

IMF Approves US\$93.9 Million Disbursement for Jamaica

The Executive Board of the International Monetary Fund (IMF) has concluded the first review of Jamaica's economic performance under a Stand-By Arrangement (SBA), enabling the immediate disbursement about US\$94 million), bringing total disbursements under the arrangement to about US\$705, it was announced Wednesday (June 23).

Jamaica has performed very well under the program. All quantitative performance targets and structural benchmarks for end-March were met and prospects for meeting the end-June targets and benchmarks appear favorable.

The IMF's Executive Board approved a 27-month SBA in an amount equivalent to 300 percent of quota (SDR 820.5 million, or about US\$1.21 billion) on February 4, 2010 (see Press Release No. 10/24). The pillars of the program include: (i) fiscal consolidation and institutional reform, including fiscal responsibility legislation and Central Treasury Management; (ii) public debt restructuring, which was completed as a prior action under the program; and (iii) financial sector reform, including to improve consolidated supervision and the regulation of non-banks.

Following the Executive Board discussion on Jamaica, Mr. Naoyuki Shinohara, Deputy Managing Director and Acting Chair, made the following statement:

?Overall macroeconomic performance under the program has been encouraging. All end-March quantitative targets and structural benchmarks were met. Since the approval of the SBA and completion of the debt exchange, financial market conditions have improved substantially: market interest rates have fallen to levels not seen since the 1980s and the foreign exchange market has stabilized, with the exchange rate appreciating in recent months. Financial institutions have been able to absorb losses from the debt exchange. There have been no requests for access to the Financial System Support Fund, which has played an important role in fostering confidence and supporting financial system stability. Notwithstanding an overall weak economic context, the authorities preserved program targets on the basis of strengthened tax administration and expenditure restraint.

?Despite these early successes, growth and employment are expected to remain weak this year and vigilance is needed as risks are high. Advancing planned fiscal structural reforms is necessary to improve debt dynamics and strengthen the basis for growth. This involves amendments to strengthen the Fiscal Responsibility Framework, strengthening tax administration, and introducing a Central Treasury Management system. Reforming the system of tax incentives will also help reduce economic distortions. The sale of Air Jamaica represents an important milestone. It will now be necessary to focus on moving the public sector reform program forward.

?In the financial sector, efforts to strengthen the supervisory and regulatory framework are advancing in line with program expectations. This includes work to enhance capital and margin rules for securities dealers and the introduction of risk-weight rules for foreign-currency denominated government securities,? Mr. Shinohara said.