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2024 ARTICLE IV CONSULTATION AND SECOND REVIEWS UNDER THE ARRANGEMENT UNDER THE PRECAUTIONARY AND LIQUIDITY LINE AND ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—PRESS RELEASE; STAFF REPORT; AND THE STATEMENT BY THE EXCECUTIVE DIRECTOR FOR JAMAICA

In the context of the Staff Report for the 2024 Article IV Consultation and Second Reviews Under the Arrangement Under the Precautionary and Liquidity Line and Arrangement Under the Resilience and Sustainability Facility, the following documents have been released and are included in this package:

- **Press Release** summarizing the views of the Executive Board as expressed during its February 28, 2024, consideration of the staff report that concluded the Article IV consultation with Jamaica.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 28, 2024, following discussions that ended on January 18, 2024, with the officials of Jamaica on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on February 12, 2024.
- **World Bank Assessment Letter for the Resilience and Sustainability Facility**
- A **Statement by the Executive Director for Jamaica**

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR24/61

IMF Executive Board Concludes 2024 Article IV Consultation and Second Reviews Under the Precautionary and Liquidity Line and Under the Resilience and Sustainability Facility Arrangements with Jamaica

FOR IMMEDIATE RELEASE

Washington, DC – February 28, 2024: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] and Second Reviews Under the Precautionary and Liquidity Line and Under the Resilience and Sustainability Facility Arrangements with Jamaica.

Over the last years, Jamaica has successfully reduced public debt, anchored inflation, and strengthened its external position. It has built a strong track record of investing in institutions and prioritizing macroeconomic stability, which allowed Jamaica's response to recent global shocks to be prudent, agile, and supportive of growth. After two years of rapid post-pandemic recovery, GDP growth is projected at 1.7 percent in FY2023/24, with tourism well above pre-pandemic levels and unemployment falling to a record-low of 4.5 percent by mid-2023. Inflation is converging to the Bank of Jamaica's target band, though it was recently impacted by an increase in transport prices, whose effects are expected to dissipate towards the end of the year. Projected strong tourism inflows are expected to result in a current account surplus for FY2023/24 supporting a sound international reserves position. The financial system is well capitalized and liquid, and the public debt continues to fall.

The outlook points to sustained growth and inflation falling within the Bank of Jamaica's target range amid sound external and fiscal positions and financial system stability. Nonetheless, global risks remain high. A rise in global risk aversion may increase financing costs and lower projected global growth, and regional conflicts could increase global commodity prices. Finally, climate-related events could weaken economic activity. The Jamaican authorities continue to implement sound macroeconomic policies, aided by strong policy frameworks. Supported by buoyant revenues and

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

strict control of non-wage spending, a prudent fiscal stance continues to support a reduction in public debt towards the target in the Fiscal Responsibility Law. The Bank of Jamaica has maintained an appropriately tight policy stance, and its data dependent monetary policy is countering the inflationary impulse from a strong economic recovery, tight labor markets, and global commodity prices. This policy mix is placing Jamaica in a good position to respond to shocks, counteract inflationary pressures, and secure debt sustainability.

Following the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair of the Board, issued the following statement:

"Jamaica has continued to build a strong track record of investing in institutions and prioritizing macroeconomic stability with support of the Precautionary and Liquidity Line and the Resilience and Sustainability Facility Arrangements.

"Sound fiscal and external positions, entrenched macroeconomic stability, and sound policy frameworks continued to support economic growth and a prudent and agile response to global shocks. Inflation is converging to the target and a sustained downward trajectory of public debt and reserve accumulation are enhancing Jamaica's capacity to face adverse shocks. The authorities also remain committed to SDDS subscription.

"Progress to enhance fiscal policy frameworks has continued, including the operationalization of the Fiscal Commission, the wage bill reform, public debt management, and tax and customs administration reforms. Going forward, efforts to improve the quality of public expenditure and public financial management can further improve policy frameworks.

"The authorities have taken decisive steps to improve the effectiveness of the AML/CFT framework and intend to build on this progress going forward. Efforts continue to improve financial policy frameworks, advancing in the adoption of Basel III, enhancing consolidated supervision, and working to strengthen the resolution regime of financial institutions. Going forward, policy frameworks would benefit from gradual adoption of reforms to capital flow measures and further deepening of FX markets.

"The authorities are advancing their ambitious climate policy agenda to increase resilience to climate change and catalyze climate financing. Recent reforms include steps to establish a natural disaster reserve fund, strengthen climate-related elements in public investment management, and enhance the climate risks assessment in the financial system to embed these risks into supervisory activities.

Going forward, continued efforts to build resilience to global shocks through prudent policies and reforms to tackle supply-side constraints and raise productivity can further unleash Jamaica's potential and foster inclusive growth over the medium term."

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Jamaica's strong policy frameworks and institutional reforms, which had led to substantial improvements in public debt, international reserves, and macroeconomic stability, and supported a post-pandemic rebound in growth alongside declining inflation and unemployment. Noting the strong program performance, they supported the completion of the second reviews of the Precautionary and Liquidity Line (PLL) and Resilience and Sustainability Facility (RSF) arrangements and the associated decisions. They agreed that Jamaica continues to meet the PLL qualification criteria.

Directors noted the positive medium-term outlook subject to risks from tighter global financial conditions, lower global growth, higher commodity prices, and natural disasters. They supported ambitious reforms to unlock growth potential and strengthen resilience to shocks.
Directors concurred that a data-dependent monetary policy stance is warranted given upside risks to inflation stemming from demand pressures, tight labor markets, and deepening geoeconomic fragmentation.

Directors commended the authorities' continued progress in reducing public debt through prudent fiscal policies and proactive debt management. They welcomed the independent Fiscal Commission, which will further strengthen the fiscal framework. While supporting the wage bill reform, which would standardize pay structures and help retain skilled workers, they emphasized the need to avoid crowding out priority non-wage expenditures and to continue to improve public financial management and expenditure efficiency to ensure consistency with the Medium-Term Fiscal Framework. Directors positively noted the ongoing tax and customs administration reforms to support revenue mobilization.

Directors welcomed progress with adoption of Basel III standards, and efforts to strengthen consolidated supervision, enhance the resolution regime of financial institutions, and expand the central bank's supervisory perimeter. They commended decisive steps addressing deficiencies in the AML/CFT framework and encouraged the authorities to build on this progress. Directors encouraged further efforts to deepen FX markets and noted the central bank's efforts to expand digital currency use.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Directors advocated reforms to foster productivity and build resilience to shocks, including steps to improve competition and resource allocation, strengthen education and training, upgrade infrastructure, reduce crime and barriers to trade, and close gender gaps. Social policies could benefit from enhanced targeting. Improving data availability will benefit evidence-based policymaking. Directors encouraged progress on the climate agenda to build resilience, transition to renewables, prepare the financial system to monitor risks, and catalyze climate financing.

It is expected that the next Article IV consultation with Jamaica will take place on the standard 12-month cycle.

Jamaica: Selected Economic Indicators

Population (2019): 2.73 million
Quota (current; millions SDRs/% of total): 382.9/0.08%
Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite
Key export markets: U.S., U.K., Canada

Per capita GDP (2019): US$5,738
Literacy rate (2022)/Poverty rate (2021): 91.7%/16.7%
Unemployment rate (July 2023): 4.5%

	2021/22 Act.	2022/23 Act.	2023/24 Proj.	2024/25 Proj.
Output				
Real GDP growth (%)	8.2	4.7	1.7	1.7
Employment				
Unemployment (%) 1/	6.2	4.5	…	…
Prices				
Inflation, end of period (%)	11.3	6.2	7.0	5.0
Inflation, average (%)	7.4	9.5	6.5	6.5
Central government finances 2/				
Budgetary revenue (% of GDP)	31.0	30.1	31.1	31.2
Budgetary expenditure (% of GDP)	30.1	29.8	30.9	31.0
Budget balance (% of GDP)	0.9	0.3	0.3	0.3
Of which: central government primary balance	6.8	5.8	6.0	5.3
Public entities balance (% of GDP)	0.2	0.0	0.0	0.0
Public sector balance (% of GDP)	1.1	0.3	0.3	0.3
Public debt (% of GDP)	94.2	77.1	71.8	67.6
Money and credit				
Broad money (% change)	12.9	9.8	8.9	8.0
Credit to the private sector (% change)	9.1	10.5	9.2	8.5
Treasury bill rate, end-of-period (%)	6.4	8.3	…	…
Treasury bill rate, average (%)	2.9	8.2	…	…
Balance of payments				
Current account (% of GDP)	-0.7	2.0	1.0	-0.2
FDI, net (% of GDP)	1.9	1.9	2.5	2.7
Gross international reserves (weeks of imports)	6.4	5.6	5.5	5.0
External debt (% of GDP)	92.6	78.8	69.6	62.6
Exchange rate				
End-of-period REER (appreciation +)	1.0	6.6	…	…

Sources: Jamaican authorities; UNDP Human Development Report; Information Notice System; and Fund staff estimates and projections.
1/ As of January in each period. The unemployment rate in FY2022/23 refers to April 2023.
2/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.

INTERNATIONAL MONETARY FUND

JAMAICA

February 12, 2024

STAFF REPORT FOR 2024 ARTICLE IV CONSULTATION AND SECOND REVIEWS UNDER THE ARRANGEMENT UNDER THE PRECAUTIONARY AND LIQUIDITY LINE AND ARRANGMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

EXECUTIVE SUMMARY

Context. Over the last decade, Jamaica has successfully reduced public debt, anchored inflation, and strengthened its external position. It has built a strong track record of investing in institutions and prioritizing macroeconomic stability. This allowed Jamaica's response to recent global shocks to be prudent, agile, and supportive of growth. During the most recent fiscal year growth has remained strong, and inflation is converging to the Bank of Jamaica's inflation target band.

Outlook and Risks. Growth is expected to slow in the coming year—converging to potential—and inflation should stabilize around the central bank's target. Public debt is expected to reach the Fiscal Responsibility Law target of 60 percent of GDP by FY2027/28. Downside risks to the outlook emanate from the potential for tighter global financial conditions, lower than projected global growth, commodity price volatility, and more frequent and/or more damaging climate events.

Policy Discussions. Current policies are building resilience for Jamaica to face adverse shocks. Discussions focused on policy reforms that will continue to bolster the credibility of fiscal and monetary policy frameworks, strengthen financial stability, and raise growth. Medium-term policies to foster equitable growth, tackle supply side constraints and raise productivity can unleash Jamaica's potential over the medium term.

Program Issues. Program performance under the Precautionary and Liquidity Line (PLL) and the Resilience and Sustainability Facility (RSF) remains strong. All indicative targets and structural benchmarks for the PLL were met and the program continues to support efforts to build policy buffers, enhance financial supervision and strengthen the AML/CFT framework. The RSF reform measures—to conduct climate impact assessments of projects, define investment projects' selection criteria, and advance inclusion of climate risks in financial supervision—were met. The reform measure to establish a natural disaster reserve fund is also assessed to be met, albeit with a minor deviation—staff assesses that the measure is substantively implemented and that the objective of the reform measure is met.

Approved By **Nigel Chalk and Peter Dohlman**	Discussions took place in Kingston and virtually during January 8–18, 2024. The staff team comprised Esteban Vesperoni (head), Pierre Guérin, Mariusz Sumliński (all WHD), Julia Faltermeier (SPR), Nicoletta Feruglio (FAD), and Samah Torchani (STA). Siyao Chen and Sheng Tibung (both WHD) provided research and editorial assistance. Ms. Cunningham (Senior Advisor, OED) participated in the discussions and Mr. Jennings (Executive Director) joined the concluding meeting. The team met with Minister of Finance Nigel Clarke, Central Bank Governor Richard Owen Byles, and other senior officials.

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BUILDING RESILIENCE DESPITE GLOBAL SHOCKS

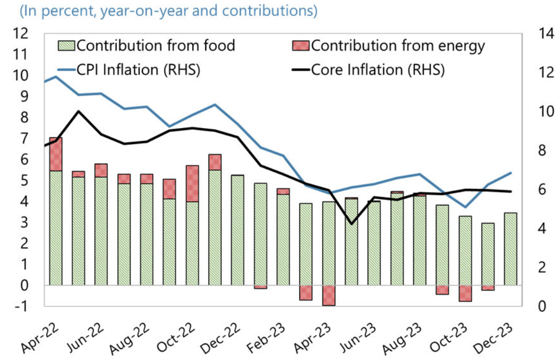
1. **Sound macroeconomic policies in the context of strong policy frameworks have helped Jamaica to build meaningful policy buffers.** Over the last decade, Jamaica has reduced public debt, anchored inflation, and improved its external position. Prudent macroeconomic policies have been institutionalized through a fiscal responsibility law, the establishment of a fiscal council, the introduction of an inflation targeting framework, and improvements in financial oversight. Consequently, over the past few years Jamaica has been able to respond agilely to external shocks within the confines of its medium-term frameworks, and continued to build fiscal and external buffers promptly as shocks began to recede. Recent policy efforts have focused on strengthening fiscal responsibility, eliminating distortions in public sector compensation, improving tax and customs administration, enhancing central bank's autonomy, improving financial integrity and oversight, and increasing resilience to climate change. While these reforms are instrumental to growth and can catalyze private sector climate financing, continued efforts to foster equitable growth, tackle supply side constraints and raise productivity can unleash further Jamaica's potential over the medium term.

RECENT DEVELOPMENTS, OUTOOK AND RISKS

2. **GDP growth was strong in FY2022/23**. It reached 4.7 percent, with tourism above pre-pandemic levels and production in one of the largest alumina plants rebounding after the 2021 outage. Unemployment fell to a record-low of 4.5 percent in July 2023, indicating a tight labor market and a positive output gap. FY2023/24 growth is projected to be around 1.7 percent.

CPI Inflation by Major Components

(In percent, year-on-year and contributions)

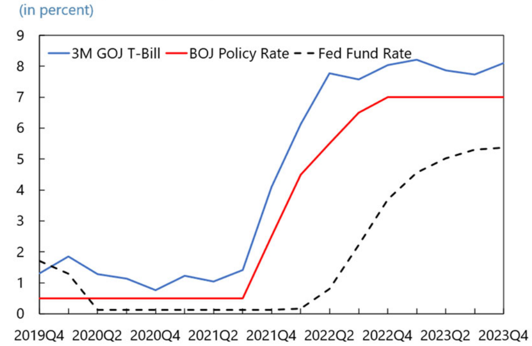


Sources: STATIN and IMF staff calculations.

3. **Inflation is converging to the Bank of Jamaica's (BOJ) target band of 4-6 percent as a result of tight monetary policy.** The BOJ started tightening in October 2021—earlier than advanced economies—and raised the policy rate decisively. Headline and core inflation stood at 6.9 and 5.9 percent respectively in December 2023, well below their peaks in the spring of 2022. The recent uptick in headline inflation is primarily driven by an increase in regulated transport fares, and is expected to recede by year-end. Core inflation remains sticky amid tight labor markets and domestic demand pressures. Food price inflation remains relatively high—8.7 percent at end-December—due to the aftereffects of a drought. The predictive distribution of one-year ahead headline inflation is centered around the midpoint of the inflation target, with risks to its outlook mainly related to a larger than expected fluctuations of the exchange rate and/or oil prices (Annex IX).

Monetary Policy Response

(in percent)



Sources: IMF staff calculations

4. The current account moved into a surplus in FY2022/23. The rebound in tourism and still high remittances boosted the services and income balances, offsetting the impact of high oil prices. FDI continued to recover, though still remains below historical averages. The FY2023/24 current account surplus is projected to fall, as tourism and remittances growth is slowing. Nonetheless, net international reserves were at US$4.7 billion at end-2023—an all-time high. The 2023 external position is assessed to be broadly in line with medium-term fundamentals and desirable policies (Annex IV).

5. Public debt fell to 77 percent of GDP at end-FY2022/23, more than 30 percentage points of GDP below FY2020/21. Direct tax collections have been buoyant due to higher corporate profits and the impact of the public sector compensation reform, which increased incomes and incorporated allowances into the base salary, moving public employees into higher tax brackets. A supplementary budget has raised allocations to wages as the reform needed to meet higher demands than anticipated.[1] Execution of capital expenditures have been experiencing slower-than-planned project execution, in part associated with challenges in procurement procedures in the public sector.

6. The financial system remains well-capitalized and liquid. Banks' capital adequacy ratio was 14.5 percent at end-September 2023, and some banks have been raising capital to cover unrealized losses from holding longer duration debt as interest rates moved up. NPL and past due loan ratios, both at about 2½ percent of total loans, remain in line with pre-pandemic levels. Banks are highly liquid, with holdings of high-quality liquid assets at four times the regulatory minimum. Recent BOJ stress tests show banks to be resilient to higher bond yields and a deterioration in loan quality. The financial system is benefitting from recent sovereign upgrades by S&P and Moody's.

7. Growth is expected to converge to potential underpinned by sound fiscal and external positions. Inflation is expected to stabilize at the mid-point of the inflation target band in 2024, and credit growth to moderate to about 8 percent as growth slows towards potential. Climate-related projects would increase imports while FX inflows from tourism and remittances are projected to level off. This should bring the current account to a deficit of some 2 percent of GDP in the medium term to be financed by FDI and other private investments. Sound tax administration is expected to help maintain high tax collection in coming years, coupled with strict control on primary spending. A gradual recovery in public investment will be aided by a declining interest bill, as public debt is expected to fall to 60 percent of GDP by FY2027/28.

8. Tighter global financial conditions and or lower growth in key source markets for tourism represent important downside risks (Annex II). A rise in global risk aversion may increase external financing costs and lower than projected global growth could weaken tourism, remittances, and growth. An intensification of the war in Ukraine and/or regional conflicts could increase global commodity prices, raise inflation—the economy depends on energy imports—and

[1] Public sector wages are significantly lower than in the private sector, making it difficult to retain talent. Emigration of teachers and nurses—primarily to the United States, Canada and the United Kingdom—accelerated after COVID and is raising significant challenges to the education and health care systems. A report suggests that Jamaica may have lost 10 percent of its teachers over the last two years.

reduce real incomes. Climate-related events—such as flooding or a hurricane causing major losses—could weaken activity (especially in tourism and agriculture), increase public debt, and raise financial stability risks.

Text Table 1. Jamaica: Medium-Term Macroeconomic Framework
(Percent of GDP unless otherwise specified)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
							Proj.		
Growth and Prices									
GDP growth	-11.0	8.2	4.7	1.7	1.7	1.7	1.6	1.6	1.6
Consumer price inflation (e.o.p.)	5.2	11.3	6.2	7.0	5.0	5.0	5.0	5.0	5.0
Government Finances									
Central government revenue	29.5	31.0	30.1	31.1	31.2	31.2	31.3	31.3	31.3
Central government expenditure	32.6	30.1	29.8	30.9	31.0	30.8	30.6	30.3	30.3
Public sector overall balance	-3.2	1.1	0.3	0.3	0.3	0.4	0.6	1.0	1.0
Central government primary balance	3.5	6.8	5.8	6.0	5.3	4.7	4.5	4.6	4.3
Consolidated public sector debt	109.7	94.2	77.1	71.8	67.6	64.9	62.4	59.6	56.9
Balance of Payments									
Current account	-1.3	-0.7	2.0	1.0	-0.2	-1.1	-1.8	-2.0	-2.0
Foreign direct investment	1.3	1.9	1.9	2.5	2.7	3.0	3.1	3.1	3.1
Gross reserves (US$million)	4,244	4,324	4,685	4,800	4,700	4,725	4,775	4,825	4,875

Sources: Jamaican authorities and Fund staff estimates and projections.

9. **While systemic financial stability risks remain contained, global developments require continued close monitoring.** The global and domestic monetary policy tightening appears manageable and the authorities' stress tests to assess the impact of higher bond yields and a deterioration in loan quality show that banks and securities dealers are resilient to interest rate and credit risks. Supervisory authorities conduct enhanced close monitoring—including macroprudential analysis of household and corporate balance sheets—and financial sector exposure to sovereign holdings remain moderate, with low exposure in the banking system (see Annex V). Staff assesses that the macroprudential policy toolkit—supported by limits on leverage ratios, liquidity coverage ratios differentiated by currency, limits on FX net open positions, and limits on the size of exposures between financial institutions—is appropriate to face current risks. Ongoing work on the implementation of Basel III standards, consolidated supervision, crisis resolution, and financial integrity further support resilience to shocks. The BOJ regularly conducts solvency and liquidity stress tests covering credit risk, market risk, and interest rate risk in the banking system, and contagion simulation analysis. The results are published in the annual Financial Stability Report and quarterly Macro Prudential Reports.[2]

Authorities' Views

10. **The authorities agreed with staff's assessment of the economic outlook and risks.** They expect growth to converge to potential and inflation to trend towards the target band over the

[2] For the annual publications see: https://boj.org.jm/boj-publications/annual-publications/, for the quarterly publications see: https://boj.org.jm/boj-publications/quarterly-reports/.

course of the year. They emphasized that major downside risks were associated with external factors and remained confident their policies would continue to secure macroeconomic stability going forward. They agreed with the staff's assessment that the external position was broadly in line with fundamentals and that the international reserve position was comfortable.

POLICY DISCUSSIONS

Discussions focused on reforms to continue bolstering the credibility of fiscal and monetary policy, strengthening financial stability and fostering inclusive growth. Medium-term policies and reforms to secure equitable growth, improve the business environment, and advance social inclusion were seen as priorities.

A. Macroeconomic Policies

11. A prudent fiscal stance continues to support a reduction in public debt. Public debt reached 77 percent of GDP in FY 2022/23—the lowest in 25 years—well below pre-pandemic levels. Execution during the first half of the year points to an overall fiscal surplus of 0.3 percent of GDP and a 6 percent of GDP primary surplus for the full FY2023/24—which would bring public debt to about 72 percent of GDP. Revenues have been strong and there has been strict control of non-wage spending. The Medium-Term Fiscal Framework projects debt to be at (or below) 60 percent of GDP by FY2027/28, as mandated by the Fiscal Responsibility Law.

12. Disciplined monetary policy is returning inflation to the BOJ's target band. The BOJ raised the policy rate from ½ percent in September 2021 to 7 percent in November 2022, continues to mop up liquidity and has intervened in FX markets to dampen volatility.[3] A continued tight monetary policy stance is warranted given the upside risks to inflation associated with remaining uncertainty about the impact of potential global risks. Going forward, the BOJ's data-dependent monetary policy should secure a firm convergence to the mid-point of the inflation target band.[4]

13. Prudent policies and contingency planning enhance Jamaica's capacity to face adverse shocks. An appropriate policy mix, reserve accumulation, and debt consolidation are creating buffers to face shocks—public debt is assessed to be sustainable with a high probability (Annex V). Jamaica's capacity to face contingencies benefits from the PLL arrangement, its firm commitment to fiscal prudence, insurance instruments against climate-related events, record-high international reserves, and the recent sovereign credit rating upgrades reflected in low—and decreasing—sovereign spreads.

[3] The passthrough to interest rates in domestic money and capital markets and term deposit rates has been relatively strong, but savings, deposit and loan rates have been slow to adjust, suggesting a relatively weak credit channel.

[4] The BOJ is combining data methods and survey-based inflation expectations measures for the forecasts of inflation. Its recent analysis finds market data based forecasts superior to those based on survey data (https://boj.org.jm/wp-content/uploads/2023/11/Forecasting-Inflation-and-Inflation-Expectation_Aysun_Wright-2023.pdf).

Authorities' Views

14. The authorities remain committed to maintaining macroeconomic stability. They agreed that the policy mix comprising continued fiscal consolidation with sizable primary surpluses and data dependent monetary policy was appropriate to secure debt consolidation, inflation convergence to the target range, and to re-anchor inflation expectations. They noted that the disciplined macroeconomic policies allowed them to build buffers that enhanced Jamaica's capacity to face shocks. They noted that the strict control of non-wage public spending alongside strong revenue rebound supported the implementation of the needed public sector wage bill reform within the programmed fiscal envelope. They will continue building fiscal and foreign currency reserve buffers without losing sight of critical expenditure.

B. Fiscal Policy Frameworks

15. Efforts continue to strengthen the fiscal policy framework. The Fiscal Commission is to be operational in FY2024/25—it is tasked with assessing macroeconomic and fiscal forecasts, the consistency of the budget with fiscal rules, and prospects for debt sustainability.

16. The wage bill reform eliminates distortions in public sector compensation, making it more transparent and instrumental to retain qualified civil servants. The reform replaces 325 salary scales with a single scale including 16 salary bands (ensuring consistency across the public sector) and streamlines 185 allowances previously accounted for in program spending—which will be mostly included in base salaries. The reform increases public sector salaries—which lagged inflation over the last 10 years and have been well-below private sector salaries—and reduces the use of fixed-term contracts that undermine the retention of civil servants, particularly in the health care and education sectors. In parallel, the authorities are currently working on a framework to introduce a performance management component to public compensation, which they expect to implement by early 2025.

17. While the reform addresses challenges of the previous compensation system, it requires careful management. The reform will have a net fiscal impact of about 2 percent of GDP, which the authorities will manage within the current fiscal envelope. It spans three years—FY2022/23 to FY2024/25—and the gross wage bill is expected to increase by 4 percentage points of GDP. This is partially offset by reduced program spending due to the streamlining of allowances and higher tax revenue as the increase in base salaries moves employees into higher income tax brackets—reduced program spending and additional income tax revenue are estimated at about 1 percentage points of GDP each. Given that the authorities will manage its impact on the budget within the current fiscal envelope in the Medium-Term Fiscal Framework, it will be important to avoid crowding out other priorities; efforts to improve project appraisal and selection procedures to accelerate execution of capital expenditures will play an important role going forward. The projected wage bill is high compared to peers. In this context, the performance management component will play a critical role to link compensation to more effective public services, and gradually produce efficiency gains without compromising critical services, such as education and health care. The authorities will consider a targeted expenditure review to improve the quality of public spending; the Fund stands ready to assist.

18. Proactive public debt management continues to extend maturities and lessen risks. The government has prioritized issuing local currency bonds to international investors and enhancing investor relations. To this end, the authorities have conducted a liability management operation to smooth the debt service schedule, reduce exchange rate risk, and extend maturities. This involved an international issuance of a local currency bond equivalent to US$300 million—the first such bond ever—mainly to pay down US dollar denominated bonds (Annex V).

19. Tax and customs administration reforms support revenue mobilization. Jamaica Tax Administration is expanding and enhancing digital capacity to enhance compliance. The customs agency is also modernizing operations to improve clearance and adopt a risk management approach to border management. The Automated Systems for Customs Data (ASYCUDA) has been updated and a Single Window for Trade (JSWIFT) has been put in place. Efforts continue to secure parliamentary approval of a new Customs Act that would help reducing obstacles to trade.

20. Supported by ongoing capacity development, efforts going forward should aim at enhancing the quality of public expenditures. A Climate Public Investment Management Assessment (C-PIMA) was finalized in early 2023, identifying areas to increase resilience of public investment to climate change.[5] Fund's capacity development support has advised on a structured approach to assessing fiscal risks from climate change. An Agile Public Expenditure and Financial Accountability assessment, scheduled to start in the spring of 2024, will develop a plan to improve public financial management—focusing on better management of expenditure and revenue arrears and medium-term budgeting. These initiatives should be instrumental to better prioritize competing needs within the available resource envelope. Going forward, the ongoing debt consolidation is expected to create fiscal space that should focus on infrastructure investments, health, education, social protection, safety and security, and climate-change adaptation. Improving the targeting of the conditional cash transfer program—which covers 12 percent of the population—and simplifying its processing can help.

Authorities' Views

21. The authorities emphasized their commitment to safeguarding fiscal sustainability and advancing public finance reforms. The independent Fiscal Commission will be assessing consistency of the budget with fiscal rules. The wage bill reform creates an equitable, efficient, and competitive wage structure which will help to retain skilled employees. The authorities underscored their commitment to proactive debt management demonstrated by the recent placement on the international market of a Jamaican dollar denominated bond. They noted that high primary balances aided by sound tax administration would further reduce financing costs and aid the fiscal consolidation. Prudent fiscal management alongside measures enhancing revenue mobilization, arrears management, and the passage of the revised Customs Act will support their policy

[5] The Jamaica C-PIMA is at: https://www.imf.org/en/Publications/CR/Issues/2023/06/28/Jamaica-Technical-Assistance-Report-Climate-Public-Investment-Management-Assessment-C-PIMA-535362.

objectives. To help prioritize competing needs, the authorities will consider a targeted expenditure review going forward. They are looking forward to the Agile PEFA evaluation.

C. Monetary Policy Framework

22. The 2023 Safeguards Assessment (SA) found a broadly strong safeguards framework, noting that legal reforms in 2020 have strengthened autonomy and governance arrangements.[6] The BoJ has also strengthened the external audit selection and rotation arrangements and maintained strong financial reporting practices. However, scope for improvement were identified in the internal audit function and staff is monitoring implementation of those recommendations.

23. The FX trading platform is improving price discovery, although there is scope to deepen FX markets.[7] The BOJ continues to acquire FX via surrender requirements (from authorized dealers and cambios). The BOJ intervenes through the Foreign Exchange Intervention and Trading Tool (B-FXITT) and, over the last two years, has sold around 40 percent of the FX acquired through surrender requirements.[8] Given the strong FX inflows—including due to record-level tourism exports and still-high remittances receipts—reserve accumulation by the BOJ through surrender requirements have increased, concurrently with B-FXITT interventions. This has lowered the volatility of the exchange rate, and Jamaica's de facto exchange rate regime is reclassified from 'floating' to 'crawl-like arrangement'. The BOJ has eliminated absolute limits on FX Net Open Positions (NOPs), continued to improve oversight of FX market activity and ensure a transparent settlement of transactions to promote responsible trading, and simplified the process to issue FX bonds—though still requiring BOJ's approval for issues above a threshold. It is also promoting the use of FX derivatives by non-financial corporations. Reducing surrender requirements and associated sales would help channel more reserves into private markets, deepening FX markets and increasing incentives for private sector development of FX hedging products. FX NOPs limits could be determined more systematically with reference to macroprudential objectives and allowing greater latitude for private entities—meeting appropriate prudential safeguards—to issue FX bonds would also help with FX market development.[9]

D. Advancing Financial Stability and Inclusion

24. The BOJ is advancing in the adoption of Basel III. The authorities have revised the definition of regulatory capital under Pillar 1 and a reporting system using both the current

[6] Amendments cementing its autonomy operationalized two committees—the Monetary Policy and the Financial Policy—supporting the BOJ's corporate governance, accountability, and transparency.

[7] Jamaica previously maintained a multiple currency practice. In line with the revised MCP policy that became effective as of Feb 1, 2024, all MCPs maintained by members under the previous MCP policy will be considered eliminated as of Feb 1, 2024. Please see the Informational Annex for further details.

[8] B-FXITT data are at: https://boj.org.jm/market/foreign-exchange/b-fxitt/.

[9] The safeguards should include monitoring risks from dollarization, which could lead to unhedged currency mismatches.

framework and Basel III requirements has been running in parallel for the past 1½ year. Implementation of Pillar 2 is underway; including the Internal Capital Adequacy Assessment Process, the Supervisory Review and Evaluation Process, and the framework for designating Domestic Systemically Important Financial Institutions (SIFIs)—a quantitative impact study of these changes will be undertaken for designated institutions. Pillar 3, scheduled for 2026, will focus on market disclosures and the introduction of additional capital and liquidity requirements, including the Net Stable Funding Ratio.

25. New legislation to license and supervise credit unions with BOJ oversight is to be tabled in parliament in FY2024/25. To prepare for the transition in responsibilities, the BOJ is drafting the licensing documentation, engaging with the Department of Cooperative and Friendly Societies in the Ministry of Industry (the current credit unions' supervisor), and collecting information about the operations and performance of credit unions.

26. Significant steps have been taken to enhance consolidated supervision of financial conglomerates. Since 2021, the BOJ has participated in the Regional Consolidated Supervision Working Group, which facilitates cooperation between local and regional regulators for supervision of conglomerates. The BOJ has executed a pilot supervision of systemically important financial holding companies, assessing their large exposures, intra-group transactions, and adequacy of capital, earnings, and liquidity. The BOJ has licensed five out of eight financial conglomerates, with the remaining three to be licensed by mid-2024. Based on this experience, the BOJ is developing a framework for supervising financial conglomerates and mixed activity groups, supported by CARTAC. Amendments to the Financial Services Commission (FSC) Act were tabled in parliament last September to allow group-wide supervision of non-bank financial holding companies.

27. By 2026, financial supervision will adopt a twin peaks regime—with the BOJ as the sole prudential supervisor of all financial sector entities. The BOJ and the FSC were effectively integrated in early 2023, and the BOJ governor appointed as the chair of the FSC. The BOJ will be responsible for prudential supervision and the FSC will oversee market conduct and consumer protection. A Fund's capacity development mission assisted the authorities with preparation of a roadmap for this transition and the World Bank is providing assistance on oversight of market conduct and consumer protection.

28. The authorities continue to strengthen the special resolution regime for financial institutions (SRR). The BOJ has published a consultation paper on the new regime for stakeholders' comments by November 2023. The proposal establishes the administrative mechanisms for resolution, funding arrangements, and a modified winding-up framework. The objective is to resolve any failing financial institution in an orderly manner while preserving vital economic functions and financial stability and minimizing the use of public resources. Legislation is expected to be tabled in parliament by end-June 2024.

29. The rollout of the retail central bank digital currency (JAM-DEX®) continued, and the authorities expect that it will facilitate financial inclusion and ease the currency management and distribution processes. The 2023 Safeguards Assessment found the JAM-DEX®'s governance framework to be well-established and supported with a proactive management of risks. This includes contingent legal ownership of the JAM-DEX® source-code (held in escrow) in the event of the vendor's collapse, frequent independent cybersecurity reviews of the digital currency eco-system, and oversight at both senior executive and the Board levels. Legal and financial integrity risks involved in digital currencies need to be properly monitored and mitigated. Currently, over 264,000 individuals and about 4,000 merchants are equipped to use JAM-DEX®, which represents about one percent of cash in circulation. The BOJ and the government are planning to increase the use of JAM-DEX® for government transfers and payments and have provided incentives for early adopters in the private sector. The National Commercial Bank was the first JAM-DEX® wallet provider, and two more banks are expected to provide wallets in coming months.

30. The authorities have continued to make progress to address strategic deficiencies in the AML/CFT regime (Box 1). Jamaica remains under FATF increased monitoring, but progress has been noted in a number of areas. Specifically, during 2023 the government has (i) subjected the legal profession and Trust and Corporate Service Providers to effective AML/CFT risk-based supervision (finalizing the revised AML Guidance, preparing a draft examination manual to guide inspectors, receiving RBS training from the Cayman Islands, and scheduling training sessions for the profession); and (ii) approved a legal framework for a beneficial ownership (BO) regime consistent with FATF standards, with the Registrar of Companies now recording the BO information, making it accessible to the competent authorities, and providing it upon request. The authorities have, to date, addressed 11 out of 13 actions in the plan agreed with FATF ICRG. The outstanding actions focus on demonstrating the effectiveness of the recently amended Beneficial Ownership (BO) framework. In line with the action plan, the authorities have taken decisive actions to apply the BO legislation effectively (see Box 1 for details). Separately, the BOJ is planning to amend the BOJ Act to strengthen the supervision of cambios and remittance companies under the AML/CFT regime.

Box 1. Jamaica: AML/CFT Framework

Jamaica is on FATF's list of jurisdictions under increased monitoring (grey list). In February 2020, FATF and Jamaica agreed on an action plan to address strategic deficiencies in the AML/CFT regime, including 13 action items in five immediate outcomes (IO) rated at moderate/low effectiveness in the 2017 Mutual Evaluation Report: IO1—completion and dissemination of a National Risk Assessment (NRA); IO3—adoption of risk-based supervision (RBS), monitoring and regulation of financial institutions (FI) and the Designated Non-Financial Businesses and Professions (DNFBP) compliance with the AML/CFT framework; IO5—preventing misuse of ML/TF by legal persons and ensuring availability of beneficial ownership (BO) information to competent authorities; IO7—investigation and prosecution of ML offences and application of effective, proportionate and dissuasive sanctions; and IO10—addressing technical deficiencies of recommendation R6 (targeted financial sanctions (TFS) for terrorist financing), ensuring timely implementation of TFS, issuing regulations for monitoring non-profit organizations (NPO), and applying targeted measures to higher risk NPOs.

Jamaica has made significant progress with the action plan. FATF acknowledged it at each of its plenaries since February 2020. Recently, in October 2023, FATF noted steps taken to improve the AML/CFT regime in Jamaica—including advances ensuring adequate RBS in all DNFBP sectors—and requested Jamaica to demonstrate that accurate and up-to-date beneficial ownership information is available on a timely basis to competent authorities and effective, proportionate and dissuasive sanctions are applied.

Eleven out of thirteen items under five IOs in the action plan have been addressed or largely addressed. These include: (i) the NRA was published in August 2021 (IO1); (ii) all relevant entities are included under the AML/CFT framework and subject to RBS (IO3); (iii) the risk assessment for legal persons and arrangements was included in the NRA (IO5.1), and the relevant legislation was amended with the BO

Box 1. Jamaica: AML/CFT Framework (Concluded)

definition as per FATF Standards and adequate and accurate BO information is secured and held by all types of trustees (IO5.2); (iv) the investigation and prosecution of ML offences and application of sanctions (IO.7) as well as the implementation of TFS have been strengthened with increased coordination between the relevant prosecuting/enforcement bodies; and (v) regulatory authorities and the necessary framework for the regulation for regulation and monitoring of NPOs have been issued and the targeted measures for higher risk NPOs have begun to be applied (IO.10). On the technical compliance front, Jamaica is now compliant/largely compliant with 37 out of 40 FATF's technical recommendations.

The authorities are taking decisive steps to apply the revised BO framework effectively, which involves two action items remaining in their plan (IO5.3 and IO5.4). For IO5.3—sanctioning entities in breach of their BO obligations—the authorities were to (i) demonstrate that effective, proportionate and dissuasive sanctions are applied by ensuring that the procedures of striking off the register can be successfully implemented, where appropriate, and (ii) complete on-site inspections of high-risks entities, with appropriate follow up actions. For IO5.4—application of legal powers for compliance, monitoring, and verification—the authorities were to demonstrate the effective use of the BO Registry with a focus on increasing the information related to vulnerable companies (4 percent of all companies) and encourage authorized stakeholders to use it. They have taken the following steps over the last months:

- **Application of sanctions.** A total of 62 companies are undergoing legal procedures, either being sued (47) or served with notices of intent to prosecute (15) for failing to provide annual returns. A total of 19 companies have been placed in receivership by creditors. Finally, among the companies being notified of non-compliance with BO information submission, 12 were stricken off the register for failing to do so after the legal notification period expired (names of these companies were published in the Jamaica gazette on January 1).
- **Onsite inspections.** As of last December, 27 inspections were completed—with five companies receiving notices to correct information—surpassing the target in the action plan (16 inspections). An additional 10 inspections are to be conducted in January. A desk-based risk profiling of vulnerable companies (i.e., with complex ownership structures) identified 1,040 as high risk, which were prioritized for monitoring. The desk-based risk profiles will be updated based on inspections, and schedules for future regular inspections updated accordingly.
- **BO information of vulnerable companies.** From 3,038 identified vulnerable companies, 358 have been removed or are in the process of being removed from the registry (mostly for inactivity), and information has been uploaded for 1,335 companies (in some cases, after receiving non-compliance notices). As for the remaining, 62 companies are undergoing legal procedures—as described in the first bullet above—and the Companies Office of Jamaica (COJ) has issued (first and second) non-compliance notices to 1,283 companies that failed to submit BO information. Following due process, COJ will either receive information or strike-off these companies from the registry.
- **Engaging authorized stakeholders.** After COJ's training to Competent Authorities (CA) last fall, five out of eight of them and the Integrity Commission have been searching the BO registry via on-line access—450 searches have been conducted. The COJ continues its outreach with remaining CAs (which have been resorting to written access) to encourage the use of on-line access. The COJ has also improved turnaround time for responding to written requests for information—from 10 to 2 days since last July—and it is expanding analytical options to access BO data.

The authorities had a face-to-face meeting with the Americas ICRG Joint Group last January, and feedback was positive regarding the remaining items under the Action Plan.

31. Financial supervisors are upgrading their oversight of climate risks. The BOJ has developed a strategy to better manage climate-related financial risks focused on (i) developing supervisory capacity to assess these risks and sensitizing the supervised entities to identify, measure and manage them; (ii) integrating climate risks management into macroprudential supervision; and (iii) operationalizing stress testing of financial institutions. In the context of the RSF, the BOJ has completed the first stage of this strategy.

Authorities' Views

32. The authorities agreed that further strengthening of the policy framework remains important. They continue to strengthen BOJ's autonomy and governance per Safeguards Assessment recommendations. They emphasized that the exchange rate regime is a "floating arrangement" contrary to the IMF's recent reclassification to a de facto "crawl-like arrangement." They pointed to recent reforms implemented to deepen FX markets, including elimination of absolute NOP limits, simplification of approvals for issuance of FX denominated instruments, and improvements in FX market oversight and post-trade process. They agree that further reforms to the CFM framework can be assessed in the future, but subject to appropriate timing and sequencing—the authorities emphasized that careful management of recent shocks is still warranted. They planned to continue strengthening policy frameworks with the ongoing adoption of the Basel framework, an enhanced resolution regime for financial institutions, progress with consolidated supervision, and transition to the twin-peaks model. They emphasized significant progress to strengthen the AML/CFT framework. They remain committed and are taking steps to expand the reach and use of JAM-DEX®.

E. Challenges to Foster Inclusive Growth

33. Historically, Jamaica's growth performance has been held back by financial crises and/or natural disasters that led to output collapses and protracted recoveries. The central theme of the authorities' growth strategy is to make Jamaica more resilient to shocks and less prone to crises through prudent fiscal and monetary policies and debt consolidation to reduce macroeconomic vulnerabilities and reforms to mitigate risks from climate change.

34. Lackluster productivity has played a role as well, and it is likely related to bottlenecks and misallocation of resources reducing total factor productivity (Annex X). Staff have documented aggregate and sectoral productivity trends in Jamaica and analyzed dispersion of firm-level productivity, firm growth, and drivers of productivity based on a firm-level survey for 13 Caribbean countries. High dispersion of productivity across firms and limited firm growth point to significant misallocation of resources in the corporate sector, with labor failing to shift to higher-productivity sectors. The analysis also suggests that factors hindering productivity are associated with lack of skills, limited access to finance, high crime, and barriers to competition, pointing to supply-side constraints to growth. Addressing these shortcomings requires action in various areas:

- **Crime reduction.** High crime impacts allocation of resources, undermines effectiveness of government services, and weakens social cohesion. The implementation of the 2020 National

Consensus on Crime—which combines community engagement, police deterrents, and modernized enforcement practices—should help.

- **Product markets.** Fostering competition can help improve resource allocation (see Annex X). Fully applying the existing Fair Competition Act to all sectors and ensuring that significant mergers are reviewed from a competitive perspective would be an important first step, including to enhance access to finance—particularly for startups, with knock-on effects on innovation and productivity. Reducing the footprint of the state in the economy and lowering administrative burdens for companies could foster new entry and enhance resource allocation.[10]

- **Education and training.** Reducing truancy and providing more vocational training can increase economic opportunity—including by expanding grants for school attendance for those families receiving social assistance; providing scholarships for science, technology, engineering and mathematics; expanding the school meals program; and improving transportation for students in rural areas. Public resources for educational material, information technology, and teacher retention would also have large payoffs.

- **Infrastructure and logistics.** Greater investments in roads, rail, and public transportation are needed, as well as resources to expand the use of renewables, lower the production and transmission costs of energy, and improve reliability.[11]

- **Trade.** Efforts should continue to facilitate trade by improving cooperation among border agencies, improving risk management in border clearance, enhancing customs regulations and data systems, and negotiating free trade agreements.

35. There are ongoing initiatives to strengthen the social safety net. The authorities are considering an unemployment insurance scheme, which could help lessen income volatility and ease the costs of a job search while providing time-bound incentives to return to work. Minimizing the impact on labor costs—to avoid disincentives to formal employment—and avoiding a budgetary impact would be important considerations. Over the medium term, the pay-as-you-go pension scheme—run by the National Insurance Scheme (NIS)—should expand its coverage, though this should be achieved in the context of parametric reforms to keep the system sustainable. Policy changes since the completion of the last actuarial review included an increase in the contribution rate and the maximum earnings on which contributions are made. Actuarial reviews—scheduled every three years—should continue to inform parametric adjustments to strengthen the financial sustainability of the NIS.

36. The closing of gender gaps could have positive effects on growth and inequality. Jamaica ranks at the Caribbean average in terms of gender employment gap, representation of

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[10] See "Creating Markets in Jamaica" World Bank/IFC, May 2022.

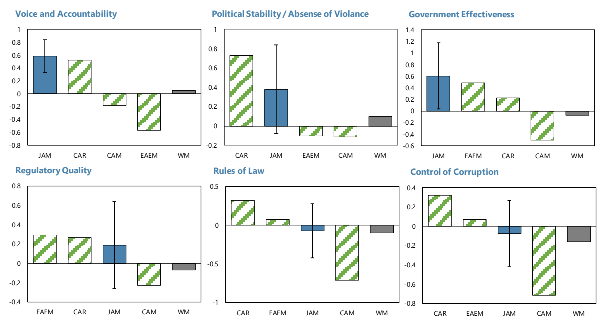
[11] Ibidem, pp. 28 onwards.

women in parliament, and secondary school enrollment (Figure 5). However, Jamaica ranks poorly on equality of pay and support for parenthood. A more comprehensive parental leave program and the investments in education and training described above could increase women labor force participation—women labor force participation rate is 12 percentage points below men—and lessen gender inequality.

37. Jamaica has a relatively good standing on institutional quality. Indicators show relatively strong scores on Voice and Accountability, Political Stability, and Government Effectiveness. In other areas, Jamaica scores above or at the world median.[12] The approval of the 2018 Procurement Act, amendments to strengthen the BOJ's mandate and autonomy, and the introduction of a new governance framework for public bodies are improving governance.[13] The publication of beneficial ownership information of companies awarded public contracts would be a step forward, helping limit corruption vulnerability. Finally, as explained above, there is scope to improve PFM practices (¶20).

Governance Components Jamaica and Comparators

(Index, in 2022)



Source: Worldwide Governance Indicators (WGI) project by D. Kaufmann (Natural Resource Governance Institute and Brookings Institution) and A. Kraay (World Bank).
Note: Whiskers represent 95 percent confidence interval, these are not available for country groups' average. Country acronyms are ISO3. CAM = Central America and Mexico; CAR = Caribbean Countries; EAEM = East Asia Emerging Markets; WM = World Median. The WGI reports aggregate individual governance indicators over the period 1996–2022 for six dimensions of governance. The aggregate indicators combine the views of enterprises, citizens, and expert survey respondents. Results leverage confidence intervals to reflect uncertainty. Most inputs are perception based and thus more subjective than other economic indicators. The index refers to an estimate of governance performance, higher values correspond to better governance.

38. The authorities are pursuing a comprehensive action plan to improve data. Following a Data Dissemination Standards (SDDS) assessment mission by the Fund's Statistics Department, an action plan for subscription to the SDDS by mid-2025 was adopted. The Statistic Agency (STATIN) is working on a restructuring plan and the government intends to dedicate more budget resources to the agency to attract qualified staff, close capacity gaps, and improve data management systems. Key data gaps to close towards the SDDS subscription include: i) compile and disseminate data on General Government Operations (GGO), and ii) improve the coverage and timeliness of the external sector statistics data. Meeting these data requirements is supported by the PLL.

Authorities' Views

39. The authorities agreed with the identified constraints to growth and noted that fostering growth is a priority. They emphasized that pursuing policies that prioritize macroeconomic stability by securing debt sustainability will contribute to strengthen growth prospects. They remain committed to further enhancing public institutions and the business environment to boost inclusive growth. The pursuit of their ambitious climate resilience agenda will support new investments and strengthen the resilience of the economy. They agreed with the need

[12] Worldwide Governance Indicators (WGI) project by D. Kaufmann and A. Kraay. The WGI reports aggregate individual governance indicators over the period 1996–2021 for six governance dimensions. The aggregate indicators combine the views of enterprises, citizens, and expert survey respondents. Results leverage confidence intervals to reflect uncertainty. Most inputs are perception based and thus more subjective than other economic indicators. Higher number=better performance.

[13] See: https://www.mof.gov.jm/media/public-bodies-corporate-governance/.

to reduce crime and work on education, infrastructure, and competition issues to improve productivity. They agreed that an improved social inclusion would aid growth. The authorities also agreed that the introduction of unemployment insurance could help reduce income volatility, and that closing of gender gaps can increase labor force participation and boost growth. The authorities reiterated their commitment to SDDS subscription and the need to reform the statistical agency. Better statistics would aid formulation and evaluation of policies.

PROGRAM MODALITIES

A. Program Performance

40. All indicative targets and structural benchmarks under the PLL were met (Appendix 1, Tables 1 and 2):

- The end-September 2023 overall fiscal deficit of the central government was J$27.7 billion, below the indicative target of J$45 billion. The indicative target for end-March 2024 surplus was confirmed with the authorities.
- Net international reserves reached US$4.72 billion by end-September 2023, above the indicative target of US$ 3.82 billion. The indicative target for end-March 2024 is proposed to be increased from US$ 3.93 to US$ 4.40 billion, which will strengthen external buffers.
- The BOJ compiled and submitted to the Fund's Statistics Department the International Reserve and Foreign Currency Liquidity (IRFCL) template data for August 2023 by end-September 2023.
- An amendment to establish supervision by the FSC of financial conglomerates without Deposit Taking Institutions was submitted to parliament by end-September 2023.
- The BOJ published a BOJ consultation paper with a methodology to identify systemically important financial institutions in August 2023.[14]

41. The timing for a third review structural benchmark is proposed to be adjusted. The structural benchmark on the submission of the Special Resolution Regime (SRR) law to parliament (see ¶28) is proposed to be rescheduled to end-June 2024 (from end-March 2024) due to the complexity of the law.

42. The authorities have implemented three reform measures (RM) under the RSF (Annex VI, Attachment I, Table 3). The following actions were taken: (i) the Public Investment Appraisal Branch (PIAB) defined a methodology to conduct climate impact assessments at project appraisal stage (project proposal stage) and incorporated it in the Public Investment Management System (PIMS) handbook; (ii) the Planning Institute of Jamaica (PIOJ) published project selection criteria including climate change criteria; and (iii) the BOJ published a climate risks assessment and defined

[14] See https://boj.org.jm/consultation-paper-a-systemic-risk-buffer-for-jamaica-2023/ and footnote 4 above.

a timeline to embed these risks in supervisory activities and related databases for climate risks assessments. Annex VI describes the content and impact of these measures.

43. RM6, aiming at establishing a National Natural Disaster Reserve Fund (NDRF), is assessed to be met with a minor deviation. To establish the NDRF, the MOFPS has submitted to parliament an amendment to the Financial Administration and Audit Act and approved financial regulations for its transparent administration. The authorities established the NDRF outside of the Consolidated Fund Account (not as a subaccount, as envisaged in the program request under RM6) because, under Jamaica's legal framework, establishing the NDRF as a subaccount would not allow it to respond promptly to a disaster.[15] However, rules for the NDRF's governance guarantee a transparent use of resources, appropriate accounting, and parliament oversight and auditing of the fund, as envisaged in the reform proposed in the program request. In light of this, staff agrees that the deviation is minor since RM6 is substantively implemented and the objective of the reform measure is met. Moreover, the deviation allows for a more timely and effective response to a natural disaster, to better contain damages and speed up the recovery process.

44. The availability dates for the disbursements under the second and third reviews of the RSF are proposed to be adjusted (Table 8). At program approval, the availability dates for the RSF reviews were aligned with the review dates of the PLL. The proposed changes will allow flexibility to schedule the reviews.[16] Therefore, it is proposed to set the availability dates for the second and third RSF reviews to February 14, 2024 (in lieu of February 29, 2024) and August 14, 2024 (in lieu of August 31, 2024). These technical changes are for administrative flexibility—they do not modify the access levels of the RSF disbursements from the original phasing, and reviews under the RSF arrangement will take place concurrently with the accompanying PLL reviews.

B. PLL Qualification

45. Jamaica continues to meet the qualification requirements for a PLL arrangement. Economic fundamentals and institutional policy frameworks are sound, the country has a track record of implementing sound policies, and it remains committed to doing so in the future. Jamaica performs strongly in three out of the five PLL qualification areas. For a summary presentation of qualification, see Annex XII.

[15] Financial resources under a subaccount in the Consolidated Fund Account can be only withdrawn after a valid act of appropriation by parliament, which will slow considerably disbursement procedures in case of a natural disaster.

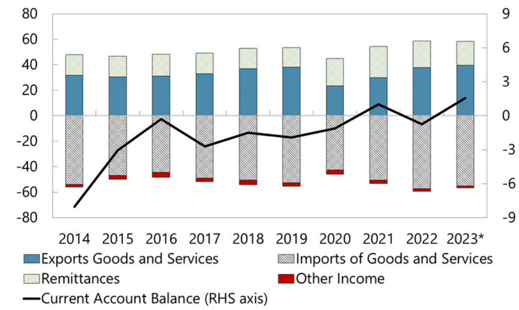
[16] For a 2-year PLL, reviews would be scheduled with the objective of completion by the Executive Board immediately prior to the lapse of each six-month period. The review dates for the PLL in Table 7 reflect the *latest possible date* by which the PLL review must be completed to maintain uninterrupted right to draw on the precautionary arrangement. Therefore, there may be circumstances where the PLL review is completed close to, but before such dates (e.g., Board scheduling or building in a small timing buffer to avoid any last-minute issues). Currently, the RSF disbursements mirror the PLL review dates in Table 7; this limits the flexibility to schedule reviews (e.g., if a PLL review is scheduled slightly earlier, the RSF disbursements will not be available yet).

Assessment of Specific Criteria

External Position and Market Access: *Jamaica performs strongly in the external position and market access area.*

- **Criterion 1. A sustainable external position.** The current account deficit (CAD) has remained below 2 percent of GDP over the last 5 years, and it was more than fully financed by FDI flows (which averaged 2.3 percent of GDP). The CY2023 current account balance is estimated to have improved to 1 1/2 percent of GDP from a deficit of 0.8 percent of GDP in CY2022. The 2021 and 2023 external position has been assessed to be broadly in line with medium-term fundamentals and desirable policy settings by the Board in the 2022 Article IV consultation and by staff in Annex IV respectively. The CAD was below the External Balance Assessment norm and the Net International Investment Position (NIIP) is assessed as sustainable. External debt has been declining since 2015—except for the COVID year—and is expected to continue falling over the medium term.

Current Account: Components
(In percent of GDP)

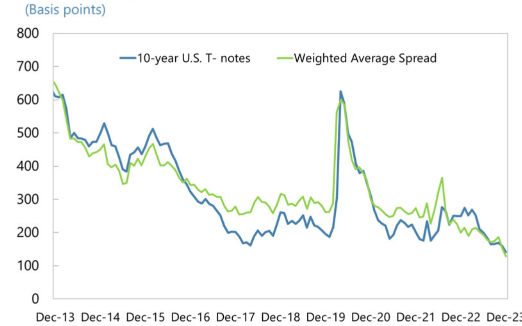


Source: BOJ and IMF staff Estimates
*2023 number as a projection

- **Criterion 2. A capital account dominated by private flows.** Between 2018 and 2022, non-government flows represented around 2/3 of portfolio flows and 3/4 of other investment flows. The bulk of external liabilities are with private creditors. Foreign direct investment—mainly related to tourism and mining—accounted for 50 percent, while portfolio investment accounts for 25 percent of external liabilities at end-Q2 2023.

- **Criterion 3. A track record of steady sovereign access to international capital markets on favorable terms**. Jamaica issued a global bond in international markets for US$815 million (158 percent of quota) in 2019, and a domestic currency denominated global bond for J$46.6 billion (about US$300 million; 60 percent of quota) in 2023. Jamaica's overall fiscal position was balanced over that period, resulting in low financing needs. Debt management has extended the maturity of external debt and Jamaica is rated favorably by major agencies. In March 2023, Fitch affirmed B+ rating and revised the outlook to "positive". Last fall, S&P and Moody's upgraded their ratings to BB- with "stable" outlook and B1 with "positive outlook" (in the middle of the non-investment range). Sovereign spreads fluctuated around 200 bps in 2023 and fell to about 130 bps by year-end, a historical low, allowing Jamaica market access on a sustainable basis.

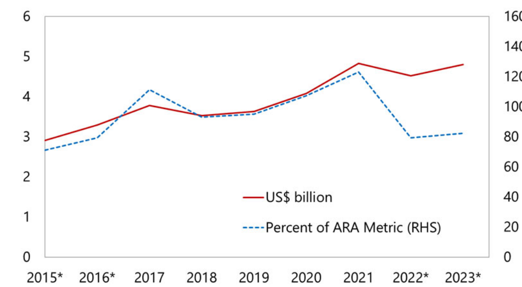
Sovereign Spreads
(Basis points)



Sources: Bloomberg and IMF staff calculations.

- **Criterion 4. A comfortable international reserve position.** Gross international reserves have increased since program approval and reached an all-time record-high of US$4.86 billion at end-2023—84 percent of the Reserve Adequacy (ARA) metric.[17] Reserves have remained close to or above 80 percent of the ARA metric since 2017. Over the past three years, reserves averaged 95 percent of the ARA metric, marginally below the 100 percent threshold. The reserve position is still assessed as comfortable due to the following mitigating factors:

Gross International Reserves



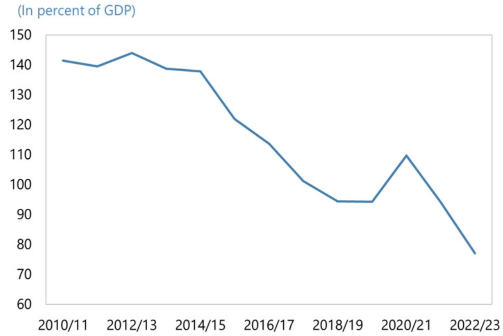
Source: BOJ, IMF Staff calculations.
Notes: *2015, 2016, 2022 and 2023 use the ARA metric for non-floating exchange rate regimes

  - *Subsiding vulnerabilities from external public liabilities*. Both fiscal buffers and the fiscal position mitigate the risk that reserves come under pressure from public sector financing needs. The public sector holds deposits of close to 4 percent of GDP, debt is decreasing rapidly, and Jamaica has secured sizeable insurance against natural disasters for about 5 percent of GDP (see Criterion 5).
  - *Prudential regulation in the financial sector.* Rollover risk is captured by short-term debt, mostly short-term banking liabilities in the form of currency and deposits. These risks are mitigated by Liquidity Coverage Ratios (LCR) by currency, which require High Quality Liquid Assets above 100 percent of (expected) net cash outflows continuously. LCRs for FX flows have remained between 2-5 times the minimum requirement since end-2020. The ST debt of the non-financial private sector is mostly self-liquidating and stable trade credit.

Fiscal Policy: *Jamaica performs strongly in the fiscal area.*

- **Criterion 5. Sustainable public debt position and sound public finances.** Jamaica has demonstrated steadfast commitment to debt sustainability, supported by a sound fiscal framework and well-crafted debt management policies:
  - **A solid fiscal policy framework**. Jamaica's FRL established a public debt goal of 60 percent of GDP and a balanced budget rule with escape clauses for large shocks and an automatic adjustment mechanism to secure convergence to the debt target. There is broad political support for fiscal prudence and the FC established in 2022 will be providing independent assessment of policy sustainability.

Public Debt
(In percent of GDP)



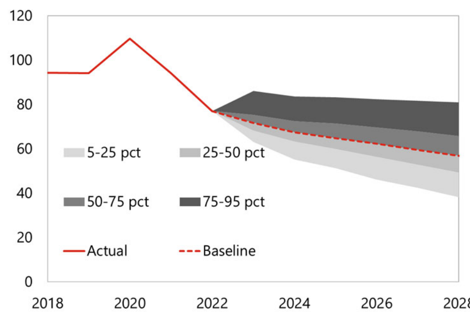
Sources: MOF and IMF staff calculations.

[17] In line with the de-facto exchange rate regime reclassification (see paragraph 20), reserve adequacy for 2022 and 2023 is assessed using the ARA metric for floating countries for the year 2021 and for non-floating countries for the years 2022 and 2023. Under the ARA metric for floaters, reserves at end-2023 would amount to 120 percent.

- **Downward trajectory of public debt**. Central government debt has declined from 142 percent of GDP in FY2009/10 to 77 percent of GDP in FY2022/23—reversing the increase due to the COVID shock.

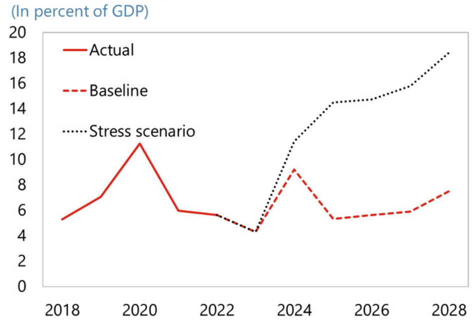
- **The public sector debt is assessed as sustainable with a high probability.** While debt remains elevated in the near term, the strong fiscal track record, the commitment to meet the FRL debt target, and prudent debt management mitigate potential risks. Large primary surpluses in the MTFF ensure debt sustainability. While the share of externally issued foreign currency debt remains high, recent debt buybacks and the issuance of long-dated global bonds have reduced gross financing needs to around 5 percent of GDP.[18] Under a stress scenario, financial institutions would need to increase sovereign exposure, but their current holdings are moderate. Debt dynamics remain vulnerable to uncertainties surrounding global commodity markets, natural disasters, and the realization of public bodies' contingent liabilities. Risks from contingent liabilities are largely associated with weather-related events and would be mitigated by diverse insurance instruments (including the catastrophe bond that matured at end-2023 and is to be renewed in 2024) for about 5 percent of GDP.

Public Debt: Fan Chart
(In percent of GDP)



Sources: MOF and IMF staff calculations

Gross Financing Needs
(In percent of GDP)



Sources: MOF and IMF staff calculations

Monetary Policy: *Jamaica performs strongly in this area.*

- **Criterion 6. Low and stable inflation in the context of a sound monetary policy framework**. Inflation has been low and stable, within or below the target bands adopted with the IT regime in 2017—except for 2022-2023. Over the last five years (2019-23), inflation (e.o.p.) was in single digits averaging 7 percent. The credibility of the monetary regime was strengthened by enacting amendments to the BOJ Act in 2020 that enhanced the BOJ's mandate, autonomy, and governance arrangements. Global shocks have pushed inflation above the target band during August 2021-23. The BOJ adopted an appropriate monetary policy, which together with prudent fiscal policy brought inflation close to the upper target band by end-2023.

Financial Sector Soundness/Supervision**:** *Jamaica does not substantially underperform in this area.*

- **Criterion 7. Sound financial system and the absence of solvency problems that may threaten systemic stability.** As assessed by the Board in the 2022 Article IV consultation and by staff in this document. The financial sector is remaining profitable, well capitalized (CAR was 14.5 percent and NPL 2.5 percent at end-September) and liquid. The latest BOJ's stress tests suggest that the

[18] Gross financing needs increase in FY2028/29 due to domestic and global bonds maturing simultaneously. A similar increase, also due to bunching of maturities, can be observed in FY2024/25.

financial sector is resilient to tail events. The domestic risks to financial stability are associated with concentrated ownership, related party and large group exposures, and off-balance sheet positions. The main risks to financial stability are associated with the impact of further monetary policy tightening in advanced economies, global turbulence due to ongoing conflicts, and the impact of a climate-related event. RSF conditionality strengthens resilience to climate related risks.

- **Criterion 8. Effective financial sector supervision**. As assessed by the Board in the 2022 Article IV consultation and by staff in this document. The supervisory framework has guided the financial system through the recent challenging global environment. Adoption of Basel III, RBS, crisis management and consolidated supervision is advancing. Jamaica is on FATF's list of jurisdictions under increased monitoring (grey list). The PLL conditionality supports enhancements of financial conglomerates supervision, the resolution of financial institutions, and the strengthening of the AML/CFT framework. All legislative requirements in the action plan to improve the AML/CFT framework completed, and current efforts are concentrated on demonstrating its effectiveness.

Data Adequacy: *Jamaica does not substantially underperform in this area.*

- **Criterion 9. Data transparency and integrity.** Data provision is broadly adequate for surveillance. Jamaica has participated in General Data Dissemination System (GDDS) since 2003 and implemented the enhanced GDDS (e-GDDS) in 2017. Supported by the Fund, improvements to national accounts and price statistics (including an ongoing GDP rebasing and a Household Expenditure Survey that was instrumental to updating the CPI weights in 2020) continue. Improvements in the government finance statistics and the public sector debt statistics were achieved during the last Fund program, in 2018. Jamaica did not substantially underperform on data transparency and integrity, but improvements are needed. The authorities and staff agreed a roadmap for SDDS subscription and the related conditionality under the PLL. Following this roadmap, the BOJ submitted to the Fund's Statistics Department the International Reserve and Foreign Currency Liquidity (IRFCL) template data by end-September 2023.

46. Institutional strength. Staff finds Jamaica's institutional policy framework sound. The approval of the 2018 Procurement Act, amendments to strengthen the BOJ's mandate and autonomy, and the introduction of a new governance framework for public bodies are improving governance. The publication of beneficial ownership information of companies awarded public contracts would be a step forward, helping limit corruption vulnerability.

C. Climate Policies Under the RSF

47. Reforms implemented during the first two reviews were centered around the three pillars in the authorities' strategy (Text Table 2): [19]

[19] See: Annex III in "First Reviews Under the Precautionary and Liquidity Line and Under the Resilience and Sustainability Facility Arrangements."

Resilience to natural disaster and climate change. A disaster risk financing policy was adopted to select cost-effective financing mechanisms (RM1), and a National Natural Disaster Fund (NDRF) was established (RM6). The authorities have also revised the PPP policy to include climate requirements (RM2). Further, a methodology to conduct climate impact assessment at the project appraisal stage has been adopted (RM3), and project selection criteria including climate change criteria have been codified (RM4).

Greening the financial sector. The BOJ has prepared an assessment of climate risks and a timeline to incorporate them into supervisory activities (RM10).

Mitigation. Mitigation has advanced with adoption of the electric vehicles policy (RM8) and energy efficiency guidelines for public buildings (RM9).

Text Table 2. Jamaica: Reform Measures Supported by the RSF

RSF Approval	PLL 1st Review	PLL 2nd Review	PLL 3rd Review
Pillar 1: **Building fiscal and physical resilience to natural disasters and climate change**	**RM1.** The Ministry of Finance and Public Service (MOFPS) to adopt a National Natural Disaster Risk Financing (DRF) policy. **RM2.** The Development Bank of Jamaica in consultation with the MOFPS to modify the Policy and Institutional Framework for the Public-Private Partnership (PPP) policy Program of the Government of Jamaica to include climate requirements in PPP project agreements from project identification to contract management and revise the PPP Standard Operating Procedure Manual to reflect these requirements.	**RM3.** The Public Investment Appraisal Branch (PIAB) to define a methodology to conduct climate impact assessments at project appraisal stage (*project proposal stage*) and incorporate the methodology in the Public Investment Management System (PIMS) handbook. **RM4.** The Planning Institute of Jamaica (PIOJ) to define and publish project selection criteria including climate change criteria. **RM6.** The MOFPS to submit to parliament an amendment to the Financial Administration and Audit Act to establish a National Natural Disaster Reserve Fund (NDRF) subaccount under the consolidated fund account. In parallel, the MOFPS to approve financial regulations for a transparent administration and reporting of the NDRF.	**RM5.** The MOFPS to conduct and publish in the Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.
Pillar 2: **Strengthening mitigation/promoting renewables**	**RM8.** The Ministry of Science, Energy and Technology (MSET) to submit to parliament the electric vehicle policy, in line with the objectives in paragraph 23 of the Written Statement. **RM9.** The MSET to approve guidelines adapted to the type and purpose of the structures, to reduce energy use in schools, hospitals, and public buildings for the existing and new structures.		**RM7.** The MOFPS to submit to parliament a bill to incentivize investment in renewables through fiscal measures.
Pillar 3: **Greening the financial sector**		**RM10.** BOJ to publish a climate risks assessment (including a diagnostic of related climate and environmental risks detailing the current governance and regulatory regime) and define a timeline to embed these risks in supervisory activities and related databases for the development of climate risks assessments.	**RM11.** Adopt a monitoring framework that improves data collection and establishes the reporting requirements for financial institutions to implement Climate Related Financial Risks stress testing and for the BOJ to gradually integrate climate risks in supervision and macroprudential policy formulation. **RM12.** Establish a regulatory framework for green-bond issuance and trading.

48. Current efforts focus on remaining RSF measures:

- *Integrating climate risks into fiscal planning (RM5).* The fiscal planning and policy will benefit from quantitative appraisals of sustainability under different climate change scenarios.

- *Incentivizing investment in renewable energy (RM7).* Jamaica has an array of fiscal incentives to invest in renewables, which include consumption tax exemptions, lower import tariffs for renewable energy items and electric vehicles (also exempted from license fees), and net billing

(Annex VIII). To complement these incentives, the authorities intend to introduce personal income tax rebates to incentivize take up of solar panels for residential generation.

- *A monitoring framework for climate risks (RM11).* Following completion of RM10, the BOJ is preparing a monitoring framework that improves data collection and establishes reporting requirements for financial institutions to implement climate-related stress testing, which will inform the development of risk-management guidelines for financial institutions.

- *A framework for green bond issuance (RM12).* The authorities continue to work on a framework to develop relevant taxonomies and ex-post verification procedures, which will allow to identify green investments and assess their impact.

49. RSF support increases Jamaica's fiscal space. The RSF is disbursed as budget support and substitutes for more expensive market financing, with cumulative estimated savings of 0.4 percent of GDP through FY2027/28 in lower financing costs relative to existing commercial external debt.[20] The RSF is thus increasing Jamaica's fiscal space. Further, the RSF provides long-term financing, supports climate policy reforms, aligns public investment towards climate goals, and catalyzes financing for climate-related projects (¶50). Measures associated with mitigation (¶47) generate fiscal savings gradually, as time is required for adoption of efficiency guidelines, their implementation, and materialization of their impact. Altogether, these actions, are expected to enhance resilience to natural disasters, mitigate risks to debt sustainability, and attract new sources of funding, contributing to increase fiscal space over the long term beyond near-term debt service savings.

50. The authorities continue efforts to catalyze private climate financing, and investments in renewable energy are in train to materialize. The RSF is playing a convening role to support the authorities' efforts to catalyze climate financing through the IMF's Climate Finance Task Force, in coordination with development partners. Last October, the authorities have announced a package aimed at enhancing climate financing (Annex VII). It comprises a three-pronged approach, including: (i) a Project Preparation Facility to develop a pipeline of bankable projects by facilitating identification, prioritization, feasibility assessment, implementation support, and structuring of projects; (ii) a Green Financing Facility to finance climate projects directly or through local financial institutions; and (iii) concessional loan instruments for more resilient infrastructure, with maturities of up to 30 years and 10-year grace period.[21] The government has announced a tender to procure renewable generation capacity for up to 100MW (about 10 percent of generation).[22] The deadline to present offers is April 1, and successful bidders will enter into a 20-year power purchase agreement with the public electric utility. This is an important step to bring Jamaica closer to its goal to increase the share of renewables in the grid to 50 percent—from the current 12 percent—by 2030.

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[20] The lower financing costs are calculated by comparing interest payments on RSF financing with those that would have been obtained under the interest rate that prevails on existing commercial external debt for Jamaica at a similar maturity.

[21] See: https://www.imf.org/en/News/Articles/2023/10/11/pr23346-jamaica-working-international-financial-institutions-following-rsf-arr-imf.

[22] https://gpe.gov.jm/wp-content/uploads/2023/12/Amended-RFP-Version-Dec-2023.pdf

D. Debt Sustainability and Capacity to Repay the Fund

51. Debt is sustainable with high probability. Jamaica has demonstrated an excellent track record over-performing on its fiscal targets for more than a decade. Even in a PLL disbursement scenario (the authorities treat the PLL as precautionary), debt remains sustainable with high probability as assessed at the time of the program request, while the baseline debt assessment has improved since the program request.

52. Jamaica's capacity to repay the Fund is adequate (Table 6). Debt outstanding to the IMF in a PLL purchase scenario would reach around 375 percent of quota (225 percent of quota excluding the RSF) or 9.3 percent of GDP in 2024. Debt service to the Fund in a PLL purchase scenario would peak in 2028 at SDR 434 million (SDR 405 million excluding the RSF) corresponding to 2.5 percent of GDP, 6.2 percent of exports or 11.8 percent of gross international reserves. Over the longer term, risks are mitigated by the authorities' strong commitment to reforms and debt sustainability. The program is fully financed (without RSF disbursements) through the remainder of the program (see Table 9). Credible policy frameworks also mitigate risks. Resources under the RSF are disbursed as budget support. The Memorandum of Understanding between the MOFPS and the BOJ defining service responsibilities associated with the RSF financing was signed in April 2023.

53. The authorities continue to treat the PLL as precautionary. Jamaica is expected to be in a strong position to exit the PLL by end-2024, as external risks subside.

STAFF APPRAISAL

54. Over the last decade, supported by strong policy frameworks, Jamaica has reduced public debt, anchored inflation, and strengthened its external position. It has built a strong track record of investing in institutions and prioritizing macroeconomic stability through a fiscal responsibility law, a fiscal council, adoption of an inflation targeting framework, and improvements in financial oversight. In this context, over the past few years, Jamaica has responded soundly to external shocks within the bounds of its policy frameworks.

55. The economy continues to grow in the context of sound fiscal and external positions. Growth is converging to its potential and inflation is expected to stabilize at the central bank's target. The external position is assessed to be broadly in line with the level implied by medium-term fundamentals and desirable policies, and international reserves are at comfortable levels. The outlook is subject to global risks from tighter financial conditions and/or lower growth in key source markets for tourism, alongside those stemming from higher commodity prices and natural disasters.

56. Current policies are supporting inflation convergence to the target and debt consolidation, enhancing Jamaica's capacity to face adverse shocks. An appropriate policy mix, reserve accumulation, and debt consolidation are creating buffers to face shocks—public debt is assessed to be sustainable with a high probability. The data-dependent monetary policy should secure convergence to the mid-point of the inflation target band. Jamaica's capacity to face contingencies benefits from the PLL arrangement, its fiscal prudence, insurance instruments against climate-related events, and record-high international reserves.

57. Efforts to improve the fiscal policy framework continue. The independent Fiscal Commission, to be operational in FY2024/25, will strengthen the fiscal responsibility framework. The wage bill reform, while requiring a careful management to be financed within the existing fiscal envelope, has created a standardized pay structure that should help retain skilled workers. Public debt management continues to extend maturities and lessen risks, and tax and customs administration reforms support revenue mobilization—and would further benefit from the approval of a revised Customs Act. Going forward, ongoing efforts can further enhance public financial management systems and there is scope to also improve the quality of public expenditure.

58. The authorities are further improving monetary and financial policy frameworks. There has been important progress for the adoption of Basel III and the strengthening of consolidated supervision, and work continues towards the implementation of a twin peaks regime, the preparation of legislation on the resolution regime of financial institutions, and the expansion of the BOJ's supervisory perimeter. In line with their action plan, the authorities have taken decisive steps to address strategic deficiencies in the AML/CFT framework, and should continue to build on this progress. The BOJ is intensifying efforts to expand the footprint of Jamaica's JAM-DEX®. Going forward, Jamaica would benefit from further efforts to deepen FX markets by gradually reducing surrender requirements, increasing incentives for use of FX hedging products, allowing greater latitude for issuing of FX instruments, and aligning FX Net Open Position limits with macroprudential objectives.

59. The authorities' growth strategy—building resilience to shocks through prudent policies—would also benefit from reforms to foster productivity. Fostering competition can help improve resource allocation; education need to become more effective and attuned to labor market needs; and infrastructure, logistics, and digitalization would benefit from an upgrade. Continuing to focus on policing and community engagement would help reduce crime; and barriers to trade could be lowered. Social policies would benefit from enhancements in targeting and closing of gender gaps could lift growth and equality. Efforts on data issues—which aim at enhancing capacity in the statistical office and subscribing to SDDS—should support evidence-based policy making. Jamaica continues to work on its ambitious climate agenda, which can build resilience, support the transition to renewables, and prepare the financial system to monitor climate risks. These reforms can foster investor confidence and catalyze private financing.

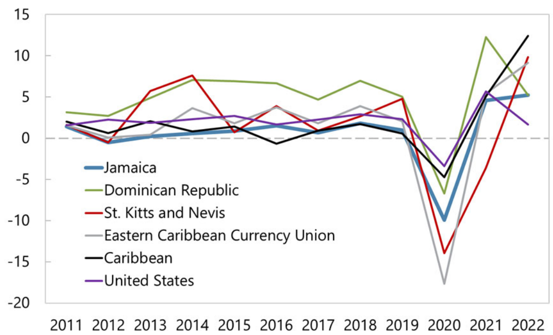
60. Staff recommends the completion of the second review under the PLL and the RSF arrangements. Jamaica continues to meet the PLL qualification criteria. Indicative targets and structural benchmarks under the PLL have been met, and reform measures 3, 4, 6, and 10 under the RSF have been completed. Staff supports the modification of the NIR indicative target for the third review—which helps to further strengthen external resilience—and the adjustment of the deadline for the submission of the SRR law to parliament to end-June due to the complexity of this legislation. The authorities continue to make progress with their reform agenda, and structural benchmarks and reforms measures for the third review are on track. Staff supports the proposed technical changes to the RST availability dates to allow more flexibility in scheduling PLL reviews.

61. It is recommended that the next Article IV consultation takes place on the standard 12-month cycle.

Figure 1. Jamaica: Real Sector Developments

After the massive contraction in 2020, the economy is gaining momentum…….

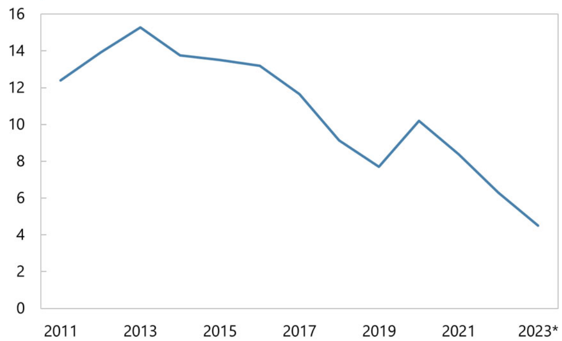
Real GDP Growth
(In percent)



Sources: WEO, Bank of Jamaica, and IMF calculations.

…and unemployment has fallen to historic lows.

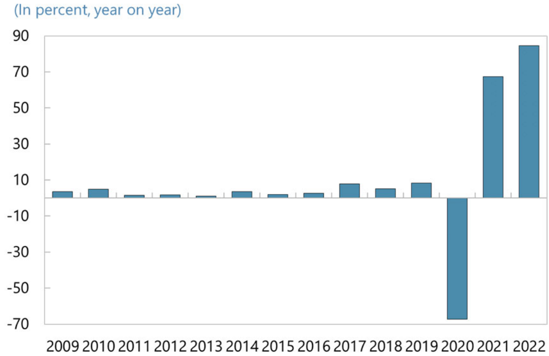
Unemployment
(In percent)



*Up to 2023Q2

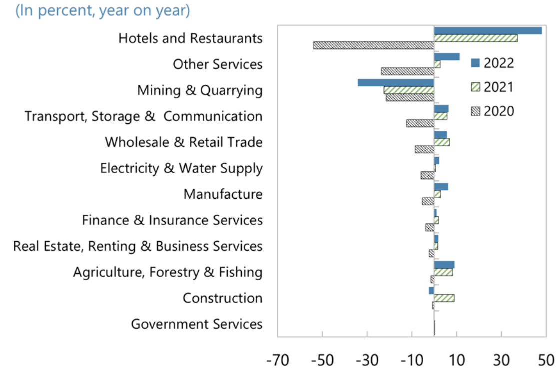
Tourism and hospitality industry have rebounded…

Annual Tourism Performance
(In percent, year on year)



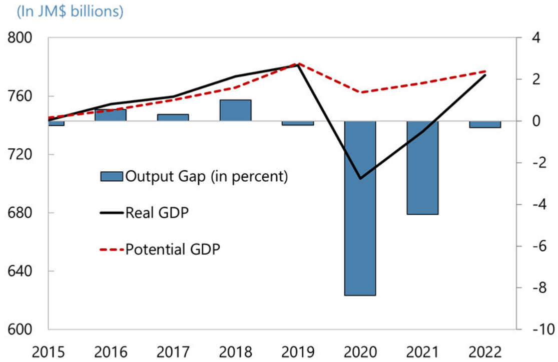
…and most sectors have picked up, except mining…..

Real GDP: Sectors
(In percent, year on year)



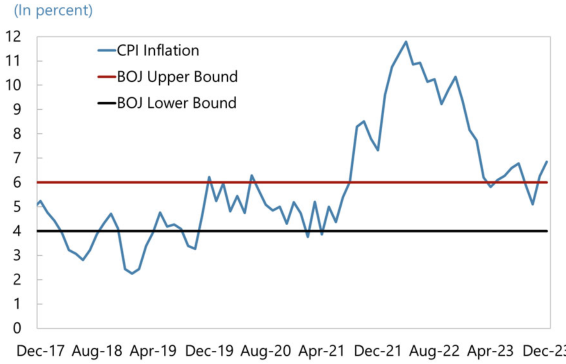
Output gap is closing…

Real GDP and Output Gap
(In JM$ billions)



…and inflation is converging to the target band.

CPI Inflation Versus BOJ Target Band
(In percent)



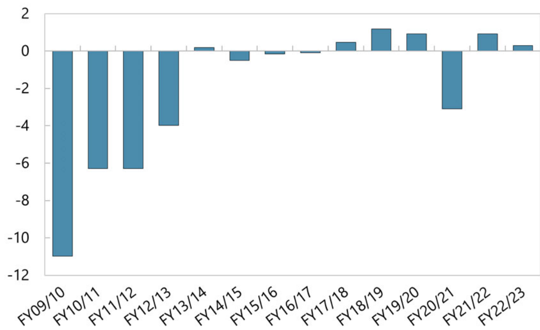
Sources: STATIN and IMF staff calculations.

Sources: Jamaican authorities and IMF staff calculations.

Figure 2. Jamaica: Fiscal Sector Developments

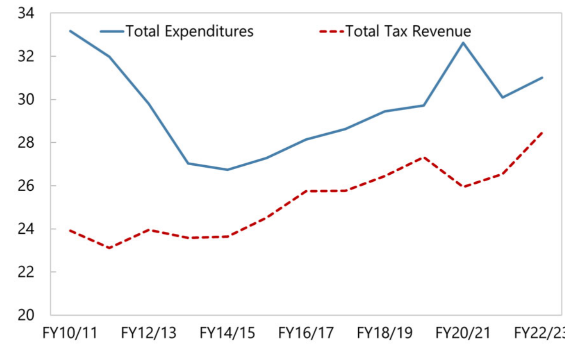
Central government fiscal balance is back in surplus….

Central Government Balance
(In percent of GDP)



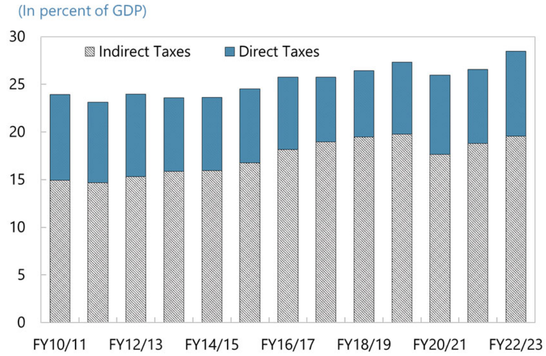
…due to buoyant tax revenues.

Central Government Revenues and Expenditures
(In percent of GDP)



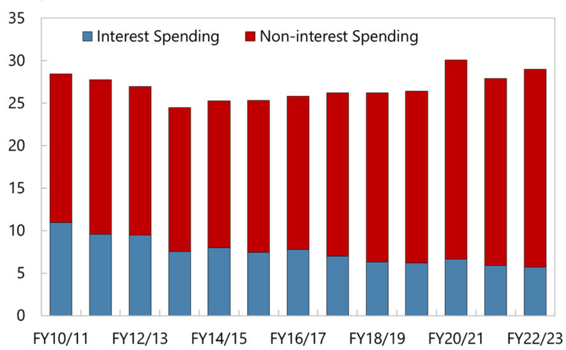
Which were due to strong direct tax collections…

Tax Revenue
(In percent of GDP)



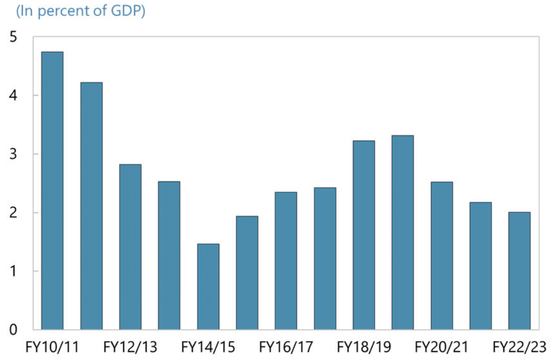
…while primary spending edged up in FY 22/23.

Central Government Current Spending
(In percent of GDP)



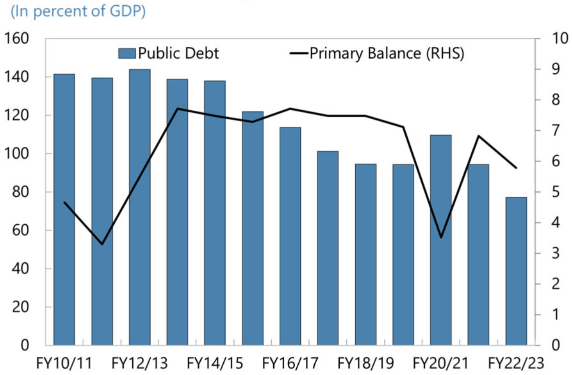
Capital spending continued to remain subdued.

Central Government Capital Spending
(In percent of GDP)



Public debt is on a firm path to meet the FRL debt target.

Public Debt and Primary Balance
(In percent of GDP)



Sources: Jamaican authorities and IMF staff calculations.

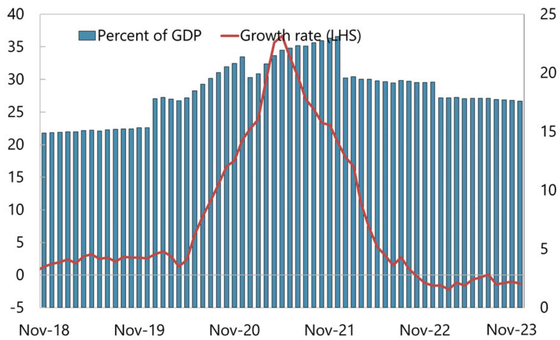
Figure 3. Jamaica: External Sector Developments

Remittances receipts are falling but remained above pre-Covid levels in 2023.

Tourism—especially from the US—has recovered.

Monthly Remittances

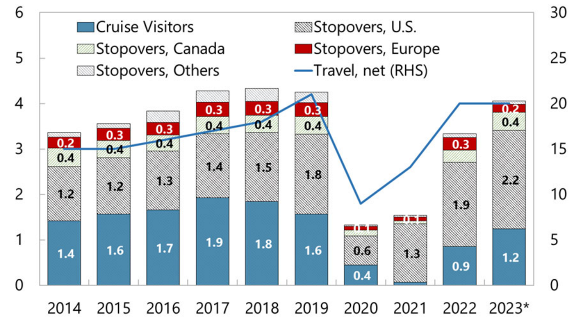
(Percent (LHS), percent of GDP (RHS), 12-month moving sum)



Sources: BOJ, IMF staff calculations.

Total Visitor Arrivals and Travel Exports

(Visitors in millions and percent of GDP)



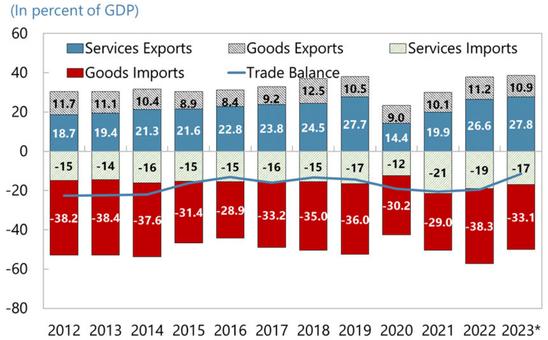
Sources: Jamaica Tourism Board, and IMF staff calculations.
* 2023 an estimate

The trade balance has improved due to lower fuel imports...

...and a pickup in mining exports.

Trade and Service Balance

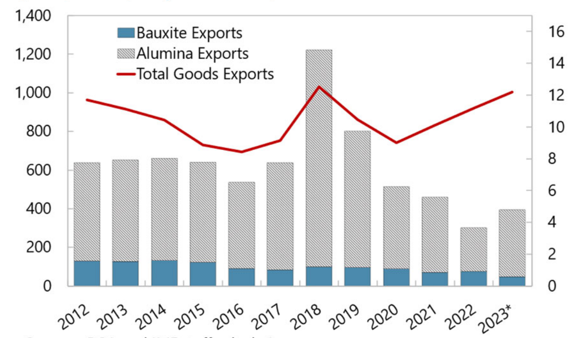
(In percent of GDP)



Sources: BOJ, and IMF staff calculations.
* H1 2023 only

Mining Exports

(In US$ millions, and percent of GDP)



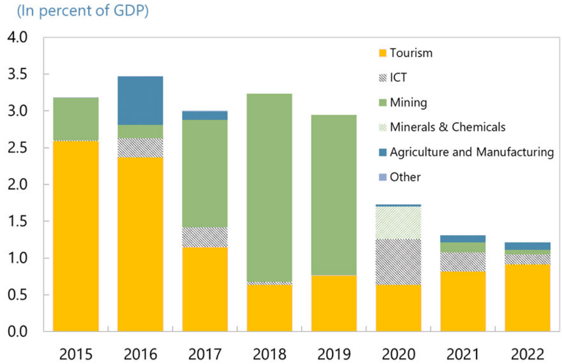
Sources: BOJ, and IMF staff calculations.
*Jan - Aug 2023 only

FDI in tourism continued to grow in 2022 but overall FDI remains below historical levels, mostly due to mining.

The real effective exchange rate has remained broadly stable since the beginning of 2023.

FDI by Sector

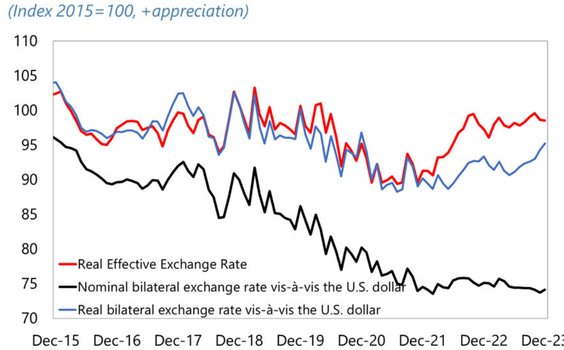
(In percent of GDP)



Sources: BOJ, and IMF staff calculations.

Nominal and Real Effective Exchange Rate

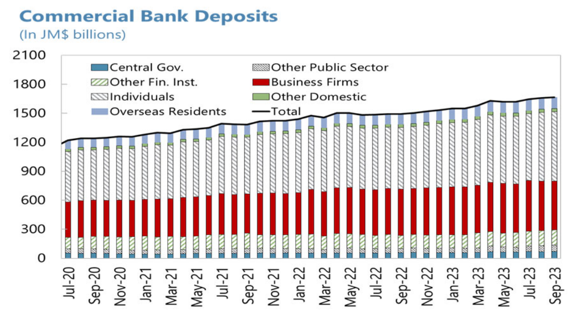
(Index 2015=100, +appreciation)



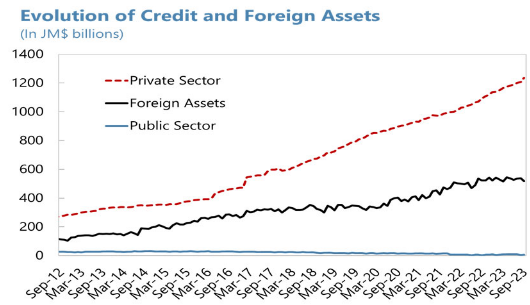
Sources: BOJ, and IMF staff calculations.

Figure 4. Jamaica: Monetary and Financial Sector Developments

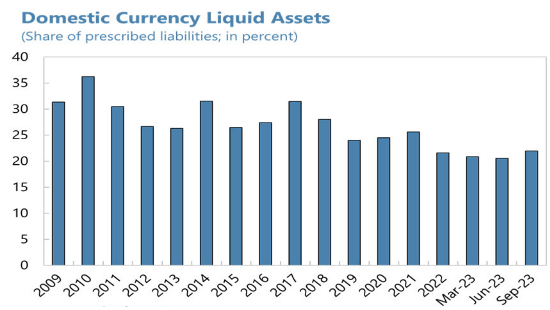
Banking system deposits have been growing steadily with individuals and businesses dominating.



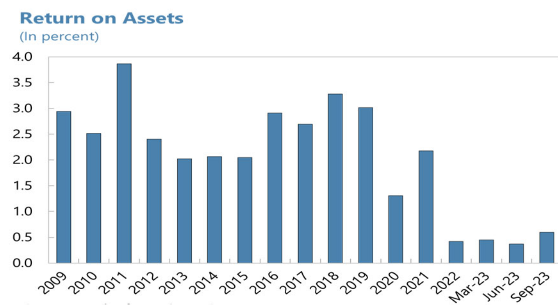
Private credit continues to grow reflecting economic rebound and good prospects going forward.



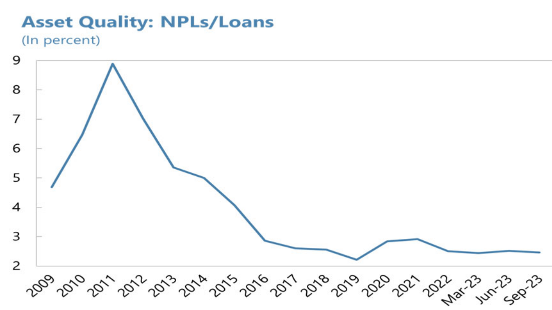
The depository institutions retain liquidity above the required minimum…



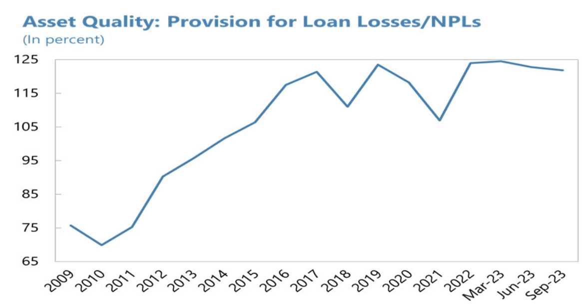
…with moderate, but steady profitability.



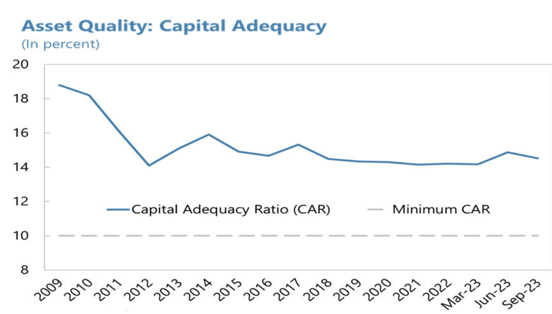
The NPL ratio is very low…



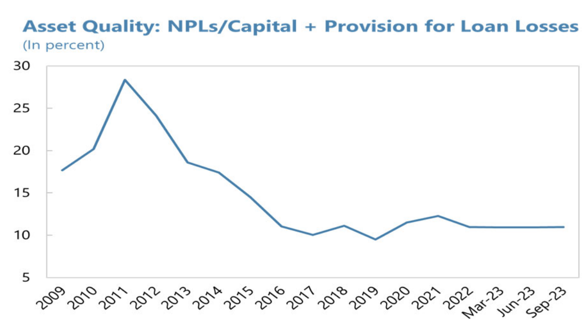
… with sufficient provisioning.



The capital buffers are kept well above the minimum…



…and sufficient to absorb potential losses.

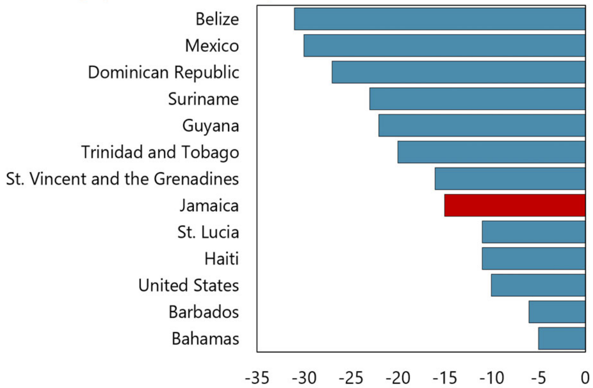


Sources: Jamaican and IMF staff calculations.

Figure 5. Jamaica: Gender Gaps

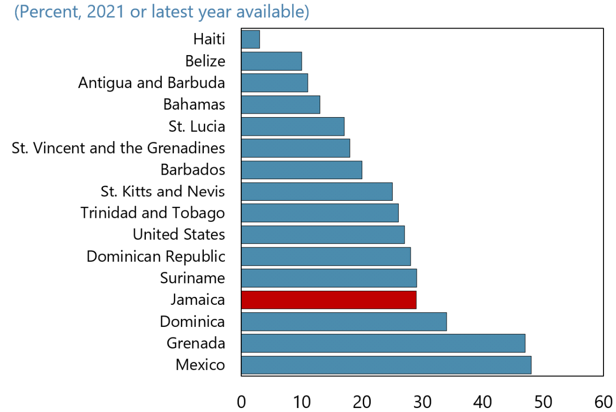
The employment gender gap is sizeable but smaller than in many regional comparators.

Employment Gap
(Percentage points, 2021 or latest year available)



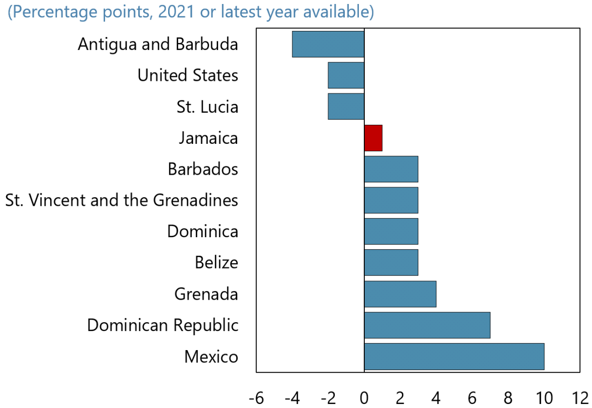
While gender parity in parliament is yet to be closed, the share of female legislators exceeds the one in the U.S.

Proportion of Women in Parliament
(Percent, 2021 or latest year available)



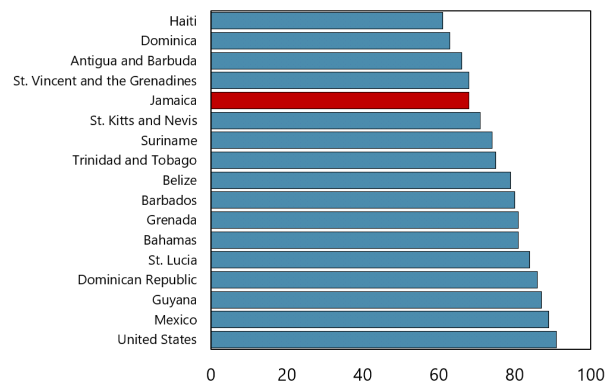
Secondary school enrollment is broadly even between male and female students.

Secondary Enrollment
(Percentage points, 2021 or latest year available)



Overall ranking of women's economic opportunities and empowerement lags behind most of regional comparators.

World Bank *Women, Business and the Law 2023* Index



Sources: International Labor Organization; World Bank; IMF staff calculations.

Note: The employment gap is the difference between the employment rate of women and men. The proportion of women in parliament is the percentage of parliamentary seats in a single or lower chamber held by women. Secondary enrollment is the difference between the gross enrollment ratio for secondary school of women and men. The World Bank Women, Business and the Law index analyzes laws and regulations that impact women's economic inclusion across eight dimensions: mobility, workplace, pay, marriage, parenthood, entrepreneurship, assets, and pension.

Table 1a. Jamaica: Selected Economic Indicators (Fiscal Year) 1/

Population (2019): 2.73 million | Per capita GDP (2019): US$5,738
Quota (current; millions SDRs): 382.9 | Literacy rate (2022)/Poverty rate (2021): 91.7%/16.7%
Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite | Unemployment rate (July 2023): 4.5%

			2022/23		2023/24		Projections				
	2020/21	2021/22	Program	Act.	Program	Proj.	2024/25	2025/26	2026/27	2027/28	2028/29
	(Annual percent change, unless otherwise indicated)										
GDP and Prices											
Real GDP	-11.0	8.2	3.5	4.7	2.0	1.7	1.7	1.7	1.6	1.6	1.6
Nominal GDP	-8.1	19.2	11.5	18.5	7.3	8.7	7.7	6.4	6.4	6.4	6.4
Consumer price index (end of period)	5.2	11.3	7.7	6.2	5.2	7.0	5.0	5.0	5.0	5.0	5.0
Consumer price index (average)	5.0	7.4	9.5	9.5	6.5	6.5	6.5	5.0	5.0	5.0	5.0
Exchange rate (end of period, J$/US$)	146.6	153.8	…	150.9	…	…	…	…	…	…	…
End-of-period REER (appreciation +, end of period) (INS)	-8.4	1.0	…	6.2	…	…	…	…	…	…	…
Treasury bill rate (end-of-period, percent)	1.5	6.4	…	8.3	…	…	…	…	…	…	…
Unemployment rate (percent) 2/	8.9	6.2	…	4.5	…	…	…	…	…	…	…
	(In percent of GDP)										
Government Operations											
Budgetary revenue	29.5	31.0	29.4	30.1	29.4	31.1	31.2	31.2	31.3	31.3	31.3
Of which: Tax revenue	25.9	26.5	26.4	27.4	26.4	28.3	28.5	28.5	28.5	28.5	28.5
Budgetary expenditure	32.6	30.1	29.1	29.8	29.1	30.9	31.0	30.8	30.6	30.3	30.3
Primary expenditure	26.0	24.2	23.6	24.3	24.0	25.2	26.0	26.5	26.7	26.7	27.0
Of which: Wages and salaries	10.7	9.6	10.9	11.6	11.3	12.7	13.7	13.7	13.7	13.7	13.7
Interest payments	6.6	5.9	5.5	5.5	5.1	5.7	5.0	4.3	3.9	3.6	3.3
Budget balance	-3.1	0.9	0.3	0.3	0.3	0.3	0.3	0.4	0.6	1.0	1.0
Of which: Central government primary balance	3.5	6.8	5.8	5.8	5.4	6.0	5.3	4.7	4.5	4.6	4.3
Public entities balance	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	-3.2	1.1	0.3	0.3	0.3	0.3	0.3	0.4	0.6	1.0	1.0
Public debt (FRL definition) 3/	109.7	94.2	84.1	77.1	77.9	71.8	67.6	64.9	62.4	59.6	56.9
External Sector											
Current account balance	-1.3	-0.7	-2.5	2.0	-2.8	1.0	-0.2	-1.1	-1.8	-2.0	-2.0
Of which: Exports of goods, f.o.b.	9.3	9.6	9.9	11.7	9.7	12.4	12.0	11.7	11.5	11.3	11.0
… of services	10.6	22.7	28.1	27.5	28.1	27.5	28.1	28.5	28.8	29.0	29.3
Imports of goods, f.o.b.	29.4	31.2	36.9	37.2	35.2	36.8	37.5	38.2	38.8	39.0	39.0
… of services	12.3	22.1	21.0	18.4	19.8	18.0	17.7	17.9	18.1	18.0	18.0
Gross international reserves (US$ millions)	4,244	4,324	4,191	4,685	4,100	4,800	4,700	4,725	4,775	4,825	4,875
	(Percent of GDP)										
Money and Credit											
Net foreign assets	20.6	20.8	15.6	19.4	15.4	18.9	17.5	17.0	16.6	16.2	15.9
Net domestic assets	53.5	49.5	52.8	45.7	52.8	46.3	47.9	48.7	49.3	50.1	50.9
Of which: Credit to the private sector	57.7	52.8	51.6	49.2	51.9	49.4	49.8	50.3	51.0	51.8	52.8
Credit to the central government	20.0	16.8	13.6	14.3	11.2	12.5	11.4	11.1	9.5	9.6	10.0
Broad money	74.1	70.2	68.4	65.1	68.2	65.2	65.4	65.6	66.0	66.3	66.8
Memorandum Item:											
Nominal GDP (J$ billions)	1,949	2,322	2,588	2,752	2,777	2,992	3,221	3,428	3,646	3,880	4,128

Sources: Jamaican authorities; and Fund staff estimates and projections.
1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.
2/ As of January in each period. The unemployment rate in FY2022/23 refers to April 2023.
3/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

Table 1b. Jamaica: Selected Economic Indicators (Calendar Year) 1/

Population (2019): 2.73 million
Quota (current; millions SDRs): 382.9
Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite

Per capita GDP (2019): US$5,782
Literacy rate (2022)/Poverty rate (2021): 91.7%/16.7%
Unemployment rate (July 2023): 4.5%

			2022		2023		Projections				
	2020	2021	Program	Act.	Program	Proj.	2024	2025	2026	2027	2028
	(Annual percent change, unless otherwise indicated)										
GDP and Prices											
Real GDP	-9.9	4.6	4.0	5.2	2.2	2.2	1.8	1.7	1.6	1.6	1.6
Nominal GDP	-6.8	12.4	12.0	18.7	7.5	11.6	7.3	6.5	6.4	6.4	6.4
Consumer price index (end of period)	5.2	7.3	9.4	9.4	5.5	6.9	5.5	5.0	5.0	5.0	5.0
Consumer price index (average)	5.2	5.9	10.4	10.4	7.0	6.5	7.0	5.0	5.0	5.0	5.0
Exchange rate (end of period, J$/US$)	141.7	155.1	152.3	152.3	...	155.0	...	...	...	...	...
End-of-period REER (appreciation +, end of period) (INS)	-5.4	-4.1	...	6.5	...	1.3	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	0.9	4.3	...	8.2	...	8.5	...	...	...	...	...
Unemployment rate (average, percent)	10.2	8.4	...	6.2	...	...	...	...	...	...	...
	(In percent of GDP)										
Government Operations 1/											
Budgetary revenue	29.5	31.0	29.4	30.1	29.4	31.1	31.2	31.2	31.3	31.3	31.3
Of which: Tax revenue	25.9	26.5	26.4	27.4	26.4	28.3	28.5	28.5	28.5	28.5	28.5
Budgetary expenditure	32.6	30.1	29.1	29.8	29.1	30.9	31.0	30.8	30.6	30.3	30.3
Primary expenditure	26.0	24.2	23.6	24.3	24.0	25.2	26.0	26.5	26.7	26.7	27.0
Of which: Wages and salaries	10.7	9.6	10.9	11.6	11.3	12.7	13.7	13.7	13.7	13.7	13.7
Interest payments	6.6	5.9	5.5	5.5	5.1	5.7	5.0	4.3	3.9	3.6	3.3
Budget balance	-3.1	0.9	0.3	0.3	0.3	0.3	0.3	0.4	0.6	1.0	1.0
Of which: Central government primary balance	3.5	6.8	5.8	5.8	5.4	6.0	5.3	4.7	4.5	4.6	4.3
Public entities balance	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	-3.2	1.1	0.3	0.3	0.3	0.3	0.3	0.4	0.6	1.0	1.0
Public debt (FRL definition) 2/	109.7	94.2	84.1	77.1	77.9	71.8	67.6	64.9	62.4	59.6	56.9
External Sector											
Current account balance	-1.1	1.0	-3.2	-0.8	-2.9	1.5	0.3	-0.9	-1.6	-1.9	-1.9
Of which: Exports of goods, f.o.b.	9.0	10.1	9.8	11.2	10.1	12.2	12.2	11.9	11.6	11.4	11.1
... of services	14.4	19.9	27.9	26.6	29.0	27.2	28.3	28.7	29.0	29.2	29.4
Of which: Imports of goods, f.o.b.	30.2	29.0	37.5	38.3	36.9	36.4	37.6	38.3	38.9	39.3	39.3
... of services	12.3	21.4	21.8	18.9	20.6	18.1	17.8	18.0	18.2	18.2	18.2
Gross international reserves (US$ millions)	4,081	4,833	4,428	4,520	4,065	4,859	4,700	4,713	4,763	4,813	4,863
	(Changes in percent of beginning of period broad money)										
Money and Credit											
Net foreign assets	-0.2	9.3	-4.6	1.3	-0.1	2.3	0.3	0.7	1.0	1.0	1.0
Net domestic assets	18.7	4.2	12.9	7.2	7.5	7.6	7.9	6.4	5.8	5.9	6.1
Of which: Credit to the private sector	8.3	6.1	6.6	8.1	6.1	6.6	6.5	5.9	5.9	6.2	6.5
Of which: Credit to the central government	15.7	-1.9	-1.8	-0.6	-2.5	0.2	-0.6	0.4	-1.0	0.5	1.4
Broad money	18.5	13.5	8.3	8.5	7.3	9.9	8.2	7.1	6.9	7.0	7.1
Memorandum Item:											
Nominal GDP (J$ billions)	1,967	2,210	2,476	2,623	2,662	2,928	3,142	3,348	3,563	3,793	4,037

Sources: Jamaican authorities; and Fund staff estimates and projections.
1/ Government operations presented on a fiscal-year basis. Fiscal year runs from April 1 to March 31.
2/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

Table 2a. Jamaica: Summary of Central Government Operations
(In millions of Jamaican dollars)

			2022/23		2023/24		Projections				
	2020/21	2021/22	Program	Act.	Program	Proj.	2024/25	2025/26	2026/27	2027/28	2028/29
Budgetary Revenue and Grants	575,404	720,224	760,306	827,775	817,106	931,632	1,006,299	1,070,911	1,139,669	1,214,269	1,291,982
Tax	505,685	616,368	682,062	752,841	733,147	847,247	917,484	976,413	1,039,126	1,105,868	1,176,650
Of which:											
Income and profits	161,428	180,183	195,849	235,812	206,154	277,288	299,940	319,204	339,706	361,525	384,745
Of which: Other companies	66,049	73,311	81,719	92,445	87,688	104,516	112,520	119,747	127,439	135,624	144,335
PAYE	67,956	76,661	80,454	107,456	82,330	131,417	142,897	152,075	161,842	172,237	183,300
Production and consumption	171,980	198,231	220,946	231,896	237,107	258,616	282,357	300,492	319,793	340,332	362,116
Of which: GCT (Local)	91,192	107,799	120,163	130,571	128,939	146,201	161,333	171,695	182,723	194,459	206,949
International Trade	168,130	232,559	259,233	278,518	278,167	302,776	325,964	346,901	369,182	392,893	418,041
Of which: GCT (Imports)	76,074	101,902	113,589	117,871	121,886	128,138	137,951	146,811	156,241	166,276	176,956
Non-tax	62,539	93,736	66,876	67,327	71,760	73,191	78,797	83,858	89,244	94,976	101,055
Grants	7,180	7,659	6,460	6,341	6,932	9,817	8,537	9,064	9,621	11,640	12,385
Budgetary Expenditure	635,911	698,895	752,800	819,989	809,051	923,383	997,758	1,056,492	1,116,206	1,175,332	1,249,925
Primary expenditure	506,873	561,848	609,599	668,614	666,866	753,293	836,320	908,354	973,783	1,036,185	1,112,865
Compensation of employees	222,996	241,751	305,433	338,126	338,852	404,507	470,218	500,420	532,388	566,464	602,721
Wage and salaries	207,912	222,680	282,137	317,885	313,855	379,040	441,232	469,572	499,569	531,545	565,567
Employer contributions	15,084	19,071	23,296	20,242	24,997	25,468	28,986	30,848	32,818	34,919	37,154
Programme expenditure 1/	234,693	269,587	239,099	277,303	240,804	282,158	293,136	311,964	332,001	353,325	376,018
Capital expenditure	49,184	50,510	65,067	53,185	87,210	66,627	72,966	95,971	109,395	116,397	134,126
Interest	129,038	137,048	143,201	151,375	142,185	170,090	161,438	148,137	142,423	139,147	137,060
Domestic	50,339	54,712	64,936	67,987	64,083	71,298	68,931	58,359	56,997	55,857	55,019
External	78,699	82,336	78,265	83,388	78,102	98,793	92,508	89,778	85,426	83,290	82,041
Budget Balance	-60,507	21,329	7,506	7,786	8,055	8,249	8,541	14,419	23,463	38,937	42,058
Of which: Primary budget balance	68,530	158,377	150,707	159,161	150,240	178,339	169,979	162,557	165,886	178,084	179,118
Public Entities Balance 2/	-1,632	4,750	0	0	0	0	0	0	0	0	0
Public Sector Balance	-62,139	26,079	7,506	7,786	8,055	8,249	8,541	14,419	23,463	38,937	42,058
Gross Financing Needs	219,593	138,462	143,877	154,836	177,748	128,295	296,234	182,908	205,456	229,005	310,430
Gross Financing Sources	219,593	138,462	143,877	154,836	177,748	128,295	296,234	182,908	205,456	229,005	310,430
Domestic	87,837	55,385	57,551	61,935	71,099	25,659	114,494	73,163	82,182	91,602	124,172
External	131,756	83,077	86,326	92,902	106,649	102,636	177,740	109,745	123,273	137,403	186,258
Of which: RSF financing 3/	…	…	…	…	77,920	78,980	39,497	…	…	…	…
Memorandum Items:											
Nominal GDP (billion J$)	1,949	2,322	2,588	2,752	2,777	2,992	3,221	3,428	3,646	3,880	4,128
Public sector debt (FRL definition, billion J$) 4/	2,138	2,188	2,177	2,121	2,164	2,147	2,176	2,226	2,274	2,314	2,350

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ Programme expenditure include central government purchases of goods and services and central government transfers.

2/ The list of public entities is provided in Attachment I. Technical Appendix.

3/ The RSF will be used for budget support and will substitute for more expensive market financing.

4/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

Table 2b. Jamaica: Summary of Central Government Operations
(In percent of GDP)

			2022/23		2023/24		Projections				
	2020/21	2021/22	Program	Act.	Program	Proj.	2024/25	2025/26	2026/27	2027/28	2028/29
Budgetary Revenue and Grants	29.5	31.0	29.4	30.1	29.4	31.1	31.2	31.2	31.3	31.3	31.3
Tax	25.9	26.5	26.4	27.4	26.4	28.3	28.5	28.5	28.5	28.5	28.5
Of which:											
Income and profits	8.3	7.8	7.6	8.6	7.4	9.3	9.3	9.3	9.3	9.3	9.3
Of which: Other companies	3.4	3.2	3.2	3.4	3.2	3.5	3.5	3.5	3.5	3.5	3.5
PAYE	3.5	3.3	3.1	3.9	3.0	4.4	4.4	4.4	4.4	4.4	4.4
Production and consumption	8.8	8.5	8.5	8.4	8.5	8.6	8.8	8.8	8.8	8.8	8.8
Of which: GCT (Local)	4.7	4.6	4.6	4.7	4.6	4.9	5.0	5.0	5.0	5.0	5.0
International Trade	8.6	10.0	10.0	10.1	10.0	10.1	10.1	10.1	10.1	10.1	10.1
Of which: GCT (Imports)	3.9	4.4	4.4	4.3	4.4	4.3	4.3	4.3	4.3	4.3	4.3
Non-tax	3.2	4.0	2.6	2.4	2.6	2.4	2.4	2.4	2.4	2.4	2.4
Grants	0.4	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Budgetary Expenditure	32.6	30.1	29.1	29.8	29.1	30.9	31.0	30.8	30.6	30.3	30.3
Primary expenditure	26.0	24.2	23.6	24.3	24.0	25.2	26.0	26.5	26.7	26.7	27.0
Compensation of employees	11.4	10.4	11.8	12.3	12.2	13.5	14.6	14.6	14.6	14.6	14.6
Wage and salaries	10.7	9.6	10.9	11.6	11.3	12.7	13.7	13.7	13.7	13.7	13.7
Employer contribution	0.8	0.8	0.9	0.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Programme expenditure 1/	12.0	11.6	9.2	10.1	8.7	9.4	9.1	9.1	9.1	9.1	9.1
Capital expenditure	2.5	2.2	2.5	1.9	3.1	2.2	2.3	2.8	3.0	3.0	3.2
Interest	6.6	5.9	5.5	5.5	5.1	5.7	5.0	4.3	3.9	3.6	3.3
Domestic	2.6	2.4	2.5	2.5	2.3	2.4	2.1	1.7	1.6	1.4	1.3
External	4.0	3.5	3.0	3.0	2.8	3.3	2.9	2.6	2.3	2.1	2.0
Budget Balance	-3.1	0.9	0.3	0.3	0.3	0.3	0.3	0.4	0.6	1.0	1.0
Of which: Primary budget balance	3.5	6.8	5.8	5.8	5.4	6.0	5.3	4.7	4.5	4.6	4.3
Public Entities Balance 2/	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public Sector Balance	-3.2	1.1	0.3	0.3	0.3	0.3	0.3	0.4	0.6	1.0	1.0
Gross Financing Needs	11.3	6.0	5.6	5.6	6.4	4.3	9.2	5.3	5.6	5.9	7.5
Gross Financing Sources	11.3	6.0	5.6	5.6	6.4	4.3	9.2	5.3	5.6	5.9	7.5
Domestic	4.5	2.4	2.2	2.3	2.6	0.9	3.6	2.1	2.3	2.4	3.0
External	6.8	3.6	3.3	3.4	3.8	3.4	5.5	3.2	3.4	3.5	4.5
Of which : RSF financing 3/	...	...	...	...	2.8	2.6	1.2	...	...	...	...
Memorandum Items:											
Nominal GDP (billion J$)	1,949	2,322	2,588	2,752	2,777	2,992	3,221	3,428	3,646	3,880	4,128
Public sector debt (FRL definition, billion J$) 4/	2,138	2,188	2,177	2,121	2,164	2,147	2,176	2,226	2,274	2,314	2,350
Public sector debt (FRL definition, %GDP) 4/	109.7	94.2	84.1	77.1	77.9	71.8	67.6	64.9	62.4	59.6	56.9

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ Programme expenditure include central government purchases of goods and services and central government transfers.

2/ The list of public entities is provided in Attachment I. Technical Appendix.

3/ The RSF will be used for budget support and will substitute for more expensive market financing.

4/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

Table 3. Jamaica: Summary of Balance of Payments
(In millions of U.S. dollars)

			2022/23		2023/24		Projections				
	2020/21	2021/22	Program	Act.	Program	Proj.	2024/25	2025/26	2026/27	2027/28	2028/29
Current Account	-173	-101	-418	352	-504	202	-35	-228	-395	-444	-456
Trade balance	-2,736	-3,267	-4,537	-4,577	-4,573	-4,695	-5,239	-5,603	-5,970	-6,281	-6,558
Exports (f.o.b.)	1,258	1,456	1,671	2,088	1,749	2,390	2,452	2,488	2,515	2,544	2,557
Imports (f.o.b.)	3,994	4,723	6,208	6,665	6,322	7,084	7,691	8,091	8,485	8,825	9,115
o/w Fuel (cif)	988	1,724	2,303	2,346	2,023	2,263	2,227	2,154	2,096	2,071	2,099
Services (net)	-225	97	1,185	1,635	1,494	1,833	2,142	2,250	2,358	2,486	2,623
o/w Travel (net)	608	2,368	3,505	3,714	3,710	4,009	4,409	4,605	4,782	4,952	5,129
Primary income (net)	-412	-486	-519	-248	-633	-348	-406	-430	-455	-458	-468
Secondary income (net)	3,200	3,556	3,453	3,542	3,208	3,411	3,469	3,555	3,673	3,809	3,948
Government (net)	150	182	158	181	144	161	144	132	113	104	98
Private (net)	3,051	3,374	3,295	3,361	3,065	3,251	3,325	3,423	3,560	3,705	3,851
Capital Account (net)	-30	-31	-29	-30	-30	-27	-30	-29	-29	-29	-29
Financial Account (net)	-394	-609	-447	140	-534	175	-64	-257	-423	-473	-484
Direct investment (net)	-181	-287	-387	-338	-477	-473	-544	-642	-668	-694	-718
Portfolio investment (net)	-163	-87	71	705	151	279	-170	-246	-139	-170	-368
Financial derivatives (net)	7	0	-1	-1	0	0	0	0	0	0	0
Other investment (net)	-612	-315	2	-588	-117	254	750	607	333	341	552
Reserve assets (change)	554	80	-133	361	-91	115	-100	25	50	50	50
Net Errors and Omissions	-191	-476	0	-182	0	0	0	0	0	0	0
			(In percent GDP)								
Current Account	-1.3	-0.7	-2.5	2.0	-2.8	1.0	-0.2	-1.1	-1.8	-2.0	-2.0
Trade balance	-20.1	-21.6	-27.0	-25.6	-25.4	-24.4	-25.6	-26.4	-27.3	-27.8	-28.1
Exports (f.o.b.)	9.3	9.6	9.9	11.7	9.7	12.4	12.0	11.7	11.5	11.3	11.0
Imports (f.o.b.)	29.4	31.2	36.9	37.2	35.2	36.8	37.5	38.2	38.8	39.0	39.0
Services (net)	-1.7	0.6	7.1	9.1	8.3	9.5	10.5	10.6	10.8	11.0	11.2
o/w Travel (net)	4.5	15.7	20.9	20.8	20.6	20.8	21.5	21.7	21.9	21.9	22.0
Primary income (net)	-3.0	-3.2	-3.1	-1.4	-3.5	-1.8	-2.0	-2.0	-2.1	-2.0	-2.0
Secondary income (net)	23.6	23.5	20.5	19.8	17.9	17.7	16.9	16.8	16.8	16.9	16.9
o/w Private (net)	22.5	22.3	19.6	18.8	17.1	16.9	16.2	16.1	16.3	16.4	16.5
Capital Account (net)	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Financial Account (net)	-2.9	-4.0	-2.7	0.8	-3.0	0.9	-0.3	-1.2	-1.9	-2.1	-2.1
o/w Direct investment (net)	-1.3	-1.9	-2.3	-1.9	-2.7	-2.5	-2.7	-3.0	-3.1	-3.1	-3.1
Memorandum Items:											
Gross international reserves 1/	4,244	4,324	4,191	4,685	4,100	4,800	4,700	4,725	4,775	4,825	4,875
(in months of next year's imports of GNFS)	9.0	6.4	5.2	5.6	5.0	5.5	5.0	4.8	4.6	4.5	4.4
(in percent of ARA metric) 2/	111	110	104	82	106	83	81	81	81	81	82
Net international reserves (NIR)	3,319	3,676	3,691	4,152	3,805	4,711	4,695	4,725	4,775	4,825	4,875
Exports of goods (percent change)	-17.8	15.7	17.6	43.4	4.6	14.4	2.6	1.5	1.1	1.2	0.5
Imports of goods (percent change)	-26.6	18.2	30.6	41.1	138.0	6.3	8.6	5.2	4.9	4.0	3.3
Oil prices (composite, fiscal year basis)	48.6	76.0	92.9	92.5	79.7	80.5	78.1	74.5	71.5	69.2	67.5
Terms of trade (fiscal year basis)	110	96	93	92	98	97	99	102	104	105	106
GDP (US$ millions)	13,588	15,131	16,806	17,893	17,974	19,251	20,489	21,196	21,883	22,600	23,344
Jamaican dollar/USD, period average	143	153	…	154	…	…	…	…	…	…	…

Sources: Jamaican authorities; and Fund staff

1/ The RSF will be used for budget support and will substitute for more expensive market financing. The RSF will not add to international reserves.

2/ The change in ARA metric vis-à-vis to the program is associated with a reclassification of the de-facto exchange rate regime to "crawl-like" from "floating", effective July 5, 2022.

Table 4. Jamaica: Summary Monetary Survey 1/

			2022/23		2023/24		Projections				
	2020/21	2021/22	Program	Act.	Program	Proj.	2024/25	2025/26	2026/27	2027/28	2028/29
	(In billions of Jamaican dollars)										
Net Foreign Assets	402.1	482.1	403.4	534.0	426.3	564.8	562.3	581.4	605.5	630.4	656.3
Net Domestic Assets	1,042.6	1,149.0	1,366.2	1,257.4	1,467.6	1,386.2	1,544.0	1,668.5	1,799.4	1,942.9	2,099.8
Net domestic claims	1,576.2	1,694.8	1,772.5	1,831.6	1,839.9	1,945.0	2,068.0	2,208.7	2,315.2	2,499.0	2,713.1
Net claims on central government	390.1	390.6	352.9	393.0	310.1	375.2	366.9	381.2	347.5	374.3	412.7
Claims on rest of public sector	14.4	6.4	6.4	10.0	6.4	10.0	10.0	10.0	10.0	10.0	10.0
Claims on private sector	1,126.1	1,228.4	1,337.6	1,357.7	1,442.0	1,482.7	1,608.2	1,729.1	1,863.8	2,014.8	2,184.0
Of which: Credit to private sector	1,123.7	1,225.6	1,336.7	1,354.1	1,441.0	1,478.9	1,603.9	1,724.6	1,858.9	2,009.5	2,178.3
Claims on other financial corporations	45.6	69.5	75.6	70.9	81.4	77.1	83.0	88.3	94.0	100.0	106.4
Capital account	393.8	367.1	367.2	380.1	367.2	380.1	380.1	380.1	380.1	380.1	380.1
Other	-139.8	-178.7	-39.0	-194.1	-5.1	-178.7	-143.9	-160.1	-135.7	-176.0	-233.3
Broad Money (M3)	1,444.7	1,631.2	1,769.7	1,791.4	1,893.9	1,951.0	2,106.3	2,250.0	2,404.9	2,573.3	2,756.0
Narrow money (M2)	1,167.7	1,348.8	1,464.7	1,479.6	1,565.8	1,611.4	1,739.7	1,858.4	1,986.4	2,125.4	2,276.4
Other liabilities	277.0	282.4	305.0	311.8	328.1	339.6	366.6	391.6	418.6	447.9	479.7
	(Percent change)										
Net Foreign Assets	2.8	19.9	-16.3	10.8	5.7	5.8	-0.5	3.4	4.1	4.1	4.1
Net Domestic Assets	20.2	10.2	18.5	9.4	7.4	10.2	11.4	8.1	7.8	8.0	8.1
Net domestic claims	16.3	7.5	4.3	8.1	3.8	6.2	6.3	6.8	4.8	7.9	8.6
Of which: Credit to private sector	7.6	9.1	8.9	10.5	7.8	9.2	8.5	7.5	7.8	8.1	8.4
Claims on other financial corporations	9.5	52.4	8.8	2.0	7.7	8.7	7.7	6.4	6.4	6.4	6.4
Capital account	9.4	-6.8	0.0	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	9.8	27.8	-78.3	8.6	-87.0	-7.9	-19.5	11.2	-15.2	29.7	32.5
Broad Money (M3)	14.8	12.9	8.2	9.8	7.0	8.9	8.0	6.8	6.9	7.0	7.1
Narrow money (M2)	13.5	15.5	8.3	9.7	6.9	8.9	8.0	6.8	6.9	7.0	7.1
Other liabilities	20.3	1.9	8.0	10.4	7.6	8.9	8.0	6.8	6.9	7.0	7.1
	(Percent of GDP)										
Net Foreign Assets	20.6	20.8	15.6	19.4	15.4	18.9	17.5	17.0	16.6	16.2	15.9
Net Domestic Assets	53.5	49.5	52.8	45.7	52.8	46.3	47.9	48.7	49.3	50.1	50.9
Net domestic claims	80.9	73.0	68.5	66.6	66.2	65.0	64.2	64.4	63.5	64.4	65.7
Of which: Credit to private sector	57.7	52.8	51.6	49.2	51.9	49.4	49.8	50.3	51.0	51.8	52.8
Claims on other financial corporations	2.3	3.0	2.9	2.6	2.9	2.6	2.6	2.6	2.6	2.6	2.6
Capital account	20.2	15.8	14.2	13.8	13.2	12.7	11.8	11.1	10.4	9.8	9.2
Other	-7.2	-7.7	-1.5	-7.1	-0.2	-6.0	-4.5	-4.7	-3.7	-4.5	-5.7
Broad Money (M3)	74.1	70.2	68.4	65.1	68.2	65.2	65.4	65.6	66.0	66.3	66.8
Narrow money (M2)	59.9	58.1	56.6	53.8	56.4	53.9	54.0	54.2	54.5	54.8	55.1
Other liabilities	14.2	12.2	11.8	11.3	11.8	11.4	11.4	11.4	11.5	11.5	11.6

Sources: Bank of Jamaica, International Financial Statistics and Fund staff estimates and projections.
1/ Fiscal year runs from April 1 to March 31.

Table 5. Jamaica: Financial Soundness Indicators 1/

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mar-23	Jun-23	Sep-23
Balance Sheet Growth (y/y)																
Capital	5.1	5.3	4.0	18.3	7.4	9.0	12.6	8.1	11.4	8.1	14.1	5.9	7.8	7.2	13.8	12.9
Loans	-1.4	4.8	12.9	14.1	6.6	9.3	18.3	7.2	14.8	17.2	10.9	9.6	12.9	12.4	12.9	12.6
NPLs	36.1	44.0	-10.8	-12.9	0.2	-11.6	-16.9	-2.6	10.1	4.1	41.9	12.6	-2.8	-0.5	5.6	10.7
Liquidity																
Domestic currency liquid assets 2/	36.2	30.5	26.7	26.3	31.5	26.5	27.4	31.5	28.0	24.0	24.5	25.6	21.6	20.9	20.6	22.0
Asset Quality																
Prov. for loan losses/NPLs	69.9	75.2	90.3	95.7	101.6	106.4	117.5	121.3	111.0	123.5	118.2	106.9	123.9	124.5	122.8	121.8
NPLs/loans	6.5	8.9	7.0	5.4	5.0	4.1	2.9	2.6	2.6	2.2	2.8	2.9	2.5	2.4	2.5	2.5
Capital Adequacy																
NPLs/Capital+Prov. for loan losses	20.2	28.4	24.1	18.6	17.4	14.5	11.0	10.0	11.1	9.5	11.5	12.3	11.0	10.9	10.9	11.0
Capital Adequacy Ratio (CAR)	18.2	16.1	14.1	15.1	15.9	14.9	14.7	15.3	14.5	14.3	14.3	14.2	14.2	14.2	14.9	14.5
Profitability (calendar year) 3/																
Pre-tax profit margin	21.1	30.8	21.4	19.0	18.9	19.8	26.8	24.9	27.2	25.4	13.3	21.5	16.2	17.1	13.7	19.9
Return on average assets	2.5	3.9	2.4	2.0	2.1	2.0	2.9	2.7	3.3	3.0	1.3	2.2	0.4	0.5	0.4	0.6

Source: Bank of Jamaica.

1/ Commercial banks, building societies, and merchant banks.

2/ Percent of prescribed liabilities.

3/ The significant increase in profitability for 2011 is due to an up-stream dividend from one insurance subsidiary to its parent bank. Without such dividend pre-tax profit margin and return on average assets would be 18.1 and 2.3 percent, respectively. For March, June, September: calendar quarter values.

Table 6. Jamaica: Indicators of Fund Credit 2024–44 1/

(In millions of SDRs, unless otherwise indicated)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Fund Obligations Based on Existing Credit																					
(millions of SDRs)																					
Principal	247.5	124.1	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2	0.0
Charges and interest 2/	48.6	36.8	33.4	33.0	33.0	33.0	33.0	33.0	33.0	33.0	32.6	31.6	30.7	29.7	28.7	27.8	26.8	25.8	24.9	23.9	23.3
Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)	338.4	218.9	99.6	359.7	433.8	145.1	52.3	52.3	52.4	52.3	80.6	107.1	104.2	101.3	98.4	95.5	92.6	89.7	86.8	83.9	52.8
Principal	247.5	124.1	9.4	272.8	363.8	90.9	0.0	0.0	0.0	0.0	28.7	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	28.7
GRA	247.5	124.1	9.4	272.8	363.8	90.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.7	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	28.7
Charges and interest 3/	90.9	94.9	90.1	86.8	70.1	54.2	52.3	52.3	52.4	52.3	51.9	49.7	46.8	43.9	41.0	38.1	35.2	32.3	29.4	26.5	24.1
Total Obligations Based on Existing and Prospective Credit																					
Millions of SDRs	338.4	218.9	99.6	359.7	433.8	145.1	52.3	52.3	52.4	52.3	80.6	107.1	104.2	101.3	98.4	95.5	92.6	89.7	86.8	83.9	52.8
Percent of exports of goods and services	5.5	3.4	1.5	5.3	6.2	2.0	0.7	0.7	0.7	0.6	1.0	1.2	1.2	1.1	1.0	1.0	0.9	0.9	0.8	0.8	0.5
Percent of gross international reserves	9.6	6.2	2.8	9.9	11.8	3.8	1.3	1.3	1.2	1.2	1.7	2.2	2.1	1.9	1.8	1.7	1.6	1.4	1.3	1.3	0.8
Percent of government revenue	7.0	4.4	1.9	6.8	7.9	2.5	0.9	0.8	0.8	0.8	1.2	1.5	1.4	1.3	1.2	1.1	1.0	1.0	0.9	0.8	0.5
Percent of public external debt service	35.3	27.0	9.9	36.8	50.7	24.5	9.8	10.3	10.6	10.5	15.4	22.1	20.7	19.3	18.0	16.8	15.6	14.5	13.5	12.5	7.6
Percent of GDP	2.2	1.4	0.6	2.1	2.5	0.8	0.3	0.3	0.3	0.2	0.4	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2
Percent of quota	88.4	57.2	26.0	93.9	113.3	37.9	13.7	13.7	13.7	13.7	21.0	28.0	27.2	26.5	25.7	24.9	24.2	23.4	22.7	21.9	13.8
Principal	64.6	32.4	2.5	71.3	95.0	23.8	0.0	0.0	0.0	0.0	7.5	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5
GRA	64.6	32.4	2.5	71.3	95.0	23.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5
Outstanding IMF Credit Based on Existing and Prospective Drawings																					
Millions of SDRs	1,435.4	1,311.3	1,301.9	1,029.0	665.3	574.4	574.4	574.4	574.4	574.4	545.6	488.2	430.8	373.3	315.9	258.5	201.0	143.6	86.2	28.7	0.0
GRA	861.0	737.0	727.5	454.7	90.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	574.4	574.4	574.4	574.4	574.4	574.4	574.4	574.4	574.4	574.4	545.6	488.2	430.8	373.3	315.9	258.5	201.0	143.6	86.2	28.7	0.0
Percent of exports of goods and services	23.5	20.6	19.8	15.1	9.5	8.0	7.7	7.5	7.3	7.0	6.5	5.6	4.8	4.1	3.3	2.6	2.0	1.4	0.8	0.3	0.0
Percent of gross international reserves	40.6	36.9	36.3	28.4	18.2	15.1	14.5	13.9	13.3	12.8	11.7	10.0	8.5	7.1	5.8	4.5	3.4	2.3	1.3	0.4	0.0
Percent of government revenue	29.8	26.3	25.3	19.4	12.1	10.0	9.6	9.3	8.9	8.5	7.8	6.7	5.7	4.7	3.8	3.0	2.3	1.5	0.9	0.3	0.0
Percent of total public external debt	23.6	22.5	24.4	21.2	15.2	13.7	14.2	14.6	15.1	15.7	15.7	15.8	13.4	11.2	9.1	7.1	5.3	3.7	2.1	0.7	0.0
Percent of GDP	9.3	8.2	7.9	6.1	3.8	3.1	3.0	2.9	2.8	2.7	2.4	2.1	1.8	1.5	1.2	0.9	0.7	0.5	0.3	0.1	0.0
Percent of quota	374.9	342.5	340.0	268.7	173.8	150.0	150.0	150.0	150.0	150.0	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0
GRA	224.9	192.5	190.0	118.7	23.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0
Net Use of IMF Credit (millions of SDRs)	862.9	-124.1	-9.4	-272.8	-363.8	-90.9	0.0	0.0	0.0	0.0	-28.7	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-28.7
Disbursements	1,110.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	247.5	124.1	9.4	272.8	363.8	90.9	0.0	0.0	0.0	0.0	28.7	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	28.7
Memorandum Items:																					
Exports of goods and services (millions of U.S. dollars)	8,135	8,464	8,755	9,038	9,317	9,604	9,899	10,204	10,519	10,843	11,177	11,521	11,876	12,242	12,619	13,007	13,408	13,821	14,247	14,686	15,138
Gross international reserves (millions of U.S. dollars)	4,700	4,725	4,775	4,825	4,875	5,075	5,284	5,501	5,727	5,963	6,208	6,463	6,729	7,005	7,293	7,593	7,905	8,230	8,568	8,920	9,287
Government revenue (million of U.S. dollars)	6,402	6,623	6,839	7,073	7,306	7,606	7,919	8,244	8,583	8,936	9,303	9,685	10,083	10,498	10,929	11,378	11,846	12,333	12,840	13,368	13,917
Total external debt, public (million of U.S. dollars)	8,084	7,747	7,107	6,453	5,838	5,587	5,393	5,221	5,053	4,865	4,625	4,099	4,267	4,442	4,625	4,815	5,013	5,219	5,434	5,657	5,890
External debt service, public (million of U.S. dollars)	1,276	1,077	1,333	1,301	1,137	787	712	677	658	663	698	645	671	699	727	757	788	821	855	890	926
Nominal GDP (millions of U.S. dollars)	20,489	21,196	21,883	22,600	23,344	24,304	25,302	26,342	27,425	28,552	29,726	30,948	32,220	33,544	34,923	36,358	37,853	39,408	41,028	42,714	44,470
Quota (millions of SDRs)	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9
SDR/USD exchange rate	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33

Source: IMF staff estimates and projections.

1/ Based on a drawing scenario.

2/ Based on the GRA rate of charge of 5.1 percent as of January 25, 2024.

3/ Jamaica belongs to the RST interest Group C. Interest based on the RST rate of interest of 5.05 percent as of January 25, 2024.

Table 7. Jamaica: Schedule and Terms Under the Precautionary and Liquidity Line Arrangement

Review Date	Conditions for Access	Credit Available		
		Millions SDR, cummulative	Percent of Quota, cumulative	Percent of total access, cumulative
March 1, 2023	Board approval of the PLL	459.48	120	63
August 31, 2023	First review based on March 31, 2023 quantitative targets	459.48	120	63
February 29, 2024	Second review based on September 30, 2023 quantitative targets	727.51	190	100
August 31, 2024	Third review based on March 31, 2024 quantitative targets	727.51	190	100

Source: IMF staff estimates

Table 8. Jamaica: Proposed Access Under the Resilience and Sustainability Facility

Availability Date	Millions of SDR	Percent of Quota	Conditions for Access
August 31, 2023	47.8625	12.50	Completion of RSF review of reform measures 1 implementation
August 31, 2023	47.8625	12.50	Completion of RSF review of reform measures 2 implementation
August 31, 2023	47.8625	12.50	Completion of RSF review of reform measures 8 implementation
August 31, 2023	47.8625	12.50	Completion of RSF review of reform measures 9 implementation
February 14, 2024	47.8625	12.50	Completion of RSF review of reform measures 3 implementation
February 14, 2024	47.8625	12.50	Completion of RSF review of reform measures 4 implementation
February 14, 2024	47.8625	12.50	Completion of RSF review of reform measures 6 implementation
February 14, 2024	47.8625	12.50	Completion of RSF review of reform measures 10 implementation
August 14, 2024	47.8625	12.50	Completion of RSF review of reform measures 5 implementation
August 14, 2024	47.8625	12.50	Completion of RSF review of reform measures 7 implementation
August 14, 2024	47.8625	12.50	Completion of RSF review of reform measures 11 implementation
August 14, 2024	47.8625	12.50	Completion of RSF review of reform measures 12 implementation
Total	574.35	150	
Memorandum item:			
Quota	382.90		

Source: IMF staff estimates

Note: There was a technical change to availability dates for the 2nd (to February14) and 3rd (to August 14) reviews (see: ¶ 44).

Table 9. Jamaica: External Financing Requirements
(In millions of US$)

	FY 2023/24			FY 2024/25		
		Program request 1/			Program request 1/	
	2nd Review baseline	Baseline	Downside scenario	2nd Review baseline	Baseline	Downside scenario
Gross Financing Needs	2,548	3,293	4,002	2,786	3,250	3,645
Current account deficit	-202	504	1,213	35	475	875
MLT amortization	599	595	595	709	574	574
ST amortization	2151	2194	2194	2043	2201	2196
Gross Financing Sources (w/o RSF)	2,664	3,202	3,019	2,686	3,400	3,301
FDI (net)	473	477	388	544	558	502
MLT debt disbursements	147	163	143	875	456	436
Other 2/	2,043	2,562	2,488	1,267	2,385	2,363
Net Sources of Financing	-115	91	983	100	-150	344
PLL	0	0	607	0	0	354
in percent of quota	*0*	*0*	*120*	*0*	*0*	*70*
Net change in reserves (-: increase; w/o RSF)	-115	91	376	100	-150	-10
Memorandum items:						
Gross international reserves (GIR)	4,800	4,100	3,815	4,700	4,250	3,824
Net change in reserves (-: increase; with	-115	91	376	100	-150	-10
Gross Financing Sources (with RSF)	2,664	3,202	3,019	2,686	3,400	3,301
FDI (net)	473	477	388	544	558	502
MLT debt disbursements (with RSF)	660	676	656	1,131	712	692
of which: RSF disbursement	513	513	513	256	256	256
Other 2/	1,530	2,049	1,975	1,011	2,129	2,107

Sources: IMF staff calculations and estimates.

1/ see Annex II in *Jamaica - Request for an Arrangement under the Precautionary Liquidity Line and Request for an Arrangement the Resilience and Sustainability Facility, IMF Country Report No. 23/105*

2/ Includes the rollover of short term debt, portfolio flows and other private investment flows.

Annex I. Progress on 2022 Article IV Policy Recommendations

Recommendations	Policy Actions
Growth Agenda	
Adopt multipronged approach to overcome supply side constraints to growth comprising improvements in education, infrastructure, logistics, and government services. Advance towards renewable generation. Strengthen cash transfer program. Ground policy making in improved data aiming for an SDDS subscription.	Ongoing. Increased allocations have been made to highway infrastructure, hospitals, doctors, and police officers. The support from the U. S. was secured in support of anti-crime measures. Education accounts for the largest share (1/5th) in the budget bar interest expenditures. Cash grants continue including to PATH beneficiaries, social pensions for the elderly, school programs, nutrition support, books, and transportation to school of PATH beneficiaries. The government is committed to subscribe to SDDS by end-2025.
Climate Agenda	
Enhance policy frameworks to strengthen physical and fiscal climate resilience, promote renewables, develop markets for green instruments, ensure proper recognition of climate risks in the financial sector.	Ongoing. The agenda has advanced under the RSF arrangement with the first and second reviews reform measures. In addition, authorities in cooperation with the Climate Finance Working Group are engaging the development partners to leverage the RSF to increase share of private resources devoted to climate proofing of the economy.
Fiscal Sector	
Maintain a prudent fiscal stance to preserve debt sustainability.	The FY2023/24 budget targets prudent fiscal stance with debt firmly on schedule to reach 60 percent of GDP—FRL debt target.
Improve structure of public wages within the existing fiscal envelope and favor priority spending in the medium-term.	Ongoing. The overhaul of the public compensation structure and wage levels was frontloaded and implemented in the FY2023/24 budget. The minimum wage was increased by 44 percent from June 1, 2023. The priority spending is focusing on health, education, and infrastructure investments.
Operationalize the independent Fiscal Commission (FC), continue reforms to strengthen tax and customs administration, improve the financial management.	Ongoing. The FC expected to be operational in FY2024/25. The PFM reforms are expected to continue going forward to strengthen the fiscal framework including with growth-oriented prioritization.
Monetary and Financial Sector	
Safeguard the current inflation targeting regime to help entrench macroeconomic stability and promote growth; focus monetary policy towards anchoring of inflation expectations.	Ongoing. The BOJ, empowered by the Amended BOJ Act setting the securing of price stability as its primary goal has increased policy rate to 700 basis points since October 2021 and has maintained data-dependent monetary policy squarely aimed at assuring price stability and re-anchoring of inflation expectations. Inflation have converged to the inflation target band.
Advance adoption of Basel III requirements, continue expansion of supervision to the financial holding companies and the credit unions. Empower FSC to supervise non-bank financial holdings. Identify SIFIs and adopt the special resolution regime (SRR) to facilitate crisis management and protection of a budget.	Ongoing. The BOJ has continued to enhance the supervisory infrastructure with RBS, expansion of the perimeter to the financial holding companies, preparation for adoption of twin-peaks regime and meeting of the SB under the PLL on SIFI identification and expansion of supervisory powers of the FSC. The improvements are being assisted by the MCM/CARTAC TA. Work is also ongoing on crisis management, SRR, and consolidated supervision issues.
Address weaknesses in AML/CFT framework.	Ongoing including under related SBs under the PLL. The Action Plan agreed with FATF is, bar two action items, largely completed. TA from LEG/MCM is ongoing.
Advance JAM-DEX® (CBDC) adoption.	Ongoing. The authorities are expanding the pool of JAM-DEX® providers and users and are working towards lowering the costs of its adoption for merchants.

Annex II. Risk Assessment Matrix[1]

Source and Direction of Risk	Likelihood	Impact if realized	Policy Response
External Risks			
Commodity price volatility. (↓) A succession of supply disruptions and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability.	High	Medium	Provide targeted support to vulnerable households and firms while preserving fiscal sustainability. Allow pass-through from international to domestic prices.
Abrupt global slowdown or recession. (↓) Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation causing sudden stops in EMDEs.	Medium	Medium	Calibrate monetary policy in a data-dependent manner with FX intervention aiming at reduction volatility spurred by disorderly market conditions. While firmly anchored in the current medium-term fiscal framework and provisions in the FRL, develop contingency plans to protect priority spending should financing become limited.
Monetary policy miscalibration. (↓) Amid high economic uncertainty and financial sector fragility, major central banks pause monetary policy tightening or pivot to loosen policy stance prematurely, de-anchoring inflation expectations, triggering a wage-price spiral and spillovers to financial markets.	Medium	Medium. Financing difficulties for government, firms/households, erode banks' capital.	Rely on data-dependent monetary policy to anchor domestic inflation expectations and hold inflation within the target band. Strengthen reserve buffers in case intervention is needed to curb volatility.
Structural/Domestic Risks			
Extreme climate events. (↓) Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	Medium	High. Severe damage to infrastructure and agriculture.	Rely on the Disaster Risk Management framework, especially institutional arrangements for reconstruction efforts and the multilayered insurance scheme against climate events.
Deepening geoeconomic fragmentation. Broader and deeper conflict(s) and weakened international cooperation result in a more rapid reconfiguration of trade and FDI, supply disruptions, protectionism, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth.	High	High	Calibrate policy in a data-dependent manner; control volatility spurred by disorderly market conditions. Protect macro stability including contingency plans to protect priority spending if financing becomes limited. Allow pass-through from international to domestic prices with targeted support to most needy. Check financial instability with COVID area measures. Strengthen reserve buffers to curb volatility.
Cyberthreats (↓) Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets ecosystems) or misuse of AI technologies trigger financial and economic instability.	Medium	Low. Relatively low dependence on cybernetics.	Strengthen cyber security measures including legal, institutional, and strategic frameworks, devise a cross-sector common rules to combat cyberattacks.

[1] As of July 2023. The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

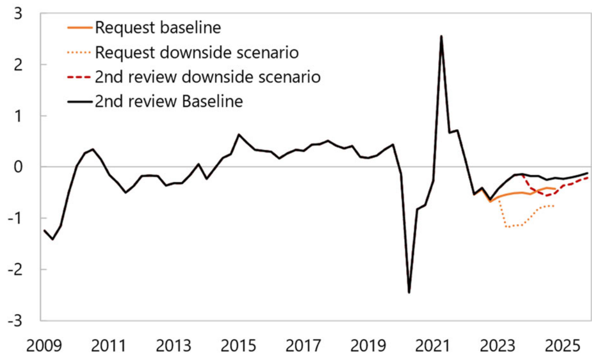
Annex III. External Economic Stress Index

1. **Background.** The External Economic Stress Index (ESSI) captures the evolution of the external environment faced by a country. The index is based on a selection of: (i) key external risks facing Jamaica; (ii) proxy variables capturing these risks; and (iii) weights to apply to each of these variables.

2. **Risks.** The main external vulnerabilities for Jamaica are: (i) dependence on fuel and food imports, exposing Jamaica to commodity price volatility, (ii) dependence on global financial conditions for external financing to EMDEs; and (iii) a growth in advanced economies, including Jamaica's main trading partners—Canada, United Kingdom, and United States—which impacts remittances receipts, FDI inflows, and exports**.**

External Economic Stress Index

(↓ more external economic stress)



Sources: WEO and IMF staff estimates.

3. **Proxy variables**. (i) commodity price volatility is captured by international food and oil prices (WEO Commodity Food Price Index/WEO Crude Oil Price Index); (ii) global financial conditions are captured by the interest rate of the 6-month U.S. treasury bond plus the EMBIG spread for Jamaica, (iii) the VIX captures the volatility in global financial markets; and (iv) the weighted average of GDP growth of Canada, United Kingdom, and United States proxies growth in trading partners.

4. **Weights**. A data-based approach determines the weights, which were estimated using the size of related balance of payment items between 2012 and 2020: (i) the value of consumer goods and fuel imports determines the weight on oil and food prices respectively (0.13 and 0.13); (ii) on funding costs (0.07), the value of portfolio inflows is used; (iv) on volatility (0.05), the value of other investments is used; and (v) the weight for trading partner GDP growth (0.62) is based on Jamaica's exports, remittances, and FDI.

5. **Updated baseline scenario.** The updated baseline corresponds to the October 2023 WEO projections. The index shows that external economic stress is projected to remain high compared to the pre-Covid period, but somewhat less than at the time of the PLL request reflecting mostly lower oil price path assumptions and higher projected growth in main trading partners for 2023 while external financial conditions are tighter.

6. **Revised downside scenario.** The downside scenario combines the global downside scenario of the October 2023 WEO of longer transmission lags and greater-than-expected effects from global monetary policy tightening in advanced economies with the risk of tighter financial conditions for EMs. This scenario assumes that full effects of monetary policy tightening are yet to be seen and could materialize with a lag—especially in 2024. Their materialization results in a decrease of global output of about 0.4 percent by 2024 with larger effects in advanced economies and in Jamaica's main trading partners' growth decreases by about 3/4 percentage points below the

baseline.[1] The risk of tighter financial conditions in EMs is reflected in a 200 bps increase in sovereign and corporate premia in the first half of 2024. Whereas the downside scenario in the PLL/RSF request featured higher fuel and food prices as well as global interest rates, under this revised scenario the fall in global demand triggers a moderate fall in commodity prices and inflation. Inflation would only fall modestly, given the endogenous response of policy rates which would fall by around 50 basis points in AEs. The shock's effects begin to dissipate in 2025.

7. **Overall Assessment**. The external economic stress index suggests that external pressures in 2023 were somewhat lower than projected at program request—mostly due to higher-than-expected growth in trading partners - although the revised baseline still suggests external stress above the pre-Covid levels. The revised downside scenario highlights downside risks linked to global growth and financial conditions for EMs.

[1] See: IMF World Economic Outlook, April 2023, Box 1.3

Annex IV. External Sector Assessment

Overall Assessment: The external position of Jamaica in 2023 is assessed to have been broadly in line with the level implied by fundamentals and desirable policies. The current level of the real exchange rate would keep the NIIP sustainable according to the External Sustainability Approach. The current account (CA) model would suggest an exchange rate undervaluation of 31 percent and the Real Effective Exchange Rate (REER) model of the EBA-Lite finds a REER gap of -10 percent. However, the gaps in both models are mostly driven by the residuals and do not take into account the need for higher precautionary savings to insure against natural disasters. Moreover, a current account deficit in line with the model's estimated CA norm would further deteriorate the NIIP.

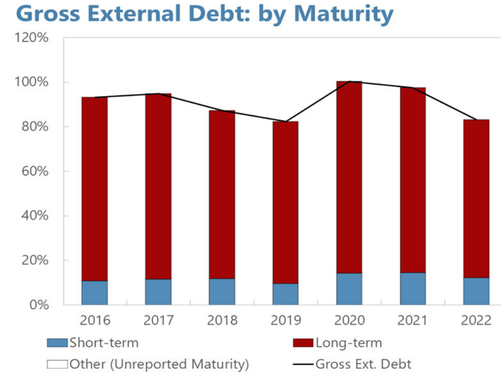
Potential Policy Responses: *Contributions from policy gaps are largely due to global factors. In the medium-term, lower public savings as public debt converges to the target is expected to lower the aggregate savings rate while climate reforms will increase investments. Jamaica could address several constraints to its export development, including by fostering currently low tertiary education, continue to enhance trade facilitation, strengthening its logistics, lowering crime, advocating in CARICOM for lower import tariffs, and seeking a free trade agreement with other countries outside the region.*

Foreign Assets and Liabilities: Position and Trajectory

Background. The net international investment position (NIIP) is estimated to have continued to improve in 2023, falling to around -130 percent of GDP from -164 percent end-2018. IIP liabilities are dominated by direct investment which account for about 50 percent of the total. External debt is mainly long-term and returned to its downward trend after the temporary increase due to the Covid shock in 2020.

Assessment. Although the negative NIIP is still sizeable, it is projected to decline further given the projected reduction in public external debt and low current account deficits. According to the External Sustainability approach, under the current baseline scenario (which assumes constant real exchange rates), the NIIP would not deteriorate further in net present value terms and is therefore assessed to be sustainable.

Gross External Debt: by Maturity



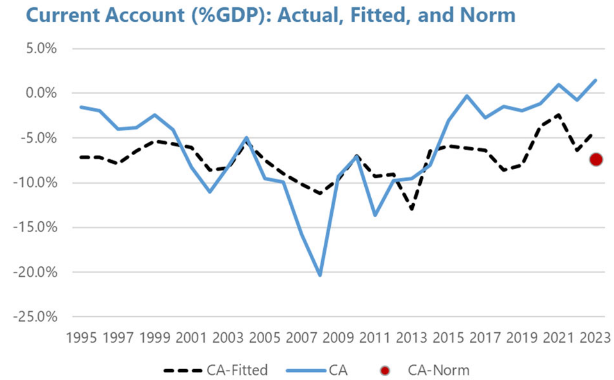
2023 (% GDP, projected)	NIIP: -127	Gross Assets: 66	Debt Assets: 31	Gross Liab.: 193	Debt Liab.: 73

Current Account

Background. The deficit in goods trade declined in 2023 due to the recovery of aluminum exports as one of the largest plants returned to full capacity and lower oil imports due to falling oil prices. Record-levels of tourism receipts and the normalization of freight costs boosted the services trade balance. Remittances fell from peak levels but remained about 3 percent of GDP above pre-pandemic levels.

Assessment. The EBA-lite CA model results point to a positive CA gap of 8.9 percent of GDP, mostly due to the persistently large residual. The model accounts for the temporary increase in remittances due to the

Covid shock. The policy gap is mostly driven by global factors. The high norm for Jamaica's current account deficit is the result of its high migrant share – almost 40 percent – but a decade of low CA deficits suggests that the marginal propensity to consume from remittances receipts is likely lower in Jamaica than implied by the cross-country coefficient. Moreover, the CA model has limitations in analyzing tourism-based economies and does not sufficiently capture Jamaica's need to save externally to insure against the country's exposure to natural disasters. As such, the EBA-lite estimated CA norm is more negative than is appropriate for Jamaica's circumstances.



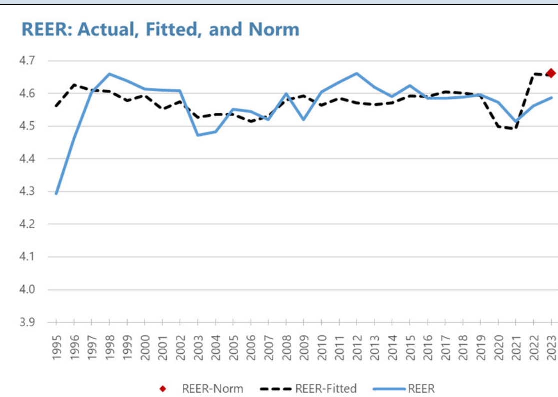
Jamaica: Model Estimates for 2023
(In percent of GDP)

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**1.5**	
Cyclical contributions (from model) (-)	-0.2	
Additional temporary/statistical factors (-) 2/	0.3	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**1.4**	
CA Norm (from model) 3/	**-7.4**	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	**-7.4**	
CA Gap	**8.8**	**2.8**
o/w Relative policy gap	3.6	
Elasticity	-0.3	
REER Gap (in percent)	**-31.4**	**-10.0**

1/ Based on the EBA-lite 3.0 methodology
2/ Additional adjustment to account for the temporary impact of pandemic on remittances. Of a total shock to remittances in 2023 of 4.2 percent of GDP, 0.9 percentage point is assumed to be
3/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The average REER in 2023 appreciated by 2.9 percent relative to 2022 and returned to its 2019 level. The REER has been relatively stable over 2023, due to lower inflation volatility and a stable nominal exchange rate.



Assessment. The EBA-lite REER model results suggest a real exchange rate undervaluation of 10 percent. The gap is mostly due to the model residual. The policy gap is marginal and largely driven by global factors.

Capital and Financial Accounts: Flows and Policy Measures

Background. The financial account is dominated by private flows. Foreign direct investment is estimated to have increased to 2.3 percent of GDP, up from 1.5 percent of GDP in 2022. Amid primary surpluses and a steady decline in public debt, public flows were dominated by amortization payments. 2022 saw portfolio outflows from banks of 3.2 percent of GDP amid heightened global uncertainty but data for the first half of 2023 suggests the outflows have slowed. 2022 also saw an increase in long-term loans to both banks and corporates, pushing net inflows from other investment to 4.3 percent. In the first half of 2023, net other investment reversed to 0.6 percent of GDP. The BOJ removed the absolute limits on the FX Net open positions (NOP) of DTIs in November 2023.

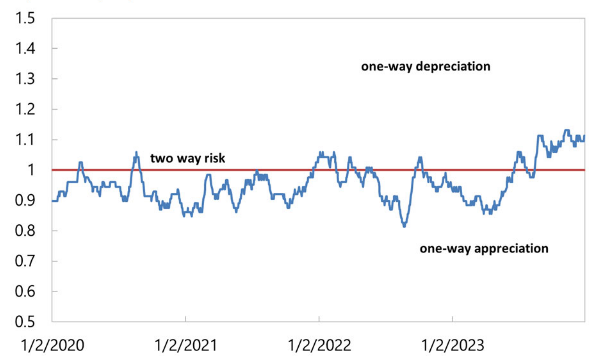
Assessment. The financing structure of the external position supports external stability. Inflows are dominated by FDI and long-term private debt flows. Outflows largely consists of public debt amortization. In the medium-term, Jamaica could benefit from attracting more FDI outside the tourism and mining sector, which would help export diversification and economic development. Adjustments on FX NOP limits may improve functioning of the FX market but are not expected to have any material impact on capital flows.

FX Intervention and Reserves Level

Background. Gross reserves reached 4.86 bn USD at the end of 2023, up from 4.5 bn end-2022. NIR reached 4.72 bn at end-2023. The BOJ continued to accumulate international reserves through surrender requirements in 2023. FX sales to the market helped limit volatility amidst heighten global uncertainty and the global tightening cycle. FX interventions have been symmetric. While the BOJ only uses auctions to sell FX, the purchases through surrender requirements result in symmetric intervention. The odds ratio on daily exchange rate movements does not indicate biased intervention.

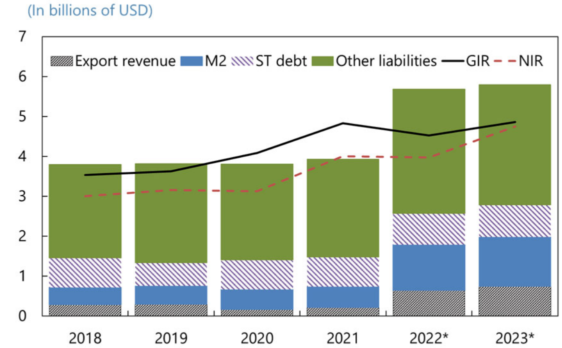
Assessment. Reserves are assessed as broadly adequate. Gross reserves reached 84 percent of the ARA metric for non-floating exchange rate regimes at end-2023 (118 percent of the "floating" ARA metric).[1] While below the recommended range of 100-120 percent of the ARA metric, the need for external buffers is mitigated by a strong fiscal position, rapidly declining debt and prudential financial regulation which ensures buffers against FX liquidity shocks.

Odds Ratio
(Over one year)



Sources: BOJ, IMF staff calculations.

Assessing Reserve Adequacy Metric
(In billions of USD)

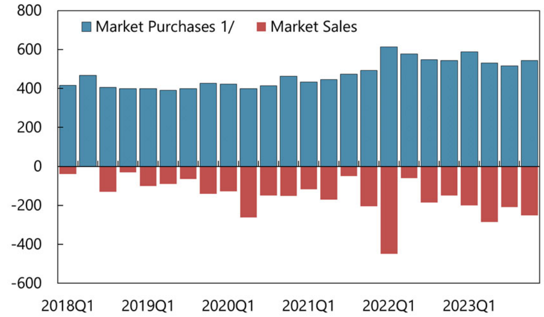


Sources: BOJ, IMF staff calculations.
*/ Bars for 2022 and 2023 show the non-floating ARA metric. 2023 is a projection.

Foreign Exchange Intervention

FX Flows

(In million USD)

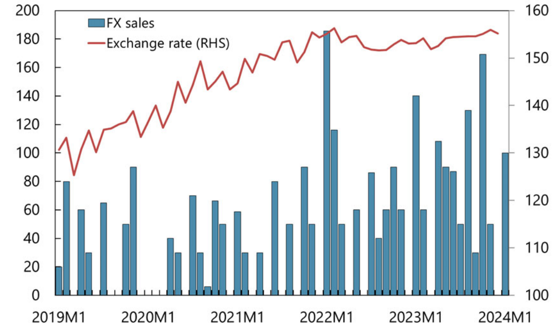


Sources: BOJ, IMF staff calculations.

1/ Market purchases over the period happened mostly through surrender requirements.

Monthly FX Sales

(In millions of USD)



Sources: BOJ, IMF staff calculations.

[1] Jamaica's de-facto exchange rate regime was re-classified from 'floating' to 'crawling-like arrangement' effective July 2022.

Annex V. Debt Sustainability Analysis

***Jamaica's public debt is sustainable**. Underpinned by the authorities' sustained efforts in fiscal consolidation, public debt declined to 77 percent of GDP in FY2022/23 and is on a downward trajectory in line with the Fiscal Responsibility Law debt target of 60 percent of GDP by FY2027/28. The authorities have been proactive in reducing near-term gross financing needs with prudent debt management policies and debt buybacks. Debt dynamics remain vulnerable to the uncertainties surrounding the global commodity markets, natural disasters, and the realization of contingent liabilities from public bodies.*[1]

1. **Jamaica's public debt has been declining steadily as a result of strong fiscal consolidation efforts, and prudent debt management**. Jamaica's public debt fell from 110 percent of GDP in FY 2020/21 to 77 percent in FY2022/23. Debt reduction efforts resumed promptly following the pandemic. The authorities are committed to bringing public debt below 60 percent of GDP by FY2027/28, although with a modest (two-year) delay from the original FY2025/26 target date under the Fiscal Responsibility Law (FRL).

2. **The baseline scenario of the DSA reflects the medium-term macroeconomic assumptions, and fiscal targets stipulated under the fiscal rule.** Following the recovery from the pandemic, growth is expected to converge to its potential over the medium term. Average inflation is projected to recede to 5 percent over the medium term thanks to a tight monetary policy stance. Fiscal balance is expected to be around 0.3 percent of GDP in the near term, in line with the MTFF and FRL targets. The primary balance surpluses needed from FY2025/26 to reach the debt target are lower than projected at program approval. This is primarily due to stronger-than-projected nominal GDP growth in FY2022/23 that led to a lower public debt-to-GDP ratio than expected at program approval. Interest payments are projected to fall in line with retiring of maturing bonds, even though at a slower pace than at program approval due to higher projected interest rates. External debt projections are based on projected increases in the current account deficit of around 2 percent of GDP over the medium term and planned disbursements of project loans by multilateral and bilateral creditors. Use of the RSF funds would create fiscal space by lowering the gross financing needs. Without the RSF, a larger share of GFN would be financed by government borrowing from the market, on less concessional terms. Also, the RSF funds would boost investment and growth, which would lower the long-term debt ratios over time.

3. **The authorities have been proactive in their debt management strategy to mitigate market-related costs and risks**. In 2019, the Government of Jamaica conducted buybacks of outstanding global bonds coming due in 2022, 2025, and 2028, totaling around US$1 billion. These buybacks together with new bond issuances through the reopening of the global bond coming due in 2045 led to substantial maturity extension. In November 2023, the Government of Jamaica issued the first ever J$ denominated global bond for J$ 46.6 billion (or US$ 0.3 billion) coming due in 2030

[1] The analysis refers to the consolidated public sector debt, which includes direct debt by the central government, guaranteed debt and debt of public bodies guaranteed by the government, excluding the central bank.

to pay down outstanding US$ global bonds coming due in 2025 and 2028. As part of their medium-term debt strategy, the authorities plan to continue to conduct opportunistic liability management operations (LMOs) to further mitigate costs and risks in the public debt portfolio. The public debt risk profile is benefitting from ongoing efforts to reduce reliance on FX-denominated borrowing and the development of the local currency bond market.

Medium-Term Risk Analyses

4. The medium-term risk analysis is low consistent with mechanical signals.

- **Fan chart**. The debt fan chart index—measuring medium-term solvency risks—points to a moderate level of risk, reflecting the elevated fan chart width due to a history of high volatility of public debt in Jamaica. The baseline debt trajectory is on a downward trend, and the probability of debt not stabilizing is assessed to be limited. Overall, solvency risks are contained by the prudent fiscal stance. The natural disaster stress test is conducted to capture country-specific vulnerabilities using the magnitude of a public debt shock calibrated as a one-off increase of 8.8 percentage points of GDP consistent with the estimated damages from tropical cyclones "Charley" and "Ivan" in 2004. Such natural disaster shock would only temporarily increase public debt without jeopardizing the downward trend in public debt over the medium term.

- **Gross Financing Needs (GFN)**. The GFN financeability index—measuring medium-term liquidity risks—indicates a low risk. Medium-term GFN are expected to remain contained as fiscal consolidation progresses. Additionally, there are reduced roll-over risks in the medium term since the authorities conduct opportunistic liability management operations to smooth debt service schedule, reduce exchange rate risk, and extend maturities—e.g., by issuing a J$ denominated global bond to reduce the reliance on FX-denominated borrowing. GFN in FY2024/25 and FY2028/29 increase due to domestic and global bonds maturing simultaneously.

Long-Term Risk Analyses

5. Long-term risk is assessed to be moderate. The large amortization module shows gradual declines in GFN and debt relative to GDP under the custom scenario. Climate-related expenditure are manageable and would not significantly impact debt sustainability. In the long run, the customized scenario assumes an increase of 0.5 percent of GDP per year of spending related to climate risks arising from adaptation and mitigation investment needs. In this scenario, public debt and GFN will increase relative to the baseline but will be on a downward trajectory over the 20-year horizon. While the current healthcare expenditure policies would not pose significant sustainability concerns, pension expenditures under the current system would lead to larger GFNs and an upwards debt trajectory in the long run. This points to the need to undertake parametric reforms of the current public pension system. Actuarial reviews, scheduled to take place every three years, should continue to inform parametric reforms to the National Insurance Scheme, while parametric adjustments to the pension scheme for public workers would reduce its fiscal costs.

6. Jamaica's public debt is assessed to be sustainable with a high probability. In a PLL disbursement scenario, debt remains sustainable with high probability as assessed at the time of program request, while the baseline debt assessment has improved since program request. The projected debt trajectory remains vulnerable to the high degree of uncertainty from the size and duration of the ensuing global shocks and the associated risks to growth, interest rates, exchange rate and fiscal revenues. However, the strong policy track record, the authorities' commitment to meet the medium-term debt target sooner should growth overperform, and prudent debt management mitigate potential risks.

Table 1. Jamaica: Decomposition of Public Debt and Debt Service by Creditor, 2022-24 (in fiscal year) 1/

	Debt Stock (end of period)			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(In US$ millions)	(Percent total debt)	(Percent GDP)	(In US$ millions)			(Percent GDP)		
Total	**14057.9**	**100.0**	**77.1**	2085.4	1972.7	2928.6	11.4	10.2	14.5
External	**8965.9**	**63.8**	**49.2**	864.2	1367.7	1258.9	4.7	7.1	6.2
Multilateral creditors[2]	3117.3	22.2	17.1	407.3	693.5	627.9	2.2	3.6	3.1
IMF	195.3	1.4	1.1						
World Bank	1025.0	7.3	5.6						
ADB/AfDB/IADB	1674.5	11.9	9.2						
Other Multilaterals	222.6	1.6	1.2						
o/w: list largest two creditors									
list of additional large creditors									
Bilateral Creditors	718.0	5.1	**3.9**	107.2	105.4	122.0	0.6	0.5	0.6
Paris Club	16.4	0.1	0.1						
o/w: list largest two creditors									
list of additional large creditors									
Non-Paris Club	701.6	5.0	3.8						
o/w: list largest two creditors									
list of additional large creditors									
Bonds	5130.6	36.5	**28.1**	349.7	568.8	509.1	1.9	2.9	2.5
Commercial creditors	5130.6	36.5	28.1	349.7	568.8	509.1	1.9	2.9	2.5
o/w: list largest two creditors									
list of additional large creditors									
Other international creditors									
o/w: list largest two creditors									
list of additional large creditors									
Domestic	**5092.0**	**36.2**	**27.9**	1221.2	605.0	1669.6	6.7	3.1	8.2
Held by residents, total									
Held by non-residents, total									
T-Bills	68.3	0.5	**0.4**	148.4	145.7	142.6	0.8	0.8	0.7
Bonds	5023.7	35.7	**27.6**	1072.8	459.2	1527.0	5.9	2.4	7.5
Loans	0								
Memo items:									
Collateralized debt[3]	0								
o/w: Related	0								
o/w: Unrelated	0								
Contingent liabilities[4]	1618.3								
o/w: Public guarantees									
o/w: Other explicit contingent liabilities[5]									
Nominal GDP	18235								

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/"Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

3/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

4/ Data as of end of FY2021/22.

5/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Table 2. Jamaica: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	Jamaica's overall risk of sovereign stress is moderate, reflecting a moderate level of vulnerability in the near term and long term, and a low level of vulnerability in the medium term.
Near term 1/			
Medium term	Low	Low	Medium-term risks are assessed as low on the basis of the strength of institutions. The fan chart suggests a moderate risk due to the volatility of key macroeconomic indicators, and public debt is on a declining path. The GFN tool indicates a low risk reflecting low GFN needs and reduced rollover risks. The authorities have been proactive in reducing medium-term gross financing needs with prudent debt management policies and debt buybacks.
Fanchart	Moderate	...	
GFN	Low	...	
Stress test	...	...	
Long term	...	Moderate	Long-term risks are moderate. The large amortization module shows gradual declines in GFN and debt relative to GDP both under the baseline and customized scenarios. Climate-related expenditure are manageable and would not significantly impact debt sustainability in the long run even under the customized scenario. Health care would not pose any significant concerns to debt sustainability. Pension expenditures would lead to larger GFNs and an upwards debt trajectory in the long run, pointing to the need to undertake parametric reforms of the current public pension system.
Sustainability assessment 2/		Sustainable with high probability	Public debt is already on a declining path and GFNs are low and remain at manageable levels. The Fiscal Responsibility Law ensures that the fiscal path ensures a debt target of 60% of GDP by FY2027/28. Therefore, debt is assessed as sustainable with high probability.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Jamaica is at a moderate overall risk of sovereign stress and debt is sustainable with a high probability. After the Covid-19 shock, the economy is recovering and debt is on a declining trend and is expected to decline under 60 percent of GDP by FY2027/28, as stipulated under the FRL. GFN needs over the medium term are low and the medium-term liquidity risks as analyzed by the GFN Module are low.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 1. Jamaica: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					Yes	

2. Subsectors included in the chosen coverage in (1) above:

		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	
CPS / NFPS / GG: expected	4	State governments	No	
CPS / NFPS / GG: expected	5	Local governments	No	
CPS / NFPS	6	Public nonfinancial corporations	Yes	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

(Chosen coverage: CG; Yes for 1a; Budgetary central government; Public nonfinancial corporations; Currency & deposits; Loans; Debt securities; Cash basis; Nominal value; Non-consolidated. Missing from recommended coverage: Extra budgetary funds, Social security funds, State governments, Local governments; Oth acct. payable; IPSGSs. Not applicable: Central bank; Other public financial corporations.)

Reporting on Intra-Government Debt Holdings

Issuer \ Holder		Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

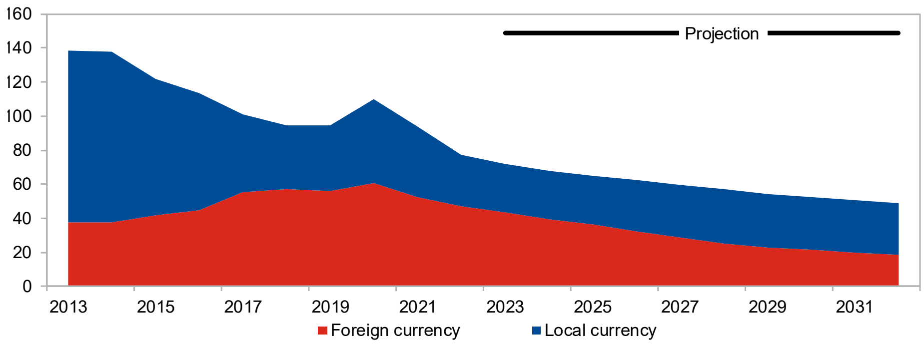
Commentary: The DSA covers debt issued by central government, public bodies and debt guaranteed by central government. The authorities are improving coverage and quality of public debt data, including expanding the coverage to general government.

Figure 2. Jamaica: Public Debt Structure Indicators

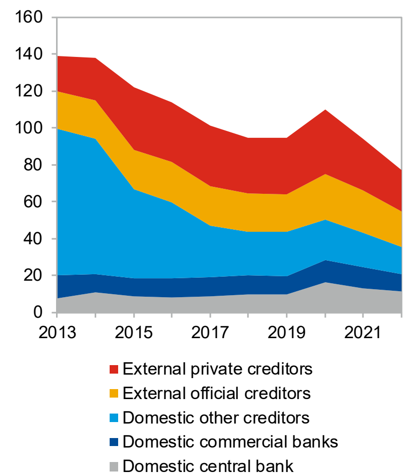
(Fiscal Year)

Public Debt Structure Indicators

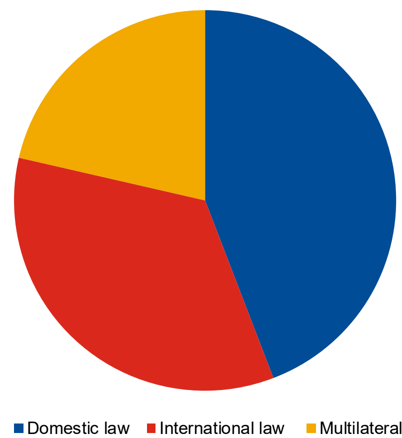
Debt by Currency (Percent of GDP)



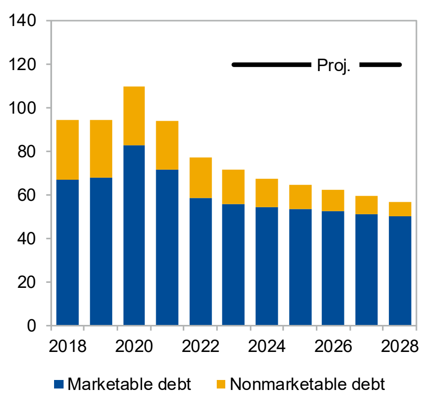
Public Debt by Holder (Percent of GDP)



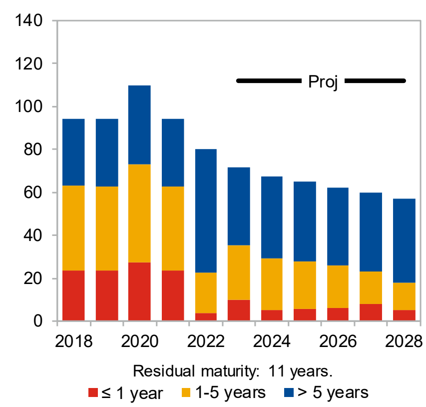
Public Debt by Governing Law, 2022 (Percent)



Debt by Instruments (Percent of GDP)



Public Debt by Maturity (Percent of GDP)



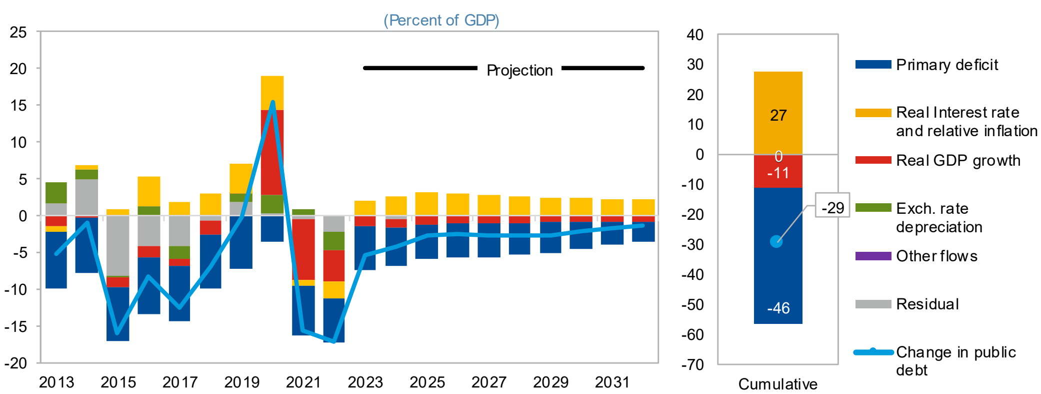
Note: The perimeter shown includes direct debt by the central government, guaranteed debt and debt of public bodies guaranteed by the government, excluding the central bank.
Commentary: The share of external debt is expected to decline over the medium-term as the authorities implement strategies and policies in support of continued development of the domestic debt market. Local currency debt is projected to decline with projected fiscal surpluses over the medium term and use of government deposits to pay down domestic debt. In terms of maturity structure most of the planned issuances are for medium to long-term maturity.

Table 3. Jamaica: Baseline Scenario

(Percent of GDP unless indicated otherwise; fiscal year)

	Actual	Medium-term projection						Extended projection				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	77.1	71.8	67.6	64.9	62.4	59.6	56.9	54.3	52.2	50.5	49.1	48.0
Change in public debt	-17.1	-5.3	-4.2	-2.6	-2.6	-2.7	-2.7	-2.6	-2.1	-1.7	-1.3	-1.1
Contribution of identified flows	-14.9	-5.3	-3.8	-2.8	-2.6	-2.8	-2.7	-2.6	-2.1	-1.8	-1.3	-1.1
Primary deficit	-5.8	-6.0	-5.3	-4.7	-4.5	-4.6	-4.3	-4.2	-3.6	-3.2	-2.7	-2.4
Noninterest revenues	30.1	31.1	31.2	31.2	31.3	31.3	31.3	31.3	31.3	31.3	31.3	31.3
Noninterest expenditures	24.3	25.2	26.0	26.5	26.7	26.7	27.0	27.1	27.7	28.1	28.6	28.9
Automatic debt dynamics	-9.1	0.7	1.5	2.0	2.0	1.8	1.6	1.5	1.5	1.4	1.4	1.3
Real interest rate and relative inflation	-2.4	2.0	2.7	3.1	3.0	2.8	2.5	2.4	2.4	2.2	2.2	2.1
Real interest rate	-5.0	0.7	1.2	2.1	2.0	2.0	1.8	1.8	1.7	1.7	1.6	1.6
Relative inflation	2.6	1.3	1.4	1.0	1.0	0.9	0.7	0.7	0.6	0.6	0.5	0.5
Real growth rate	-4.2	-1.3	-1.2	-1.1	-1.0	-1.0	-0.9	-0.9	-0.9	-0.8	-0.8	-0.8
Real exchange rate	-2.5	…	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-2.2	-0.1	-0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	5.6	4.3	9.2	5.3	5.6	5.9	7.5	5.2	5.4	5.6	5.9	5.6
of which: debt service	11.4	10.2	14.5	10.1	10.2	10.5	11.9	9.4	9.0	8.8	8.6	8.0
Local currency	6.7	3.1	8.2	5.0	4.1	4.7	7.0	6.1	6.2	6.2	6.2	5.7
Foreign currency	4.7	7.1	6.2	5.1	6.1	5.8	4.9	3.2	2.8	2.6	2.4	2.3
Memo:												
Real GDP growth (percent)	4.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Inflation (GDP deflator; percent)	13.2	6.9	5.9	4.6	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Nominal GDP growth (percent)	18.5	8.7	7.7	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Effective interest rate (percent)	6.9	7.9	7.7	8.0	8.0	8.1	7.9	8.1	8.2	8.1	8.2	8.2

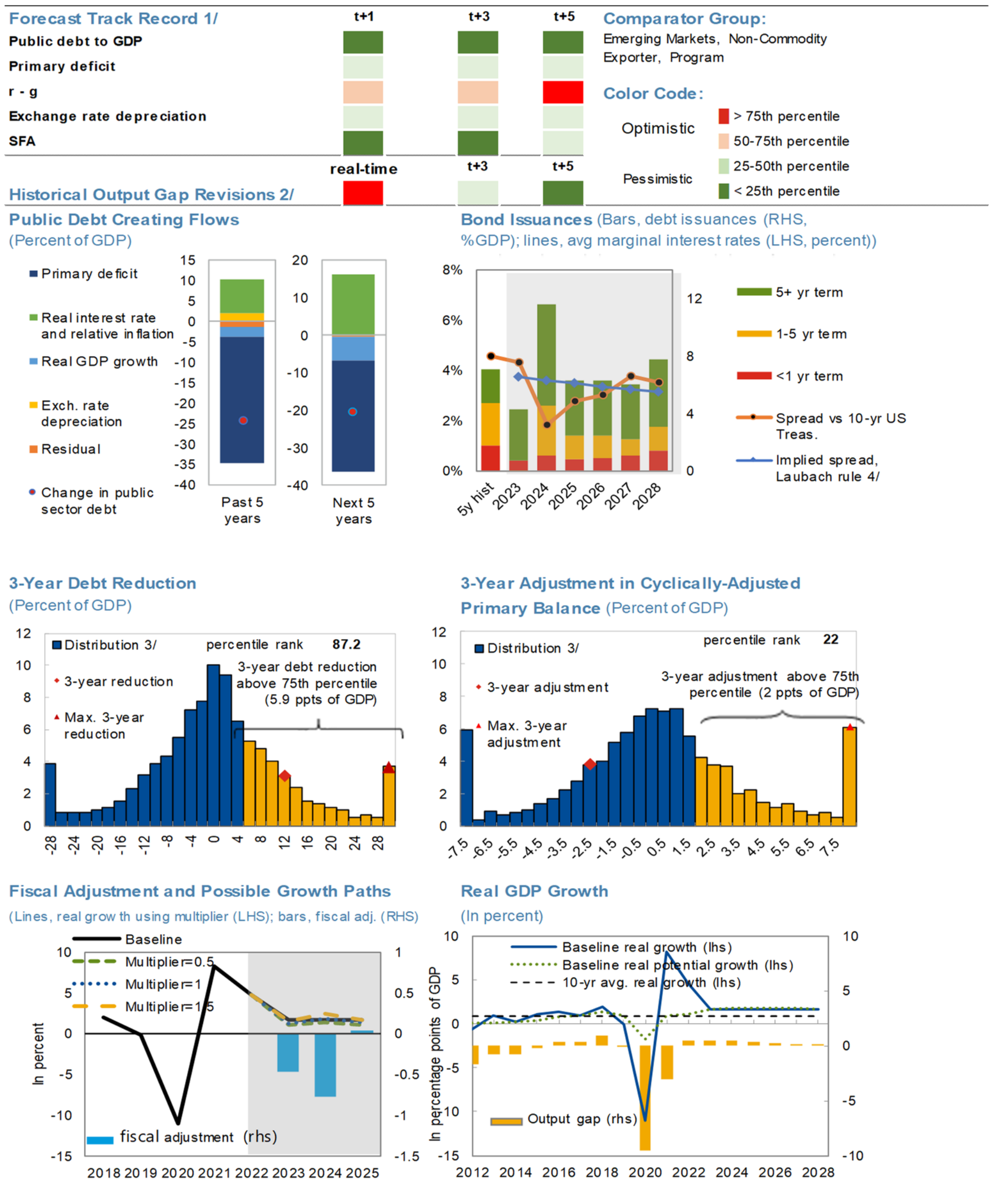
Contribution to Change in Public Debt



Commentary: Public debt is resuming its downward path to meet the debt target of 60 percent of GDP by FY2027/28, in accordance with the Fiscal Responsibility Law. The authorities have been proactive in reducing near-term financing needs through liability management operations, buybacks and maturity extension (by issuing 2045 bonds and a J$ denominated global bond to repay US$ denominated global bonds). However, debt dynamics remain vulnerable to uncertainties surrounding global shocks, natural disaster susceptibility, and the realization of contingent liabilities from public bodies. The authorities have large GFN needs in FY2024/25 and FY2028/29.

Figure 3. Jamaica: Realism of Baseline Assumptions

(Fiscal Year)



Commentary: The realism analysis does not point to major concerns. Past forecast errors do not reveal any systematic biases and the projected debt reduction is within norms. Most of the debt reduction in the next five years is expected from the elevated primary balance surpluses, underpinned by the planned fiscal path under the MTFF, in line with the FRL. In terms of realism of fiscal adjustments, similar or bigger debt reductions were implemented by Jamaica in the past (during 2013-19), even though these are above the 75th percentile of the distribution as shown in the chart.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

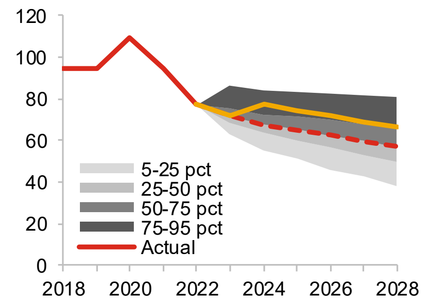
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

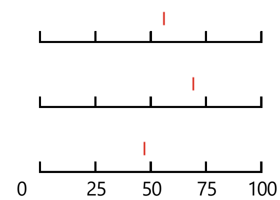
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4bps in response to a 1ppt increase in in the projected debt-to-GDP ratio.

Figure 4. Jamaica: Medium-Term Risk Analysis
(Fiscal Year)

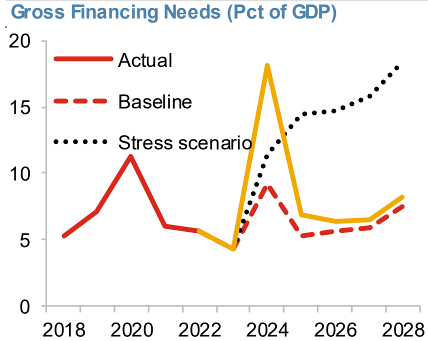
	Value	Contrib [1/]	Percentile in peer group [2/]
Debt Fanchart Module			
Fanchart width *(percent of GDP)*	42.8	0.6	
Probability of debt non-stabilization *(percent)*	8.8	0.1	
Terminal debt-to-GDP x institutions index	29.3	0.6	
Debt fanchart index (DFI)		1.3	
Risk signal: [3/]		Moderate	
Gross Financing Needs (GFN) Module			
Average baseline GFN *(percent of GDP)*	6.3	2.2	
Banks' claims on the gen. govt *(pct bank assets)*	10.8	3.5	
Chg. In banks' claims in stress *(pct banks' assets)*	4.0	1.3	
GFN financeability index (GFI)		7.0	
Risk signal: [4/]		Low	

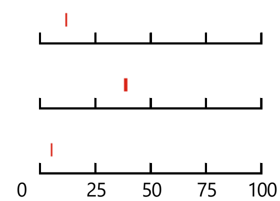
Final Fanchart (Pct of GDP)





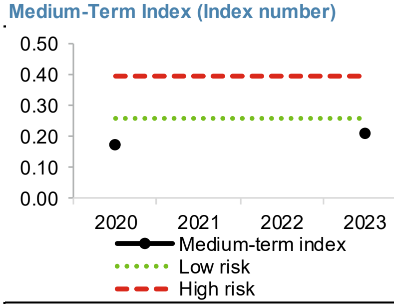
Gross Financing Needs (Pct of GDP)





Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

Medium-Term Index (Index number)



Medium-Term Risk Analysis

	Value	Norm. Value	Weight	Contribution
Debt fanchart index	1.33	0.30	0.50	0.15
GFN finaceability index	6.99	0.13	0.50	0.07
Medium-term index		0.2		
Risk signal: 5/		Low		
Final assessment:		Low		

Prob. of missed crisis, 2023-2028, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2023-2028, if stress predicted: 48.9 pct.

Commentary: The GFN Financeability Module and the medium-term tools suggest low levels of risk. The Debt Fanchart Module points to a moderate level of risk, reflecting the elevated fanchart width at the end of the projection horizon due to a history of high volatility of public debt in Jamaica. In the natural disaster stress scenario, the GFN needs would temporily increase without jeopardizing the downward trend in public debt over the medium term.

Source: IMF staff estimates and projections.
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 5. Jamaica: Long-Term Risk Analysis
(Fiscal Year)

Large Amortization Trigger

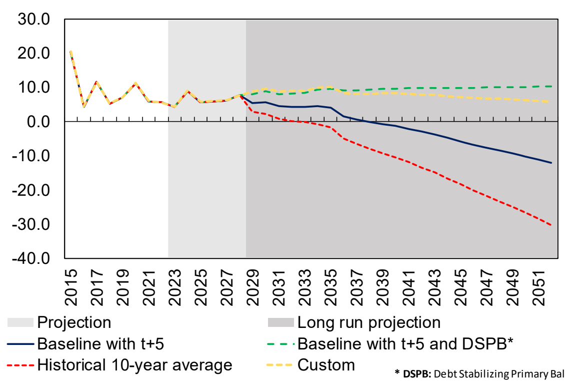
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Historical average assumptions	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	

Overall Risk Indication	

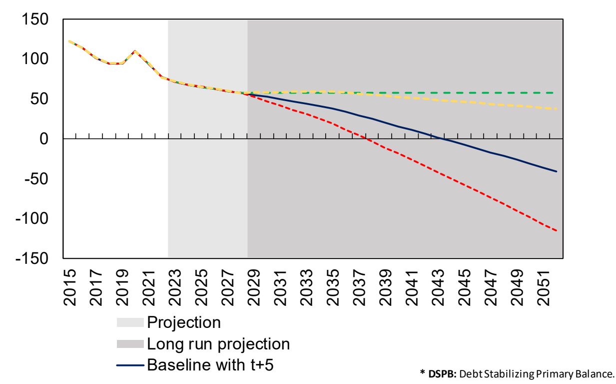
Alternative Baseline Long-term Projections (Including Custom scenario)

	Baseline extension of fifth projection year	Custom baseline
Real GDP growth	1.6%	2.0%
Primary Balance-to-GDP	4.3%	1.0%
Real depreciation	-1.6%	-2.3%
Inflation (GDP deflator)	4.7%	5.0%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



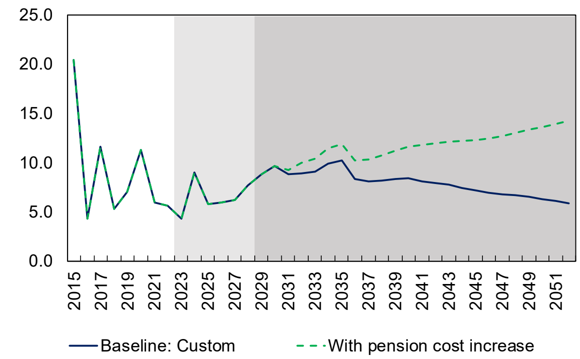
Commentary: The large debt amortization module shows strong declines in GFN and debt relative to GDP under the baseline and historical scenarios, while the custom scenario shows a modest decline in the debt-to-GDP ratio.

Figure 5. Jamaica: Long-Term Risk Analysis (Continued)
(Fiscal Year)

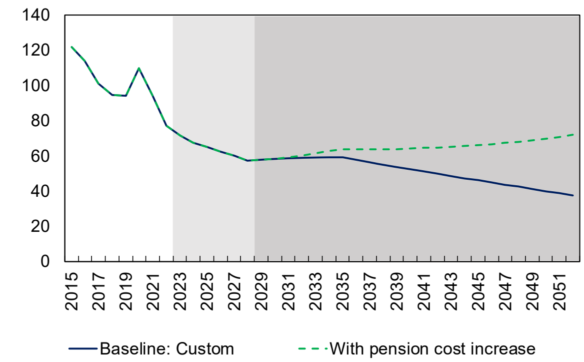
Demographics: Pension

Permanent adjustment needed in the pension system (pp of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	1.06%	1.81%	2.70%

GFN-to-GDP Ratio



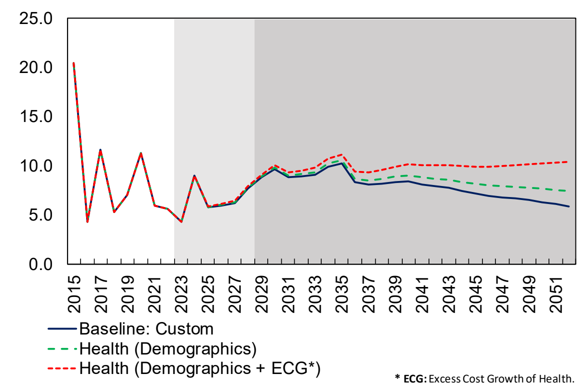
Total Public Debt-to-GDP Ratio



Commentary: While the current pension expenditure would not pose significant sustainability concerns in the medium-term, continued pension expenditure under the current system would lead to larger GFNs and an upward debt trajectory in the long run. This points to the need to undertake parametric reforms of the current public pension system. Actuarial reviews, scheduled every three years, should continue to inform parametric reforms to the National Insurance Scheme, while parametric adjustments to the pension scheme for public workers would reduce the fiscal costs of the public workers' pension scheme.

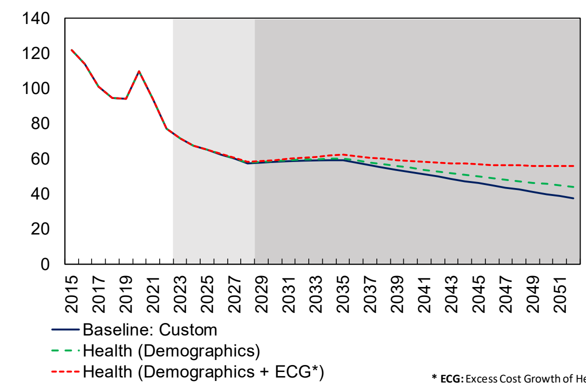
Demographics: Health

GFN-to-GDP Ratio



* ECG: Excess Cost Growth of Health.

Total Public Debt-to-GDP Ratio



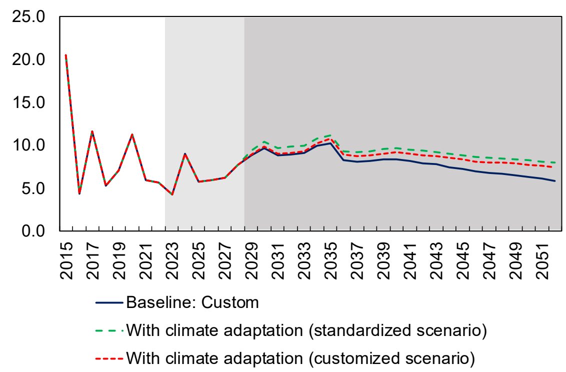
* ECG: Excess Cost Growth of Health.

Commentary: Current health care expenditures would not pose significant sustainability concerns. A scenario of higher growth rate of healthcare costs of 0.6 percentage point (e.g., due to medical advances) suggests fiscal pressures that would prevent sustained declines in debt and gross financing needs.

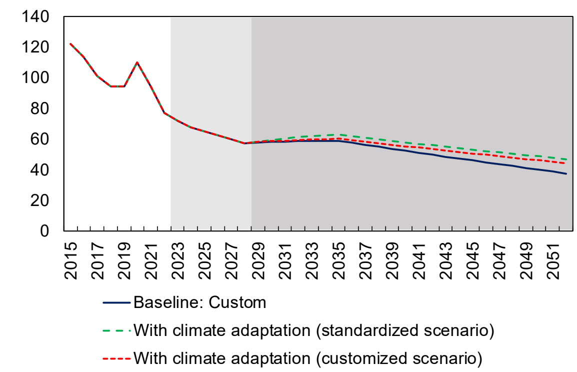
Figure 5. Jamaica: Long-Term Risk Analysis (Concluded)
(Fiscal Year)

Climate Change: Adaptation

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: Climate-related adaptation expenditures are manageable and would not significantly impact debt sustainability in the long run.

Table 4. Jamaica: External Debt Sustainability Framework, 2018–2028

(In fiscal year in percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2018	2019	2020	2021	2022			2023	2024	2025	2026	2027	2028	Debt-stabilizing non-interest current account 6/
Baseline: External debt	85.8	82.6	103.8	92.6	78.8			**69.6**	**62.6**	**58.5**	**55.7**	**53.0**	**50.0**	**-3.0**
Change in external debt	-7.2	-3.2	21.2	-11.2	-13.8			-9.2	-7.0	-4.1	-2.8	-2.7	-3.1	
Identified external debt-creating flows (4+8+9)	-6.6	0.0	10.2	-12.4	-18.1			-4.9	-3.8	-3.2	-2.4	-2.2	-2.2	
Current account deficit, excluding interest payments	-1.0	-0.7	-1.1	-1.8	-4.0			-3.2	-1.9	-1.0	-0.3	-0.1	-0.1	
Deficit in balance of goods and services	-89.7	-87.8	-61.6	-85.6	-94.8			-94.6	-95.3	-96.4	-97.1	-97.4	-97.3	
Exports	38.1	36.7	19.9	32.3	39.2			39.9	40.1	40.3	40.3	40.3	40.2	
Imports	-51.6	-51.0	-41.7	-53.3	-55.6			-54.8	-55.2	-56.1	-56.8	-57.1	-57.1	
Net non-debt creating capital inflows (negative)	-4.2	-2.1	-3.8	-2.5	-1.8			-2.6	-2.8	-3.3	-3.3	-3.3	-3.3	
Automatic debt dynamics 1/	-1.4	2.8	15.1	-8.1	-12.2			1.0	1.0	1.1	1.2	1.2	1.2	
Contribution from nominal interest rate	2.5	2.6	2.3	2.4	2.1			2.2	2.1	2.1	2.1	2.1	2.0	
Contribution from real GDP growth	-1.7	0.1	10.5	-7.6	-3.7			-1.2	-1.1	-1.0	-0.9	-0.9	-0.8	
Contribution from price and exchange rate changes 2/	-2.2	0.1	2.3	-3.0	-10.6			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-0.6	-3.2	11.0	1.2	4.3			-4.4	-3.2	-0.9	-0.4	-0.4	-0.9	
External debt-to-exports ratio (in percent)	225.6	224.9	521.9	286.6	201.1			174.4	156.1	145.2	138.1	131.5	124.2	
Gross external financing need (in billions of US dollars) 4/	2.3	2.6	2.1	2.7	2.1			2.5	2.8	2.7	3.1	3.1	2.9	
in percent of GDP	14.8	16.3	15.1	18.1	12.0	10-Year	10-Year	13.2	13.6	12.6	14.0	13.6	12.5	
Scenario with key variables at their historical averages 5/								**69.6**	**65.4**	**61.3**	**57.7**	**53.9**	**49.6**	**-3.8**
						Historical	Standard							
Key Macroeconomic Assumptions Underlying Baseline						Average	Deviation							
Real GDP growth (in percent)	1.9	-0.1	-11.0	8.2	4.7	0.8	4.9	1.7	1.7	1.7	1.6	1.6	1.6	
GDP deflator in US dollars (change in percent)	2.4	-0.2	-2.7	2.9	13.0	1.4	5.1	5.8	4.7	1.7	1.6	1.6	1.7	
Nominal external interest rate (in percent)	2.8	3.0	2.5	2.6	2.6	3.4	0.9	3.0	3.2	3.4	3.8	3.8	4.0	
Growth of exports (US dollar terms, in percent)	18.0	-3.7	-53.1	81.0	43.4	9.9	34.7	9.5	7.0	3.9	3.3	3.2	3.1	
Growth of imports (US dollar terms, in percent)	8.9	-1.3	-29.3	42.3	23.5	4.1	19.8	5.9	7.4	5.1	4.6	3.7	3.3	
Current account balance, excluding interest payments	1.0	0.7	1.1	1.8	4.0	0.5	2.5	3.2	1.9	1.0	0.3	0.1	0.1	
Net non-debt creating capital inflows	4.2	2.1	3.8	2.5	1.8	4.4	2.3	2.6	2.8	3.3	3.3	3.3	3.3	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

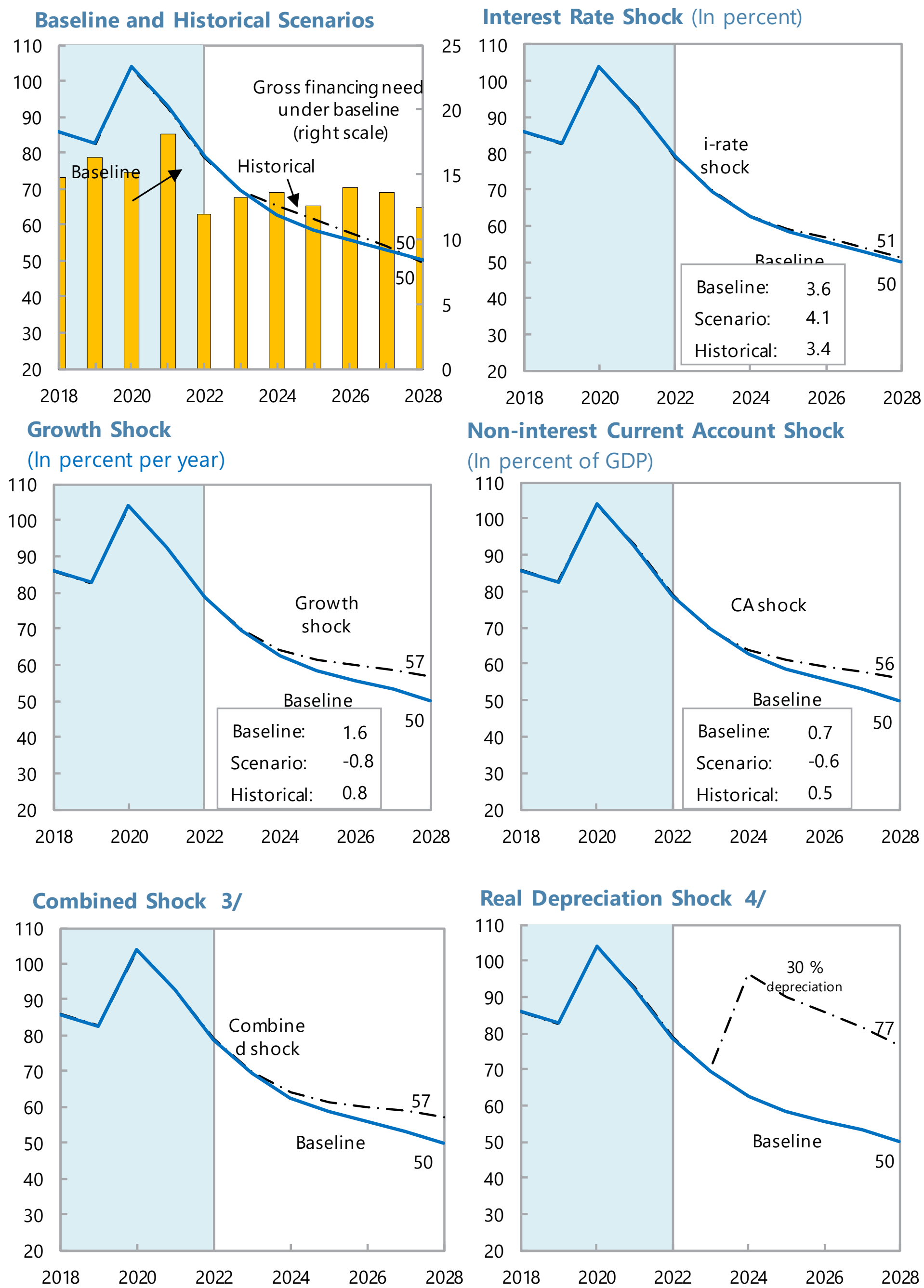
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 6. Jamaica: External Debt Sustainability: Bound Tests 1/ 2/

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2023.

Annex VI. Second Review Reform Measures: Content and Impact

1. RM3: The Public Investment Appraisal Branch (PIAB) to define a methodology to conduct climate impact assessments at project appraisal stage (*project proposal stage*) and incorporate the methodology in the Public Investment Management System (PIMS) handbook.

- RM3 contributes to a climate resilient PIMS by defining a methodology to conduct climate impact assessments at a project appraisal stage. The requirement to incorporate the methodology in the PIMS handbook assures dissemination and mandatory use of the methodology across the spectrum of government agencies responsible for preparation of publicly funded investment projects.

- While the previous framework required screening for climate hazards—using the Caribbean Climate Online Risk & Adaptation Tool (CCORAL) and a climate impact assessment at respectively a concept and proposal stages—these assessments had not followed a uniform standard methodology. RM3 addresses this deficiency through a methodology that: (i) identifies the climate risks for capital projects through the lifecycle of the project; (ii) identifies the climate risks' data sources; and (iii) defines processes and procedures to integrate climate risks analysis in the projects' economic and financial analysis. The methodology focuses on the exposure of projects to damage from climate-related disasters and applies to projects proposed by ministries, departments, and agencies (MDAs), and public entities. Any project not meeting the climate impact criteria will not be included in the project pipeline or selected for financing.

- The methodology is informed by the IMF's 2023 Climate Public Investment Management Assessment (C-PIMA) and benefitted from the technical assistance of the Inter-American Development Bank (IDB) during its preparation. It is available at: https://www.mof.gov.jm/wp-content/uploads/Climate-Risk-Assessment-Methodology-202312.pdf. It is also included in the Public Investment Management System (PIMS) handbook—the guide for project preparation and execution. The Ministry of Finance and Public Service (MOFPS) issued a circular mandating use of the methodology. It is available at: https://www.mof.gov.jm/wp-content/uploads/Circular-34-Climate-Risk-Assessments-Incorporated-into-the-Appraisal-of-Public-Investment-Projects.pdf.

2. RM4: The Planning Institute of Jamaica (PIOJ) to define and publish project selection criteria including climate change criteria.

- RM4 contributes to the PIMS by requiring identification of project selection criteria (applicable to any project) and their dissemination through publication and it contributes to climate resilience of the PIMS by requiring identification of climate related project selection criteria and their dissemination through publication.

- Under the previous framework, capital projects in Jamaica have not been selected according to commonly applied and consistent project selection criteria. Furthermore, projects have not been selected based on commonly applied and consistent climate-related selection criteria. RM4 addresses both deficiencies. The PIOJ developed project selection criteria including: (i) a description of the institutional framework in charge of the project selection and a summary of the process; (ii) a worksheet describing the selection criteria and weights applied to each criterion; and (iii) detailed guidelines on the application of the project selection criteria including a software used to apply them and guidance for its use. As required by RM4, the selection criteria account for the vulnerability of the projects to climate hazards.

- RM4 was informed by the IMF's 2023 C-PIMA and benefitted from the technical support of the IDB during its preparation. The project selection criteria are available via Internet at: https://www.pioj.gov.jm/government-of-jamaica-pims-project-selection-criteria/.

3. RM6: The MOFPS to submit to parliament an amendment to the Financial Administration and Audit Act (FAA) to establish a National Natural Disaster Reserve Fund (NDRF) subaccount under the consolidated fund account. In parallel, the MOFPS to approve financial regulations for a transparent administration and reporting of the NDRF.

- RM6 complements RM1, which was completed in June 2023 with the approval of the National Natural Disaster Risk Financing policy. RM6 contributes to the transparent use and management of financial resources for disaster risks management by complementing the budget's accounts with an account that will receive and disburse resources to alleviate impact of catastrophic natural disasters. The use of the NDRF will be triggered in response to catastrophic events exceeding the related damage threshold defined in the amended Financial Administration and Audit Act (FAAA). The MOFPS approval of financial regulations for administration and reporting of the NDRF transactions assures transparent accounting of its receipts and outgoings and facilitates their audits. In addition, it should give confidence to international providers of financial assistance that the funds provided will be used for the intended purpose and accounted for in a transparent manner.

- The NDRF financial regulations specify roles, responsibilities as well as procedures and criteria to channel resources to respond to disasters. Key elements of the financial regulations include: (i) the definition of the fund's administrative body; (ii) identification of sources of financing and clear instructions for the fund's capitalization; (iii) a definition of the scope and types of interventions that trigger financing by the NDRF; (iv) timely fund disbursement procedures—in line with the 2019 Ministry of Finance and Public Service (MOFPS)'s post-disaster budget execution guidelines—to ensure that resources are made available in a timely and efficient manner; and (v) mechanisms for tracking, accounting, and reporting of fund's expenditures to ensure that comprehensive and timely information is available to policymakers and the public. International Public Sector Accounting Standard (IPSAS) are applied to the fund's accounting.

4. RM10: BOJ to publish a climate risks assessment (including a diagnostic of related climate and environmental risks detailing the current governance and regulatory regime) and

define a timeline to embed these risks in supervisory activities and related databases for the development of climate risks assessments.

- RM10 is a first step to build capacity at the BOJ and the FSC to incorporate Climate-Related Financial Risks (CRFR) into their risk-based supervision, risk monitoring, and evaluation practices. The BOJ published a report on climate risk assessment, including a diagnostic of related climate and environmental risks detailing the current governance and regulatory regime in the Jamaican financial system. The identified risks will be included in the databases available to the financial sector and embedded in the supervisory activities according to a timeline proposed in the report.

- Domestic financial institutions are vulnerable to climate risks through lending to climate-exposed sectors. As a first step, as per RM10, the BOJ developed and published a climate risks assessment report that: (i) assesses climate risks in Jamaica, distinguishing between physical and transition risks; (ii) investigates transmission channels of these risks into the financial system; (iii) analyzes transmission channels in major economic sectors including agriculture, distribution, mining and manufacturing, tourism and transportation and energy; (iv) provides a review of peer practices in managing climate-related financial risks and discusses the current climate readiness of Jamaica's financial sector outlining, as well the national policies and regulatory framework in place; and (v) provides recommendations for both the BOJ and the financial sector to enhance their climate readiness.[1]

- The timeline to embed climate risks in supervisory activities is itemized in Table 16 of the BOJ report. Among others, the following are included: (i) initiate enhanced data collection and reporting frameworks relating to climate-related financial risks (early 2024); (ii) adopt a monitoring framework that improves data collection and establishes the reporting requirements for financial institutions (end-June 2024); (iii) conduct early climate stress testing exercises (end-2025); (iv) BOJ to become a full member of the NGFS secretariat and arrange bilateral meetings with peer supervisors to discuss climate risk management, climate disclosures and climate stress testing (end-2024); and (v) develop an own TCFD report (mid-2024). RM11 will focus on the adoption of a monitoring framework to improve data collection and establish reporting requirements for financial institutions to implement climate-related stress testing and for the BOJ to gradually integrate climate risks in supervision and macroprudential frameworks. The BOJ received support from the *Agence Française de Développement (AFD)* to develop this report. The report is available via Internet at: https://e2gobqetsqs.exactdn.com/wp-content/uploads/2023/12/Climate-Risks-Report.pdf.

[1] Building capacity in data collection is the first step for conducting climate risk stress tests. Identification and collection of climate data is a complex process that will take time and collaboration between climate scientists and financial sector experts; and is a key pre-requisite for conducting climate risk stress testing.

Annex VII. Jamaica's RSF – Catalyzing Private Financing for Climate Change

1. The RSF's is already supporting the authorities' efforts to foster climate finance, though its catalytic role is expected to be realized in full gradually as reforms under the arrangement are implemented. Reforms under the RSF aim at introducing climate-related considerations in fiscal and financial policy frameworks, including by enhancing transparency, accountability, and efficiency of public climate spending, assessing climate risks in the financial sector, and developing schemes to catalyze sustainable climate financing. In this context, through the IMF's Task Force on Climate Finance, the arrangement has been playing a convening role. Following a meeting in Kingston in June 2023—in which the authorities and representatives from various multilateral development institutions gathered to discuss ways to mobilize private climate finance—the group members have been discussing potential ways to establish investment vehicles and catalyze financing.

2. In the context of the RSF, the authorities have launched a three-pronged approach to catalyze private financing for climate change. Last October, in a joint effort with the Inter-American Development Bank (IDB), the Green Climate Fund (GCF), the United Kingdom (UK), and the European Investment Bank (EIB), the authorities announced a number of initiatives to develop climate finance by removing constraints preventing climate-oriented investments.[1] These constraints include the relatively high cost of preparing projects and limited resources for their identification, and deficiencies of scale in access to international climate finance. The authorities have adopted a three-pronged approach comprising a project preparation facility (PPF), a Green Financing Facility (GFF), and low-cost, long-term debt instruments to alleviate these constraints. This approach is expected to foster private investment to support the climate-related goals in Jamaica.

3. The PPF will be crucial to develop a pipeline of bankable projects required to scale up private investments. The PPF will be supported by IDB technical assistance to facilitate project identification, prioritization, feasibility assessment, implementation support, and structuring. The IDB has been working with the Government of Jamaica (GOJ) to develop a PPF focused on climate-smart PPPs across many sectors. These efforts will benefit from reform measures (RMs) under the RSF as well—RMs 2, 3, and 4 have enhanced the climate orientation of the PPP framework and other public investments through their life stages. The GOJ and the IDB have already committed resources to establish the PPF, and other development partners may as well consider contributing to this initiative in the future.[2] The identified projects may be further supported through de-risking

[1] https://www.imf.org/en/News/Articles/2023/10/11/pr23346-jamaica-working-international-financial-institutions-following-rsf-arr-imf.

[2] See "Preparation of Public-Private Partnerships projects for the development of efficient and sustainable infrastructure in Jamaica though a Project Preparation Facility" at https://www.iadb.org/en/whats-our-impact/JA-T1212.

mechanisms [3] to lower financing costs and stretch the available financing—the GCF would support investment projects through the related schemes.

4. A home-based GFF will support the identification and financing of climate projects. The creation of the GFF responds to the recognition that current mechanisms for accessing climate finance are slow, complex, resource intensive and highly projectized.[4] Jamaica is one of the five pioneering countries to try this new approach to climate finance agreed at COP26 under the Taskforce on Access to Climate Finance (TACF). The authorities are working with the GCF and the EIB to develop the GFF. The GCF will provide credit and capacity development to finance local climate projects directly or through local financial institutions—these would include climate-smart agriculture, energy efficiency, water resource management, and sustainable transport. During the inaugural Jamaica-UK Strategic Dialogue, the UK announced up to £7 million to leverage increased access to climate finance as part of Jamaica's pioneering role in the TACF. It is expected that the GFF will pave the way for other partners to provide financing, technical support, and capital. It is expected to become a platform for pooling resources to provide programmatic support to projects, which will trial a country-led approach to simplifying and scaling-up international climate finance provisions, in line with recommendations of the TACF.

5. The EIB will provide loans to support climate resilient investment. The areas under consideration include water and waste treatment infrastructure, flood and coastal protection, and other sectors vulnerable to climate risks. The loans may have maturities of up to 30 years with a 10-year grace period. They would be offered alongside a package of capacity-building and non-reimbursable grants at concessional rates to improve investment affordability. The EIB's support is part of a larger investment initiative supporting the Caribbean through US$165 million loan facility, the Caribbean Investment Facility—which pools grant resources from the European Union (EU) and aims to catalyze additional investment. Under the facility, as part of Team Europe, the EIB has made available US$18 million of grants from the EU to support climate-resilient water, sanitation, and clean ocean projects across the Caribbean. The EIB is also piloting natural disaster risk clauses for its loans to ensure vulnerable communities can recover and rebuild following a crisis.

[3] Systemic climate risks for these investments will be identified, including through the Jamaica Systemic Risk Assessment Tool (J-SRAT), which was prepared with the help of Oxford University with financing from the United Kingdom.

[4] https://unfccc.int/sites/default/files/resource/FCDO%20UK%20-%20Hannah%20Binci.pdf. The Principles and Recommendations on Access to Climate Finance are available at: https://webarchive.nationalarchives.gov.uk/ukgwa/20230105153630/https://ukcop26.org/cop26-goals/finance/.

Annex VIII. Existing Incentives for Investments in Renewable Energy

1. In the early 2010s, the Government of Jamaica moved from sector-based fiscal incentives to a consolidated generalized incentives regime. The 2013 Omnibus Incentive Regime had multiple objectives: (i) elimination of sector-based incentives programs favoring certain sectors only, such as tourism, manufacturing, and agriculture; (ii) provision of generalized incentives for employment and capital investment; (ii) introduction of a rules based and non-discretionary incentive system; and (iv) improvement of the tax system's equity, transparency, and its ease of use.[1]

2. The National Renewable Energy Policy incentives to reduce barriers to the expansion of investments in renewable energy were proposed in this context. These incentives can help shift consumption patterns, generate additional revenue, and drive private investment in projects and programs that adopt climate-friendly production mechanisms. The Energy Sector Plan called on the Ministry of Finance and Public Service to provide incentives for the use of innovative and clean technologies to improve energy efficiency. Consequently, the authorities have been steering Jamaica's economy onto a low carbon development pathway through a variety of fiscal incentives and mechanisms to supply renewable energy to the electrical grid.

3. The authorities have adopted a coherent package of green fiscal incentives to support the continued expansion of low-carbon power in Jamaica:

- **Consumption tax.** The 2012 Amendment of the General Consumption Tax (GCT) Act established zero-rated VAT for inputs or raw materials supplied for the manufacture of solar and wind equipment. The GCT zero-rated items comprise: (i) solar panels and tubes for solar water pumping and heating systems; (ii) solar cells designed to produce electricity from the sun; (iii) apparatus or machinery designed to produce motive power heat, light or electricity through the utilization of renewable sources of energy (such as sun and wind); and (iv) solar driers, electric fans, and refrigerators and (v) solar lighting systems and accessories.

- **Import tariffs.** The Caribbean Community Council for Trade and Economic Development (COTED) granted Jamaica a suspension of the Common External Tariff (CET) on a prorated quantity for items on the priority list of renewable energy and energy efficiency items (see Table 1 below). The suspension of the import duty for these items is to continue until end-2025.

[1] The Omnibus Incentive Regime comprises: Fiscal Incentives [Miscellaneous Provisions] Act 2013, Income Tax Relief Act [Large-scale Projects and Pioneer Industries] Act 2013, Customs Tariff [Revision] [Amendment] Resolution 2013 and Stamp Duty [Amendments of Schedule] Order 2013.

Table 1. Jamaica: Priority List of Renewable Energy and Energy Efficiency Items and Proposed Rate of Duty		
Description of Item	**Quantity (Pcs.)**	**Proposed Rate of Duty**
Compact fluorescent lamps	638,400	0%
Air conditioning chillers with rotary screw compressors	6,144	0%
Vapour Absorption Refrigeration System	1,071	0%
Thermal Storage air conditioning systems	6,120	0%
Ice thermal storage air conditioning systems	35,467	0%
Solar water heating mounting accessories	990,528	0%
Other accumulators = rechargeable batteries for renewable energy systems (photovoltaic system)	87,600	0%
Absorption refrigeration equipment and materials utilizing solar energy	6,144	0%
Lithium-ion batteries	240,000	0%

- **Electric vehicles.** Under the Customs Tariff Revision (Amendment No. 2, Resolution, 2022), fully electric-powered motor vehicles are charged a 10 per cent duty compared to 30 per cent on other vehicles. The Road Traffic (License Duties) Order (2022) exempts fully electric-powered motor vehicles from motor vehicle license fees. These measures are in effect for five years starting in 2022. Lower duty rates and the license fee's exemption apply to electric vehicles that are three years old or less at the time of import.

4. **The authorities have also introduced a net billing scheme to facilitate trade in renewable energy within the electrical grid.** The 2022 Net Billing Regulations introduced an arrangement whereby the Jamaica Public Service (JPS) credits the self-generating business or individual for excess electricity generated through solar panels and supplied to the JPS grid. The measure is proving effective to advance the national goal of adding significant renewable energy volume to the grid.

5. **There is scope to continue building on these incentives to unlock Jamaica's potential on renewable energy.** The authorities have established a broad array of financial incentives designed to make renewable energy solutions more attainable and financially attractive for individual and commercial owners. In line with their consolidated generalized incentives regime's strategy, authorities are exploring further fiscal incentives that will complement and reinforce the existing ones.

Annex IX. Inflation Risks in Jamaica[1]

In this annex, we estimate an Inflation-at-Risk model for Jamaica. This modelling approach allows us to assess the entire distribution of future inflation outcomes rather than a point forecast to better understand the uncertainty and balance of risks around the outlook for inflation in Jamaica. This modelling approach can be a useful complement to other inflation forecasting models, since rising tail risks can announce turning points to inflation. The analysis suggests that risks to headline inflation are primarily driven by changes in the price of oil and the bilateral JMD-USD exchange rate. The analysis also indicates that the one-year-ahead predictive distribution of inflation is centered around inflation levels consistent with the inflation target.

1. We investigate how macroeconomic and financial drivers affect the predictive distribution of inflation. The modelling approach proceeds in two steps. First, we run quantile regressions to relate the relationship between future inflation and domestic and external variables that can affect the inflation outlook.[2] The dependent variable is headline inflation, with real GDP, the price of oil (West Texas Intermediate), and the bilateral JMD-USD exchange rate as key drivers of inflation—all variables are expressed in year-on-year percent changes.[3] Second, we obtain the inflation distribution by fitting a parametric distribution to the estimated inflation quantiles. This second step helps to assess the probability that inflation will run above or below certain thresholds—e.g., above or below the BOJ target range of 4-6 percent per annum.[4] The frequency of the data is quarterly, and the sample extends from the first quarter of 2002 to the third quarter of 2023. An important caveat of this analysis is that sample size is short to estimate quantile regressions and that due to data constraints (e.g., lack of data on private sector wages) the specification does not account for the role of wages in the determination of inflation.[5] Closely following the evolution of inflation expectations to keep inflation low, stable, and predictable is critical to avoid self-reinforcing inflation dynamics.

2. The analysis indicates that inflation in Jamaica is most sensitive to changes in the price of oil and the exchange rate. The bilateral JMD-USD exchange rate and the price of oil are found to have a strong predictive power for headline inflation, reflecting the heavy weight of food and

[1] Prepared by P. Guérin. The toolbox used to estimate the Inflation-at-Risk model is available at: https://github.com/IMFGAR/GaR

[2] Quantile regression is a statistical technique to estimate conditional quantile functions to provide a more complete statistical analysis of the stochastic relationships among variables than conditional mean functions estimated by linear regression methods.

[3] We explored alternative specifications using alternative external variables such as U.S. headline inflation, VIX, or the IMF commodity price indices for food and energy as well as the output gap or net remittances as an alternative measure of domestic economic activity.

[4] Adrian, Boyarchenko and Giannone (2019) introduced the approach to model tail risks to real economic activity in the United States due to fluctuations in financial conditions. This approach has been extended to model tail risks to inflation from macroeconomic and financial variables—see, e.g., López-Salido and Loria (2020) for an application to the United States. See also the 2021 Article IV Consultation with Morocco for an application in the context of IMF surveillance.

[5] Further, the analysis does not account for changes in administered prices over the projection horizon.

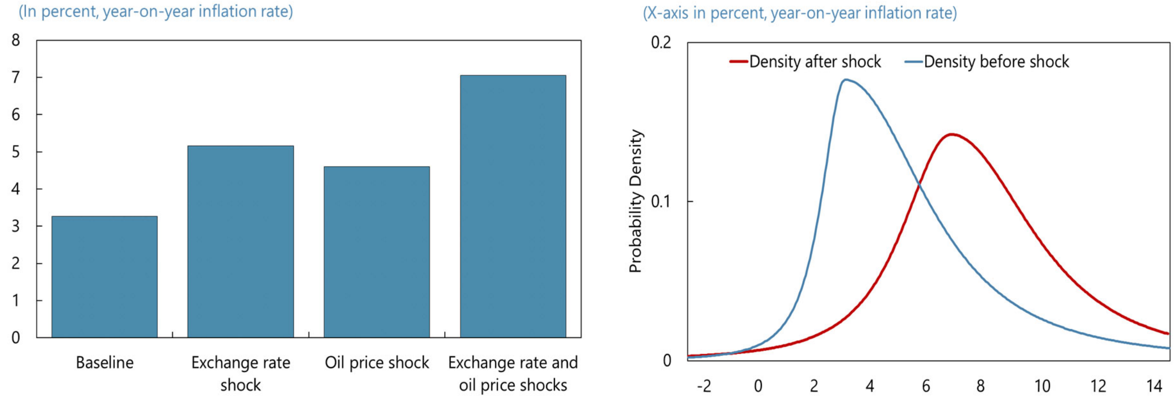
energy components in the consumer price index in Jamaica—50 percent.[6] Higher commodity prices and a depreciation of the Jamaican dollar relative to the U.S. dollar—calibrated as one standard deviation shocks—would shift the entire distribution to the right in Figure A1 (panel 2), pointing to upside risks to the inflation outlook associated with such shocks:

- A depreciation of the bilateral JMD-USD exchange rate—calibrated as a 1-standard deviation shock or a 6.2 percent year-on-year depreciation—would shift the most frequent value of the distribution—its mode—towards the upper bound of the BOJ inflation target range (second bar in Figure 1, left panel).
- An increase in the price of oil—also calibrated as a 1-standard deviation shock or a 36.4 percent year-on-year increase in the price of oil—would also shift the mode of the distribution towards the midpoint of the BOJ inflation target range (third bar in Figure A1, left panel).
- A combined shock of exchange rate depreciation and increase in the price of oil would shift the predictive distribution of inflation above the upper bound of the BOJ inflation target range (fourth bar in Figure 1, left panel).

Figure 1. Jamaica: Predictive Distribution of Inflation: Scenario Analysis

Mode of the Predictive Distribution of Inflation
(In percent, year-on-year inflation rate)

Predictive Distribution of Inflation
(X-axis in percent, year-on-year inflation rate)



Note: The left panel shows the separate impact of an exchange rate shock, oil price shock and the combined shock of exchange rate and oil price on the mode of the predictive distribution of inflation—the most frequent value of the distribution, conditional on information available up to the third quarter of 2023. The right panel assumes a depreciation of the JMD-USD exchange rate and an increase in the price of oil. All shocks are calibrated as 1-standard deviation increases. The analysis focuses on 4-quarter-ahead year-on-year inflation with forecast origin as of the third quarter of 2023.

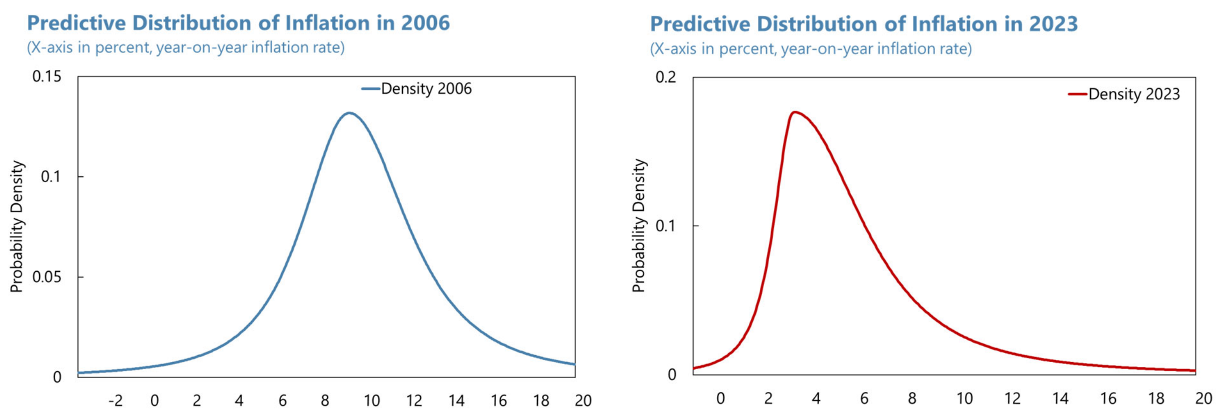
Sources: Haver Analytics; IMF Staff calculations.

3. Notwithstanding the risks, the current predictive distribution of inflation is centered around inflation levels consistent with achieving the inflation target. Estimates of the predictive distribution of inflation outcomes in the second quarter of 2006 and the third quarter of 2023 underline the progress made by the BOJ in reducing inflation and anchoring inflation expectations

[6] The quantile regression model finds that, on average, domestic growth has a muted—not statistically significant—impact on inflation over the projection horizon considered. There is evidence that net remittances, which can boost private consumption, have predictive power for upside risks to future inflation.

over the last two decades (Figure 2). The predictive distribution of inflation outcomes—conditional to the domestic and external conditions prevailing at those points in time—moved to the left and the tails of the distribution are narrower, pointing to more anchored inflation expectations. The distribution of inflation as of the third quarter of 2023 four quarters ahead is consistent with the BOJ achieving its inflation target.

Figure 2. Jamaica: Predictive Distribution of Inflation in 2006 and 2023



Note: The left panel shows the distribution of 4-quarter-ahead year-on-year inflation with forecast origin as of the second quarter of 2006, while the right panel shows the distribution of 4-quarter-ahead year-on-year inflation with forecast origin as of the third quarter of 2023.

Sources: Haver Analytics; IMF Staff calculations.

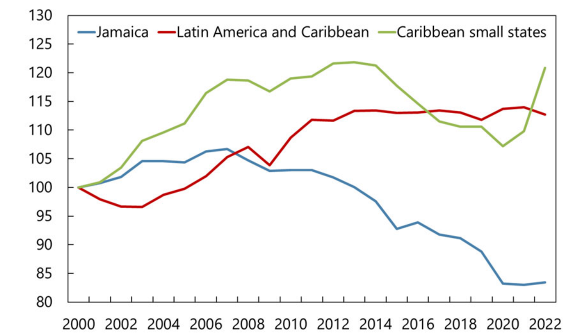
Annex X. Increasing Productivity in Jamaica to Boost Living Standards[1]

In this annex, we document aggregate and sectoral productivity trends in Jamaica. Jamaica's productivity performance is relatively weak, impeding convergence to higher living standards. Using a firm-level survey available for 13 Caribbean countries we analyze the dispersion of firm-level productivity and firm growth. We find that the misallocation of resources in Jamaica's corporate sector is significant. We then investigate drivers of productivity growth and consider policies that could increase productivity in Jamaica such as boosting skills, improving access to finance, reducing crime, and lowering barriers to competition.

A. Stylized Facts: Aggregate and Sectoral Trends

1. Productivity has been weak in Jamaica for decades. Labor productivity—the measure of productivity used throughout this annex—is significantly lower than in peer economies and has been on a downward trend at least since 2000. This weak productivity performance hinders Jamaica's ability to achieve a sustainable growth path and higher living standards. The downward trend in productivity coupled with low growth rates are behind Jamaica's PPP-based GDP per capita being only two-thirds of the average of Latin America and the Caribbean region PPP-based GDP per capita in 2021.

Labor Productivity: Real GDP per worker
(Index, 2000=100)



Sources: World Bank World Development Indicators.

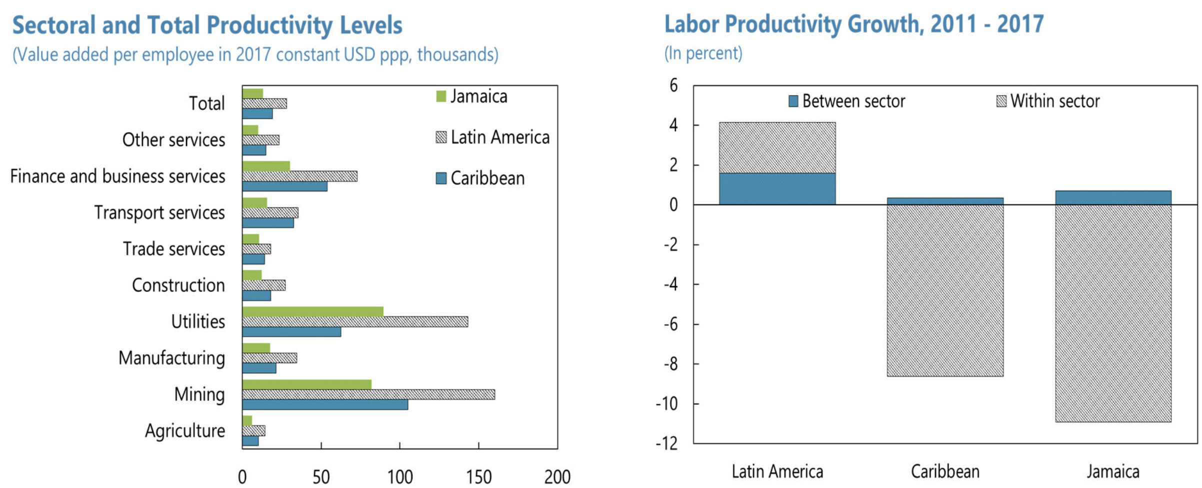
2. Poor factor reallocation seems to be hindering productivity trends in Jamaica. Using a 9-sector database, within-sector and between-sector contributions to productivity growth in Jamaica are calculated and compared with Caribbean and Latin American countries over the period 2011-2017 (Figure 1). Jamaica has negative within-sector productivity growth, pointing to the need for better reallocation of capital and labor toward more productive firms within the same sector which could be stimulated through policies to strengthen competition. Competition policy could be strengthened by ensuring that some sectors are not exempted from competition law.[2] Nevertheless, the contribution of between-sector productivity growth to productivity growth is positive, but lower than in the Latin America regional group. The contribution of between-sector productivity growth to productivity growth can be strengthened by boosting competition in upstream sectors such as

[1] Prepared by P. Guérin.

[2] Further, the Fair Competition Act 1993 of Jamaica could be amended to include formal provisions regarding the review of mergers to ensure that significant mergers are reviewed from a competition perspective.

transport and finance and ensuring that workers have sufficiently strong skills to change jobs as these may be transformed by technology including artificial intelligence.[3]

Figure 1. Jamaica: Sectoral Productivity Trends



Note: Country groups are calculated using the cross-country average. The right panel shows the within-sector productivity contribution—which shows the initial real value added-weighted productivity growth—and the between-sector contribution that shows the contribution to productivity growth from a cross-sectoral shift of employment. Caribbean includes 5 EMDEs (Belize, the Dominican Republic, Jamaica, St. Lucia, St. Vincent and the Grenadines). Latin America includes 11 EMDEs (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Paraguay, and Uruguay).

Sources: World Bank Sectoral Productivity Data; and IMF Staff Calculations.

3. **The National Development Plan—Vision 2030 Jamaica—aims at addressing some of the factors hindering productivity in Jamaica.** Previous analyses pointed to low financial access and high financing cost, elevated energy cost and the need to strengthen transport infrastructure to support private sector-led growth. Other structural constraints on growth and export developments include relatively weak education outcomes, high crime, and comparatively elevated import tariffs. The Government of Jamaica's National Development Plan—Vision 2030 Jamaica—and its Growth Inducement Programme aim at addressing these impediments to growth.[4]

[3] Non-competitive practices in upstream sectors can reduce competition downstream if access to downstream markets requires using intermediate inputs produced upstream. For example, if financial market regulations narrow the range of available financial instruments or products or if a lack of financial sector competition tightens access to finance by downstream firms, new entry and firm growth can be reduced. See, e.g., Bourlès et al. (2013). "Do Product Market Regulations in Upstream Sectors Curb Productivity Growth? Panel Data Evidence for OECD Countries." The Review of Economics and Statistics 95(5).

[4] See, e.g., "Growth Drivers and Constraints" in IMF Country Report No. 16/181, "Reverting Export Stagnation in Jamaica" in IMF Country Report No. 22/044, "Reflections on Innovation and Productivity" in Caribbean Economics, Vol. 12(1), May 2023, and "Growth Inducement Programme: Research Report 2023" PIOJ Report.

B. Productivity and Misallocation: Insights from a Firm-Level Survey

4. This section is organized as follows. First, we present the firm-level dataset used in the analysis. Second, we document the extent of resource misallocation based on the dispersion of firm-level productivity—static misallocation—and on firm growth—dynamic misallocation. Third, we investigate the drivers of productivity growth and present counterfactual exercises to document productivity gains that Jamaica could achieve due to lower crime, less costly business licensing and permits, increased access to finance, and addressing skill mismatches.

B1. Data

5. This annex uses firm-level data on 2,000 firms in 13 Caribbean countries. The firm-level data come from the Innovation, Firm Performance, and Gender (IFPG) survey conducted in 2020 and 2021. It comprises about 150 firms per country and up to a 1000 variables per firm, including a limited number of balance sheet variables.[5] The 13 Caribbean countries are Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, The Bahamas, and Trinidad and Tobago. The IFPG survey is an update of previous surveys conducted in 2010 and 2014.

6. There are several caveats associated with the use of this dataset to analyze productivity dynamics in Jamaica and the Caribbean. First, as limited availability of balance sheet variables hinders the use of more elaborate productivity measures, firm-level productivity is defined as the logarithm of output (sales) to employees.[6] Profitability metrics such as Earnings Before Interest, Taxes, Depreciation and Amortization are not available and investment is available for less than a third of the firms in the dataset, which prevents the use of more data demanding and sophisticated measures of productivity.[7] Second, assessing the impact of macroeconomic or sectoral variables on productivity is not feasible because the IFPG survey is a cross-sectional survey and is not repeated over time. Third, even though the sectors are broadly defined into "Manufacturing" and "Services" they comprise a relatively small number of firms.

B2. Resource Misallocation

7. The elevated dispersion in firm-level productivity points to misallocation of resources in Jamaica. Firm-level data shows that Jamaica has elevated dispersion of firm-level labor productivity—within broadly aggregated sectors—compared with other Caribbean countries, which

[5] The dataset is available under this link: PROTEqIN & IFPG DATASETS - Compete Caribbean Partnership Facility.

[6] The main results are qualitatively robust to the use of alternative productivity measures such as using imputed value added (calculated as sales less the cost of intermediate inputs) as a measure of output, or using total factor productivity calculated as the residual of a Cobb-Douglas production function using the logarithm of sales as output, the logarithm of total labor costs and the logarithm of the net book value of assets as inputs based on country-specific regressions with sector fixed effects. Using these alternative productivity measures leads to a loss of firms in the empirical analysis, thus the main results are presented with productivity defined from the logarithm of sales to employees.

[7] See, e.g., productivity measures based on the approach of Wooldridge (2009)—On estimating firm-level production functions using proxy variables to control for unobservables. Economics Letters, 104.

points to static misallocation of resources (Figure 2, top left panel). Misallocation of resources is the inefficient allocation of resources that leads to a lower level of output. It can be large if less productive firms do not leave the marketplace and prevent productive inputs—both labor and capital—from going to firms where productivity is higher, thus prevents higher productivity firms from expanding and weighing on overall productivity performance. Misallocation of resources can result from entry or exit barriers, a large informal sector, pervasive presence of the state in the economy, differential tax rates, or other stringent regulations such as trade barriers.

8. **Moreover, limited firm growth points to dynamic misallocation of resources**. Evidence from the IFPG survey suggests that, on average, firms do not seem to grow as they age in Jamaica and the Caribbean (Figure A2, top right panel). In contrast, in the United States, by the age of 40, firms grow by a factor of eight, and in Mexico firms double in size.[8] Limited firm growth, as observed in Jamaica, can arise if firms face distortions (e.g., due to limited financial access or high cost of finance), which undermine their incentives to invest in better technology. This is especially damaging for high productivity firms.

B3. Drivers of Firm-Level Productivity and Counterfactual Simulations

9. **Standard firm-level control variables and survey questions related to barriers to doing business are used to assess factors affecting firms' productivity.** The empirical model for explaining firm-level productivity is the following:

$$\log(Prod_{i,s,c}) = \alpha_s + \alpha_c + \beta_1' X_i + \beta_2' Z_i + \varepsilon_{i,s,c}, \quad (1)$$

Where $\log(Prod_{i,s,c})$ is the logarithm of productivity for firm i in sector s in country c defined as the logarithm of sales per employee, α_s are sector fixed effects, α_c are country fixed effects, X_i are firm-level controls such as firm size defined as the logarithm of number of employees and firm age. X_i also include a dummy if the firm has foreign ownership (foreign ownership exceeds 50 percent of the firm equity) and a dummy if the firm has a dedicated Research and Development (R&D) team. Z_i is a vector of factors, which are according to firm i seen as obstacles to its business operations such as "labor regulations," "inadequately educated workforce," "access to finance (e.g., collateral)," "cost of finance (e.g., interest rates)," "business licensing and permits," "crime, theft, and disorder." The variable Z_i is a dummy variable that takes a value of 1 if the firm cites one of these factors as a "major obstacle" or "very severe obstacle" and 0 otherwise.

10. **The regression coefficients should be interpreted as associational rather than causal given potential endogeneity biases**. An example of this is the challenges faced by firms to access finance which could be due to firms' weak productivity and poor business prospects rather than to the external barriers to doing business. These endogeneity biases are mitigated by the inclusion of firm-level characteristics such as variables capturing foreign ownership and the presence of a R&D

[8] See, e.g., Hsieh and Klenow (2016) "Productivity and Misallocation" in The Reporter, NBER.

team as well as firm size and firm age, which are strong predictors of financial constraints.[9] Standard errors are clustered at the firm level, which is the unit of treatment of the analysis.

11. The analysis points to access to finance, crime, skills, and business regulations as important drivers of productivity in Caribbean countries (Figure 2, bottom left panel). The estimation results show that firms that identified access to finance or an inadequately educated workforce as a major or very severe obstacle have a productivity lower by 8.9 percent and 11.6 percent, respectively compared to firms that do not identify such factors as obstacles to their operations. Crime and business regulations are significantly associated with lower productivity in that firms that cite "crime, theft, and disorder" or "business licensing and permits" as a major or very severe obstacle to do business have a 7.5 percent and 7.4 percent lower productivity, respectively.

12. Removal of the barriers to doing business identified above leads to higher productivity (Figure A2, bottom right panel). Under a hypothetical policy scenario where the share of firms in Jamaica facing a major or very severe obstacle due to a specific factor—crime, access to finance, skill mismatch and business licensing and permits—would improve to the average of the best three performers among the 13 Caribbean economies, average labor productivity in Jamaica would increase substantially. For example, if the share of firms in Jamaica that identify crime as a major or very severe obstacle would drop to the average of the top three performers, average firm-level productivity in Jamaica would increase by 3.7 percent. Further, if the share of firms in Jamaica that cite skill mismatch or access to finance as a major or very severe obstacle would drop to the average levels of the top three performers, average firm-level productivity in Jamaica would increase by 1.8 percent and 0.6 percent, respectively.

C. Conclusions

13. This annex reviewed developments in labor productivity in Jamaica using aggregate, sectoral and firm-level data. Productivity performance has been weak in Jamaica, weighing on living standards. The weak productivity performance in Jamaica has been driven by a variety of factors, including weak education outcomes, limited access to and elevated cost of finance, high crime, and infrastructure challenges (e.g., transport and the cost of electricity).

14. The analysis suggests that misallocation of resources is significant and points to the need to strengthen competition. Significantly elevated misallocation of resources both in terms of dispersion of firm-level productivity and barriers to firm growth point to the need to strengthen competition, particularly in upstream sectors such as finance and transportation. Further, competition can be boosted by strengthening trade through reductions in tariffs and/or free trade agreements with large countries as well as bolstering competition policy.[10]

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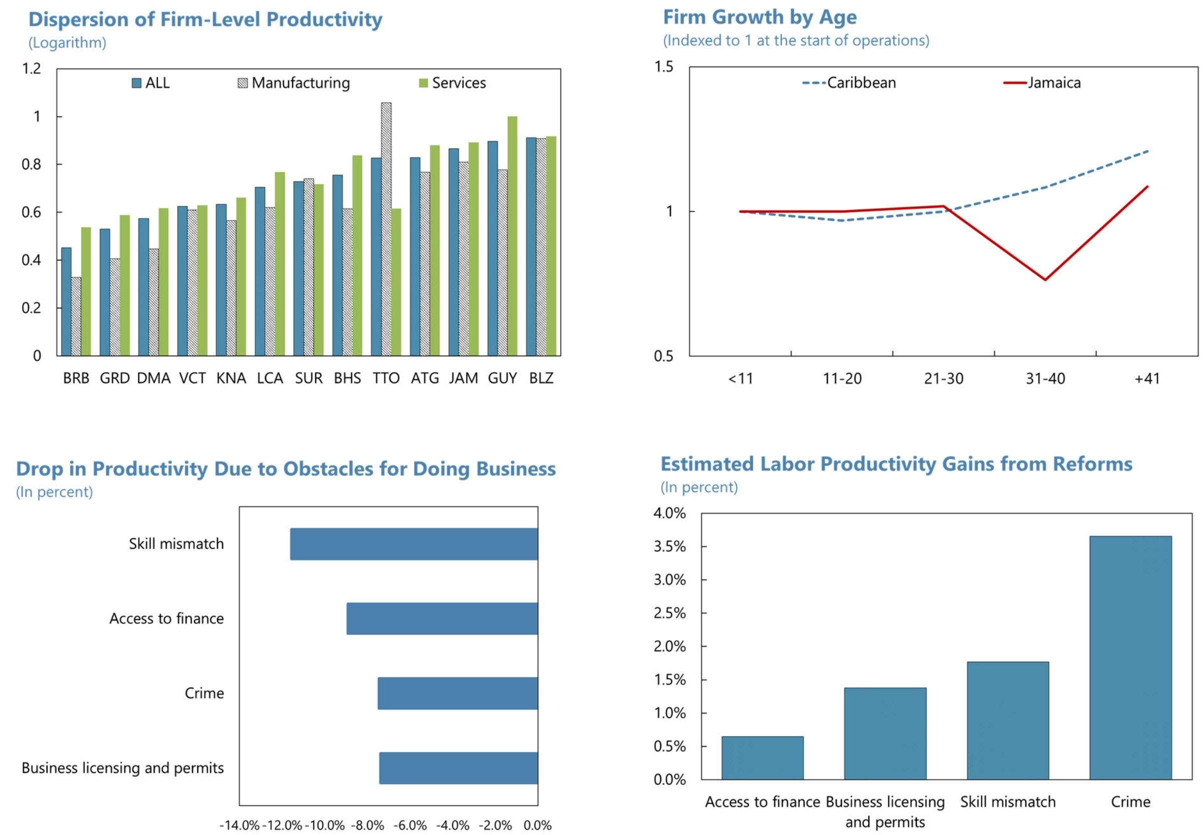
[9] See Hadlock, C. and Pierce, J. (2010). "New Evidence on Measuring Financial Constraints: Moving Beyond the KZ Index." The Review of Financial Studies, 23(5).

[10] See "Reverting Export Stagnation in Jamaica" in IMF Country Report No. 22/044,

15. Policies to address other factors hindering productivity—notably crime, access to finance, and skill mismatches—can also be helpful. A combination of community engagement that promotes economic development, aids deterrence and enforcement has been found to be most effective in addressing criminality. Boosting competition in the financial sector could enhance access to finance, particularly for startups, with knock-on effects on innovation and productivity. Investing in skills would reduce skill mismatch and in turn enhance productivity. Enhancements in the primary and secondary education system could be informed by the insights from the OECD PISA survey.[11] Further, developing apprenticeships as envisaged by the Jamaican authorities through a revamped apprenticeship program would help school dropout to gain marketable skills.

[11] Jamaica participated in the OECD PISA survey for the first time, in 2022.

Figure 2. Jamaica: Productivity: Insights from a Firm-level Survey



Sources: Innovation, Firm Performance, and Gender (IFPG) dataset; and IMF Staff Calculations.

Note: The top left panel shows the dispersion (standard deviation) of firm-level labor productivity across all firms in the economy, and in the manufacturing and services sectors for each of the 13 Caribbean economies. The top right panel shows median employment growth by firm age in Jamaica and the Caribbean countries. Employment growth at the level of a firm is calculated using employment growth since the start of operations of a firm. The bottom left panel shows the coefficient estimates from equation (1) for business perceptions related to crime, skill mismatch, access to finance, and business licensing and permits based on cross-country regressions. The access to finance dummy variable takes a value of 1 if a firm cites “access to finance (e.g., collateral)” or “cost of finance (e.g., interest rates)” as a “major obstacle” or “very severe obstacle” and zero otherwise. Solid bars indicate significance at the 10 percent or lower level. The bottom right panel shows the percent increase in labor productivity in Jamaica associated with aligning business perceptions in Jamaica with the best three performing economies among the 13 Caribbean economies represented in the IFPG dataset.

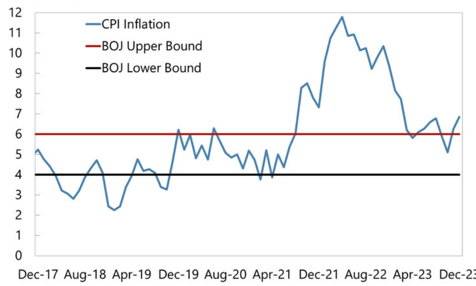
Annex XI. Inflation Dynamics in Jamaica[1]

A model-based analysis shows that the inflation surge in late 2021 and 2022 was largely due to external factors. In 2023, domestic demand and supply pressures started to emerge, explaining why despite a substantial fall, inflation has displayed some inertia. Monetary policy tightening happened promptly and in line with the Taylor Rule. Monetary conditions turned tight towards the end of 2022 and are projected to continue aiding the return of inflation to the mid-point of the target range.

Context

1. **Jamaica undertook several reforms to improve its monetary policy framework and move to full-fledged inflation targeting prior to the Covid-19 shock.** These reforms included a move to a medium-term inflation target (4 – 6 percent) in 2017—instead of the previous intermittently-set annual targets—improvements in the BOJ's technical capacity and communication, and increased exchange rate flexibility. In line with globally low inflation, headline inflation remained at or below the target band prior to 2021.

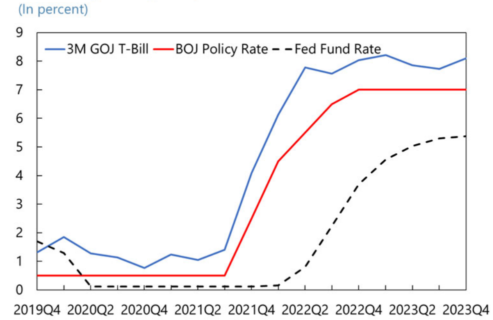
CPI Inflation Versus BOJ Target Band
(In percent)



Sources: STATIN and IMF staff calculations.

2. **The global shocks hitting Jamaica since 2021 have put the policy framework to the test.** Jamaica was severely affected by the Covid-19 pandemic, which brought the tourism-dependent economy to an abrupt halt. Shortly after, global supply chain disruptions and the resulting surge in freight costs, the volatility in oil and gas prices and record-level food prices following Russia's war in Ukraine hit the small island economy. Faced with multiple pressures, understanding the dynamics of inflation during this period and the monetary policy response of the BOJ is crucial to inform policy recommendations.

Monetary Policy Response
(In percent)



Sources: IMF staff calculations

3. **Inflation pressures first emerged in the third quarter of 2021, mostly due to food and energy inflation.** Headline inflation first breached the upper range of the target band in August 2021. It increased quickly and peaked at 11.8 percent y-o-y in April 2022. Initially, food and energy accounted for almost all the inflationary pressures. Pressures on core inflation emerged in January 2023 when core inflation jumped to 7.3 percent y-o-y. Aided by falling energy prices, inflation briefly returned to the target band in April 2023 but rose again in mid-2023. In September and October 2023, headline inflation briefly dipped below the upper limit of the target range but increased again at end-2023 and - as elsewhere - concerns about inflation inertia require vigilance.

[1] Prepared by J. Faltermeier.

4. The BOJ started the tightening cycle promptly after the first uptick in headline inflation, before a visible impact on core inflation, and well-ahead of the US. The BOJ increased its policy rate in October 2021 and continued tightening up to 7 percent in November 2022. It maintained the policy rate at this level throughout 2023 and market rates have remained in line with the policy stance—though lending and deposit rates were slow to respond, suggesting that the credit channel is relatively weak in Jamaica.

Analytical Approach

5. This annex analyzes the inflation dynamics and monetary policy response using a semi-structural New Keynesian Model calibrated to Jamaica.[2] This approach helps to achieve an internally consistent view of macro dynamics to quantify the contribution of shocks and generate forecast conditional on initial conditions and assumptions on global variables. Four core equations drive the model dynamics: (i) an aggregate demand equation (IS) curve links the output gap to monetary conditions, external demand and past output; (ii) an aggregate supply equation (Phillips curve) that links inflation to expectations, real marginal costs and global factors, (iii) an uncovered interest parity condition, linking the exchange rate to its expected future values and nominal interest rates and (iv) a monetary policy rule (Taylor rule) links nominal interest rates to the neutral rate, medium-term inflation deviations and the output gap.[3] The model is adapted to incorporate additional features, including different relative trends in food, energy and core prices, some exchange rate smoothing, imperfect control over domestic money markets, and a direct impact of energy inflation on core inflation (replicating a statistical relationship in the data). However, the model does not include a fiscal block.

6. Equation decompositions and shock decompositions provide insights into the inflation dynamics and the current state of the Jamaican economy. Equation decomposition of a variable show the contribution of contemporaneous endogenous variables. Inflation, for example, can be decomposed into the various components of the Phillips curve – forward and backward-looking expectations, real marginal costs and imported inflation. Shock decompositions, on the other hand, show the contributions from all past structural shocks on a variable. By design, the shocks are exogenous and mutually independent. The contributions are cumulative over all prior shocks (including the present quarter), akin to the sum of all impulse responses to all past shocks. In the following, all variables are presented in annualized quarter-on-quarter growth rates, unless specified otherwise.

7. This annex assesses the monetary policy response by looking at the domestic interest rate vis-à-vis the one implied by the model's Taylor rule. The model is silent on the optimal monetary policy as there is no explicit maximization of a welfare function. However, deviations from

[2] See *Berg, A., P. Karam, and D. Laxton, 2006b, "Practical Model-Based Monetary Policy Analysis: A How-to Guide", IMF Working Paper 06/081 and Berg, A., P. Karam, and D. Laxton, 2006a, "A Practical Model-Based Approach to Monetary Policy Analysis: Overview", IMF Working Paper 06/080*

[3] A Kalman filter is used to obtain model-consistent estimates of unobserved variables (trends and gaps) and historical shocks using quarterly data.

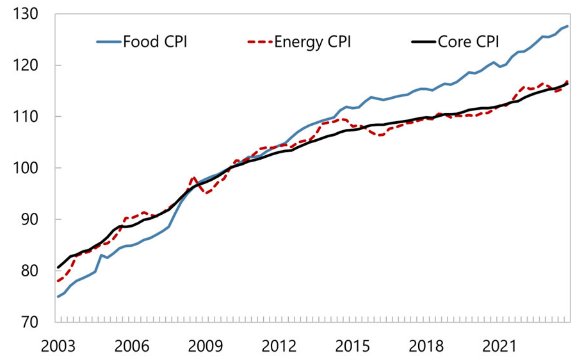
the calibrated Taylor rule can show whether monetary policy was relatively loser or tighter than indicated by the model and to what extent these deviations may have contributed to inflation.

Drivers of Headline Inflation

8. The decomposition of headline inflation shows that the initial surge at end-2021 was mostly driven by food and energy inflation. Core inflation only started to add to inflation starting in 2022. Pressures from energy inflation eased after the initial shock from Russia's war on Ukraine and falling energy prices largely explain the return to the upper band of the target in early 2023, though pressures from core also eased. More recently, all three components contributed to the uptick in q-o-q inflation in the third quarter of 2023 and the increase in regulated transport fares drove the uptick in the energy component in the fourth quarter of 2023. More generally, the relative price of food has been trending upwards over the last two decades, and food prices have remained a persistent driver of inflation over the last couple of years—the recent increase in food prices is above trend. Since 2010, food price index increased by almost 6 percent relative to headline price index, while the trends for core and energy inflation are relatively similar.

Relative Price Trends - Food Inflation Stands Out

(100*log(CPI), normalized to Q12010)



Sources: BOJ, IMF staff calculations.

Drivers of Core Inflation

9. The dynamics of core inflation was initially driven by the real exchange rate gap, and foreign and global oil inflation. Decomposing the Phillips curve for core inflation shows the contribution from the real marginal cost through a depreciated real exchange rate and pressures from foreign inflation. Rising short-term inflation expectations and inflation persistence also contributed significantly, especially in 2022.[4] On the other hand, core inflation initially benefited from deflationary supply shocks, likely associated with the Covid re-opening, which is not captured explicitly in the model but points to mitigating factors on core inflation, as suggested below. The shock decomposition also highlights the role of global factors, especially world oil prices and foreign inflation—the cumulative impact of global shocks alongside the depreciation of the exchange rate account for almost all the increase. Monetary policy shocks – the deviation from the Taylor Rule – only explain a small share of the initial increase and their cumulative impact turned negative in 2023.

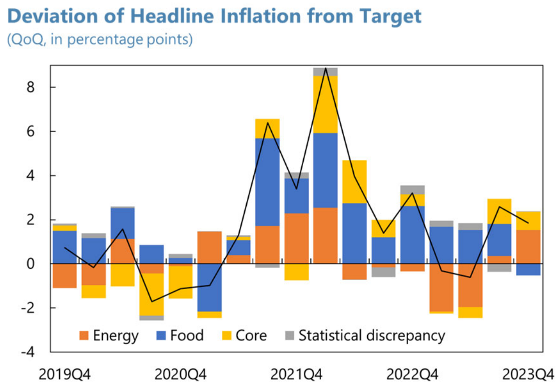
10. The dynamics have shifted in 2023, as global oil prices eased but domestic demand pressures and cost push shocks have entered the picture. A positive output gap is estimated to have opened in 2023 and cost push shocks to core inflation, possibly due to tight labor market conditions amidst record-low unemployment rates not explicitly captured in the model, have likely

[4] In this analysis, "inflation expectations" refers to the model-consistent inflation expectations.

added to inflation pressures. On the other hand, contributions from global oil price shocks and exchange rate shocks have turned negative. Moreover, the prudent fiscal stance likely helped contain demand pressures but fiscal policy is not explicitly modeled here.

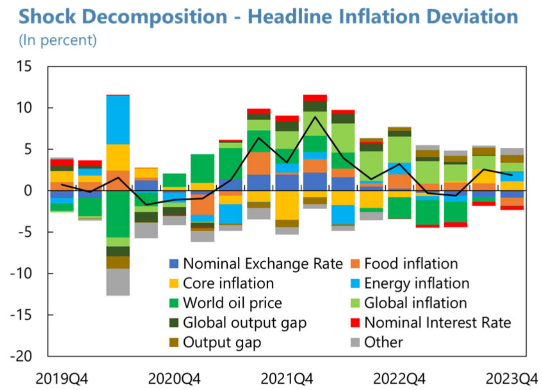
Figure 1. Jamaica: Inflation Decomposition

Equation decomposition: Headline pressures emerged in 2021 and peaked in 2022…



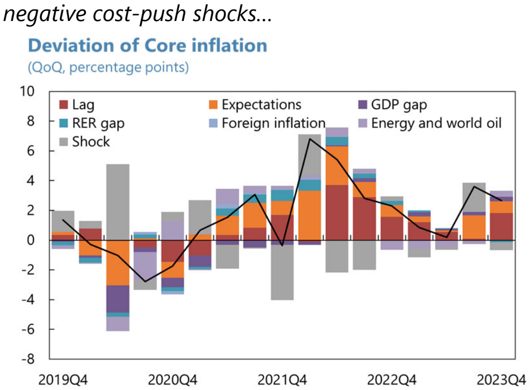
Sources: IMF staff calculations.

…largely due to food and global oil price shocks.



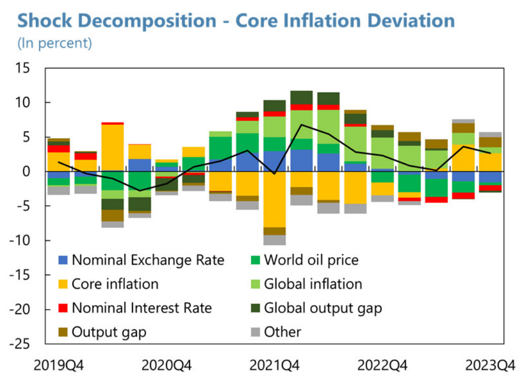
Sources: IMF staff calculations

Equation decomposition: Core rose in 2022 driven by expectations and exchange rate depreciation despite negative cost-push shocks…



Sources: IMF staff calculations.

…but inertia despite falling energy prices and tight monetary conditions is due to core pressures.



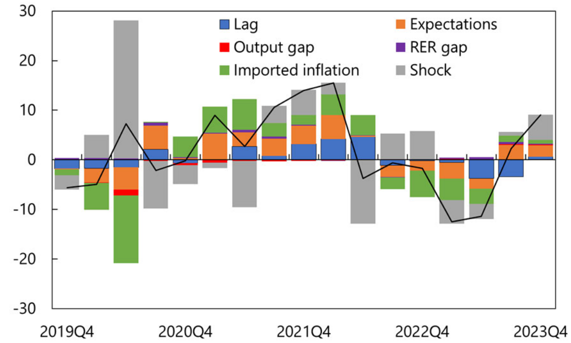
Sources: IMF staff calculations

Drivers of Energy and Food Inflation

11. Energy inflation in Jamaica is volatile; and it is affected by world oil prices. The contribution of the components of the Philipps curve for energy inflation shows the impact of fluctuations in the world oil price—contemporaneous and lagged—is relevant. Offsetting shocks indicate that not all the volatility of global oil prices directly pass-through to consumers. Partly, this reflect that the energy CPI is a combination of different prices including fuel, electricity, and transport, which have varying degrees of exposure to global prices. Moreover, in some cases, price setting leads firms to smooth some of the fluctuations as is the case with fuel prices set by

PetroJam.[5] The shock decomposition confirms that energy inflation is largely driven by world oil price shocks and offsetting domestic energy price shocks. To a lesser extent, exchange rate shocks also play a role.

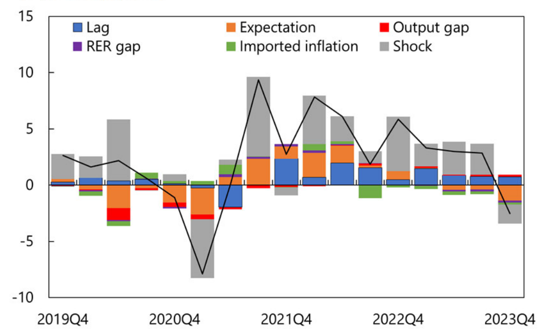
Deviation of Energy Inflation
(In percentage points)



Sources: IMF staff calculations

12. While imported inflation and the exchange rate have played a role in the recent inflation surge, food prices have been mostly driven by domestic shocks. The shock decomposition highlights exchange rate shocks and global inflation shocks as important drivers of food inflation in addition to food supply shocks. Interestingly, though, shocks to global food prices appear to be less important for Jamaican inflation. Instead, domestic shocks due to adverse weather conditions play an important role.

Deviation of Food Inflation
(In percentage points)

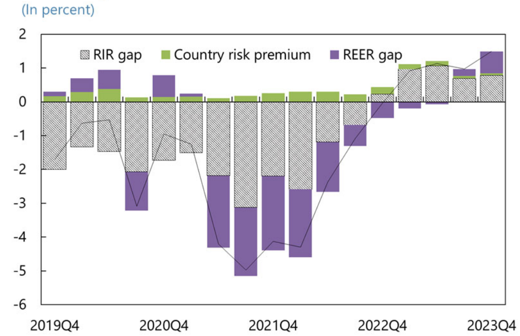


Sources: IMF staff calculations

Policy Response

13. Monetary policy tightened in line with the Taylor Rule. The equation decomposition of the policy rate shows that, similar to most countries, the BOJ's may have not foreseen the inflation surge by mid-2021. However, the policy response was prompt once pressures emerged, and rates tightened appropriately. While the onset of the monetary tightening took place relatively early, monetary conditions only turned tight (positive) in the final quarter of 2022, as real rates increased and the real exchange rate gap closed. Holding the policy rate level throughout 2023 left the interest rate marginally above the rate implied by the model's monetary policy response function, which suggests a prudent stance amid the recent rotation of the underlying drivers of core inflation. In this context, monetary policy appears well positioned to bring inflation back to the mid-point of the target range.

Monetary Conditions Index
(In percent)



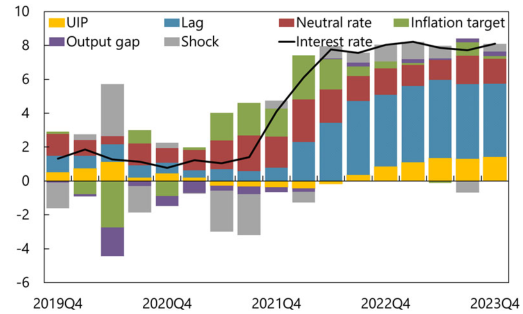
Sources: IMF staff calculations.

[5] PetroJam uses the US Gulf Coast price as reference but limits ex-refinery price changes to +/-J$4.5. Potential losses are recuperated from slower price decreases when global prices fall. There are no subsidies to fuel or electricity prices in Jamaica.

Conclusion

14. At the onset of the inflation surge, price dynamics were driven by global shocks, tough recent trends point to the emergence of some domestic pressures. The analysis of inflation dynamics highlights the impact of global shocks, especially oil price volatility and imported inflation likely due to freight costs and strong demand in the United States. Falling energy prices, tight monetary conditions, and the closing of the real exchange rate gap that opened at the onset of the COVID shock contributed to bring inflation down in 2023. Nonetheless, inflation remains at the upper range of the target band, mostly due to core pressures reflecting a decline of economic slack—with associated tight labor markets conditions—and food price inflation driven by weather shocks.

Nominal Interest Rate
(In percent)



Sources: IMF staff calculations

15. An appropriate monetary policy response demonstrated the BOJ's commitment to inflation targeting in its response to rising inflation. The BOJ relied on the interest rate as its main policy tool, started the tightening cycle relatively early, and maintained rates in line with a reasonably calibrated Taylor Rule to secure inflation convergence. Monetary conditions are appropriately tight and are expected to aid convergence of inflation to the target.

Annex XII. Summary of PLL Qualification Assessments

	2023 PLL Request 1/	2023 1st Review 1/	2024 2nd Review
1**. A sustainable external position** (EBA assessment at least "moderately weaker").	Broadly in line	Broadly in line	Broadly in line
2. **A capital account dominated by private flows** (share of private flows in total capital flows >50 percent, on average over the last three years).	75 percent	66 percent	66 percent
3. **A track record of steady sovereign access to international capital markets on favorable terms** (public sector bonds issued or loans disbursed in international markets in at least 3 of the last 5 years; cumulative amount during the last 5 years>50 percent of the country's quota at the Fund).	158 percent of quota	158 percent of quota	218 percent of quota 2/
4. **A comfortable international reserve position** (reserves>100 percent of ARA metric, on average over three (the current and the two previous years).	117 percent	114 percent	95 percent 3/
5. **Sustainable public debt position and sound public finances** (debt sustainable with high probability).	Sustainable with a high probability.	Sustainable with a high probability.	Sustainable with a high probability.
6. **Low and stable inflation in the context of a sound monetary policy framework** (inflation in single digits in the last 5 years preceding qualification).	6.1 percent	6 percent	7 percent
7. **Sound financial system and the absence of solvency problems that may threaten systemic stability** (the average capital adequacy ratio for the banking sector>regulatory thresholds, no significant solvency risks or recapitalization needs). 4/	CAR at 14 percent. No significant solvency risks or recapitalization needs.	CAR at 14.2 percent. No significant solvency risks or recapitalization needs.	CAR at 14.5 percent. No significant solvency risks or recapitalization needs.
8. **Effective financial sector supervision** (no substantial concerns regarding the supervisory framework).	Efforts needed to enhance consolidated supervision and crisis resolution. Weakness in AML/CFT supervision (FATF grey list)	Efforts needed to enhance consolidated supervision and crisis resolution. FATF grey list - all legislative amendments in the action plan enacted.	Legislation to improve consolidated supervision tabled in parliament; a measure to enhance crisis resolution adopted. FATF grey list – Current efforts to demonstrate effectiveness of amended legislation.
9. **Data transparency and integrity** (an SDDS subscriber or has made satisfactory progress toward meeting the SDDS requirements).	e-GDDS subscriber	e-GDDS subscriber; the authorities and staff agreed a roadmap for SDDS subscription and related conditionality under the PLL.	e-GDDS subscriber; the authorities and staff agreed a roadmap for SDDS subscription and related conditionality under the PLL.

1/ Reported indicators are those available at the time of the request or review.
2/ Further issuances were not needed given low financing needs.
3/ The indicator in the 2nd PLL review uses the ARA metric for floating countries for the year 2021 and for non-floating countries for the years 2022 and 2023, following the re-classification of the de-facto exchange rate regime, effective July 2022.
4/ The regulatory threshold for capital adequacy is 10 percent.

Annex XIII. FSAP—Main Recommendations & Implementation[1] (As of January 18, 2024)

	Recommendations, Responsible Authorities, and References to Main Text	Time[1]	Implementation Status
	Financial Stability and Resources		
1	Increase supervisory resources (All)	I	AML unit staffed. Consultants procured to design an appropriate organizational structure to facilitate efficient and effective discharge of duties under the Twin Peaks Regulatory Model. Following a review of the resources allocated to the examinations of DTIs and DTI Groups, the approved resources have increased from 46 full time employees from 31. Recruitment is ongoing. The BOJ is currently in the process of reviewing the resources and organizational structure to be allocated to the supervisory support functions including policy development, offsite monitoring, licensing and approvals.
2	Enhance data collection and technical skills needed for risk-based supervision, including frequency, granularity, and quality, with a focus on exposures data for analysis (All)	I	Toronto Centre (TC) has been procured to provide consultancy services to the FSC for the development and implementation of a Market Conduct Risk-Based Supervision Framework for all financial institutions.
3	Strengthen the IT platform for supervisory data sharing and regulatory collaboration, including sharing costs (All)	I/NT	Shared data portal was established. The Bank is currently working on a technological solution for efficient collection and sharing of prudential reports across all regulated sectors under the Twin Peaks (TP) workstream.
	Microprudential Oversight		
4	Provide greater delegation to the BoJ to enact legally enforceable rules and include the most important Standards of Sound Practices in the binding set of prudential rules (Government)	I	The BOJ has not yet made any progress with regard to this matter.
5	Fully deploy and implement risk-based supervision (BoJ, FSC)	I	The FSC implemented its Risk Based Supervisory Framework (RBS) in 2021 following a three-year implementation schedule. BOJ has commenced monitoring all licensees utilizing a risk-based approach. BOJ has completed the risk profile (comprehensive assessments) for three institutions and in varying stages of completing the full risk profile for the remaining DTIs. Ongoing monitoring and assessment of DTIs is informed by the RBS approach.
6	Fully deploy and implement risk-based AML/CFT supervision for Deposit Taking Institutions (DTIs) and Cambios (BoJ)	NT	Done through implementation of Action Plan agreed with FATF in 2020 and with Technical Support from the Legal Department of the IMF. Risk rating methodologies have been implemented for all DTIs and the framework for Cambios is far advanced. Focus now is on embedding and automating these frameworks within the workflows of the respective Divisions while informing onsite and off-site surveillance leveraging

[1] Information as reported by the authorities.

	Recommendations, Responsible Authorities, and References to Main Text	Time[1]	Implementation Status
			these tools.
7	Implement consolidated supervision and intensify cross-agency cooperation (BoJ, FSC)	I	The Bill to amend the FSC Act to enable the FSC to conduct group-wide supervision was tabled in Parliament in September 2023. BOJ has licensed 5 of 8 FHCs under the Banking Services Act (BSA), and commenced monitoring for all licensees which operate a group as defined by the BSA. BOJ intensified collaboration with other regulatory agencies (both locally and regionally, across the Caribbean) to further the BOJ's understandings of the risk profile of financial groups, which included hosting our targeted supervisory college as a home regulator for our largest financial conglomerate in June 2023 and will be hosting another college for another indigenous financial group by end Q1, 2024.
8	Strengthen the regulatory framework by implementing Basel III capital adequacy requirements and liquidity requirements at the solo and group levels (BoJ)	NT	The BOJ has since advanced Standards of Sound Practice in rolling out Basel III recommendations. These include the Liquidity Coverage Ratio SSP (2019) and Pillar 1 Capital Adequacy Framework (2022). As an extension to the Capital Adequacy Framework (2022), the BOJ has so far consulted with the industry on the Capital Conservation Buffer and Systemic Risk Buffer for inclusion in impending drafting instructions. The focus now is on commencing the process related to proposals for drafting instructions for the Regulations supporting Pillar 1 and the LCR.
9	Intensify dialogue with the industry (BoJ, FSC)	I	The FSC's routine communication channels include: • Quarterly meetings with the associations for each industry • Consultation papers where the members of the industries are asked to provide feedback on regulatory developments • Annual webinars • Technical working groups - for example IFRS17 and revisions to the risk-based capital tests This has been a focus for the BOJ and has been done through a number of mechanisms including (i) Banker's Committee (ii) focus groups on a number of issues facing the industry such as fraud; (iii) increased meetings with individual Boards and Senior Management regarding findings of supervisory activities or introducing new regulatory policies and specific focus on corporate governance etc.
	Securities Dealers		
10	Complete the retail repo reforms through the staged introduction of the mismatch ratio (FSC)	I/NT	Implementation of the ratio was being conducted in accordance with the implementation schedule. However, due to the pandemic and subsequent geopolitical issues. Full implementation was delayed. It will be incorporated in the consultations to implement the capital and liquidity reforms recommended in the 2020 CARTAC TA.
11	Securities dealers should be able to intermediate in a wider range of financial instruments, in particular, corporate debt and equity instruments (FSC)	MT	The FSC has been in discussions with the Jamaica Securities Dealers Association (JSDA), the Jamaica Central Securities Depositary and the Bank of Jamaica to operationalize the addition of cash to the retail repo framework and issued a consultation in 2020. Discussions are ongoing on the matter.

	Recommendations, Responsible Authorities, and References to Main Text	Time[1]	Implementation Status
			In 2020, through collaboration with the FSC and JSDA the JSE launched a private market to enable trading in Exempt Distribution securities also facilitating an area for reporting secondary trades in the XD offerings and greater liquidity. The FSC also implemented its Risk Based Supervisory Framework in 2021 following a three-year implementation schedule. In the medium term the FSC is seeking to amend the requirements for Capital and Liquidity in accordance with TA recommendations made in 2020. This may include changes to risk weightings and in the case of liquidity, application based on the investment grade and overall liquidity of the instrument.
12	Introduce the revised large exposure regime to improve resilience against contagion (FSC)	NT	The ratio was implemented in December 2021 in accordance with the schedule and currently stands at 25%. Due to the pandemic and subsequent geopolitical issues, the FSC has taken a case-by-case approach to maintaining compliance.
13	Introduce formal arrangements for group-wide supervision of conglomerates which include securities dealers, both within the FSC and between the FSC and BoJ (FSC and BoJ)	NT	The Bill to amend the FSC Act to enable the FSC to conduct group-wide supervision was tabled in Parliament in September 2023. The management meeting at the FSC facilitates communication and joint examination among the sectoral divisions.
	Insurance Sector		
14	Enact binding regulations for asset-liability management and introduce regular stress tests for general insurers (Government, FSC)	MT	The regulations requiring insurers to include ALM in their risk management programs were passed in December 2022. The regulations also required all insurance companies (life and general) to perform annual stress tests.
15	Introduce a risk-based solvency regime, ideally at the time of adoption of IFRS 17 (Government, FSC)	NT	The Minimum Capital Test (MCT) for general insurance companies was updated to reflect IFRS17. Amendment to the insurance regulations to implement the new MCT was completed in December 2022. Quantitative impact studies to update the test for life insurers were conducted. Life Insurance Capital Adequacy (LICAT) was finalized in 2023 and is being used to supervise life insurers. Amendments to the Insurance Act are being drafted
	Macroprudential Policy and Framework		
16	Develop a toolkit for macroprudential policy (BoJ)	MT	The BOJ intends to roll out a systemic risk buffer (SyRB) for Jamaican financial institutions (on a phased basis) in the next few years. The framework which will be used to identify systemically important financial institutions, to which this buffer will apply, was published by the Bank on August 11, 2023. Importantly, the SyRB is a macroprudential policy tool which is intended to strengthen the capacity of the financial institutions designated under this

	Recommendations, Responsible Authorities, and References to Main Text	Time[1]	Implementation Status
			framework as systemically important to withstand losses during times of stress.
17	Develop a communication strategy to convey financial stability assessments and link them to policy actions (BoJ)	MT	As it relates to the communication strategy, the macroprudential policy decisions of the Financial Policy Committee (FPC) are published in the form of macroprudential policy statements on the Bank's website. To facilitate this, the Financial System Stability Committee (FSSC), provides recommendations to the FPC for review, decision and ultimately communication to the public, based on deliberations on macroprudential policy at its scheduled meetings.
	Crisis Preparedness, Recovery Planning, and Resolution		
18	Introduce a special resolution regime (SRR) closely aligned with international best practice for resolving systemic financial institutions (Government)	NT	As at October 2023, the Bank issued a consultation on 'An Effective Special Resolution Regime for Financial Institutions in Jamaica'. This is expected to inform policy proposals for introduction of legislation to reform the current resolution framework for various financial institutions in Jamaica. The SRR is expected to be submitted to parliament by end-June 2024 as part of the 2023/24 PLL conditionality.
19	Finalize an MoU between BoJ and the Jamaica Deposit Insurance Corporation (JDIC) to allow JDIC to better prepare for possible resolution action (BoJ, JDIC)	I	This work stream is far advanced, with final review by the JDIC the MOU is expected to be completed by end Q1 2024.
20	Develop a contingency plan for a systemic crisis (All)	MT	The SRR is to address this as a part of the framework and is expected to be submitted to Parliament as part of the 2023/24 PLL conditionality. As a separate but related workstream, under the auspices of the FRC, a Technical Working Group was tasked with reviewing and updating the compendium of documents to the National Financial Crisis Management Plan to reflect current developments in the financial sector in the context of the existing legal and regulatory framework for DTIs and Non-DTIs until the SRR is implemented. In this body of work, the drafting of Playbooks for the early intervention and resolution of deposit-taking institution (DTI), insurance companies, securities dealers, and life Insurers commenced in November 2022 and is still ongoing. The playbook for DTI sector has been completed. The crisis management playbooks for the Non-DTI sector, MOFPS and JDIC are currently being drafted with an expected submission date of Q1 2024. Once all the Playbooks are completed, the FRC will commence simulation exercises at the agency and multi-agency level to test the efficacy of the plans.
21	Develop guidance for FIs on recovery plans and begin a pilot project to request such plans from the most significant institutions on a rolling basis (BoJ, FSC, JDIC)	I	This is to be a requirement under the SRR framework. Guidance to the industry on the development of recovery plans will be the responsibility of the supervisor (FISD).
22	Develop strategy for funding of resolution, including whether to establish a resolution fund (All)	MT	This forms part of the SRR framework which is expected to be submitted to Parliament as part of the 2023/24 PLL conditionality.

	Recommendations, Responsible Authorities, and References to Main Text	Time	Implementation Status
	Capital Market Development		
23	Adopt a strategy for capital markets deepening, including developing the short end of the yield curve for benchmarking (Government)	NT	BOJ led the coordination, monitoring and implementation of a capital market deepening programme, in collaboration with the FSC and the JSE. Work advanced in various focus areas notably, to facilitate increased transparency and price discovery in markets with the strengthening of trading microstructures. Initiatives to improve the ecosystem for the issuing, listing, trading and rating of Jamaican corporate securities were also implemented. In addition, work has advanced on the project to facilitate the GOJ domestic securities to be listed and traded on the JSE platform.

[1] I (immediate) = within one year; NT (near term) = 1–3 years; MT (medium term) = 3–5 years.

Appendix I. Written Communication

February 8, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431
United States

Dear Ms. Georgieva:

1. Jamaica's economic fundamentals remain strong, and we continue to implement sound economic and financial policies while advancing the reforms supported by the PLL and the RSF arrangements approved by the IMF Executive Board on March 1st, 2023, which will further strengthen the resilience of the economy to external and climate related risks.

2. The entrenched macroeconomic stability and improved policy frameworks have supported the economy's rebound from the pandemic induced slump. Growth in 2023 was spearheaded by tourism and supported by the recovery in services, goods producing industries, and a gradual return to service of one of the largest alumina plants. Growth is expected to remain above potential this year and converge to the pre-pandemic trend afterwards. Monetary policy tightening and the fading of commodity shocks continue to aid inflation convergence to the targeted corridor. The prompt fiscal consolidation following the pandemic and adherence to the Fiscal Responsibility Law (FRL) continue to support a strong downward path in public debt.

3. While we are pleased with the recovery, we keep a watchful eye on the risks and challenges that are buffeting the global economy. A new bout of global financial tightening, stress in the global banking system, and escalation of Russia's war in Ukraine or other regional conflicts that increase global inflationary pressures and interest rates are the major external risks for our economy's recovery. These risks are particularly damaging to economies such as ours, which depend on international tourism, are energy and food importers, and rely on foreign investment and external financing to meet their financing needs. Finally, but not less ominous there are the ever-present risks due to natural disasters and climate change. Jamaica's exposure to these continue to call for careful planning to build right-sized buffers to address these potentially unpredictable shocks while addressing the current expenditure needs.

4. We continued to make progress with our structural reform agenda since the approval of the PLL and the RSF arrangements, and remain committed to maintain sound fiscal policy frameworks to safeguard debt sustainability:

a. Following the approval of a law mandating establishment of an Independent Fiscal Commission (FC), the FC will become operational for FY2024/25, and will assess the realism of fiscal plans and their consistency with the FRL.

b. Reforms of the public compensation framework have been implemented within the fiscal envelope envisaged by the Fiscal Responsibility Law. It establishes a wage structure that is simple, fair, equitable, sustainable, affordable, and fit for the purpose of attracting talent and recognizing performance. We remain committed to continue our efforts to ensure that other spending priorities are not crowded out and will consider pursuing a targeted expenditure review going forward.

c. We continue to take steps to support revenue mobilization and pursue proactive debt management to keep strengthening our debt profile.

d. Reforms in the financial sector to strengthen stability, sustainability, and crisis management continued. These comprise progressing adoption of Basel III regulation, risk-based supervision, expanding regulatory remit of the central bank, progress towards adoption of a special resolution regime, and implementation of recommendations arising from our National Risk Assessment published in August 2021 and the action plan agreed with FATF to exit from a list of jurisdictions under increased monitoring by FATF.

5. In this context, we consider that the two IMF arrangements continue to support our reform agenda and efforts to build resilience to the growing climate challenges. The Precautionary and Liquidity Line (PLL) arrangement provides valuable insurance against external shocks while bolstering investor confidence. It continues to support the implementation of reforms to shield policy frameworks from the potential impact of global shocks, as well as structural reforms that target some of our remaining vulnerabilities. Additionally, the Resilience and Sustainability Facility (RSF) continues to help, together with engagement our international partners, to advance our plans to catalyze private financing and multilateral support for reforms aimed at reducing vulnerabilities to climate events and our ambitious climate agenda. Ultimately, the outcomes of reforms supported by these arrangements will advance the pace of implementation of our public policy reforms for stronger, more inclusive growth. In particular, they will enhance macroeconomic resilience by reducing vulnerabilities of our balance of payments to climate-change related events. We have used and will use the RSF disbursements as budget support. They substitute more expensive market financing thereby improving debt dynamics and lowering overall financing cost.

6. In line with our commitments in our previous written communication, policies under the PLL will enhance: (i) financial integrity by addressing strategic vulnerabilities of our AML/CFT regime; (ii) financial supervision and regulation; and (iii) the data adequacy framework. In addition, we continue to work on our fiscal policy framework, aiming at preserving fiscal and debt sustainability. We intend to continue improving regulations to the 2018 Procurement Act to enhance transparency, improve governance, and limit vulnerability to corruption. In this regard, we plan to reform the regulations to require collection and publication on the Ministry of Finance website of beneficial ownership

information of awarded companies. As a first step, we have published that information for companies awarded COVID-related contracts by public agencies.[1]

7. We have addressed the remaining vulnerabilities in our AML/CFT regime, in line with our action plan agreed with FATF. In February 2023, Jamaica's final Court of Appeal upheld our application and agreed that Attorneys-at-Law were subject to the Proceeds of Crime Act (POCA) legislation and its reporting requirements. At end-March 2023, parliament approved amendments to the Companies Act (i) making the definition of beneficial ownership consistent with FATF standards; (ii) introducing sanctions for breaching basic and beneficial ownership obligations; and (iii) granting the Registrar of Companies powers to ensure compliance. Regarding risk-based supervision (RBS) of Trust and Corporate Services Providers (TCSPs), the FSC has the RBS methodology and has licensed and risk profiled 25 TCSPs since the end of the transition period in April 2023. The FSC licensing and risk profiling has been informing onsite examinations. Our current efforts are concentrated on: (i) the implementation of the beneficial ownership provisions approved by parliament; and (ii) making the beneficial ownership registry more comprehensive and effective. Successfully completing these efforts will pave the way for Jamaica to apply to exit the FATF ICRG process.

8. We expect our achievements and on-going efforts will demonstrate effectiveness of our reformed AML/CFT framework. With the passage and coming into force of the Companies Amendment Act (2023) on March 31 and April 1 respectively, Jamaica satisfied the international standards in relation to putting in place an appropriate legal framework for the transparency and beneficial ownership (BO) of legal persons and arrangements, in keeping with its international obligations. Having successfully completed all the legislative requirements in the Action Plan agreed with the FATF's ICRG, we remain steadfastly committed at the highest level to demonstrate the effectiveness of the AML/CFT legislative framework. Hence, in line with our action plan agreed with FATF, we have exceeded the targeted number of registry inspections of entities identified as high risk. Furthermore, we continue to make progress populating the BO registry with information on companies deemed vulnerable and/or sending strike-off notices from the register to companies not providing the information. Twelve delinquent companies were struck off the register at end December and we are committed to striking off delinquent companies as soon as all requisite notices are exhausted.

9. With respect to financial supervision and regulation, we continue to advance with the Basel III adoption plan. A significant milestone under Phase I of the roadmap was achieved with the publication of the Standard of Sound Practice for Capital Adequacy (SSP), which sets out the minimum capital requirements for credit, market, and operational risk components under Pillar 1 of Basel III and the revised definition of regulatory capital of the Basel framework. Implementation of Pillars 2 and 3 of the Basel framework and the work to make the SSP into a capital adequacy

[1] The Auditor General's Department published audit reports of Jamaica's COVID-related spending programs: Audit of the COVID-19 Allocation of Resources for Employees (CARE) Program – Auditor General's Department (May 2020); Audit of the COVID-19 Allocation of Resources for Employees (CARE) Program – Auditor General's Department (June 2020); Audit of the COVID-19 Allocation of Resources for Employees (CARE) Program - Auditor General's Department (Dec 2020) The integrity commission database lists all contracts (including Covid-19) awarded to companies since 2006. This can be found under: Quarterly Contract Awards (QCA) Searchable Database | Integrity Commission

regulation are ongoing. Phase II comprises Pillar 2, including the Internal Capital Adequacy Assessment Process (ICAAP), the Supervisory Review and Evaluation Process (SREP), and the framework for designating Domestic Systemically Important Financial Institutions (D-SIFIs). This phase also covers the execution of quantitative impact studies (QIS) by the licensed DTIs. Phase III will involve Pillar 3, focusing on market disclosures, consultation and implementation of additional capital and liquidity measures—including capital buffers and the Net Stable Funding Ratio (NSFR).

10. We continue to expand application of risk-based supervision and the regulatory perimeter of the BOJ to the financial institutions not hitherto supervised by it. The amendment to the Co-operative Societies Act will bring credit union cooperatives under the regulatory perimeter of the Ministry of Finance and the BOJ—including provisions restricting deposit-taking to those operating as credit unions. The bill will be presented to Parliament in 2024 jointly with the proposed Credit Unions (Special Provisions) Act, which contains prudential requirements for credit unions. It will cover licensing, capital, reserves, prohibited business, and intervention processes—defining the role of authorized credit unions and allowing the BOJ to monitor their operations.

11. We will also strengthen the regulatory framework with the following actions (see: Table 2):

a. We continue to strengthen the regime for the resolution of non-viable financial institutions. The work on the Special Resolution Regime (SRR) started in October 2017. The Technical Working Group is preparing a draft law for submission to Parliament establishing administrative resolution powers for systemically important financial institutions and modifying the insolvency component for non-systemic financial institutions, in line with Fund staff recommendations (*Structural Benchmark, end-June 2024*). The complexity of the SRR has demanded additional time to finalize the legislation for parliamentary submission. Nevertheless, while we now propose to move the deadline for the structural benchmark to end-June, we will prepare a first draft of the SRR Bill for review by end-March.

b. We published a methodology used to identify systemically important (bank and non-bank) financial institutions (*Structural Benchmark, end-September 2023*).

c. We will continue to advance the supervision of financial holding companies. The Banking Services Act requires that financial groups with DTIs establish a Financial Holding Company (FHC) to be licensed and supervised by the BOJ. In May 2021, the BOJ granted a first FHC license and commenced an ongoing pilot monitoring exercise of the FHC including developing the pilot's supervisory strategies. Since then, the BOJ has licensed 5 of 8 FHCs and has commenced monitoring of all licensees. In this context, the BOJ is intensifying its domestic supervisory efforts and the regional collaboration with regulators including through a regional Consolidated Supervision Group established in 2021.

d. We are expanding the supervisory remit of the Financial Services Commission (FSC). The FSC launched a risk-based supervision framework in November 2021. It applies to financial groups not comprising DTIs, which are supervised by the FSC. The FSC prepared an amendment that was tabled in Parliament to enhance the framework for consolidated supervision (*Structural Benchmark, end-September 2023*). This change will facilitate progress towards a unified prudential regulatory structure, which we intend to implement by fall of 2025.

e. Currently the BOJ supervises banks, while non-bank institutions (securities dealers, insurance companies, pension funds) are supervised by the FSC. This division of supervisory responsibilities has served Jamaica well in the past. However, given the evolving structure of the financial system dominated by diverse financial holding companies comprising banks and non-bank financial institutions, we consider that the unified prudential supervision under the BOJ would be appropriate. As this reform will take time—likely beyond the duration of the PLL arrangement—the FSC will continue to supervise the non-bank financial system in the short term. When the reform is complete, the FSC will focus on supervision of market conduct and consumer protection in the financial system. In May 2023, the Fund's MCM conducted a scoping mission to help us with the design of the twin peaks model and the timing of its implementation. We are also receiving technical support from the World Bank on the design of the framework for market conduct and consumer protection supervision.

12. We continue to improve the quality of our evidence-based policy making. We have made steady progress with national accounts and price statistics (including the rebasing and updating the methodology used to compile the national accounts, and an updated Household Expenditure Survey), government finance statistics, monetary and financial statistics, and balance of payments—including with support from CARTAC and Fund's Statistics Department (STA). We have participated in GDDS since 2003 and in 2017 we implemented the enhanced General Data Dissemination System (e-GDDS).

13. We plan to subscribe to the SDDS and the PLL will facilitate progress towards this goal. An IMF's STA Special Data Dissemination Standard Assessment mission took place in May 1-12, 2023 and, working with a committee comprising representatives from the MOF, BOJ, and STATIN (*Structural Benchmark, end-March 2023*), helped us define an action plan to subscribe to the SDDS by mid-2025. With Fund support, STATIN will develop a restructuring plan to submit to the MOFPS. In June, we included three high-priority actions as structural benchmarks under the PLL (Table 2): (i) the BOJ's compilation and presentation to the Fund's Statistics Department of the International Reserve and Foreign Currency Liquidity (IRFCL) template data for August 2023 was met *by end-September 2023;* (ii) the MOFPS' dissemination on the National Summary Data Page (NSDP) of the compiled data for general government operations for fiscal years 2021/22 and 2022/23 is on track to be met *by end-March 2024;* and (iii) the BOJ's conducting the Non-Financial Corporation Survey to obtain data for Direct Investment Intercompany Lending positions for each quarter of 2023, which will improve external sector data, is on track to be met *by-end June 2024*. In addition, we will progress with the implementation of other high-priority actions, some of them extending beyond the program's expiration date.

14. While the PLL and the reforms enumerated above are strengthening our ability to respond to global economic shocks, we continue to pursue an ambitious set of reforms under the RSF to build resilience to climate change. While Jamaica contributes little to carbon emissions, our vulnerabilities to climate change events have increased. We are exposed to higher temperatures, sea level rise, as well as more frequent natural disasters: droughts, hurricanes, storms, and floods. This high vulnerability to climate change calls for forward looking strategy with adequate resources to build resilience and adaptation to climate change.

15. The RSF is instrumental to implement the reform agenda that has the potential to strengthen our resilience to climate change vulnerabilities and to facilitate the integration of this agenda in macroeconomic policy formulation. Concessional resources and the reform measures under the RSF play a fundamental role in catalyzing private sector financing.

16. Our climate agenda is comprehensive and ambitious, including reforms to transition to renewables in electricity generation, enhancement of policy frameworks to scale up needed infrastructure investment and catalyze private and other financing for climate change issues, reforms to strengthen financial resilience and "green" the financial system including sound monitoring throughout the economy's transition to climate change resilience.

17. We want to further incentivize investment in renewables, invest in climate resilient infrastructure, and adopt a comprehensive layered financial framework supporting relief and reconstruction spending while safeguarding public finances. We do not stop at the real economy and trade activities. We realize that a financial system well equipped to handle climate risks will facilitate the decarbonization efforts laid out in our Updated Nationally Determined Contribution (NDC).

18. The reform agenda continues to be guided by the three pillars in the RSF (Table 3):

a. The first pillar enhances policy frameworks to tackle the adaptation challenge by building resilience to natural disasters and climate change. It comprises reforms to be completed between March 2023 and March 2024. For the first review, we (i) reformed the Public-Private Partnership (PPP) policy to include climate requirements from project identification to contract management and revised the PPP Standard Operating Procedure Manual to include these requirements; and (ii) adopted a National Natural Disaster Risk Financing (DRF) policy. For the second review we (i) adopted methodologies to conduct climate risks assessments at project appraisal stage (*project proposal stage*) and incorporated the methodology into the Public Investment Management System (PIMS) handbook; (ii) defined and published project selection criteria including climate change criteria; and (iii) tabled in parliament an amendment to the Financial Administration and Audit Act to establish a National Natural Disaster Reserve Fund (NDRF). Financial regulations for the NDRF's transparent administration and reporting have also been drafted by the Office of the Parliamentary Council, reviewed by the Attorney General's Chambers and approved by the Ministry of Finance and the Public Service. We established the NDRF with a minor deviation—as a separate account alongside the consolidated fund account rather than as a subaccount of the consolidated fund as envisaged at the program approval stage—to assure timely disbursement of its resources in response to a qualifying natural disaster. For the remainder of the program, we will conduct and publish in the Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.

b. The second pillar tackles the mitigation challenge to decarbonize our economy—we aim to convert about half of total electricity generation capacity to renewables by 2030. This pillar comprises reforms to be completed between June 2023 and June 2024. For the first review we (i) adopted and submitted to parliament for information an electric vehicle policy that sets functional standards and regulations for electric mobility, defines energy sector guidelines for electric mobility accommodation, develop operational codes to promote adoption of electric vehicles, and sets guidelines for the development of an electric mobility ecosystem; and (ii) approved the guidelines adapted to the type and purpose of the structures, to reduce energy use in the existing and newly constructed public buildings. For the remainder of the program, we will submit to parliament a bill to further incentivize investment in renewables through fiscal measures.

c. The third pillar includes measures to be completed between December 2023 and June 2024. They will help us green the financial system in order to mitigate transition risks and attract private financing for green projects. Specifically, for the second review we published a climate risks assessment with diagnostic of climate and environmental risks and defined a timeline to embed the measurement of these risks in supervisory activities and related databases for the development of climate risks assessments. For the remainder of the program, we will (i) adopt a monitoring framework and the reporting requirements for financial institutions to implement Climate Related Financial Risks stress testing and for the BOJ to integrate climate risks in supervision and macroprudential policy formulation; ii) establish an institutional framework for green-bond issuance and trading which will open new avenues for private climate related financing.

19. The reform agenda defined above will be accomplished against the background of progressive implementation of our Updated NDC—the RSF agenda and the NDC measures complement and support each other. We will also make sure that the lessons learnt during the implementation of the program are shared across the responsible institutions and used to improve efficiency, timeliness, and accuracy of the on-going and future climate resilience work. We have no intention of slowing down after the RSF is complete as we see it as propelling forward our endeavor to make Jamaica safe, secure, and thriving.

20. As a member of the IMF, we will be presenting relevant information on our economic and policy developments within the framework of this letter and the Fund’s Articles of Agreement ahead of the semi-annual reviews, expected to be completed no later than February 29, 2024, and August 31, 2024. We will also observe the standard performance criteria on trade and exchange restrictions, bilateral payment agreements, multiple currency practices and the non-accumulation of payment arrears on the external debt. We will provide the Fund with all the needed information to monitor the program under the PLL and the RSF arrangements.

21. We believe that the policies contained in this communication are adequate for achieving the economic goals supported by the PLL and the RSF arrangements, and we are committed to taking additional measures that may be necessary to attain these goals. We have agreed new end-March 2024 international reserves indicative target—Table 1 is modified to reflect this. We reiterate our commitment to the targets in the PLL. IMF's technical support with the adoption of these measures would be appreciated. The continued strengthening of the economy's resilience should position Jamaica well for achieving the objectives of the program, both in the short- and the medium-term. We continue to treat the PLL as precautionary. The risks that could trigger the drawings are likely to dissipate in the next 12 months. Jamaica is expected to be in a strong position to exit the PLL by end-2024 as external risks subside, and external buffers continue to grow.

22. We also request a technical change to the availability dates for the RSF for more flexibility in scheduling the reviews with the PLL.

23. On behalf of the Government of Jamaica, we extend our gratitude for the continued support we have received from the Fund toward the success of our economic policies in the current global environment.

24. Finally, we authorize the IMF to publish this statement, its attachments, and the staff report for this review in line with the commitment to transparency.

Very truly yours,

/s/	/s/
Nigel Clarke, DPhil., MP	Richard Owen Byles
Minister of Finance and the Public Service	Governor, Bank of Jamaica

Table 1. Jamaica: PLL Quantitative Targets

	March 31, 2023			Sept. 30, 2023				March 31, 2024	
	Target	Adjusted	Actual	Target At Program Approval	Revised	Adjusted	Actual	Target Proposed At 1st Review	Revised
Indicative Targets:									
Overall Fiscal Balance of the Central Government (floor)1/	J$7,506 million	J$7,506 million	J$7,786 million	J$3,625 million	J$-45,083 million	J$-45,083 million	J$-27,675 million	J$8,249 million	J$ 8,249 million
Net International Reserves (floor)	US$3,535 million	US$3,535 million	US$4,147 million	US$3,620 million	US$3,820 million	US$3,820 million	US$4,718 million	US$3,930 million	US$4,400 million

Source: IMF staff estimates.

1/ Cumulative flows since the beginning of the fiscal year. Fiscal year runs from April 1 to March 31.

Table 2. Jamaica: PLL Structural Benchmarks

	Measure	Timing	Status
Data Adequacy			
A.	The cabinet will formally establish a National Statistical Committee comprising representatives of the BOJ, the MFPS, and STATIN. The Committee will be tasked to approve an Action Plan to Subscribe to the SDDS; monitor and make recommendations to ensure its implementation.	March 31, 2023	Met
B.	BOJ to compile and submit to the Fund's Statistics Department the International Reserve and Foreign Currency Liquidity (IRFCL) template data for August 2023.	September 30, 2023	Met
C.	MOFPS to compile and disseminate on the National Summary Data Page (NSDP) General Government data for fiscal years 2021/22 and 2022/23.	March 31, 2024	On track
D.	BOJ to conduct the Non-Financial Corporations (NFC) survey to obtain data for Direct Investment Intercompany Lending positions for each quarter of 2023.	June 30, 2024	On track
Financial Regulation			
A.	Submit the Special Resolution Regime law to parliament to strengthen the resolution of non-viable financial institutions while protecting financial stability and the public funds, in line with Fund staff recommendations.	June 30, 2024	On track
B.	Publish a methodology via a BOJ consultation paper to identify systemically important (bank and non-bank) financial institutions and identify such institutions.	September 30, 2023	Met
C.	Submit to parliament amendments to establish supervision by the Financial Services Commission of financial conglomerates without a deposit taking institution.	September 30, 2023	Met
Financial Integrity			
A.	To ensure that adequate, accurate and up-to-date basic and beneficial ownership (BO) information on legal persons and legal arrangements is available on a timely basis to competent authorities, submit to Parliament an amended Companies Act to: (i) ensure that the definition of beneficial ownership is amended in line with the Financial Action Task Force international standards; (ii) have effective, proportionate, and dissuasive sanctions for legal persons and legal arrangements when they breach their BO obligations; and (iii) ensure that the Registrar of Companies is granted with powers to ensure compliance, monitor and verify that basic and BO information held by legal companies is accurate and timely updated.	March 31, 2023	Met

Table 3. Jamaica: Reform Measures Under the RSF 1/

Measure	Target Date	Status	TA
Pillar 1: Building Fiscal and Physical Resilience to Natural Disasters and Climate Change			
RM1: The Ministry of Finance and Public Service (MOFPS) to adopt a National Natural Disaster Risk Financing (DRF) policy.	1st PLL Review (End-June 2023)	Met	World Bank
RM2: The Development Bank of Jamaica in consultation with the MOFPS to modify the Policy and Institutional Framework for the Public-Private Partnership (PPP) policy Program of the Government of Jamaica to include climate requirements in PPP project agreements from project identification to contract management and revise the PPP Standard Operating Procedure Manual to reflect these requirements.	1st PLL Review (End-March 2023)	Met	IDB
RM3: The Public Investment Appraisal Branch (PIAB) to define a methodology to conduct climate impact assessments at project appraisal stage (*project proposal stage*) and incorporate the methodology in the Public Investment Management System (PIMS) handbook	2nd PLL Review (End-Dec. 2023)	Met	IDB
RM4: The Planning Institute of Jamaica (PIOJ) to define and publish project selection criteria including climate change criteria.	2nd PLL Review (End-Dec. 2023)	Met	IDB
RM5: The MOFPS to conduct and publish in the Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.	3rd PLL Review (End-March 2024)	On track	IMF
RM6: The MOFPS to submit to parliament an amendment to the Financial Administration and Audit Act to establish a National Natural Disaster Reserve Fund (NDRF) subaccount under the consolidated fund account. In parallel, the MOFPS to approve financial regulations for a transparent administration and reporting of the NDRF.	2nd PLL Review (End-Dec. 2023)	Met with minor deviation	
Pillar 2: Strengthening Mitigation/Promoting Renewables			
RM7: The MOFPS to submit to parliament a bill to incentivize investment in renewables through fiscal measures.	3rd PLL Review (End-June 2024)	On track	N/A
RM8: The Ministry of Science, Energy and Technology (MSET) to submit to parliament the electric vehicle policy, in line with the objectives in paragraph 23 of the Written Communication.	1st PLL Review (End-June 2023)	Met	IDB
RM9: The MSET to approve guidelines adapted to the type and purpose of the structures, to reduce energy use in schools, hospitals, and public buildings for the existing and new structures.	1st PLL Review (End-June 2023)	Met	IDB
Pillar 3: Greening the Financial Sector			
RM10: BOJ to publish a climate risks assessment (including a diagnostic of related climate and environmental risks detailing the current governance and regulatory regime) and define a timeline to embed these risks in supervisory activities and related databases for the development of climate risks assessments.	2nd PLL Review (End-Dec. 2023)	Met	French Dev. Agency
RM11: Adopt a monitoring framework that improves data collection and establishes the reporting requirements for financial institutions to implement Climate Related Financial Risks stress testing and for the BOJ to gradually integrate climate risks in supervision and macroprudential policy formulation.	3rd PLL Review (End-June 2024)	On track	
RM12: Establish an institutional framework for green-bond issuance and trading.	3rd PLL Review (End-June 2024)	On track	IDB

[1] The above reform measures have been discussed with the IDB's and the World Bank's experts and deepen synergies with the IDB's and World Bank's efforts in the areas covered by the reform measures.

Attachment I. Technical Appendix

For the remaining third review of the PLL arrangement, indicative targets (IT) as defined in Table 1 of our written communication will be set for end-March 2024. They include:

- **Cumulative Floor of the Central Government Fiscal Balance.** The fiscal balance of the central government is defined as total revenues minus total expenditures and covers government activities as specified in the budget. Revenues are recorded when the funds are transferred to a government revenue account. Revenues will also include grants. Capital revenues will not include any revenues from divestment operations. Central government expenditure is recorded on a cash basis and includes compensation payments, other recurrent expenditures, and capital spending. Government-funded PPPs will be treated as traditional public procurements. Total expenditure also includes transfers to other public bodies which are not self-financed. Costs below existing contracts or severance payments to workers, will be allocated to current and capital expenditures accordingly. All expenditures directly settled with bonds (except for provision for losses of the Bank of Jamaica) or any other form of non-cash liability will be recorded as expenditure financed with debt issuance and will therefore affect the overall fiscal balance.
  - *Reporting:* Data will be provided not later than six weeks after the test date.

- **The central government** for the purposes of the monitoring of the IT consists of the set of institutions currently covered under the state budget. The central government includes public bodies that are financed through the Consolidated Fund. The fiscal year starts on April 1 in each calendar year and ends on March 31 of the following calendar year.

- **Public Sector** refers to the "Specified Public Sector" (SPS) as defined under the Fiscal Responsibility Law (FRL) and consists of the central government and self- financed public bodies that are not deemed "commercial" by the Office of the Auditor General (OAG), based on the set of legislated criteria. It excludes the Bank of Jamaica (BOJ). For the purposes of the arrangement monitoring, public bodies comprise the following self-financed public bodies: AEROTEL; Airports Authority of Jamaica; Betting, Gaming and Lotteries Commission; Broadcasting Commission; Bureau of Standards; Clarendon Alumina Production Limited; Coconut Industry Board; Development Bank of Jamaica Limited; Factories Corporation of Jamaica; Financial Services Commission; Firearm Licensing Authority; Harmonization Limited; HEART Trust- NTA; Housing Agency of Jamaica Limited; Jamaica Agricultural Commodities Regulatory Authority; Jamaica Bauxite Institute; Jamaica Bauxite Mining; Jamaica Deposit Insurance Corp.; Jamaica International Freezone Limited; Jamaica Mortgage Bank; Jamaica National Accreditation Agency; Jamaica Racing Commission; Jamaica Railway Corporation; Jamaica Ultimate Tyre Company Limited; Jamaica Urban Transport Company Limited; Kingston Free Zone Limited; Micro Investment Development Agency; Montego Bay Free Zone; Montego Bay Metro Limited; National Export Import Bank of Jamaica - EX-IM Bank; National Health Fund; National Housing Trust; National Insurance Fund; National Water Commission; National Road Operating and Constructing Company Limited; Ocho Rios Commercial Centre Limited; Office of Utilities Regulation; Overseas

Examination Commission; Petrojam Ethanol Limited; Petrojam Limited; Petroleum Corporation of Jamaica; Port Authority of Jamaica; Ports Management and Security Limited; Ports Security Corps Limited; Postal Corporation of Jamaica; Public Accountancy Board; Runaway Bay Water Company Limited; SCJ Holdings Limited; Spectrum Management Authority; St Ann Development Company Limited; Student Loan Bureau; Sugar Industry Authority; Transport Authority; Universal Service Fund; Urban Development Corporation.

- **Floor on the Stock of Net International Reserves** of the BOJ (NIR-BOJ) is defined as the U.S. dollar value of gross foreign assets of the BOJ minus gross foreign liabilities. *Gross foreign assets* are defined per the Sixth Edition of the Balance of Payments Manual and International Investment Position Manual (BPM6)[1] as readily available claims on nonresidents denominated in foreign convertible currencies. They include the BOJ's holdings of monetary gold, SDR holdings, foreign currency cash, foreign currency securities, liquid balances abroad and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currency vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals other than gold, assets in nonconvertible currencies and illiquid assets. *Gross foreign liabilities* of the BOJ include all foreign exchange liabilities to nonresidents (thus excluding all foreign exchange liabilities to residents), including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options) and all credit outstanding from the Fund but excluding credit transferred by the Fund into a Treasury account to meet the government's financing needs directly. In deriving NIR, credit outstanding from the Fund is subtracted from foreign assets of the BOJ. GOJ foreign liabilities are excluded from gross foreign liabilities of the BOJ. Non-U.S. dollar denominated foreign assets and liabilities will be converted into U.S. dollar at the arrangement exchange rates except for items affecting government fiscal balances, which will be measured at current exchange rates. The arrangement exchange rates are those that prevailed on December 14, 2022—shown in Table 1 below.

Table 1. Jamaica: Arrangement Exchange Rates 1/

Jamaica dollar to the US dollar	1 USD = 154.2889 JMD
Jamaica dollar to the SDR	1 SDR = 205.8055 JMD
Jamaica dollar to the Euro	1 EUR = 165.3159 JMD
Jamaica dollar to the Canada dollar	1 CAD = 112.8969 JMD
Jamaica dollar to the British Pound	1 GBP = 188.7903 JMD

[1] Available via Internet at: https://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm.

Table 1. Jamaica: Arrangement Exchange Rates 1/ (concluded)	
Jamaica dollar to the Swiss Franc	1 CHF = 166.5378 JMD
Jamaica dollar to Chinese Renminbi	1 CNY = 22.2002 JMD
1/ Average daily selling rate of December 14, 2022	

- *Adjusters:* The NIR targets will be adjusted upward (downward) by the surplus (shortfall) in expected loan disbursements from multilateral institutions (the IBRD, IDB and CDB) and commercial loans guaranteed by multilateral sources, relative to the baseline projection reported in table below. Loan disbursements are defined as external loan disbursements (excluding project financing disbursements) from official creditors that are usable for the financing of the *public sector*. The NIR targets will be adjusted upward (downward) by the surplus (shortfall) in grants or loan disbursements to the central government that are purchased by or deposited at the BOJ, relative to the baseline projection reported below.

Table 2a. Jamaica: External Disbursements (Baseline Projection)	
Cumulative flow from Dec 31, 2023	(in US$ million)
Budget Support Grants	
• End-March 2024	1.63
Multilateral Loans	
• End-March 2024	0.00
Loans Guaranteed by Multilaterals	
• End-March 2024	0.00

- *Reporting:* Data will be provided by the BOJ to the Fund with a lag of no more than 10 days after the test date.

- **As per the policy of the Government of Jamaica all its external obligations will be met on time without delays.** The policy of the government has also been to pay domestic obligations on time, including commercial loans, treasury bills, notes, and bonds. For the arrangement, the payment arrears are defined as external debt service obligations (principal and interest) that have not been paid at the time they are due as specified in the contractual agreements, on central government and central government guaranteed debt. Overdue debt and debt-service obligations that are in dispute will not be considered external payment arrears.

- **Timing of reviews.** This arrangement was approved by the IMF Executive Board on March 1, 2023. The first review was completed on August 31, 2023. The remaining reviews are expected to be completed by no later than February 29, 2024, for the second review, and August 31, 2024, for the third review.

INTERNATIONAL MONETARY FUND

JAMAICA

February 12, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION AND SECOND REVIEWS UNDER THE ARRANGEMENT UNDER THE PRECAUTIONARY AND LIQUIDITY LINE AND ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—INFORMATIONAL ANNEX

Prepared By | Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of December 31, 2023)

Membership Status: Joined: February 21, 1963, Article VIII

General Resources Account:	**SDR Million**	**% Quota**
Quota	382.90	100.00
Fund holdings of currency	736.55	192.36
Reserve tranche position	27.35	7.14

SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	628.64	100.00
Holdings	59.79	9.51

Outstanding Purchases and Loans:	**SDR Million**	**% Quota**
Emergency Assistance [1]	287.18	75.00
RSF Arrangements	191.45	50.00
Extended Arrangements	93.78	24.49

1/ Emergency Assistance may include ENDA, EPCA, and RFI

Latest Financial Arrangements:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RSF	Mar 01. 2023	Feb 28, 2025	574.35	191.45
PLL	Mar 01, 2023	Feb 28, 2025	727.51	0.00
Stand-By	Nov 11, 2016	Nov 10, 2019	1195.30	0.00

Outright Loans:

Type	Date of Arrangement	Date Drawn	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RFI	May 15, 2020	May 19, 2020	382.90	382.90

Jamaica: Overdue Obligations and Projected Payments to Fund 1/

(SDR Million; Based on Existing Use of Resources and Present Holdings of SDRs)

	2024	2025	2026	2027	2028
Principal	274.47	124.05	9.44		
Charges/Interest	48.65	37.79	33.37	33.02	33.04
Total	296.12	160.83	42.81	33.02	33.04

1/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangements:

Jamaica's de-facto exchange rate regime was re-classified from 'floating' to 'crawl-like arrangement' effective July 2022. On December 29, 2023 the Jamaican dollar was trading at around J$153.6 to the U.S. dollar. Jamaica has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement. Jamaica maintains an exchange rate system free of restrictions on the making of payment and transfers for current international transactions and multiple currency practices.[1]

Last Article IV Consultation and Program Relations:

Jamaica PLL and RSF arrangements, were approved on March 1, 2023, in an amount equivalent to SDR 727.51 million (about US$968 million) or 190 percent of quota, and SDR 574.35 million (about US$764 million) or 150 percent of quota, respectively. The Executive Board of the International Monetary Fund (IMF) completed the first reviews of the PLL and the RSF arrangement in August 2023. The last Article IV consultation was completed by the Executive Board in February 2023. Jamaica is on the standard 12-month consultation cycle. Jamaica's capacity to repay the Fund remains adequate, with risks mitigated by its strong track record of policy implementation and past use of Fund resources. Fund credit outstanding will reach about 9.3 percent of GDP or 23.5 percent of exports by end FY 2023/24.

[1] Jamaica previously maintained a multiple currency practice, subject to IMF approval under Article VIII, Section 3 of the IMF's Articles of Agreement, due to the absence of a mechanism to prevent the exchange rates used for the resale of foreign exchange auction funds (capped with a specified spread) by participants and the exchange rates at which such participants sell foreign exchange other than from the foreign exchange auction funds, from deviating by more than 2 percent. In line with the revised MCP policy that became effective as of Feb 1, 2024, all MCPs maintained by members under the previous MCP policy will be considered eliminated as of Feb 1, 2024.

Safeguards Assessment:

A safeguards assessment of the BoJ was completed in April 2023 and found a relatively strong safeguards framework in place. It concluded that financial reporting practices and audit mechanisms at the BoJ continue to be guided by international standards and recent amendments to the BoJ Act have strengthened the bank's autonomy and governance. The internal audit function's coverage is being strengthened under the Audit and Risk Committee's oversight, though there is scope to reduce the number of compliance activities in annual audit plans. The external audit mechanism has been enhanced by the introduction of an external auditor rotation requirement, given that a long tenure of the current auditor may raise independence concerns. Importantly, the BoJ has developed a broad operational framework to support and mitigate risks from the newly introduced central bank digital currency (JAM-DEX).

Technical Assistance Since 1994		
Department	**Dates**	**Purpose**
FAD	October 30–November 19, 2023	STX - Strengthened core tax administration functions - Revenue Accounts
	October 18–October 31, 2023	HQ Mission - Fiscal Risks Analysis from Climate Change
	October 18–October 31, 2023	Hybrid CP Participation - Fiscal Risks Analysis from Climate Change
	April 17, 2023–April 21, 2023	STX - Strengthened core tax administration functions - Arrears Management
	December 20, 2022–April 19, 2023	LTX Desk Related Work
	May 20, 2022–November 18, 2022	STX - Corporate Priorities better managed - Business Impact Analysis
	May 13, 2022–May 27, 2022	Post TADAT mission
	January 21, 2022–February 4, 2022	Follow up - Strengthen Audit Function - Training in computer audit techniques
	September 10, 2021–October 1, 2021	Training audit specialists in computer audit techniques
	September 6, 2021–September 30, 2021	TADAT Assessment - Corporate Priorities better managed
	January 8, 2018–January 19, 2018	Take stock of reforms and make recommendations on the next level of reforms
	January 8, 2018–January 19, 2018	Debt Management
	July 3, 2017–July 14, 2017	Public bodies reform action plan
	December 12, 2016–December 20, 2016	Property tax
	November 29, 2016–December 12, 2016	Implementation of TSA and review of financial management information systems

Technical Assistance Since 1994 (Continued)		
Department	**Dates**	**Purpose**
	August 17, 2016–August 25, 2016	Support the preparation of the macro-fiscal framework for 2017
	July 6, 2016–July 19, 2016	Follow-up on general 2016 mission.
	June 28, 2016–July 12, 2016	Social Protection Reform
	October 12, 2015–October 26, 2015	TADAT
	October 6, 2015–October 20, 2015	Treasury Restructuring
	September 22, 2015– October 5, 2015	Public Bodies Reform
	September 9, 2015–September 22, 2015	Tax Reform and Tax Expenditures
	April 6, 2015–April 21, 2015	Expenditure Rationalization Follow-up
	February 19, 2015– February 25, 2015	RA GAP
	July 10, 2014–July 23, 2014	Cash and debt management
	July 7, 2014–July 18, 2014	RA Gap
LEG	August 14, 2023–August 18, 2023	Onsite Supervision Mission FY24
	July 2, 2021–July 22, 2021	HQ based work-Staff
	May 3, 2021–May 28, 2021	LTX Work
	March 15, 2021–March 19, 2021	VT - Strengthening Risk-Based Supervision BOJ
	March 15, 2021–March 19, 2021	VT - Strengthening Risk-Based Supervision at BOJ
	January 25, 2021–February 26, 2021	TA on Assistance in Review of Discretionary Tax Waivers
	December 10, 2019–December 13, 2019	Strengthening AML/CFT Supervision
	April 8, 2019–April 12, 2019	Strengthening BOJ's AML/CFT Supervisory Framework
	September 24, 2018–September 28, 2018	Strengthening BOJ's AML/CFT Supervisory Framework
	February 26, 2018–March 9, 2018	TA in Fiscal Tax Law: Customs
	January 29, 2018–February 2, 2018	AML/CFT Mission
	November 13, 2017–November 17, 2017	Risk-based Approach to AML/CFT Supervision
	September 18, 2017– September 22, 2017	AML/CFT Scoping Mission

Technical Assistance Since 1994 (Continued)		
Department	**Dates**	**Purpose**
	July 26, 2017–August 2, 2017	TA in Banking Law
	July 5, 2017–July 18, 2017	TA in Central Bank Balance Sheet Issues, Governance and Legal Reforms
	January 4, 2017–January 13, 2017	Program TA in Banking Resolution
	December 1, 2015–December 8, 2015	Resolution of Banks/Securities Dealers
	June 8, 2015–June 12, 2015	Program TA in Banking Resolution
MCM	September 19, 2023–September 28, 2023	Jamaica FY24 Sep 2023 Enhance Systemic Risk Monitoring
	May 15, 2023–May 19, 2023	Jamaica CARTAC FY24 May Twin Peak Regulation Scoping and Roadmap
	September 22, 2022–October 3, 2022	Jamaica Sep FY23 Management of Capital Flows
	September 27, 2021–October 1, 2021	Enhancing stress test for banks
	June 1, 2021–August 31, 2021	Review of BOJ's risk management framework
	May 3, 2021 –May 6, 2021	Mission continued from Apr 2021
	May 1, 2021–May 6, 2021	FY21 Mission: VIRTUAL (COVID): CARTAC: Systemic Risk Monitoring -
	December 4, 2019–December 13, 2019	Modeling and Forecasting TA and Project Assessment
	December 2, 2019–December 6, 2019	Debt Market Development/Primary Dealer System
	September 2, 2019– September 13, 2019	CARTAC: Insurance Sector Stress Testing Framework Development
	December 6, 2018 –December 14, 2018	Monetary and Foreign Exchange Policy
	October 29, 2018– November 9, 2018	Modeling and Forecasting
	July 2, 2018–July 6, 2018	Implement Basel II/III Standards (Pillars 1) - Assessing implementation plan
	Match 5, 2018–March16, 2018	Stress Testing (3 of 3)
	January 23, 2017–February 3, 2017	Strengthening securities supervision
	February 28, 2017–March 2, 2017	Strengthening Securities Supervision
	December 11, 2017–December 15, 2017	Strengthening Securities Supervision
	August 28, 2017– September 8, 2017	Stress Testing (1 of 3)

Technical Assistance Since 1994 (Continued)		
Department	**Dates**	**Purpose**
	November 20, 2017–December 1, Dec 2017	Stress Testing (2 of 3)
	17 Oct 2017 - 24 Oct 2017	Strengthening Securities Supervision
	October 9, 2017–October 20, 2017	Modeling and Forecasting
	July 24, 2017–July 28, 2017	CARTAC: Consolidating Macro Prudential and Operational Framework Toolkit
	July 5, 2017–July 18, 2017	Central Bank Balance Sheet Issues, Governance, and Legal Reforms
	June 12, 2017– June 23, 2017	Strengthening Securities Supervision
	June 7, 2017–June 22, 2017	Nonbank Regulation and Supervision
	May 1, 2017–May 11, 2017	Reform of the Primary Dealer system
	April 18, 2017–May 4, 2017	Foreign Exchange Operations
	February, 27 2017–March 10,	Strengthening Securities Supervision
	February 20, 2017–March 3, 2017	TA to the Financial Services Commission of Jamaica
	February 25, 2016–March 2, 2016	TA to the Financial Services Commission of Jamaica
	May 1, 2016–May 10, 2016	TA to the Financial Services Commission of Jamaica
	November 16, 2016–November 18,	TA to the Financial Services Commission of Jamaica
	February 25, 2016–March 2, 2016	Strengthening securities supervision
	May 24, 2016– May 26, 2016	Strengthening securities supervision
	August 23, 2016–August 25, 2016	Strengthening securities supervision
	November 16, 2016–November 18, 2016	Strengthening securities supervision
	November 16, 2016–November 18, 2016	Strengthening securities supervision
	October 10, 2016–October 21, 2016	Modeling and Forecasting
	June 20, 2016–June 24, 2016	Modeling and Forecasting
	November 9, 2015–November 11, 2015	Supervision of Nonbank Financial Sector Supervision
	October 13, 2015–October 26, 2015	Debt Management and FX Markets
	September 23, 2015–October 6, 2015	Public Debt Management
	September 16, 2015–September 18, 2015	Supervisory Intervention - Prompt Corrective Action (PCA)

Technical Assistance Since 1994 (Continued)		
Department	**Dates**	**Purpose**
	July 13, 2015–July 17, 2015	Transition to the Retail Repo
	June 22, 2015–June 26, 2015	CARTAC: Implementing Risk-based Supervision
	May 5, 2015–May 6, 2015	Macro-Prudential Policy & Operational Frameworks
	20 Apr 2015–April 29, 2015	Reform of the Securities Dealers Sector
	March 9, 2015–March 13, 2015	Contingency Planning
	February 16, 2015–February 20, 2015	Preparation for Inflation Targeting Review
	December 1, 2014– December 4, 2014	Monetary Policy Operations
	November 3, 2014– November 7, 2014	Reform of the Securities Dealers Sector
	September 30, 2014–October 8, 2014	Financial Crisis Management and Contingency Planning
	July 7, 2014–July 11, 2014	Developing a Prudential Framework
STA	November 13, 2023–November 18, 2023	Government Finance Statistics - IMF01
	July 24, 2023–July 28, 2023	TA - PIE - Improving GDP
	May 1, 2023–May 13, 2023	TA - eGDDS missions FY24
	February 6, 2023–February 10, 2023	Jamaica - TA - BOP/IIP - Enhance Source Data
	November 9, 2020–November 13, 2020	(Remote TA) Monetary and Financial Statistics
	October 12, 2020– November 3, 2020	(Remote TA) CARTAC: National Accounts - Review of implementation of SNA 2008 concepts and methods
	September 16, 2019–September 27, 2019	CARTAC: Consumer Prices/Producer Price - Reweighting the CPI
	August 13, 2018–August 24, 2018	Government Finance Statistics
	August 7, 2018–August 17, 2018	Monetary Data Reported in SRF
	April 21, 2018– April 27, 2018	CARTAC: Enhance FDI position data
	January 29, 2018–February 9, 2018	CARTAC: Review of National Accounts Statistics
	October 23, 2017–November 3, 2017	Government Finance Statistics
	October 17, 2017– October 27, 2017	CARTAC: Producer and Import Price Indices
	April 3, 2017–April 13, 2017	CARTAC: Balance of Payments Statistics
	November 28, 2016–December 9, 2016	CARTAC: Real Sector Statistics - Follow-up on compiling institutional sector financial accounts

Technical Assistance Since 1994 (Concluded)		
Department	**Dates**	**Purpose**
	October 13, 2016–October 26, 2016	CARTAC: Consumer Prices/Producer Price
	January 18, 2016–January 29,	CARTAC: National Accounts
	August 10, 2015–August 21, 2015	CARTAC: Institutional Sector Accounts
	April 27, Apr 2015–May 8, 2015	CARTAC: Balance of Payments Statistics

CARTAC Technical Assistance to Jamaica in FY2020–FY2023

During FY2020-FY2023, CARTAC has delivered CD on financial sector supervision, macroeconomic program, tax administration and statistics.

CARTAC Technical Assistance to Jamaica in FY2020–FY2023		
Description	**Start Date**	**End Date**
Financial Sector Supervision		
Enhance Systemic Risk Monitoring	04/11/22	04/15/22
Workshop: Basel II/III Framework	10/12/21	10/21/21
Government Debt Market (Mission)	10/04/21	10/15/21
Dynamic Stress Test for Banks	10/02/21	10/08/21
Enhancing stress test for banks	09/27/21	10/01/21
FY21 Mission: VIRTUAL (COVID): CARTAC: Systemic Risk Monitoring - Monitoring Detecting System Risks	05/01/21	05/06/21
Systemic Risk Monitoring - Monitoring Detecting System Risks (FSR Writing)	04/28/21	05/07/21
Systemic Risk Monitoring - Monitoring Detecting System Risks (FSR Writing)	04/27/21	04/30/21
Consolidated Supervision of Insurance Groups	04/19/21	04/23/21
Consolidated Supervision of Insurance Groups	04/19/21	04/23/21
Consolidated Supervision of Insurance Groups	04/19/21	04/28/21
Bank of Jamaica - To Conduct Risk-Based Supervision	04/14/21	04/19/21
To Conduct Risk-Based Supervision	04/14/21	04/19/21
Strengthening Risk-Based Supervision BOJ	03/15/21	03/19/21
Basel II/III (Pillar 1) Implementation Follow-Up Mission	02/23/21	02/25/21
Basel II/III (Pillar I) Implement Follow-Up Mission	02/22/21	02/26/21

CARTAC Technical Assistance to Jamaica in FY2020–FY2023 (Continued)		
Description	**Start Date**	**End Date**
Financial Stability – Monitoring and Detection of Systemic Risks	02/08/21	02/21/21
Basel II/III (Pillar I) Implement Follow-Up Mission	10/02/20	10/15/20
Basel II/III (Pillar 1) Implementation Follow-Up Mission	10/02/20	10/15/20
Liquidity Risk Management and Capital Requirements - Securities Firms	07/31/20	08/14/20
Liquidity Risk Management and Capital Requirements - Securities Firms	07/26/20	08/14/20
Liquidity Risk Management and Capital Requirements - Securities Firms	07/01/20	07/03/20
Management of Credit Risk Supervisory Process and Conducting Credit Risk Reviews	07/08/19	07/12/19
Macroeconomic Program		
6 JAM MFT 5th delivery	09/08/22	11/30/22
5 JAM - Virtual delivery - MTF third development mission	05/27/22	06/22/22
JAM MTF second development mission	10/11/21	10/15/21
Jamaica General Macroeconomic Analysis	09/13/21	07/23/21
Jamaica General Macroeconomic Analysis	07/19/21	07/17/21
JAM Remote support bet missions	06/24/21	10/08/21
JAM - Macroframework Foundation Tool, First Delivery	05/17/21	05/21/21
Macroframework Foundation Tool, First Delivery	05/17/21	05/21/21
Macroframework Foundation Tool, First Delivery	05/17/21	05/21/21
Financial Programming and Policies	12/15/20	12/18/20
Tax Administration		
STX - Strengthened core tax administration functions - Arrears Management (HYBRID)	04/17/23	04/21/23
STX - Corporate Priorities better managed - Business Impact Analysis	05/20/22	11/18/22
Post TADAT mission	05/13/22	05/27/22
Follow up - Strengthen Audit Function - Training in computer audit techniques	01/21/22	02/04/22
Strengthen Audit Function - Training audit specialists in computer audit techniques	09/10/21	10/01/21
TADAT Assessment	09/06/21	09/30/21

CARTAC Technical Assistance to Jamaica in FY2020–FY2023 (Concluded)		
Description	**Start Date**	**End Date**
Statistics		
Jamaica - TA - BOP/IIP - Enhance Source Data	02/06/23	02/10/23
Jamaica - TA - BOP/IIP - Enhance Source Data	01/17/22	01/28/22
Real Sector – National Accounts	10/11/21	10/15/21
National Accounts - Review of Implementation of SNA 2008 Concepts and Methods	10/12/20	11/03/20

COLLABORATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

As of November 31, 2022, Jamaica has collaborations with The World Bank Group, Inter-American Development Bank, and Caribbean Development Bank.

Further information can be obtained from the following hyperlinks.

International Financial Institution	Hyperlink
The World Bank Group	https://projects.worldbank.org/en/projects-operations/projects-summary?lang=en&countrycode_exact=JM
Inter-American Development Bank	https://www.iadb.org/en/countries/jamaica/projects-glance
Caribbean Development Bank	https://www.caribank.org/countries-and-members/borrowing-members/jamaica

STATISTICAL ISSUES

As of December 12, 2023

I. Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings but is broadly adequate for surveillance. **Key Websites for Statistics on Jamaica:** **Bank of Jamaica:** **http://www.boj.org.jm/** **Ministry of Finance and The Public Service:** **http://www.mof.gov.jm/** **Planning Institute of Jamaica:** **http://www.pioj.gov.jm/** **Statistical Institute of Jamaica:** **http://www.statinja.gov.jm/**
National Accounts: The Statistical Institute of Jamaica (STATIN) provides quarterly current and constant estimates for GDP by economic activity with a three-month lag. The provisional annual estimates of GDP by economic activity and by expenditure at current and constant 2007 prices are also compiled. Progress with addressing data gaps, compiling the supply and use tables (SUT) and rebasing the GDP estimates to 2014 has been slow due to high staff turnover and the staff having to concentrate on producing the ongoing annual and quarterly GDP estimates. Assistance on national accounts methodology has been provided by Statistics Canada, STA, and CARTAC.
Price Statistics: The CPI expenditure weights have been updated with the 2017 Household Expenditure Survey results and published with the index series starting in January 2020. At the same time, the product group and outlet selection have been updated. Substantial progress has been made in the development of the export and import price indexes (XMPIs) by minimizing the reliance on volatile unit value indices from Customs. The STATIN compiles and disseminates the producer price index (PPI) on a monthly basis covering mining and manufacturing industries (base 2005 =100). There are plans to improve the scope of the PPI by covering other industries like electricity, gas, services, etc.
Government Finance Statistics: Budgetary central government operations and public debt data (with the exception of non-guaranteed debt by public entities) are updated on a monthly basis. Budgetary data also excludes the revenues and expenditures financed by Appropriations in Aid, and therefore provides an incomplete picture of budgetary central government revenue and expenditures. Also, data on operations of public entities outside the consolidated fund (which includes all public bodies that are fully financed through the state budget) are only available with lag of more than a month, making the assessment of the overall balance of the public sector challenging.

Government finance statistics are available at:

Debt: http://www.mof.gov.jm/dmu/

Budget: http://www.mof.gov.jm/programmes/em/fpmu/default.shtml

Monetary and Financial Statistics: The BOJ submits monetary and financial statistics (MFS) to STA using the standardized report forms (SRFs). The MFS data generally conform to the concepts and definitions of the *Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG)*. The BoJ does not yet report data for the Other Financial Corporations sector for dissemination in the *International Financial Statistics (IFS)*. Currently, the Financial Soundness Indicators (FSIs) are not reported to STA for dissemination on the Fund's website. The BoJ needs to update their action plan related to compilation of FSIs. In addition, Jamaica also reports data on several series and indicators of the Financial Access Survey (FAS), including mobile and internet banking, mobile money, and the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs). The BoJ doesn't report gender-disaggregated data.

Balance of Payments: The BOJ reports quarterly balance of payments (BOP) and international investment position (IIP) in the format of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*), and monthly International Reserves and Foreign Currency Liquidity data. In addition, the BOJ participates in the World Bank's Quarterly External Debt Statistics (QEDS) database with data on Gross External Debt Position. The quality and dissemination of external sector statistics has significantly improved; however, there are shortcomings for direct investment data and the coverage of nonfinancial sector needs to be further improved. External debt data does not include intercompany debt.

II. Data Standards and Quality

Participant in the General Data Dissemination System (GDDS) since February 28, 2003. Jamaica implemented the e-GDDS (a data transparency framework) in 2017, publishing core economic data aligned with the Table of Common Indicators Required for surveillance. Jamaica is making some progress towards the subscription SDDS, and met some data requirements. The information is published in a data portal called, National Summary Data Page.	No data ROSC is available.

III. Reporting to STA

No data on industrial production, wholesale or producer prices, import volumes, or export and import prices have been reported for publication in the *International Financial Statistics (IFS)* in recent years.

IV. FSAP Update

The Financial Sector Assessment Program (FSAP) Stability Module mission visited Jamaica in April and June 2018. The FSAP findings were discussed with the authorities during the Fourth Review of the SBA mission in September 2018. Ever since, the BOJ has been implementing key reforms arising from the FSAP's recommendation. The notable advances continue with the roll out of the Basel III Capital Adequacy Framework, operationalization of the risk-based supervision on a solo and consolidated basis, and advancement towards the introduction of a Special Resolution Regime (SRR) for financial institutions. In 2020, an approval of an amended BOJ Act strengthened the autonomy and governance arrangements of the BoJ. In mid-2021, BOJ initiated licensing and consolidated supervision of financial holding companies, and the FSC implemented the risk-based supervision of non-deposit taking institutions in 2021. The cross-agency cooperation has increased greatly and was evidenced in the response to the COVID crisis. The dialogue with the industry has intensified as well as evidenced by the numerous consultations with the industry preceding adoption of new rules or regulations. This is illustrated by the content of the websites of the regulatory agencies. The current regulatory provisions and valuation accounting standards for deposit-taking institutions is IFRS 9. A toolkit for macroprudential policy has been developed together with a communication strategy explaining financial stability assessments and policy actions. The relevant reports are published regularly and available on the BOJ website. The implementation of the action plan agreed with FATF resulted in implementation of the risk-based AML/CFT supervision for deposit taking institutions and cambios. The IFRS 17 was adopted in 2023. The completion of the PLL's structural conditionality facilitates consolidated supervision by the FSC (September 2023), financial stability management with the publication of the paper on identification of the systematically important financial institutions (September 2023), and adoption of the special resolution regime (expected June 2024). The Basel III adoption has completed Pilar I and moved to Pilar II in 2023. Pilar III will commence in 2026. The BOJ is monitoring the credit unions in anticipation of including them under its supervisory remit once the relevant legislation is adopted.

Jamaica: Table of Common Indicators Required for Surveillance
(As of December 15, 2023)

	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	12/11/23	12/11/23	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	10/23	11/23	M	M	M
Reserve/Base Money	10/23	11/23	M	M	M
Broad Money	10/23	12/23	M	M	M
Central Bank Balance Sheet	10/23	11/23	M	M	M
Consolidated Balance Sheet of the Banking System	10/23	12/23	M	M	M
Interest Rates[2]	12/11	12/11	D	D	D
Consumer Price Index	10/23	11/23	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–Selected Public Bodies[4]	10/23	12/23	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	10/23	12/23	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	10/23	12/23	M	M	M
External Current Account Balance	Q2/2023	10/23	Q	Q	Q
Exports and Imports of Goods and Services	08/2023	12/23	M	M	M
GDP/GNP	Q2/2023	10/23	Q	Q	Q
Gross External Debt	06/2023	10/23	M	M	M
International Investment Position	Q2/2023	10/23	Q	Q	Q

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] Selected public bodies are self-financed public entities.
[5] Including currency and maturity composition.
[6] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).

INTERNATIONAL MONETARY FUND

JAMAICA

February 12, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION AND SECOND REVIEWS UNDER THE ARRANGEMENT UNDER THE PRECAUTIONARY AND LIQUIDITY LINE AND ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—WORLD BANK ASSESSMENT LETTER UPDATE FOR THE RESILIENCE AND SUSTAINABILITY FACILITY

WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCE AND SUSTAINABILITY FACILITY

This update to the RSF Assessment Letter—Jamaica (dated February 7, 2023) highlights relevant changes that have occurred since the issuance of the first Assessment Letter.[1]

A. Country Vulnerability to Climate Change Including Human, Social and Economic Costs for the Country Arising from Climate Change Vulnerabilities

1. **The importance of investing in climate adaptation measures in Jamaica was underscored by a recent drought followed by a major flooding.** Between October 2022 and September 2023, rainfall in Jamaica reached the lowest average in 30 years, severely reducing agricultural productivity and water resources. Record-breaking temperatures in July and August 2023 further exacerbated the situation. On November 18th, a tropical disturbance brought about 315 mm of rain in 48 hours. The heavy rains triggered major flooding, affecting nine out of Jamaica's 14 parishes and led to landslides, toppled trees, and severed power lines, leaving approximately 14,000 customers without electricity. The government is currently conducting a damage assessment. According to preliminary estimates, approximately US$274 million in damages were inflicted on the agricultural sector, encompassing losses in crops (US$173 million), farm road networks (US$64 million),

[1] The first Assessment Letter: "The RSF Assessment Letter—Jamaica (dated February 7, 2023)" is available at: www.imf.org/en/Publications/CR/Issues/2023/03/07 Jamaica-Request-for-an-Arrangement-Under-the-Precautionary-Liquidity-Line-and-Request-for-530707.

livestock (US$25 million), and equipment (US$10 million). Climate-related events can have substantial impacts on the education process, specifically student engagement and learning, and can impact families' ability to support improved nutrition and schooling, with profound consequences for human capital accumulation and poverty. Risks are higher for children in the most vulnerable households. On the other hand, education can support climate awareness and can improve sanitary practices. Furthermore, building skills in climate related areas is critical.

B. Government Policies and Commitments in Terms of Climate Change Adaptation and Priority Areas to Strengthen Resilience

2. The government continues to advance policies related to climate change adaptation: The Government of Jamaica Integrated Resource Plan I (2018), which sets out Jamaica's 20-year plan for the sector, increased the goal on the share of renewable energy from 20 percent to 50 percent by 2037. Jamaica's current share of renewable energy penetration is 12 percent.

3. The Bank of Jamaica (BOJ) is in the process of developing a roadmap to enhance the oversight of climate-related risks in the banking sector. A stress test conducted by the BOJ, using a 100-year hurricane scenario, revealed that deposit-taking institutions and securities dealers would experience a decline in their capital adequacy ratios by 3.5 and 5.6 percentage points, respectively. The BOJ joined the Sustainable Banking and Finance Network (SBFN) to enhance its capacity to monitor climate change risks. It also committed to develop and adopt a roadmap for the oversight of climate-related risks in the banking sector in 2024. The roadmap is expected to integrate climate-related and environmental risks into micro-prudential supervision and financial stability frameworks and – more broadly – incorporate sustainable practices into central bank activities.

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce GHG Emissions

4. Jamaica has taken proactive steps, becoming the first Caribbean country to submit its updated NDC in 2020. The country has also embarked on the development of a Long-Term Emissions Reduction and Climate Resilient Strategy (LTS) for 2050 which seeks to align Jamaica's national climate goals with its Vision 2030 development planning process. To formulate the LTS, Jamaica has drawn upon the recommendations put forth by Vivid Economics and the World Bank, which identified a range of actions in support of effective mitigation and adaptation efforts that are compatible with sustainable long-term growth. The draft LTS is being prepared by the Ministry of Economic Growth and Job Creation (MEGJC), in collaboration with the Climate Change Division (CCD) and the Planning Institute of Jamaica (PIOJ), and benefitted already from consultations with key stakeholders, supported by the International Climate Initiative (IKI) and with technical assistance from 2050 Pathways and Climate Analytics.

5. To ensure effective implementation, the LTS will be accompanied by an operationalization plan that outlines strategies and measures for achieving the set goals. The final LTS and operationalization plan are expected to be completed and made available in early 2024. The plan will feature clear and incremental 5-year milestones, outlining significant sectoral goals to be achieved by 2050. These goals include generating 100 percent of electricity from renewable sources, increasing the share of electric vehicles in the national passenger fleet to at least 67 percent, increasing mangrove cover by 4,000 hectares, and increasing forest cover by 150 hectares per year.

6. In conjunction with the BOJ's efforts, the Jamaica Stock Exchange (JSE) is currently drafting guidelines for the issuance and listing of green bonds as a form of climate finance. This initiative is of great importance to mobilize financing to support the transition towards a greener economy. The establishment of a comprehensive regulatory framework and infrastructure for green bond issuance and listing will have far-reaching implications across various aspects of the primary and secondary markets, as well as market infrastructure, as follows:

- In the primary market, the JSE will set issuing standards for green bond frameworks, encompassing external verification, issuance procedures, disclosure requirements, and reporting obligations.
- In the secondary market, the JSE will establish rules governing the listing of green bonds, market making activities, trading protocols, derivatives trading, and foreign investor participation.

The framework is expected to be approved in the course of 2024.

D. Any other Challenges, Including Inter or Cross-Sectoral, Policy Reversals or Institutional Capacity Issues, to be Addressed to Make Progress in Tackling Climate Risks and any Ownership/Policy Related Issues.

7. No updates since the preparation of the original assessment letter.

E. WB Engagement in the Area of Climate Change

8. The World Bank continues to actively support Jamaica's effort to improve its resilience to shocks. For instance, the World Bank has been closely working with the Government of Jamaica in the preparation of the Social Protection for Increased Resilience and Opportunity Project (SPIRO), which is expected to be approved on March 5, 2024. This project aims to expand the coverage of social protection through: (i) the expansion of the risks covered by the national insurance scheme i.e., unemployment insurance, increasing the resilience of workers and their families to (climate) shocks; and (ii) expansion of the coverage of employment services. This project also aims to improve efficiency of the SP delivery system, particularly its capacity to respond to shocks, through a SP information system and other capacity building activities.

Statement by Philip Jennings, Executive Director for Jamaica, Gina Fitzgerald, Alternate Executive Director, and Rose Cunningham, Senior Advisor to Executive Director
February 28, 2024

On behalf of our Jamaican authorities, we thank staff for the very constructive engagement and advice during the Article IV consultation and second review of Jamaica's Precautionary Liquidity Line (PLL) Facility and the Resilience and Sustainability Facility (RSF) arrangements.

Jamaica's economic fundamentals remain sound, and program performance for both the PLL and RSF arrangements has been strong. Staff assess that Jamaica continues to qualify for the PLL arrangement, and that it has substantially outperformed on all the indicative targets and met all the second review structural benchmarks. Jamaican authorities have also implemented all the reform measures required for the second review of the RSF. Looking ahead, Jamaica is on track to complete the remaining requirements under both arrangements in line with the target dates for the third review in June.

The Jamaican authorities continue to implement sound macroeconomic policies and strengthen their policy frameworks. They are fully committed to completing the remaining program requirements and to advancing their ambitious agenda for economic and financial development and enhanced resilience to climate risks. They intend to continue to treat the PLL arrangement as precautionary and expect to be in a strong position to exit the PLL by end-2024 as external conditions improve.

Economic Developments and Outlook

Jamaica's economy expanded at a strong pace of 4.7 percent in FY2022/23 as the economy continued its recovery from the pandemic. Recent data show that despite the negative effects of drought conditions weighing on agricultural activity, real GDP grew by 2.1 percent in the third quarter of 2023 compared to the prior year. The Bank of Jamaica estimates continued expansion in the fourth quarter. Labor market conditions have also remained strong with the unemployment rate reaching a new record low of 4.2 percent in the fourth quarter of 2023, and a further increase in the labor force participation rate. Staff and authorities expect GDP growth of about 1.7 percent per year both FY2023/24 and in FY2024/25, as the economy returns to its potential growth rate.

Fiscal and external balances have improved substantially. Jamaica's robust recovery in tourism and related activities and continued high remittance inflows resulted in strong growth and twin surpluses in FY2022/23—a primary surplus of 5.8 percent of GDP and a current account (CA) surplus of 2 percent of GDP. Jamaica's recent current account surplus is the highest recorded in decades.

Inflation has declined with monetary tightening, reaching the Bank of Jamaica's target range for parts of 2023 but has increased in recent months. Large increases in public passenger vehicle fares (announced in October) and in agriculture prices due to drought effects have pushed inflation back above the 4 to 6 percent target band in recent months. January's headline inflation rate was 7.4 percent and core inflation (CPI ex food and energy) was 5.9 percent. A further increase in public passenger vehicle fares will take effect in April 2024. The authorities welcome staff's detailed analysis of inflation drivers and risks in the Report and agree with the findings. They emphasize that given the significant external shocks over the past few years, for a small open economy like Jamaica, exchange rate pass-through plays a critical role in domestic inflation and inflation expectations.

The economic outlook remains vulnerable to important downside risks, especially from external sources such as tightening of global financial conditions, slower than expected growth in key trading partner economies, geopolitical conflicts, and climate events or natural disasters.

Fiscal Policy and Debt Sustainability

Jamaican authorities continue to prioritize fiscal prudence and debt sustainability. The government has achieved large primary surpluses of 6.8 percent of GDP in FY2021/22 and 5.8 percent of GDP in FY2022/23, reducing Jamaica's public debt to GDP ratio by about 30 percentage points to 77 percent of GDP in FY2022/23. Jamaica is on track for a primary surplus of 6 percent in the current fiscal year and as the authorities make further progress in bringing debt to the target of 60 percent of GDP by FY2027/28, in line with the Fiscal Rule Law. In terms of PLL conditionality, Jamaica exceeded the fiscal target for the PLL second review indicative target by a wide margin. Staff show that Jamaica's debt is sustainable with high probability even in a PLL disbursement scenario, and that Jamaica has adequate capacity to repay the Fund.

Jamaican authorities continue to enhance their fiscal framework and public debt management practices. The new Independent Fiscal Commission was established in 2021 and will begin its work assessing the government's fiscal plans and adherence to the Fiscal Rule Law in upcoming fiscal year FY2024/25. Debt management remains a priority for the government, including issuance of the country's first ever local currency bond which raised about USD 300 million in November 2023. The proceeds of this issuance will help pay down US dollar denominated debt.

Jamaican authorities are also successfully implementing a major reform of the public sector compensation system. This critical reform increases public sector wages and compensation to address long-standing pay gaps with the private sector and improve retention of skilled professionals (including nurses and teachers) in the public service. While it increases fiscal costs as it is implemented over three years, most of the cost increases were front-loaded into FY2022/23. The increased spending is also being effectively managed with careful control of other non-wage public expenditures, to ensure consistency with the Medium-Term Fiscal Framework. Authorities also expect important efficiency gains as the performance management components of this reform are enacted in 2025.

The authorities agree with staff's emphasis on improving the quality of public expenditures and take note of their concerns that other critical public spending could be crowded out by the public sector wage reform in the context of the fixed budget envelope. The authorities, however, are committed to ensuring that the wage reform does not crowd out any critical expenditure. Jamaica has completed an education sector spending review with the World Bank in 2021 and are currently implementing some of its recommendations. An Agile Public Expenditure Financial Accountability evaluation for Jamaica will begin in 2024 but the authorities will consider a targeted review of expenditures in the future.

Monetary Policy and Exchange Rate

The Bank of Jamaica is committed to bringing inflation durably back to the target range. It raised the policy rate by 650 basis points to 7 percent from October 2021 to November 2022. Since then, the central bank has maintained a data-dependent stance and held the policy rate at this elevated level. The Bank of Jamaica has seen relatively strong, albeit lagged, transmission of its policy rate to interest rates in the domestic money and capital markets and the term rates offered on deposits by deposit-taking institutions. As explained above, recent increases in inflation due to announced public passenger vehicle fare increases and agriculture price effects resulted in inflation rising back above the Bank's target range. While these effects have been broadly in line with the central bank's projections and are expected to be transitory, it is closely monitoring incoming data and stands ready to further tighten monetary policy if upside risks to the inflation outlook materialize. Excluding the public passenger vehicle fare increases, total inflation is projected to fall within the Bank's target range by the calendar year-end.

The Bank of Jamaica is working to further develop and deepen Jamaica's FX markets. The central bank authorities recognize the importance of foreign exchange markets to economic development and resilience in Jamaica. In late 2023 they removed the absolute limits on Net Open Positions. The Bank of Jamaica's main priority for the near term is to ensure inflation returns to the target range with inflation expectations well anchored, however, Bank of Jamaica officials are open to considering adjustments to their capital flow management framework, under appropriate conditions regarding the timing and sequencing of the reforms.

External Position and Market Access

Jamaica's external position is sustainable and net international reserves were well above the indicative target for the PLL second review. Net international reserves were USD 4.7 billion compared to the PLL target of USD 3.82 billion. Jamaica recorded a CA surplus in FY2022/23 of 2 percent of GDP and CA deficits have averaged less than 3 percent of GDP over the past 5 years. Private sector sources account for most of Jamaica's capital flows, external debt is projected to decline, and the government has good access to international debt markets. As noted above, Jamaica successfully issued its first domestic currency bond recently. Jamaica's sovereign bond spreads have been on a declining trajectory over 2022 and 2023 and the weighted average spread is currently low, at close to 150 basis points.

The authorities are committed to ensuring that the international reserve position is comfortable. While the ARA metric using the reclassified exchange rate regime weights is lower than recommended, several important factors mitigate the risks. The level of reserves has increased to over 4 billion US dollars. Jamaica has demonstrated a very strong track record of program performance for over a decade including over-performance on fiscal targets. Jamaica has substantially over-performed its net international reserve targets for both PLL reviews. The current account surplus in FY2022/23 was the strongest recorded in decades and staff project another surplus in the current FY. Perhaps most importantly, Jamaica has recently demonstrated its ability to withstand large external shocks from the pandemic and commodity price spikes following Russia's invasion of Ukraine.

Financial Sector Policies

Jamaica's financial system is well capitalized, liquid, and profitable. Stress tests by the Bank of Jamaica also indicate that it is resilient to tail risks.

Significant reforms to strengthen financial supervision and regulation are also being advanced. Jamaica continues to make progress in adopting Basel III requirements, risk-based supervision, and expansion of the regulatory perimeter to include credit unions. For the second review of the PLL, Jamaica tabled legislation that strengthens risk-based supervision of financial conglomerates that are not deposit-taking institutions, and it published the methodology used to identify systemically important financial institutions. The authorities are also completing work begun several years ago on legislation to resolve non-viable financial institutions, in line with the PLL structural benchmark for the third review. A draft of this special resolution regime legislation is in process and will be provided to staff by the end of March 2024. However, given the complexity of the legislation, finalizing it for submission to parliament will require more time, so the authorities request to move the deadline for this PLL structural benchmark to end-June 2024 rather than end-March 2024.

Jamaican authorities have made substantial progress in strengthening financial integrity and they welcome FATF's decision to proceed with an on-site visit. In early 2023, Jamaica completed the necessary legal framework to address the vulnerabilities in its AML/CFT regime and met the corresponding PLL structural benchmark. Authorities' efforts have since focused on demonstrating the effectiveness of the AML/CFT regime to complete the Action Plan agreed to with FATF. At its February 2024 Plenary, the FATF made the initial determination that Jamaica has substantially completed its action plan and warrants an on-site assessment to verify that the implementation of the AML/CFT reforms has begun and is being sustained, and that the necessary political commitment remains in place to sustain implementation in the future. FATF reported that

Jamaica has made key reforms, including: (1) developing a more comprehensive understanding of its ML/TF risk; (2) including all financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) in the AML/CFT regime and implementing adequate risk based supervision in all sectors; (3) taking appropriate measures to prevent legal persons and arrangements from being misused for criminal purposes, and ensuring that accurate and up to date basic and beneficial ownership information is available on a timely basis; (4) taking proper measures to increase ML investigations and prosecutions, in line with the country's risk profile, and increase the use of financial intelligence information in ML investigations; (5) implementing targeted financial sanctions for terrorist financing without delay; and (6) implementing a risk based approach for supervision of its non-profit organizations sector to prevent abuse for TF purposes.

Jamaica is adopting a unified system of prudential supervision in order to ensure that effective supervision as Jamaica's financial system evolves. In the new "twin peaks" model, the Bank of Jamaica will oversee both banks and non-bank financial institutions. IMF technical assistance from MCM has informed the design of the new model and its timing. Authorities have begun to prepare for the transition to the twin peaks model with the expectation that the legislative framework will be in place by 2025.

Under the PLL, Jamaica is also improving the quality of official data to support more effective, evidence-based decision making. Jamaica has established a National Statistical Committee with support from IMF technical assistance. It has developed a roadmap for Jamaica to subscribe to the IMF's Special Data Dissemination Standards (SDDS). The authorities have met the PLL structural benchmark on data adequacy due for the second review and are on track to complete the remaining two measures. They are in the process of reforming the statistical agency en route to completing the SDDS subscription in 2025.

Policies to Build Climate Resilience and Foster Growth

Jamaica's ambitious climate agenda is progressing well under the RSF arrangement. Eight of the 12 reform measures agreed for the RSF have been completed, four of which were implemented for the second review. These measures are to: 1) incorporate a methodology to conduct climate impact assessments into public investment project appraisals, 2) publish public investment project selection criteria including climate criteria, 3) establish a National Natural Disaster Reserve Fund and regulations for its transparent administration and reporting, and 4) publish a climate risks assessment and set a timeline to embed climate risks in financial supervisory activities and databases. Authorities and staff are working closely together to implement the four remaining reform measures, which include fiscal incentives to invest in renewables and a framework to issue green bonds.

Jamaica's RSF arrangement has also accelerated efforts to catalyzing investment from other stakeholders. The implementation of the country's climate agenda, supported by the RSF arrangement, will require significant investments. The IMF Climate Finance Task Force is working closely with Jamaican authorities, the World Bank, IDB, the Green Climate Fund, the

European Infrastructure Bank and the United Kingdom to scale up financing for climate-related investment in Jamaica. The Fund is playing an important convening role as these partners develop a project preparation facility, a green financing facility, and low-cost long-term loan instruments to finance climate resilient infrastructure.

Jamaica continues to make progress on its structural reforms to enhance growth prospects and macroeconomic stability. Ensuring debt sustainability creates fiscal space for further measures to enhance social protections and improve the business environment. The new Customs Act will simplify and reduce obstacles to trade. In 2023, the government has also completed a feasibility study on establishing an unemployment insurance system. Unemployment insurance would provide an important macroeconomic stabilization tool and complete Jamaica's Social Protection Strategy, set out in 2014. To support human capital development, Jamaica has also recently begun implementing education reforms with support from the World Bank to improve teaching practices, including a new STEM school. Nonetheless, authorities recognize the need to make further advancements to enhance growth over the long term and they concur with staff's analysis concerning constraints on productivity growth and potential GDP. They appreciated staff's detailed analysis of gender gaps and acknowledged the potential for increased growth from increasing female labor force participation and improved economic outcomes for women.

The authorities look forward to further constructive engagement and policy dialogue with the mission team and other partners as they implement their reform agenda and remaining program commitments.