill, including by strengthening budgetary controls, redefining the size of government, and lowering pension costs, is key to shifting Jamaica's limited fiscal resources to productive spending. At the same time, a broader effort to reduce the number of public bodies and improve their monitoring will enhance their governance and transparency, and reduce fiscal risks. Avoiding a return to discretionary tax incentives to specific businesses and/or sectors is critical to safeguard the gains achieved in tax policy from implementing the 2014 Omnibus bill.

Anchoring monetary actions on the central bank's inflation objectives, supported by a flexible exchange rate, is crucial for policy credibility. The BOJ's planned move towards a transparent and more market-based exchange rate pricing mechanism via foreign exchange auctions will improve price discovery in the foreign exchange market, and facilitate BOJ's market-based purchase of international reserves. The authorities are also taking actions to further enhance financial sector supervision, crisis preparedness, and strengthening the framework for anti-money laundering efforts and combating the financing of terrorism (AML/CFT).

The expanded program monitoring—through the Economic Program Oversight Committee, the Economic Growth Council, and the Public-Sector Transformation Oversight Committee—will continue to update the wider public on progress under the government's policy commitments, holding the government accountable to the Jamaican people.

[\[1\]](#) The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

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