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JAMAICA

August 2024

THIRD REVIEWS UNDER THE ARRANGEMENT UNDER THE PRECAUTIONARY AND LIQUIDITY LINE AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—PRESS RELEASE AND STAFF REPORT

In the context of the Third Reviews Under the Arrangement Under the Precautionary and Liquidity Line and the Arrangement Under the Resilience and Sustainability Facility, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on June 28, 2024, with the officials of Jamaica on economic developments and policies underpinning the IMF arrangement under the Precautionary and Liquidity Line and the Resilience and Sustainability Facility. Based on information available at the time of these discussions, the staff report was completed on July 24, 2024.
- **World Bank Assessment Letter Update for the Resilience and Sustainability Facility.**

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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IMF Executive Board Completes the Third Reviews under the Precautionary and Liquidity Line and the Arrangement Under the Resilience and Sustainability Facility with Jamaica

FOR IMMEDIATE RELEASE

- *The IMF Executive Board concluded today the third reviews under Jamaica's Precautionary and Liquidity Line (PLL) and the Resilience and Sustainability Facility (RSF). The PLL continues to be treated as precautionary and the completion of the reviews allow for an immediate disbursement of SDR191.45 million (US$258million) under the RSF.*
- *Jamaica's response to recent shocks has strengthened the credibility of policy frameworks, supporting an economic environment characterized by sustained growth, declining debt, low inflation, and a strengthened external position.*
- *Jamaica has continued to implement an ambitious reform agenda that strengthened the fiscal and financial policy frameworks and the climate policy agenda to make the economy more resilient to climate change.*

Washington, DC – **August 30, 2024:** The Executive Board of the International Monetary Fund (IMF) completed the third reviews of the Precautionary and Liquidity Line (PLL) and the Resilience and Sustainability Facility (RSF) arrangement on a lapse-of-time basis.[1] The PLL and the RSF were approved in March 2023, with access of SDR 727.51 million and SDR 574.35 million respectively. The completion of third reviews makes available the remaining SDR191.45 million (about US$258 million) under the RSF and SDR 727.51 million (about US$980 million) under the PLL. The authorities continue to treat the PLL as precautionary.

The response to recent shocks has strengthened the credibility of Jamaica's fiscal and monetary policy frameworks. In FY 2023/24, Jamaica's economy is estimated to have grown at about 2 percent with tourism above pre-pandemic levels and a continued recovery in mining. Unemployment has fallen and the economy is in a strong cyclical position. Inflation has returned to the Bank of Jamaica's target band and the external position has strengthened with a current account surplus, rising FDI, and ample international reserves—which at end-March 2024 reached about US$5.2 billion, the highest level in Jamaica's history.

Going forward, GDP growth is expected to converge to potential and inflation to return to the mid-point of the target band. The external position is expected to remain strong. Guided by the authorities' Medium-Term Fiscal Framework (MTFF), public debt is expected to fall below 60 percent of GDP by FY2027/28. Risks to the outlook are arising from potential global economic

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

and financial shocks and natural disasters, which are mitigated by strong policy frameworks, the authorities' excellent track record managing shocks, and their commitment to reforms. The impact of Hurricane Beryl raises downside risks to growth and upside risks to inflation in the near term.

The PLL has supported the authorities' efforts to enhance financial supervision, the crisis resolution and AML/CFT frameworks, and data adequacy. Program performance has remained strong, and Jamaica continues to meet the PLL qualification criteria. All structural benchmarks were met and the BOJ overperformed on the indicative target on net international reserves. The indicative target on the fiscal balance—with a smaller than expected surplus—was marginally missed with a negligible impact on the debt consolidation plan. The authorities have made progress with the action plan to improve data, including on the fiscal and external sectors.

The RSF has supported Jamaica's ambitious agenda to make the economy more resilient to climate change, including reforms to accelerate the transition to renewables, increase resilience to climate change, enhance the climate focus in policy frameworks, strengthen the management of climate risks by financial institutions, and create an enabling environment for green financial instruments. All RSF reform measures were met, comprising the analysis of climate-related fiscal risks, incentives for renewable energy, reporting requirements of climate risks for financial institutions, and a framework for green-bond issuance. These efforts have the potential to catalyze climate financing going forward.

INTERNATIONAL MONETARY FUND

JAMAICA

July 24, 2024

THIRD REVIEWS UNDER THE ARRANGEMENT UNDER THE PRECAUTIONARY AND LIQUIDITY LINE AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

EXECUTIVE SUMMARY

Context. Supported by strong policy frameworks, Jamaica has managed to respond to recent global shocks prudently. Policies have supported the economy while still reducing public debt and inflation. Growth has been solid, the external position has strengthened, and the economic outlook remains a positive one. The latter is still exposed to risks from a global growth deceleration, tighter than expected global financial conditions, commodity price volatility, and natural disasters.

Precautionary and Liquidity Line (PLL). Staff recommends completion of the Third PLL Review as all structural benchmarks and the quantitative indicative target (IT) for net international reserves (NIR) have been met. The IT for the fiscal balance was marginally missed—while still in surplus—with a negligible impact on the debt consolidation path and FRL's targets remaining unchanged going forward. Jamaica continues to meet the PLL qualification criteria, and the authorities remain committed to implementing strong policies. The authorities intend to continue to treat the PLL as precautionary.

Resilience and Sustainability Facility (RSF). The authorities have completed all the reform measures for the third review. This allows for disbursements of SDR191.45 million (50 percent of quota) under the RSF.

Policies. The PLL has supported efforts to strengthen the institutional framework for consolidated supervision of financial conglomerates, enhance the framework for the resolution of financial institutions, bring the AML/CFT framework to international best practice, and improve data adequacy. The RSF has supported Jamaica's ambitious agenda to accelerate the transition to renewables, increase resilience to climate change, enhance the climate focus in fiscal policy frameworks, strengthen the management of climate risks by financial institutions, and catalyze climate financing. The response to hurricane Beryl points to timeliness of RSF reforms, including measures to strengthen the natural disaster risk financing framework and enhance the assessment of climate-related fiscal risks.

Approved By
Nigel Chalk (WHD) and Peter Dohlman (SPR)

Discussions took place in Kingston during June 24–28, 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 opening meeting. The team met with Minister of Finance Nigel Clarke, Central Bank Governor Richard Owen Byles, and other senior officials.

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CONTEXT

1. Jamaica continues to make progress to improve its policy frameworks. The response to recent shocks has strengthened the credibility of Jamaica's policy frameworks—including using the flexibility in the Fiscal Responsibility Law (FRL) during COVID but then promptly returning to debt targets in the subsequent years and anchoring monetary policy decisions in the inflation targeting framework. This has led to an economic environment of strong growth, declining debt, low inflation, and a strengthened external position. Since early 2023, the PLL has supported the authorities' efforts to enhance consolidated supervision of financial conglomerates, improve the framework for the resolution of financial institutions, bring the AML/CFT framework to international best practice, and improve data adequacy. At the same time, reforms in the RSF are helping to accelerate the transition to renewables, increase resilience to climate change, enhance the climate focus in fiscal policy frameworks, strengthen the management of climate risks by financial institutions, and catalyze climate financing.

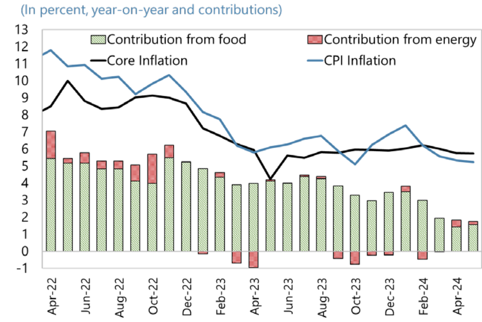
RECENT DEVELOPMENTS, OUTOOK, AND RISKS

2. GDP is estimated to have grown slightly above potential in FY2023/24. Growth reached 2 percent with tourism above pre-pandemic levels and mining rebounding after the prolonged 2021 outage in one of the Jamaica's largest alumina plants. Unemployment has fallen to a record-low (4.2 percent in October 2023), the labor market is tight, and the economy is operating modestly above potential. FY2024/25 growth is projected at around 1.7 percent.

3. Inflation has returned to the Bank of Jamaica's (BOJ) target band of 4-6 percent. At end-May 2024, headline and core inflation were at 5.2 and 5.7 percent respectively, well below their peaks in the spring of 2022 and within the target band since last March.[1] Decelerating food prices have brought down headline inflation, though core inflation is falling more slowly due to the economy's strong cyclical position.

CPI Inflation by Major Components

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



Sources: STATIN and IMF staff calculations.

4. The current account is estimated to have recorded a surplus slightly above 2 percent of GDP in FY2023/24. A lower fuel import bill and tourist arrivals above pre-pandemic levels improved the goods and services balances, offsetting the gradual decline in remittances. FDI is rising, although remains below historical averages. These developments led to a strong accumulation of international reserves, which at end-March reached about US$5.2 billion, the highest level in Jamaica's history.

[1] The core inflation measure excludes food, fuel, alcohol and tobacco, and transportation components.

5. Public debt continues to fall. The debt-to-GDP ratio is now 73 percent of GDP, nearly 40 percentage points of GDP below the peak during COVID, amid a strong post-pandemic recovery and large primary balance surpluses. The FY2023/24 budget recorded a small overall surplus and a large primary surplus of about 5.7 percent of GDP despite somewhat lower than projected international trade taxes (associated with a lower than projected import bill) and corporate income tax collections.[2] Personal income tax revenues performed well as the wage bill reform has moved public employees into higher income brackets, while consumption tax revenues were bolstered by the strength in tourism. The execution of capital expenditures was below the budgeted amount, in part associated with delays arising from public procurement procedures.

6. The financial system remains well-capitalized and liquid. Banks' capital adequacy ratio was 14.6 percent at end-2023, with some banks raising capital to cover unrealized losses from holdings of long-duration debt. At end-April, NPLs at about 2½ and past due loans at about 3½ percent of total loans were in line with the 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.

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
				Est.			Proj.		
Growth and Prices									
GDP growth	-11.0	8.2	4.7	1.9	1.7	1.7	1.6	1.6	1.6
Consumer price inflation (e.o.p.)	5.2	11.3	6.2	5.6	5.0	5.0	5.0	5.0	5.0
Government Finances									
Central government revenue	29.5	31.0	30.1	30.5	31.0	30.6	30.5	30.6	30.6
Central government expenditure	32.6	30.1	29.8	30.5	30.7	30.5	30.2	29.9	29.8
Budget balance	-3.1	0.9	0.3	0.0	0.3	0.1	0.3	0.7	0.8
Central government primary balance	3.5	6.8	5.8	5.7	5.6	5.0	4.7	4.8	4.6
Consolidated public sector debt	109.7	94.2	77.0	73.3	67.8	64.7	61.9	58.9	55.9
Balance of Payments									
Current account	-1.3	-0.7	2.0	2.4	1.0	0.1	-0.8	-1.7	-2.0
Foreign direct investment	1.3	1.9	1.9	2.1	2.4	2.8	2.8	2.9	2.9
Gross reserves (US$million)	4,244	4,324	4,685	5,232	5,400	5,500	5,550	5,600	5,650

Sources: Jamaican authorities and Fund staff estimates and projections.

7. On July 3, hurricane Beryl reached the southern coast of Jamaica. It caused heavy rains, life-threatening winds, flash flooding, and mudslides that affected infrastructure and agricultural crops in the southwestern region and a loss of power and telecommunication services for about two-thirds of the population. The authorities called for evacuation from vulnerable areas and opened shelters ahead of the storm. An evaluation of damages and recovery efforts have begun on

[2] Tax revenues typically represent about 15 percent of FY tax revenues in March, as the final payment of the CIT is due. While CIT revenue was growing by 20 percent (y-o-y) by December 2023, it decelerated towards the end of the fiscal year, especially in March. Two key determinants of the March shortfall were the higher-than-expected accumulation of arrears (some filing companies failed to pay in time) and lower profits in the insurance sector due to the impact of changes in accounting standards owing to implementation of IFRS17.

July 4. While it is too early to assess its impact on the outlook, Beryl creates temporary downside risks to growth and upside risks to inflation.

8. The outlook is positive but subject to downside risks. Growth is expected to converge to potential and inflation to return close to the mid-point of the target band in 2024 amid moderating energy prices and transport fares. The current account is expected to converge to a deficit of about 2 percent of GDP over the medium term as climate-related projects increase imports, which will be financed by FDI (expected to recover to about 3 percent of GDP, still below the historical average) and other private investments. Guided by the Medium-Term Fiscal Framework (MTFF), debt is expected to fall below 60 percent of GDP by FY2027/28. Downside risks arise from tighter-than-expected global financial conditions, lower global growth and its impact on tourism and remittances, and an intensification of geo-political conflicts that increase global commodity prices. Natural disasters are an ever-present risk to activity, public debt, and financial stability.

PERFORMANCE UNDER THE ARRANGEMENTS

9. All structural benchmarks (SB) and the indicative target (IT) on net international reserves under the PLL were met; the IT on the fiscal balance was marginally missed (Appendix, Tables 1 and 2):

- The Ministry of Finance and Public Service (MOFPS) disseminated General Government data for fiscal years 2019/20, 2020/21, 2021/22 and 2022/23 in the National Summary Data Page (NSDP), thus adding two additional years to the PLL SB.
- The BOJ conducted the Non-Financial Corporations (NFC) survey to obtain data for Direct Investment Intercompany Lending positions for each quarter of 2023.
- Net international reserves reached US$ 5.14 billion by end-March 2024, above the IT of US $4.40 billion.
- The end-March 2024 overall fiscal surplus of the central government was J$ 1.172 billion, below the IT of J$ 8.249 billion—a difference of about 0.2 percent of GDP (see ¶5). The authorities have announced that they are assessing the reasons behind the revenue shortfall and that they are committed to offsetting spending cuts—if factors behind weaker than expected tax collection are not assessed as temporary by the middle of the FY2024/25—to attain the legislated surplus of 0.3 percent of GDP.
- The Special Resolution Regime law was submitted to parliament to strengthen the resolution of non-viable financial institutions while protecting financial stability and public funds.

10. The authorities completed four reform measures (RM) under the RSF (see Annex III for a detailed description of reforms, and Appendix, Table 3):

- The MOFPS published in the Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.
- The MOFPS submitted to parliament a bill to incentivize investment in renewables through fiscal measures. The bill was passed by parliament on July 9, 2024.

- The BOJ adopted a monitoring framework that improves data collection and establishes the reporting requirements for financial institutions.
- The authorities established a framework for green-bond issuance and trading.

POLICIES UNDER THE ARRANGEMENTS

A. Macroeconomic Policies

11. **The FY2024/25 budget aims for a primary surplus of 5.6 percent of GDP that would lower public debt to 68 percent of GDP by the end of the fiscal year.** This is consistent with the FRL goal of placing public debt at or below 60 percent of GDP by FY2027/28. Improvements in tax administration are supporting revenue mobilization and expenditure increases are targeted towards capital, which is projected at 2.4 percent of GDP, financing projects to boost climate resilience. Performance provisions have been introduced to the public employee compensation system to incentivize efficiency gains and improvements in the quality of public services, such as education and health care. The authorities announced they will manage the impact of the hurricane through utilization of the Contingencies Fund in the budget, as well as flows from the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and the Contingent Credit Facility through the IDB. It is also likely that there will be adjustments to the current expenditure budget as they intend to keep the fiscal balance target unchanged.

12. **The BOJ's data-dependent approach to monetary policy should return inflation to the mid-point of the target band.** The BOJ has held rates at 7 percent since November 2022, conditioning any changes of its policy stance on incoming data, maintaining liquidity management operations, and intervening in FX markets to dampen volatility. The BOJ maintained the policy rate at 7 percent in June while starting a gradual reduction of liquidity absorption operations, in line with its cautious data-dependent approach. Patience in lowering rates is warranted given the strong cyclical position of the economy.

13. **Prudent policies and contingency planning continue to strengthen Jamaica's capacity to face adverse shocks, including from climate events.** Public debt is assessed to be sustainable with a high probability (Annex II). Credible policy frameworks, an appropriate policy mix, the accumulation of international reserves, and lower debt are all creating buffers to face shocks. Jamaica's capacity to face contingencies benefits from the PLL arrangement's insurance, instruments insuring against climate-related events (including the Contingencies Fund and the National Natural Disaster Risk Fund, insurance with CCRIF, a Contingent Credit Facility with the IDB, and a catastrophe bond (CAT)—the latter has not been triggered with Beryl because the impact of the storm was not big enough), and record-high international reserves. Recent sovereign credit rating upgrades and low sovereign spreads indicate market confidence in the authorities' continued policy efforts.

B. Strengthening Institutions

14. The fiscal policy framework continues to be improved:

- *Fiscal Commission.* The commission will be operational in FY2024/25; it will provide assessments of macroeconomic and fiscal forecasts, the consistency of the budget with fiscal rules, and debt sustainability.
- *Procurement and Public Finance Management.* Following the introduction of the Electronic Procurement System in August 2023, the current budget law introduced measures to improve procurement efficiency to facilitate the execution of capital expenditures, including through: i) pre-engagement checklists for procurement officers, ii) guidance notes for procurement committees to optimize decision-making, iii) revised bid evaluation methods that impose clear timelines for evaluation tasks; iv) revised thresholds for single source procurement and the intervention of the Public Procurement Commission. Additionally, a Public Investment Management Information System has been developed to enhance the efficiency of public investments. The Fund's Agile Public Expenditure and Financial Accountability assessment will inform public financial management improvements. Staff encourages the authorities to fulfill their plans to publish beneficial ownership of companies awarded public contracts on the MOFPS website swiftly.
- *Revenues.* A new Customs Bill—to be approved this FY—will foster revenue mobilization, and the authorities are improving the management of tax arrears with support from the Canada Revenue Agency.

15. There are ongoing initiatives to strengthen the social safety net. These entail employment services for employees and employers and the implementation of an Integrated Social Protection Information System. The authorities—with support from the World Bank—are considering putting in place an unemployment insurance scheme that could help lessen income volatility and defray the costs of job search while providing time-bound incentives to return to work.

16. Public debt management continues to lessen currency and rollover risks. Last November, the Government of Jamaica issued the first ever local currency denominated global bond for US$300 million to pay down dollar-denominated debt coming due in 2025 and 2028. As part of their medium-term debt management strategy, the authorities will continue to conduct opportunistic liability management operations to reduce financing costs and risks in public debt while maintaining efforts to further develop local currency bond markets (Annex II).

17. The 2023 Safeguards Assessment found a broadly strong safeguards framework in place. Progress is being made with implementing the recommendations of the assessment, as reflected by strengthened external audit selection and rotation arrangements. There remains scope to further improve capacity in risk management and the coverage of internal audit, particularly as it relates to the co-sourcing of IT audits. Previous legal amendments to the BOJ Act strengthened the BOJ's autonomy and mandate, and work is underway to further enhance the BOJ's autonomy through amendments as part of Jamaica's legislative reform to adopt a "twin peaks" supervisory regime.

C. Financial Oversight and AML/CFT Framework

18. The adoption of Basel III is advancing. The regulatory capital reporting has used both pre-Basel III and Basel III requirements during the last two years and a legislative process is underway to put in place the Capital Conservation Buffer and the Systemic Risk Buffer under Pillar 1. Implementation of Pillar 2 is proceeding including the Internal Capital Adequacy Assessment Process, the Supervisory Review and Evaluation Process, and the framework for designating Domestic Systemically Important Financial 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.

19. The authorities have made important progress in consolidated supervision; the BOJ will become the sole prudential regulator in 2026. The BOJ has taken critical steps, licensing five out of eight financial conglomerates—the remaining three will be licensed by end-2024. The authorities have submitted to parliament amendments to the Financial Services Act to place supervision of financial conglomerates without deposit-taking institutions under the Financial Service Commission (FSC). A "twin peaks" supervisory regime, with the BOJ as the sole prudential regulator and the FSC overseeing market conduct and consumer protection, is expected to be in place by 2026—the authorities consider this regime better suited for a financial system dominated by financial holding companies.[3] Finally, the BOJ's supervisory remit will be extended to cover credit unions once relevant legislation is adopted in FY2024/25.

20. A new legal framework for the special resolution regime (SRR) for financial institutions was submitted to parliament. The draft law is designed to mitigate the risks posed by the failure of financial institutions and establishes administrative mechanisms for resolution, resolution funding arrangements, and a winding-up framework for financial institutions. The objective is to resolve any failing financial institution in an orderly manner while preserving continuity of their vital economic functions and minimizing the use of public resources.

21. The authorities have made good progress addressing AML/CFT vulnerabilities, allowing Jamaica to exit FATF's increased monitoring. The AML/CFT action plan included 13 actions in several areas for which measures were implemented to address vulnerabilities identified in the 2017 Mutual Evaluation Report, comprising: i) completion and dissemination of a National Risk Assessment (NRA); ii) adoption of risk-based supervision (RBS), monitoring and regulation of financial institutions (FI) and compliance of Designated Non-Financial Businesses and Professions (DNFBP) with the AML/CFT framework; iii) prevention of misuse of ML/TF by legal persons; (iv) amendments to the legislation on beneficial ownership information, application of sanctions for lack of compliance with reporting requirements in the AML/CFT framework, and decisive steps to ensure availability of beneficial ownership (BO) information to competent authorities; (v) investigation and prosecution of ML offences and application of effective, proportionate and dissuasive sanctions; and (vi) amendment of technical deficiencies related to targeted financial sanctions (TFS) for terrorist financing, ensuring timely implementation of TFS, issuing regulations for monitoring non-profit

[3] A Fund's capacity development mission assisted the BOJ with preparation of a roadmap for this transition and the World Bank is helping with oversight of market conduct and consumer protection.

organizations (NPO), and applying targeted measures to higher risk NPOs.[4] FATF conducted an on-site assessment that verified the implementation of AML/CFT reforms last spring, and Jamaica exited FATF increased monitoring (grey list) this June. Jamaica will continue improving its AML/CFT framework in preparation for the fifth round of the Mutual Evaluation Process.

22. 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. Under the RSF, the BOJ has completed the first stage of this strategy.

D. Climate Policies Under the RSF

23. RMs implemented in the context of the RSF covered the three pillars in the authorities' climate strategy (Text Table 2 and Annex III for a detailed assessment of all RMs):

- *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 was established (RM6). The authorities have revised the PPP policy framework 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). Finally, climate risks were integrated into fiscal planning (RM5) to strengthen it with quantitative appraisals of sustainability under different climate change scenarios.

- *Greening the financial sector.* The BOJ has prepared an assessment of climate risks and a timeline to incorporate them into supervisory activities (RM10). A monitoring framework is in place to improve data collection and establish reporting requirements for financial institutions to implement climate-related stress testing (RM11)—these efforts will inform the development of risk-management guidelines for financial institutions. Further, a framework for green bond issuance was established (RM12).

- *Mitigation.* A new electric vehicles (EV) policy (RM8) and energy efficiency guidelines for public buildings (RM9) were adopted. New personal income tax rebates to incentivize take up of solar panels (RM7) were added to a range of existing incentives to invest in renewables including zero-rated VAT for inputs or raw materials supplied for the manufacture of solar and wind equipment, lower import tariffs for renewable energy items and EVs, license fees exemptions for

[4] See (i) Box 1 in Country Report No. 2023/083, "Jamaica: Staff Report For 2022 Article IV Consultation" and (ii) Box 1 in Country Report No. 2024/069, "Jamaica: 2024 Article IV Consultation and Second Reviews Under the Arrangement Under the Precautionary and Liquidity Line and Arrangement Under the Resilience and Sustainability Facility."

EVs, and net billing.[5] In June, the authorities also tabled in parliament an amendment reducing the corporate income tax rate from 33⅓ to 25 percent for independent power producers generating at least three-quarter of power from renewable sources.

24. RSF reforms are supporting the response to hurricane Beryl, as well as future climate events. Jamaica has built a strong multilayer set of financial instruments—to which RM1 and RM6 contributed—to respond to climate events. Moreover, RM3 and RM4 can make the economy more resilient to future climate events by enhancing the public investment framework; and RM5 helps improve the identification and assessment of climate-related fiscal risks thus helping to calibrate the size of resources needed to build resilience to climate events and to speed up recoveries.

25. There are several initiatives that are fostering investments in renewables. To bring Jamaica closer to its goal to increase the share of renewables in the grid, in July the government selected two bidders (out of 12 proposals) to generate 100MW (about 10 percent of existing capacity) renewable energy and will announce another tender for renewable generation later this year.[6,7] The bidders will enter into a 20-year power purchase agreement with the public electric utility. There are also plans to double the number of charging stations for EVs to facilitate their use.

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.

[5] See Annex VIII in "Staff Report For 2024 Article Iv Consultation And Second Reviews Under The Arrangement Under The Precautionary And Liquidity Line And Arrangement Under The Resilience And Sustainability Facility".

[6] See: https://gpe.gov.jm/govt-to-invite-bids-for-another-168-megawatts-of-renewable-energy/.

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

26. RSF disbursements to the budget augment Jamaica's fiscal space. The RSF substitutes more expensive market financing with cumulative estimated savings of 0.4 percent of GDP through FY2027/28.[8] Further, the RSF's conditionality supports climate policy reforms, incentivizes alignment of public investment with climate goals, and catalyzes financing for climate-related projects. Mitigation measures' savings (e.g., efficiency guidelines) will accrue gradually as their impact materializes only over time. Additionally, the policy impacts stemming from the RSF's RMs are expected to enhance resilience to natural disasters.

27. The authorities are advancing their efforts to catalyze climate financing. The RSF is playing a convening role to support these efforts through the IMF's Climate Finance Task Force, in coordination with development partners.[9] The authorities have announced a strategy to enhance climate financing and are discussing the modalities of establishing a Blue Green Facility to catalyze private investment. They are also working with the IDB to operationalize a Project Preparation Facility and are setting up a Climate Finance Unit at the MOFPS. The Caribbean Community Resilience Fund—an investment fund focusing on renewable energy, blue economy, and climate-smart agriculture—recently launched operations in Jamaica, aiming to attract private investors.

E. Strengthening Data Adequacy

28. The authorities are pursuing a comprehensive action plan to improve data. In 2023, a Special Data Dissemination Standards (SDDS) assessment mission by the Fund's Statistics Department agreed an action plan that would allow for Jamaica's subscription to the SDDS by mid-2025. The national statistics agency is working on a restructuring plan with the goal of attracting qualified staff, closing capacity gaps, and improving data management systems. In the context of the PLL arrangement, key data gaps closed towards the SDDS subscription included: i) the compilation and dissemination of data on General Government Operations and ii) the improvement of the coverage and timeliness of the external sector statistics data. The BOJ now submits the International Reserve and Foreign Currency Liquidity template data and has conducted a Non-Financial Corporations survey to obtain data for Direct Investment Intercompany Lending positions, and the MOFPS compiled and disseminated General Government data for fiscal years 2020-23 on the National Summary Data Page (all SBs under the PLL).

PROGRAM MODALITIES

A. PLL Qualification

29. Jamaica continues to meet the qualification requirements for a PLL arrangement.

[8] 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.

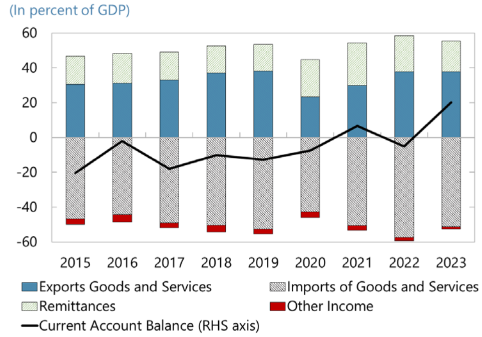
[9] See Annex VII in "Staff Report For 2024 Article IV Consultation And Second Reviews Under The Arrangement Under The Precautionary And Liquidity Line And Arrangement Under The Resilience And Sustainability Facility".

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 IV.

Assessment of Specific Criteria

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

Current Account: Components
(In percent of GDP)

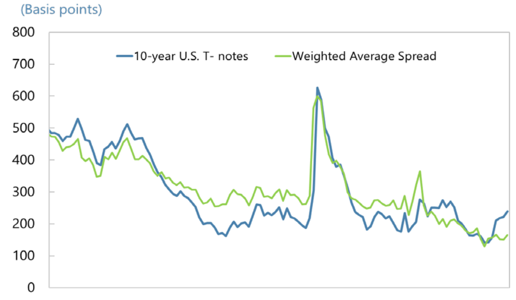


Source: BOJ and IMF staff calculations.

- **Criterion 1. A sustainable external position.** The current account was balanced on average over the last 5 years and when negative the deficit has remained below 2 percent of GDP. The CA was more than fully financed by FDI flows (which averaged 1.7 percent of GDP). The current account balance improved to 3 percent of GDP in CY2023 from a deficit of 0.8 percent of GDP in CY2022. The 2023 external position has been assessed to be broadly in line with medium-term fundamentals and desirable policy settings by the Board in 2024 Article IV consultation. 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.

- **Criterion 2. A capital account dominated by private flows.** Between 2019 and 2023, non-government flows represented around ¾ of portfolio flows and over 80 percent of other investment flows. The bulk of external liabilities are with private creditors. Foreign direct investment—mainly related to tourism and mining—accounted for 51 percent, while portfolio investment accounts for 21 percent of external liabilities at end 2023.

Sovereign Spreads
(Basis points)

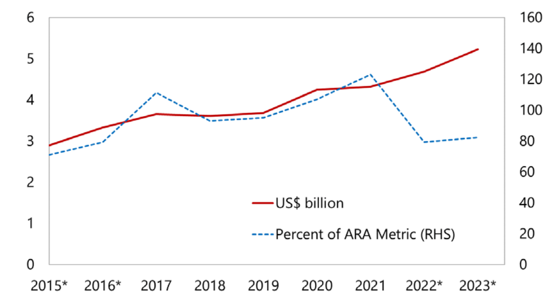


Sources: Bloomberg and IMF staff calculations.

- **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 broadly 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 2024, Fitch upgraded its ratings to BB- with a "positive" outlook, while Moody's affirmed its ratings to B1 with "positive outlook" in April 2024. S&P upgraded its ratings to BB- with "stable" outlook in September 2023 (in the middle of the non-investment range). Sovereign spreads fluctuated around 200 bps in 2023 and fell to about 145 bps since year-end, allowing Jamaica market access on a sustainable basis.

- **Criterion 4. A comfortable international reserve position.** Gross international reserves have increased since program approval and reached an all-time record-high of US$5.23 billion at end-March 2024—89.4 percent of the Reserve Adequacy (ARA) metric. 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

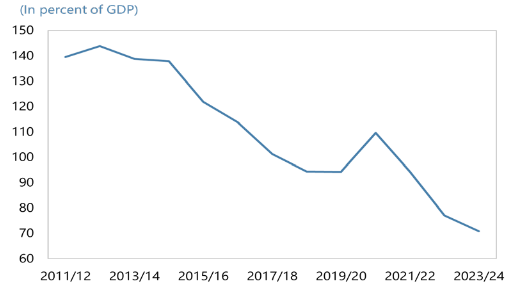
  - *Subsiding vulnerabilities from external public liabilities*. Both fiscal buffers and the fiscal position mitigate the risk that reserves come under pressure from public sector financing needs. The public sector holds deposits of close to 4 percent of GDP, debt is decreasing rapidly, and Jamaica has 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:

Public Debt
(In percent of GDP)



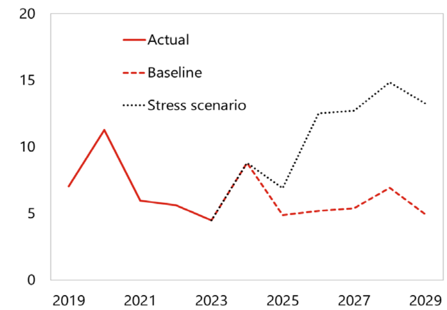
Sources: MOF and IMF staff calculations.

  - **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 will be providing independent assessment of policy sustainability.

- ○ **Downward trajectory of public debt**. Central government debt has declined from 142 percent of GDP in FY2009/10 to 73 percent of GDP in FY2023/24—reversing the increase due to the COVID shock.

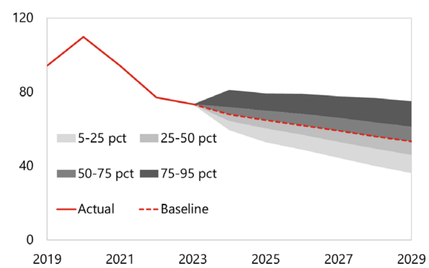
- ○ **The public sector debt is assessed as sustainable with a high probability.** While debt remains elevated in the near term, the strong fiscal track record, the commitment to meet the FRL debt target, and prudent debt management mitigate potential risks. Large primary surpluses in the MTFF ensure 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.[10] 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 recently renewed insurance policy with the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company) for about 5 percent of GDP.

Gross Financing Needs
(In percent of GDP)



Sources: MOF and IMF staff calculations

Public Debt: Fan Chart
(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 2022-23. 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 within the target band by end-March 2024.

[10] 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 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 2024 Article IV consultations and by staff in this report, the financial sector remains profitable, well capitalized (CAR was 14.6 percent and NPL 2.5 percent at end-2023) and liquid. The latest BOJ's stress tests suggest that the 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 tighter global conditions, global turbulence due to ongoing conflicts, and the impact of a climate-related event. RSF reforms have strengthened resilience to climate related risks.

- **Criterion 8. Effective financial sector supervision**. As assessed by the Board in the 2024 Article IV consultations and by staff in this report, 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. The PLL conditionality supported enhancements of financial conglomerates supervision, the finalization of a resolution framework for financial institutions, and the strengthening of the AML/CFT framework. Having completed the action plan to improve the latter, Jamaica has been delisted from FATF's list of jurisdictions under increased monitoring (grey list) in June.

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 continue (including an ongoing GDP rebasing and a Household Expenditure Survey that was instrumental to updating the CPI weights in 2020). 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 was met for the second and third Reviews.

30. Institutional strength. Jamaica's institutional policy framework is sound. The approval of the 2018 Procurement Act, the procurement system reforms announced in the 2024/25 Budget, 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.

B. Debt Sustainability and Capacity to Repay the Fund

31. The authorities continue to treat the PLL as precautionary. Jamaica is assessed to be in a strong position to exit the PLL by early-2025 (the PLL expires on February 28, 2025), as external risks subside.

32. Debt is sustainable with high probability. Jamaica has demonstrated an excellent track record in performing its fiscal targets for more than a decade. Even in a PLL disbursement scenario, debt would be sustainable with high probability.

33. 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 9.1 percent of GDP in 2024. Debt service to the Fund in a PLL purchase scenario would peak in 2028 at SDR 443 million (SDR 414 million excluding the RSF) corresponding to 2.4 percent of GDP, 6.6 percent of exports or 10.4 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.

STAFF APPRAISAL

34. The response to recent shocks has strengthened the credibility of Jamaica's policy frameworks. The authorities used the flexibility in the Fiscal Responsibility Law but then promptly returned to debt targets, and they anchored monetary policy decisions in the inflation targeting framework. As a consequence, the economic environment after recent shocks was characterized by strong growth, declining debt, low inflation, and a strengthened external position—exceeding program targets for international reserves and relying on large primary surplus to sustain a strong downward trajectory of public debt, which fell by nearly 40 percentage points of GDP since FY2020/21. Moreover, the response to the impact of hurricane Beryl shows the strength of Jamaica's multilayer disaster risk financing framework put in place by the authorities, and how sound preparedness can support recovery efforts.

35. Sound monetary and fiscal policies continue to support the economy, creating buffers to face shocks. In the context of data-dependent monetary policy decisions, inflation is converging to the midpoint of the inflation target band. The FY2024/25 budget is targeting a primary surplus that would lower public debt to 68 percent of GDP by the end of the fiscal year, consistent with the FRL goal of placing public debt at or below 60 percent of GDP by FY2027/28. Improvements in tax administration are supporting revenue mobilization and expenditure increases are targeted towards public investment, supported by reforms in procurement procedures. Staff encourages the authorities to fulfill their plans to publish beneficial ownership of companies awarded public contracts. The financial system remains well capitalized, liquid, and stable. The policy mix continues to build buffers to mitigate risks from lower-than-expected global growth, tighter-than-expected global financial conditions, commodity price volatility, and natural disasters.

36. The authorities continued their efforts to improve financial supervision and the crisis resolution and AML/CFT policy frameworks. The adoption of Basel III is advancing with progress in the adoption of Pillars 1 and 2. Consolidated supervision has been strengthened and licensing of financial conglomerates will be completed by end-2024—the BOJ will become the sole prudential regulator in 2026 after adoption of a "twin peaks" regime. The Special Resolution Regime Bill to strengthen the crisis resolution framework was submitted to parliament this June. The authorities continued to enhance the effectiveness of its AML/CFT framework as well, allowing Jamaica to exit FATF's increased monitoring (grey list). They have also pursued a comprehensive action plan to improve data, including on the fiscal and external sectors.

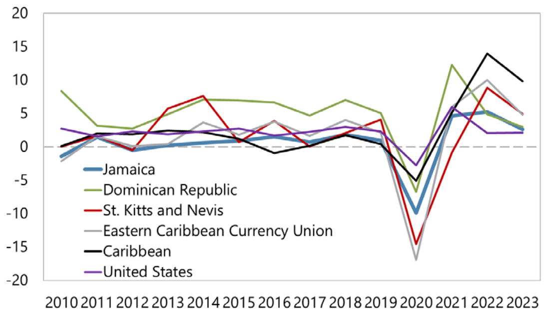
37. The RSF has supported Jamaica's ambitious agenda to make the economy more resilient to climate change. It comprised the three pillars in the authorities' strategy, including adaptation, mitigation, and the management of transitional risks. Reforms in the program are helping to accelerate the transition to renewables, increase resilience to climate change, enhance the climate focus in fiscal policy frameworks, strengthen the management of climate risks by financial institutions, and create an enabling environment for green financial instruments. These efforts have the potential to catalyze climate financing going forward.

38. Staff recommends the completion of the third reviews under the PLL and the RSF arrangements. Jamaica continues to meet the PLL qualification criteria, and the authorities remain committed to implementing strong policies. All structural benchmarks and the quantitative indicative target (IT) for net international reserves under the PLL, and reform measures 5, 7, 11, and 12 under the RSF have been met. The IT for the fiscal balance was marginally missed—while still in surplus—with a negligible impact on the debt consolidation path.

Figure 1. Jamaica: Real Sector Developments

After the massive contraction in 2020, the economy is growing robustly…

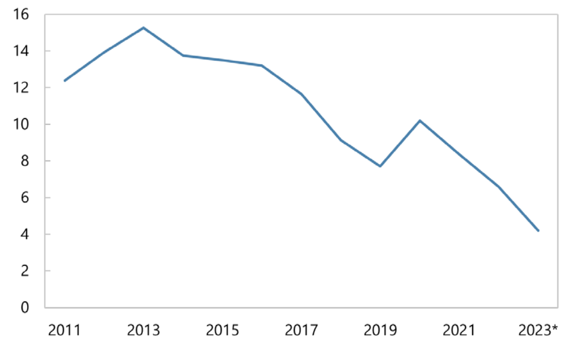
Real GDP Growth
(In percent)



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

…with unemployment falling to historic lows.

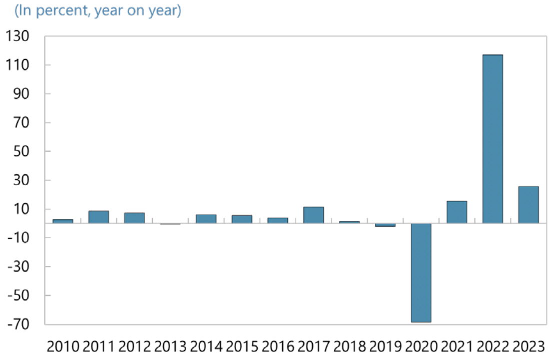
Unemployment
(In percent)



*Up to 2023Q3

Tourism has rebounded…

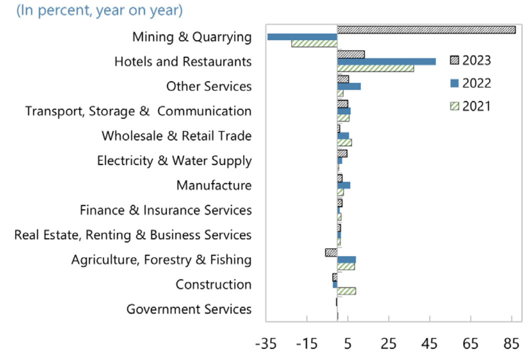
Annual Tourism Performance
(In percent, year on year)



Sources: Jamaica Tourism Board, and IMF staff calculations.

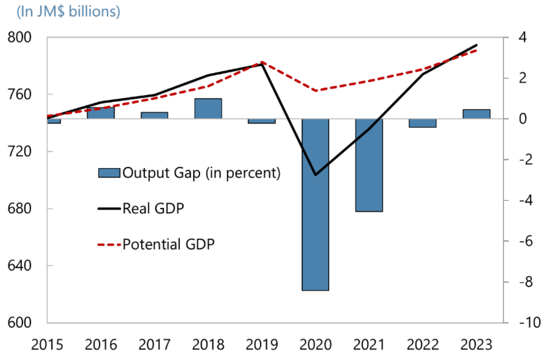
…and most sectors have picked up, including mining.

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



Output gap has turned positive …

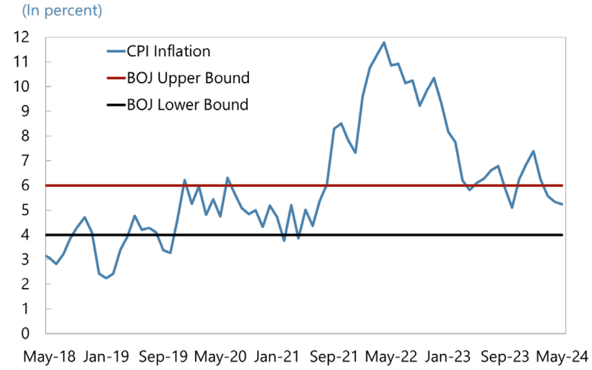
Real GDP and Output Gap
(In JM$ billions)



Sources: STATIN and IMF staff Calculations.

…and inflation converged to the target band.

CPI Inflation Versus BOJ Target Band
(In percent)

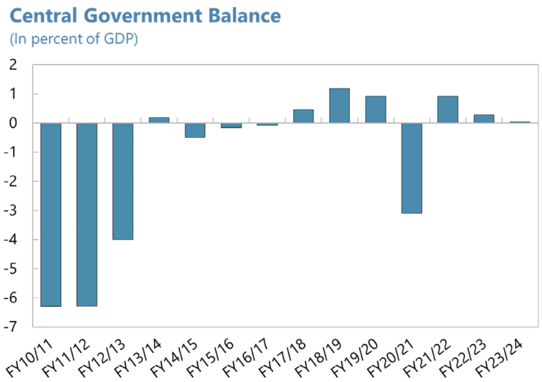


Sources: STATIN and IMF staff calculations.

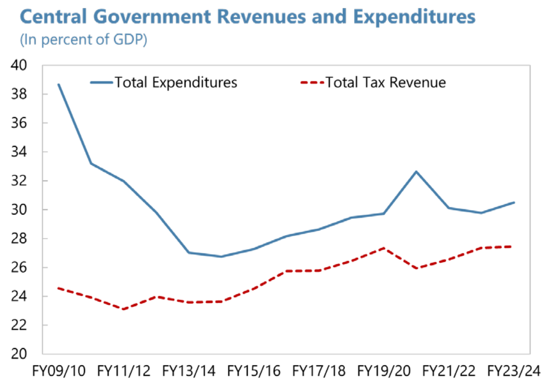
Sources: Jamaican authorities and IMF staff calculations.

Figure 2. Jamaica: Fiscal Sector Developments

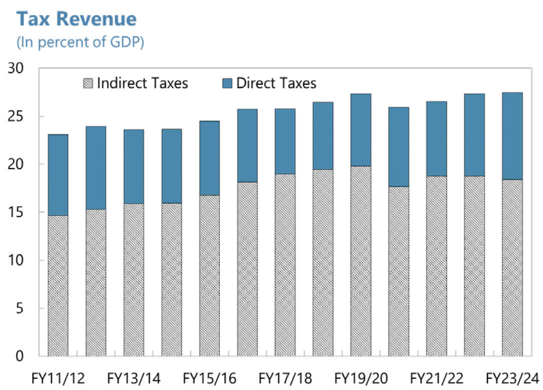
Central government fiscal balance is in surplus….



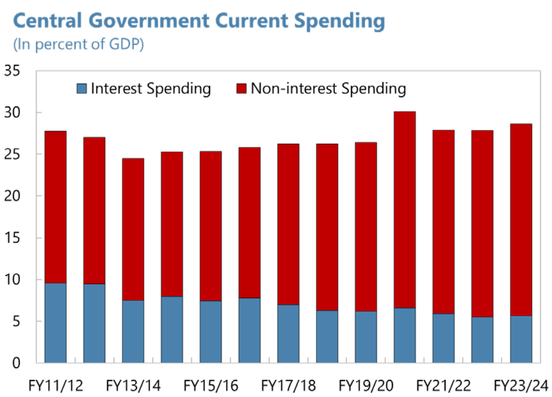
…due to elevated tax revenues…



…which were due to strong direct tax collections…

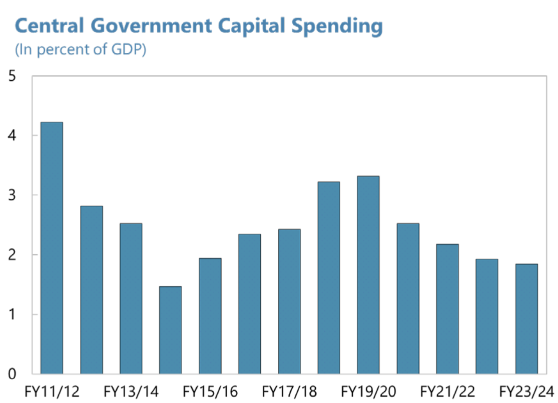


…while primary spending edged up in FY2023/24.

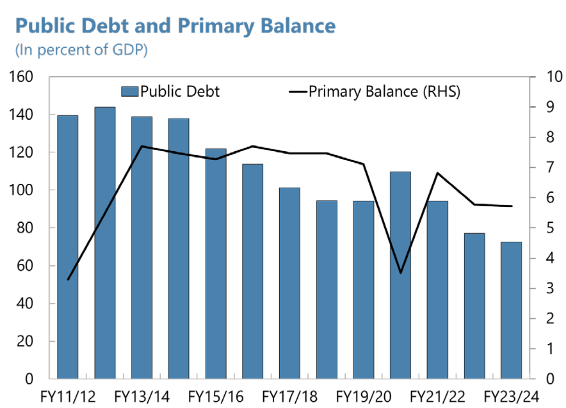


Sources: and IMF staff calculations.

Capital spending continued to remain subdued.



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



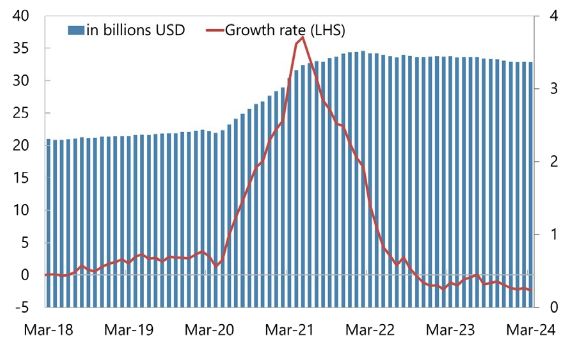
Sources: Jamaican authorities and IMF staff calculations.

Figure 3. Jamaica: External Sector Developments

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

Monthly Remittances

(Percent (LHS), in billion USD (RHS), 12-month moving sum)

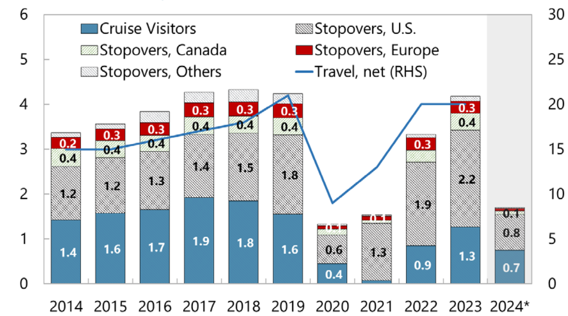


Sources: BOJ, IMF staff calculations.

Tourism—especially from the US—has recovered.

Total Visitor Arrivals and Travel Exports

(Visitors in millions and percent of GDP)



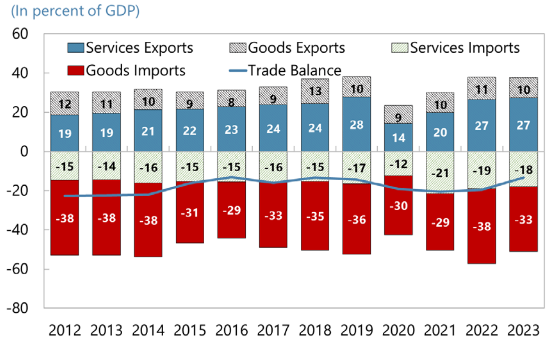
Sources: Jamaica Tourism Board, and IMF staff calculations.

* 2024 is January to May numbers

The trade balance has improved due to lower fuel imports…

Trade and Service Balance

(In percent of GDP)

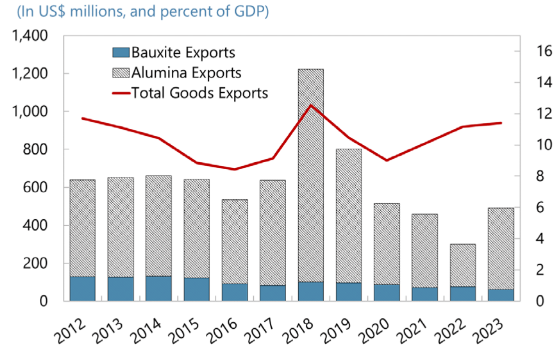


Sources: BOJ, and IMF staff calculations.

…and a pickup in mining exports.

Mining Exports

(In US$ millions, and percent of GDP)

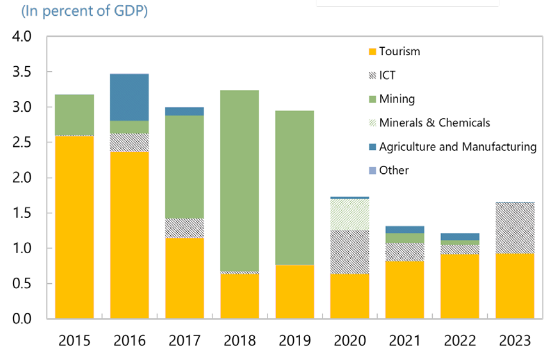


Sources: BOJ, and IMF staff calculations.

FDI in tourism continued to recover in 2023 but overall FDI remains below historical levels, mostly due to mining.

FDI by Sector

(In percent of GDP)

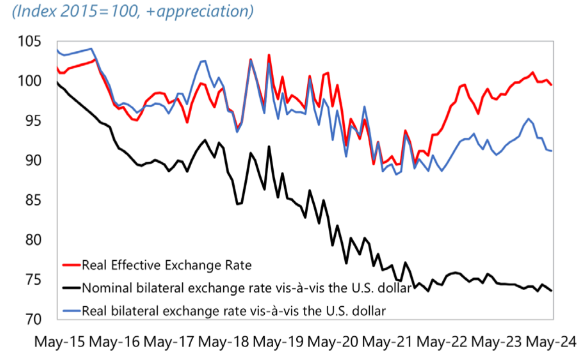


Sources: BOJ, and IMF staff calculations.

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

Nominal and Real Effective Exchange Rate

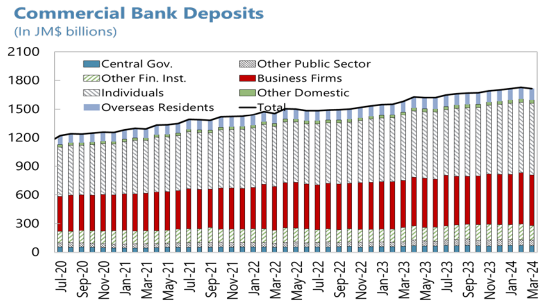
(Index 2015=100, +appreciation)



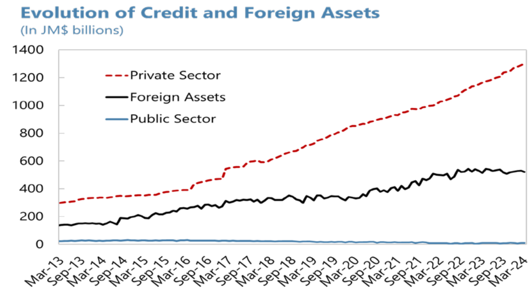
Sources: BOJ, and IMF staff calculations.

Figure 4. Jamaica: Monetary and Financial Sector Developments

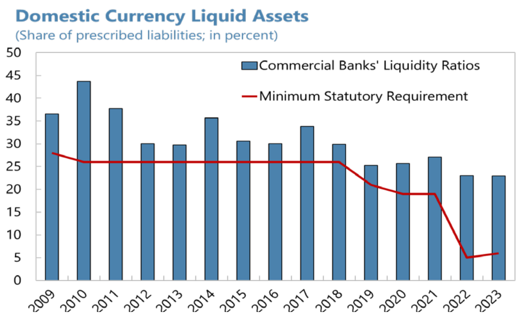
Banking system deposits have been growing steadily with individuals and businesses dominating.



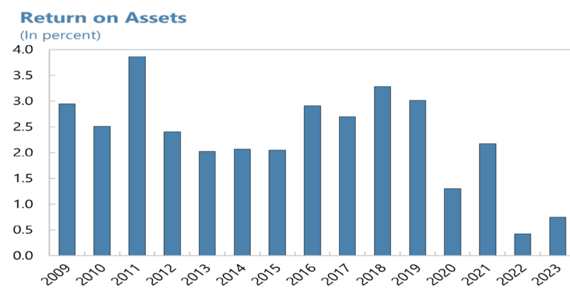
Private credit continues to grow reflecting strong growth and positive economic outlook.



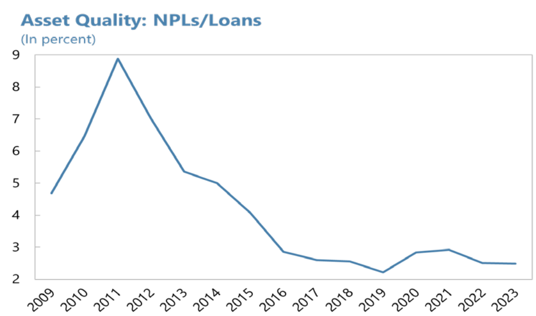
The depository institutions retain liquidity above the required minimum…



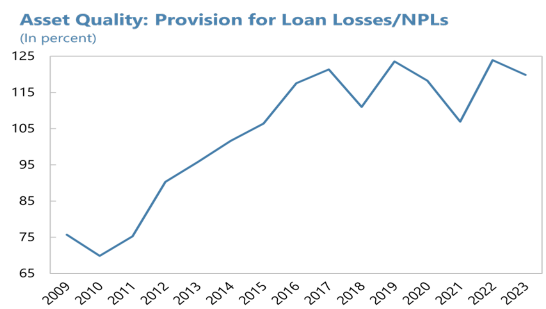
…with moderate, but steady profitability.



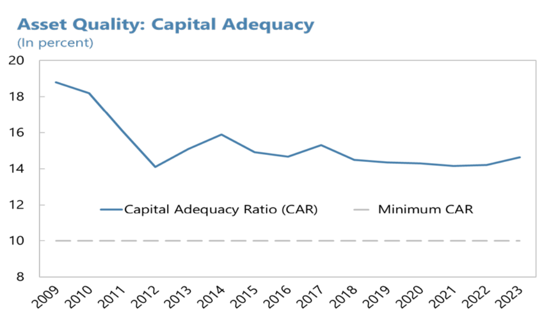
The NPL ratio is very low…



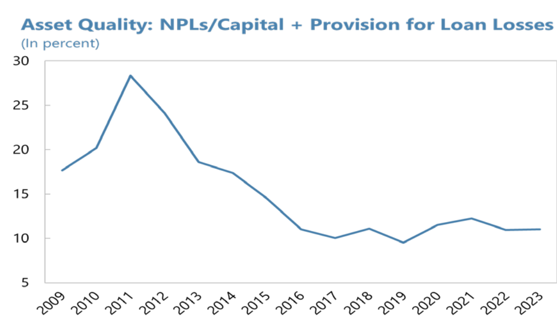
… and provisioning sufficient.



The ample capital buffers are kept above the minimum…



…and sufficient to absorb potential losses.



Sources: Jamaican and IMF staff calculations.

Table 1a. Jamaica: Selected Economic Indicators (Fiscal 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$5,738
Literacy rate (2022)/Poverty rate (2021): 91.7%/16.7%
Unemployment rate (October 2023): 4.2%

			2022/23		2023/24			Projections				
	2020/21	2021/22	Program	Act.	Program	2nd Review	Est.	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	1.9	1.7	1.7	1.6	1.6	1.6
Nominal GDP	-8.1	19.2	11.5	18.6	7.3	8.7	10.0	8.0	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	5.6	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	6.2	5.2	5.0	5.0	5.0	5.0
Exchange rate (end of period, J$/US$)	146.6	153.8	...	150.9	...	...	154.7	...	...	...	...	...
End-of-period REER (appreciation +, end of period) (INS)	-8.4	1.0	...	6.2	...	...	0.9	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	1.5	6.4	...	8.3	...	...	8.1	...	...	...	...	...
Unemployment rate (percent) 2/	8.9	6.2	...	4.5	...	...	4.2	...	...	...	...	...
	(In percent of GDP)											
Government Operations												
Budgetary revenue	29.5	31.0	29.4	30.1	29.4	31.1	30.5	31.0	30.6	30.5	30.6	30.6
Of which: Tax revenue	25.9	26.5	26.4	27.3	26.4	28.3	27.4	27.5	27.5	27.5	27.6	27.6
Budgetary expenditure	32.6	30.1	29.1	29.8	29.1	30.9	30.5	30.7	30.5	30.2	29.9	29.8
Primary expenditure	26.0	24.2	23.6	24.3	24.0	25.2	24.8	25.4	25.6	25.7	25.8	26.0
Of which: Wages and salaries	10.7	9.6	10.9	11.5	11.3	12.7	12.5	12.7	12.7	12.7	12.7	12.7
Interest payments	6.6	5.9	5.5	5.5	5.1	5.7	5.7	5.3	4.9	4.5	4.1	3.8
Budget balance	-3.1	0.9	0.3	0.3	0.3	0.3	0.0	0.3	0.1	0.3	0.7	0.8
Of which: Central government primary balance	3.5	6.8	5.8	5.8	5.4	6.0	5.7	5.6	5.0	4.7	4.8	4.6
Public entities balance	-0.1	0.2	0.0	1.4	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0
Public sector balance	-3.2	1.1	0.3	1.7	0.3	0.3	2.0	0.3	0.1	0.3	0.7	0.8
Public debt (FRL definition) 3/	109.7	94.2	84.1	77.0	77.9	71.8	73.3	67.8	64.7	61.9	58.9	55.9
External Sector												
Current account balance	-1.3	-0.7	-2.5	2.0	-2.8	1.0	2.4	1.0	0.1	-0.8	-1.7	-2.0
Of which: Exports of goods, f.o.b.	9.3	9.6	9.9	11.7	9.7	12.4	10.4	10.7	10.3	9.9	9.7	9.5
... of services	10.6	22.7	28.1	27.5	28.1	27.5	27.5	27.3	27.1	27.4	27.5	27.6
Imports of goods, f.o.b.	29.4	31.2	36.9	37.2	35.2	36.8	33.6	34.2	34.1	34.5	35.0	35.0
... of services	12.3	22.1	21.0	18.4	19.8	18.0	18.0	17.5	17.4	17.5	17.6	17.7
Gross international reserves (US$ millions)	4,244	4,324	4,191	4,685	4,100	4,800	5,232	5,400	5,500	5,550	5,600	5,650
	(Percent of GDP)											
Money and Credit												
Net foreign assets	20.6	21.8	15.6	20.3	15.4	18.9	25.5	24.8	24.3	23.7	23.0	22.4
Net domestic assets	53.5	48.5	52.8	44.7	52.8	46.3	38.9	39.8	40.5	41.4	42.4	43.5
Of which: Credit to the private sector	57.7	52.8	51.6	49.2	51.9	49.4	48.8	49.1	49.6	50.3	51.1	52.1
Credit to the central government	19.2	15.2	13.6	13.2	11.2	12.5	9.2	8.2	8.1	6.6	6.8	7.2
Broad money	74.1	70.2	68.4	65.1	68.2	65.2	64.4	64.6	64.8	65.1	65.5	65.9
Memorandum Item:												
Nominal GDP (J$ billions)	1,949	2,322	2,588	2,754	2,777	2,992	3,030	3,272	3,482	3,704	3,941	4,193

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 and FY2023/24 refers to April 2023 and October 2023, respectively.

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 (October 2023): 4.2%

			2022		2023			Projections				
	2020	2021	Program	Act.	Program	2nd Review	Act.	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	2.6	1.9	1.7	1.6	1.6	1.6
Nominal GDP	-6.8	12.4	12.0	18.7	7.5	11.6	14.1	7.6	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	6.9	5.0	5.0	5.0	5.0	5.0
Consumer price index (average)	5.2	5.9	10.4	10.4	7.0	6.5	6.5	5.6	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	155.0	...	...	...	...	...
End-of-period REER (appreciation +, end of period) (INS)	-5.4	-4.1	...	6.5	...	1.3	3.5	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	0.9	4.3	...	8.2	...	8.5	8.5	...	...	...	...	...
Unemployment rate (average, percent)	10.2	8.4	...	6.2	...	...	4.4	...	...	...	...	...
	(In percent of GDP)											
Government Operations 1/												
Budgetary revenue	29.5	31.0	29.4	30.1	29.4	31.1	30.5	31.0	30.6	30.5	30.6	30.6
Of which: Tax revenue	25.9	26.5	26.4	27.3	26.4	28.3	27.4	27.5	27.5	27.5	27.6	27.6
Budgetary expenditure	32.6	30.1	29.1	29.8	29.1	30.9	30.5	30.7	30.5	30.2	29.9	29.8
Primary expenditure	26.0	24.2	23.6	24.3	24.0	25.2	24.8	25.4	25.6	25.7	25.8	26.0
Of which: Wages and salaries	10.7	9.6	10.9	11.5	11.3	12.7	12.5	12.7	12.7	12.7	12.7	12.7
Interest payments	6.6	5.9	5.5	5.5	5.1	5.7	5.7	5.3	4.9	4.5	4.1	3.8
Budget balance	-3.1	0.9	0.3	0.3	0.3	0.3	0.0	0.3	0.1	0.3	0.7	0.8
Of which: Central government primary balance	3.5	6.8	5.8	5.8	5.4	6.0	5.7	5.6	5.0	4.7	4.8	4.6
Public entities balance	-0.1	0.2	0.0	1.4	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0
Public sector balance	-3.2	1.1	0.3	1.7	0.3	0.3	2.0	0.3	0.1	0.3	0.7	0.8
Public debt (FRL definition) 2/	109.7	94.2	84.1	77.0	77.9	71.8	73.3	67.8	64.7	61.9	58.9	55.9
External Sector												
Current account balance	-1.1	1.0	-3.2	-0.8	-2.9	1.5	3.0	1.0	0.3	-0.5	-1.4	-1.9
Of which: Exports of goods, f.o.b.	9.0	10.1	9.8	11.2	10.1	12.2	10.4	10.6	10.4	10.0	9.7	9.5
... of services	14.4	19.9	27.9	26.6	29.0	27.2	27.3	26.9	27.1	27.3	27.4	27.5
Of which: Imports of goods, f.o.b.	30.2	29.0	37.5	38.3	36.9	36.4	33.1	34.0	34.1	34.3	34.8	34.9
... of services	12.3	21.4	21.8	18.9	20.6	18.1	17.9	17.6	17.4	17.4	17.5	17.6
Gross international reserves (US$ millions)	4,081	4,833	4,428	4,520	4,065	4,859	4,859	5,300	5,475	5,538	5,588	5,638
	(Changes in percent of beginning of period broad money)											
Money and Credit												
Net foreign assets	-0.2	9.3	-4.6	2.5	-0.1	2.3	9.2	5.4	1.8	1.4	1.3	1.2
Net domestic assets	18.7	4.2	12.9	6.0	7.5	7.6	2.7	1.1	5.4	5.4	5.7	5.8
Of which: Credit to the private sector	8.3	6.1	6.6	8.1	6.1	6.6	8.0	5.3	5.9	5.9	6.2	6.5
Of which: Credit to the central government	16.1	-1.6	-1.8	-1.7	-2.5	0.2	-0.3	-3.6	0.3	-1.1	0.4	1.3
Broad money	18.5	13.5	8.3	8.5	7.3	9.9	11.9	6.5	7.2	6.9	7.0	7.1
Memorandum Item:												
Nominal GDP (J$ billions)	1,967	2,210	2,476	2,623	2,662	2,928	2,994	3,223	3,434	3,655	3,890	4,141

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	2nd Review	Act.	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	925,283	1,015,134	1,065,096	1,128,237	1,204,471	1,281,555
Tax	505,685	616,368	682,062	752,841	733,147	847,247	831,574	900,958	956,851	1,020,114	1,087,841	1,157,470
Of which:												
Income and profits	161,428	180,183	195,849	235,812	206,154	277,288	274,142	296,563	315,610	335,772	357,264	380,131
Of which: Other companies	66,049	73,311	81,719	92,445	87,688	104,516	93,151	105,591	112,373	119,551	127,203	135,345
PAYE	67,956	76,661	80,454	107,456	82,330	131,417	134,620	140,897	149,946	159,525	169,736	180,600
Production and consumption	171,980	198,231	220,946	231,896	237,107	258,616	262,104	284,582	302,861	322,208	342,831	364,775
Of which: GCT (Local)	91,192	107,799	120,163	130,571	128,939	146,201	158,819	173,047	184,162	195,927	208,467	221,810
International Trade	168,130	232,559	259,233	278,518	278,167	302,776	288,998	312,978	331,106	354,395	379,513	403,804
Of which: GCT (Imports)	76,074	101,902	113,589	117,871	121,886	128,138	122,316	130,697	137,229	147,100	157,544	167,641
Non-tax	62,539	93,736	66,876	67,327	71,760	73,191	83,781	103,701	97,118	96,307	102,471	109,030
Grants	7,180	7,659	6,460	6,341	6,932	9,817	8,133	8,537	9,064	9,621	11,824	12,580
Budgetary Expenditure	635,911	698,895	752,800	819,989	809,051	923,383	924,111	1,004,555	1,060,949	1,117,788	1,177,011	1,247,802
Primary expenditure	506,873	561,848	609,599	668,614	666,866	753,293	751,945	830,727	890,993	952,373	1,016,922	1,090,114
Compensation of employees	222,996	241,751	305,433	338,126	338,852	404,507	403,618	442,048	473,509	503,758	536,001	570,308
Wage and salaries	207,912	222,680	282,137	317,885	313,855	379,040	378,213	414,199	442,174	470,421	500,530	532,567
Employer contributions	15,084	19,071	23,296	20,242	24,997	25,468	25,405	27,849	31,335	33,337	35,471	37,741
Programme expenditure 1/	234,693	269,587	239,099	277,303	240,804	282,158	292,464	308,679	327,128	348,025	370,301	394,002
Capital expenditure	49,184	50,510	65,067	53,185	87,210	66,627	55,864	80,000	90,357	100,590	110,620	125,803
Interest	129,038	137,048	143,201	151,375	142,185	170,090	172,165	173,829	169,956	165,416	160,089	157,688
Domestic	50,339	54,712	64,936	67,987	64,083	71,298	70,906	67,973	59,403	58,002	57,391	56,530
External	78,699	82,336	78,265	83,388	78,102	98,793	101,259	105,856	110,553	107,413	102,698	101,157
Budget Balance	-60,507	21,329	7,506	7,786	8,055	8,249	1,172	10,579	3,695	9,854	26,655	32,897
Of which: Primary budget balance	68,530	158,377	150,707	159,161	150,240	178,339	173,338	184,407	174,103	175,864	187,550	191,441
Public Entities Balance 2/	-1,632	4,750	0	39,626	0	0	58,139	0	0	0	0	0
Public Sector Balance	-62,139	26,079	7,506	47,413	8,055	8,249	59,311	10,579	3,695	9,854	26,655	32,897
Gross Financing Needs	219,593	138,462	143,877	154,836	177,748	128,295	136,399	288,169	169,933	192,941	212,868	291,356
Gross Financing Sources	219,593	138,462	143,877	154,836	177,748	128,295	136,399	288,169	169,933	192,941	212,868	291,356
Domestic	87,837	55,385	57,551	61,935	71,099	25,659	27,280	111,267	67,973	77,177	85,147	116,543
External	131,756	83,077	86,326	92,902	106,649	102,636	109,119	172,901	101,960	115,765	127,721	174,814
Of which: RSF financing 3/	...	...	...	...	77,920	78,980	78,980	39,497	...	...	...	...
Memorandum Items:												
Nominal GDP (billion J$)	1,949	2,322	2,588	2,754	2,777	2,992	3,030	3,272	3,482	3,704	3,941	4,193
Public sector debt (FRL definition, billion J$) 4/	2,138	2,188	2,177	2,121	2,164	2,147	2,222	2,219	2,254	2,292	2,321	2,345

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/ Comprises non-commercial self-financed public bodies defined by the FRL. Provisional estimates for FY2023/24.

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	2nd Review	Act.	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	30.5	31.0	30.6	30.5	30.6	30.6
Tax	25.9	26.5	26.4	27.3	26.4	28.3	27.4	27.5	27.5	27.5	27.6	27.6
Of which:												
Income and profits	8.3	7.8	7.6	8.6	7.4	9.3	9.0	9.1	9.1	9.1	9.1	9.1
Of which: Other companies	3.4	3.2	3.2	3.4	3.2	3.5	3.1	3.2	3.2	3.2	3.2	3.2
PAYE	3.5	3.3	3.1	3.9	3.0	4.4	4.4	4.3	4.3	4.3	4.3	4.3
Production and consumption	8.8	8.5	8.5	8.4	8.5	8.6	8.7	8.7	8.7	8.7	8.7	8.7
Of which: GCT (Local)	4.7	4.6	4.6	4.7	4.6	4.9	5.2	5.3	5.3	5.3	5.3	5.3
International Trade	8.6	10.0	10.0	10.1	10.0	10.1	9.5	9.6	9.5	9.6	9.6	9.6
Of which: GCT (Imports)	3.9	4.4	4.4	4.3	4.4	4.3	4.0	4.0	3.9	4.0	4.0	4.0
Non-tax	3.2	4.0	2.6	2.4	2.6	2.4	2.8	3.2	2.8	2.6	2.6	2.6
Grants	0.4	0.3	0.2	0.2	0.2	0.3	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	30.5	30.7	30.5	30.2	29.9	29.8
Primary expenditure	26.0	24.2	23.6	24.3	24.0	25.2	24.8	25.4	25.6	25.7	25.8	26.0
Compensation of employees	11.4	10.4	11.8	12.3	12.2	13.5	13.3	13.5	13.6	13.6	13.6	13.6
Wage and salaries	10.7	9.6	10.9	11.5	11.3	12.7	12.5	12.7	12.7	12.7	12.7	12.7
Employer contribution	0.8	0.8	0.9	0.7	0.9	0.9	0.8	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	9.7	9.4	9.4	9.4	9.4	9.4
Capital expenditure	2.5	2.2	2.5	1.9	3.1	2.2	1.8	2.4	2.6	2.7	2.8	3.0
Interest	6.6	5.9	5.5	5.5	5.1	5.7	5.7	5.3	4.9	4.5	4.1	3.8
Domestic	2.6	2.4	2.5	2.5	2.3	2.4	2.3	2.1	1.7	1.6	1.5	1.3
External	4.0	3.5	3.0	3.0	2.8	3.3	3.3	3.2	3.2	2.9	2.6	2.4
Budget Balance	-3.1	0.9	0.3	0.3	0.3	0.3	0.0	0.3	0.1	0.3	0.7	0.8
Of which: Primary budget balance	3.5	6.8	5.8	5.8	5.4	6.0	5.7	5.6	5.0	4.7	4.8	4.6
Public Entities Balance 2/	-0.1	0.2	0.0	1.4	0.0	0.0	1.9	0.0	0.0	0.0	0.0	0.0
Public Sector Balance	-3.2	1.1	0.3	1.7	0.3	0.3	2.0	0.3	0.1	0.3	0.7	0.8
Gross Financing Needs	11.3	6.0	5.6	5.6	6.4	4.3	4.5	8.8	4.9	5.2	5.4	6.9
Gross Financing Sources	11.3	6.0	5.6	5.6	6.4	4.3	4.5	8.8	4.9	5.2	5.4	6.9
Domestic	4.5	2.4	2.2	2.2	2.6	0.9	0.9	3.4	2.0	2.1	2.2	2.8
External	6.8	3.6	3.3	3.4	3.8	3.4	3.6	5.3	2.9	3.1	3.2	4.2
Of which : RSF financing 3/	…	…	…	…	2.8	2.6	2.6	1.2	…	…	…	…
Memorandum Items:												
Nominal GDP (billion J$)	1,949	2,322	2,588	2,754	2,777	2,992	3,030	3,272	3,482	3,704	3,941	4,193
Public sector debt (FRL definition, billion J$) 4/	2,138	2,188	2,177	2,121	2,164	2,147	2,222	2,219	2,254	2,292	2,321	2,345
Public sector debt (FRL definition, %GDP) 4/	109.7	94.2	84.1	77.0	77.9	71.8	73.3	67.8	64.7	61.9	58.9	55.9

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/ Comprises non-commercial self-financed public bodies defined by the FRL. Provisional estimates for FY2023/24.

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	2nd Review	Est.	2024/25	2025/26	2026/27	2027/28	2028/29
Current Account	-173	-101	-418	350	-504	202	472	202	22	-175	-403	-489
Trade balance	-2,736	-3,267	-4,537	-4,578	-4,573	-4,695	-4,523	-4,899	-5,187	-5,528	-5,886	-6,147
Exports (f.o.b.)	1,258	1,456	1,671	2,086	1,749	2,390	2,018	2,236	2,241	2,235	2,256	2,277
Imports (f.o.b.)	3,994	4,723	6,208	6,665	6,322	7,084	6,541	7,134	7,429	7,764	8,142	8,424
o/w Fuel (cif)	988	1,724	2,303	2,346	2,023	2,263	2,063	2,107	1,987	1,932	1,891	1,867
Services (net)	-225	97	1,185	1,635	1,494	1,833	1,840	2,048	2,120	2,220	2,300	2,374
o/w Travel (net)	608	2,368	3,505	3,714	3,710	4,009	4,062	4,345	4,496	4,677	4,844	5,017
Primary income (net)	-412	-486	-519	-249	-633	-348	-282	-423	-462	-523	-570	-595
Secondary income (net)	3,200	3,556	3,453	3,542	3,208	3,411	3,438	3,476	3,551	3,657	3,753	3,879
Government (net)	150	182	158	181	144	161	171	148	133	113	104	98
Private (net)	3,051	3,374	3,295	3,361	3,065	3,251	3,267	3,328	3,418	3,544	3,649	3,781
Capital Account (net)	-30	-31	-29	-30	-30	-27	-18	-27	-25	-23	-25	-24
Financial Account (net)	-394	-609	-447	140	-534	175	454	176	-3	-198	-428	-513
Direct investment (net)	-181	-287	-387	-338	-477	-473	-418	-502	-603	-639	-671	-704
Portfolio investment (net)	-163	-87	71	705	151	279	853	-153	-110	-58	-39	-252
Financial derivatives (net)	7	0	-1	-1	0	0	0	0	0	0	0	0
Other investment (net)	-612	-315	2	-588	-117	254	-538	662	609	449	232	393
Reserve assets (change)	554	80	-133	361	-91	115	557	168	100	50	50	50
Net Errors and Omissions	-191	-476	0	-180	0	0	0	0	0	0	0	0
			(In percent GDP)									
Current Account	-1.3	-0.7	-2.5	2.0	-2.8	1.0	2.4	1.0	0.1	-0.8	-1.7	-2.0
Trade balance	-20.1	-21.6	-27.0	-25.6	-25.4	-24.4	-23.2	-23.5	-23.8	-24.6	-25.3	-25.5
Exports (f.o.b.)	9.3	9.6	9.9	11.7	9.7	12.4	10.4	10.7	10.3	9.9	9.7	9.5
Imports (f.o.b.)	29.4	31.2	36.9	37.2	35.2	36.8	33.6	34.2	34.1	34.5	35.0	35.0
Services (net)	-1.7	0.6	7.1	9.1	8.3	9.5	9.5	9.8	9.7	9.9	9.9	9.9
o/w Travel (net)	4.5	15.7	20.9	20.7	20.6	20.8	20.9	20.8	20.7	20.8	20.8	20.8
Primary income (net)	-3.0	-3.2	-3.1	-1.4	-3.5	-1.8	-1.5	-2.0	-2.1	-2.3	-2.5	-2.5
Secondary income (net)	23.6	23.5	20.5	19.8	17.9	17.7	17.7	16.7	16.3	16.3	16.1	16.1
o/w Private (net)	22.5	22.3	19.6	18.8	17.1	16.9	16.8	16.0	15.7	15.7	15.7	15.7
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	-0.1
Financial Account (net)	-2.9	-4.0	-2.7	0.8	-3.0	0.9	2.3	0.8	0.0	-0.9	-1.8	-2.1
o/w Direct investment (net)	-1.3	-1.9	-2.3	-1.9	-2.7	-2.5	-2.1	-2.4	-2.8	-2.8	-2.9	-2.9
Memorandum Items:												
Gross international reserves 1/	4,244	4,324	4,191	4,685	4,100	4,800	5,232	5,400	5,500	5,550	5,600	5,650
(in months of next year's imports of GNFS)	9.0	6.4	5.2	5.6	5.0	5.5	6.2	6.0	5.9	5.7	5.5	5.3
(in percent of ARA metric) 2/	111	110	104	82	106	83	89	91	92	93	93	94
Net international reserves (NIR)	3,319	3,676	3,691	4,152	3,805	4,711	5,137	5,375	5,497	5,550	5,600	5,650
Exports of goods (percent change)	-17.8	15.7	17.6	43.3	4.6	14.4	-3.3	10.8	0.3	-0.3	0.9	1.0
Imports of goods (percent change)	-26.6	18.2	30.6	41.1	138.0	6.3	-1.9	9.1	4.1	4.5	4.9	3.5
Oil prices (composite, fiscal year basis)	48.6	76.0	92.9	92.4	79.7	80.5	80.8	80.0	75.5	72.3	70.0	68.3
Terms of trade (fiscal year basis)	110	97	93	92	98	97	97	97	100	102	103	105
GDP (US$ millions)	13,588	15,131	16,806	17,903	17,974	19,251	19,469	20,847	21,772	22,503	23,267	24,062
Jamaican dollar/USD, period average	143	153	…	154	…	…	156	…	…	…	…	…

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 ARA metric for floating countries was used at program request. Following the re-classification of the de-facto exchange rate regime in the 2024 Article IV, the ARA metric for non-floating countries applies, effective July 2022.

Table 4. Jamaica: Summary Monetary Survey 1/

			2022/23		2023/24			Projections				
	2020/21	2021/22	Program	Act.	Program	2nd Review	Act.	2024/25	2025/26	2026/27	2027/28	2028/29
					(In billions of Jamaican dollars)							
Net Foreign Assets	402.1	505.7	403.4	560.0	426.3	564.8	771.1	810.1	847.0	877.1	907.9	939.9
Net Domestic Assets	1,042.6	1,125.4	1,366.2	1,231.4	1,467.6	1,386.2	1,179.1	1,301.7	1,408.8	1,534.2	1,672.2	1,823.4
Net domestic claims	1,561.2	1,658.0	1,772.5	1,802.0	1,839.9	1,945.0	1,850.9	1,977.8	2,116.6	2,221.5	2,403.0	2,614.3
Net claims on central government	375.1	353.7	352.9	363.4	310.1	375.2	278.9	269.1	281.1	245.0	268.8	303.8
Claims on rest of public sector	14.4	6.4	6.4	10.0	6.4	10.0	9.5	9.5	9.5	9.5	9.5	9.5
Claims on private sector	1,126.1	1,228.4	1,337.6	1,357.7	1,442.0	1,482.7	1,481.7	1,611.9	1,733.2	1,868.2	2,019.5	2,189.2
Of which: Credit to private sector	1,123.7	1,225.6	1,336.7	1,354.1	1,441.0	1,478.9	1,477.7	1,607.6	1,728.5	1,863.1	2,014.1	2,183.3
Claims on other financial corporations	45.6	69.5	75.6	70.9	81.4	77.1	80.8	87.3	92.9	98.8	105.1	111.9
Capital account	393.8	367.1	367.2	380.1	367.2	380.1	404.9	404.9	404.9	404.9	404.9	404.9
Other	-124.8	-165.5	-39.0	-190.5	-5.1	-178.7	-266.9	-271.1	-302.8	-282.3	-325.8	-386.0
Broad Money (M3)	1,444.7	1,631.2	1,769.7	1,791.4	1,893.9	1,951.0	1,950.2	2,111.8	2,255.9	2,411.3	2,580.1	2,763.3
Narrow money (M2)	1,167.7	1,348.8	1,464.7	1,479.6	1,565.8	1,611.4	1,590.2	1,722.0	1,839.5	1,966.2	2,103.9	2,253.3
Other liabilities	277.0	282.4	305.0	311.8	328.1	339.6	360.0	389.8	416.4	445.1	476.2	510.0
					(Percent change)							
Net Foreign Assets	2.8	25.8	-16.3	10.7	5.7	5.8	37.7	5.1	4.6	3.5	3.5	3.5
Net Domestic Assets	20.2	7.9	18.5	9.4	7.4	10.2	-4.2	10.4	8.2	8.9	9.0	9.0
Net domestic claims	16.9	6.2	4.3	8.7	3.8	6.2	2.7	6.9	7.0	5.0	8.2	8.8
Of which: Credit to private sector	7.6	9.1	8.9	10.5	7.8	9.2	9.1	8.8	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	14.0	8.0	6.4	6.4	6.4	6.4
Capital account	9.4	-6.8	0.0	3.5	0.0	0.0	6.5	0.0	0.0	0.0	0.0	0.0
Other	15.2	32.6	-78.3	15.1	-87.0	-7.9	40.1	1.6	11.7	-6.8	15.4	18.5
Broad Money (M3)	14.8	12.9	8.2	9.8	7.0	8.9	8.9	8.3	6.8	6.9	7.0	7.1
Narrow money (M2)	13.5	15.5	8.3	9.7	6.9	8.9	7.5	8.3	6.8	6.9	7.0	7.1
Other liabilities	20.3	1.9	8.0	10.4	7.6	8.9	15.5	8.3	6.8	6.9	7.0	7.1
					(Percent of GDP)							
Net Foreign Assets	20.6	21.8	15.6	20.3	15.4	18.9	25.5	24.8	24.3	23.7	23.0	22.4
Net Domestic Assets	53.5	48.5	52.8	44.7	52.8	46.3	38.9	39.8	40.5	41.4	42.4	43.5
Net domestic claims	80.1	71.4	68.5	65.4	66.2	65.0	61.1	60.5	60.8	60.0	61.0	62.3
Of which: Credit to private sector	57.7	52.8	51.6	49.2	51.9	49.4	48.8	49.1	49.6	50.3	51.1	52.1
Claims on other financial corporations	2.3	3.0	2.9	2.6	2.9	2.6	2.7	2.7	2.7	2.7	2.7	2.7
Capital account	20.2	15.8	14.2	13.8	13.2	12.7	13.4	12.4	11.6	10.9	10.3	9.7
Other	-6.4	-7.1	-1.5	-6.9	-0.2	-6.0	-8.8	-8.3	-8.7	-7.6	-8.3	-9.2
Broad Money (M3)	74.1	70.2	68.4	65.1	68.2	65.2	64.4	64.6	64.8	65.1	65.5	65.9
Narrow money (M2)	59.9	58.1	56.6	53.7	56.4	53.9	52.5	52.6	52.8	53.1	53.4	53.7
Other liabilities	14.2	12.2	11.8	11.3	11.8	11.4	11.9	11.9	12.0	12.0	12.1	12.2

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	2023
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	9.2
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	11.2
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	10.0
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	21.9
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	119.8
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	2.5
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	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	14.6
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	24.3
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	0.8

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	124.0	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.7	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	9.6
Charges and interest 2/	49.0	46.8	43.4	43.1	43.1	43.0	43.1	43.1	43.1	43.0	42.6	40.8	39.0	37.0	35.1	33.2	31.4	29.4	27.5	25.6	24.2
Fund Obligations Based on Existing and Prospective																					
Credit (millions of SDRs)	309.7	218.5	99.2	180.2	442.9	333.6	52.6	52.6	52.6	52.5	80.8	107.4	104.6	101.7	98.8	96.0	93.1	90.3	87.4	84.6	53.5
Principal	247.5	124.0	9.4	90.9	363.8	272.8	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	124.0	9.4	90.9	363.8	272.8	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	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/	62.2	94.4	89.7	89.3	79.1	60.8	52.6	52.6	52.6	52.5	52.1	50.0	47.1	44.2	41.4	38.5	35.7	32.8	30.0	27.1	24.8
Total Obligations Based on Existing and Prospective																					
Credit																					
Millions of SDRs	309.7	218.5	99.2	180.2	442.9	333.6	52.6	52.6	52.6	52.5	80.8	107.4	104.6	101.7	98.8	96.0	93.1	90.3	87.4	84.6	53.5
Percent of exports of goods and services	5.3	3.6	1.6	2.8	6.6	4.8	0.7	0.7	0.7	0.7	1.0	1.3	1.2	1.1	1.1	1.0	0.9	0.9	0.8	0.8	0.5
Percent of gross international reserves	7.6	5.3	2.4	4.3	10.4	7.7	1.2	1.1	1.1	1.0	1.5	2.0	1.8	1.7	1.6	1.5	1.4	1.3	1.2	1.1	0.7
Percent of government revenue	6.3	4.3	1.9	3.4	8.0	5.8	0.9	0.8	0.8	0.8	1.1	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	27.6	26.8	9.8	18.1	50.7	55.5	6.3	9.3	9.1	8.9	14.0	17.8	16.7	15.5	14.5	13.5	12.6	11.7	10.8	10.1	6.1
Percent of GDP	2.0	1.3	0.6	1.0	2.4	1.8	0.3	0.3	0.2	0.2	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2
Percent of quota	80.9	57.1	25.9	47.1	115.7	87.1	13.7	13.7	13.7	13.7	21.1	28.0	27.3	26.5	25.8	25.1	24.3	23.6	22.8	22.1	14.0
Principal	64.6	32.4	2.5	23.8	95.0	71.2	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	23.8	95.0	71.2	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	1,435.3	1,311.3	1,301.9	1,210.9	847.2	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	636.6	272.8	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	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	24.6	21.4	20.7	18.7	12.7	8.3	8.0	7.8	7.5	7.3	6.7	5.8	4.9	4.1	3.4	2.7	2.0	1.4	0.8	0.3	0.0
Percent of gross international reserves	35.2	31.5	31.0	28.6	19.8	13.3	12.8	12.3	11.8	11.3	10.4	8.9	7.5	6.3	5.1	4.0	3.0	2.0	1.2	0.4	0.0
Percent of government revenue	29.3	26.0	25.1	22.5	15.2	9.9	9.5	9.2	8.8	8.4	7.7	6.6	5.6	4.7	3.8	3.0	2.2	1.5	0.9	0.3	0.0
Percent of total public external debt	21.8	20.8	21.8	21.9	16.7	11.8	13.0	13.6	14.3	15.2	15.4	13.2	11.2	9.3	7.6	5.9	4.4	3.0	1.7	0.6	0.0
Percent of GDP	9.1	8.0	7.7	6.9	4.7	3.0	2.9	2.8	2.7	2.6	2.4	2.0	1.7	1.4	1.2	0.9	0.7	0.5	0.3	0.1	0.0
Percent of quota	374.9	342.5	340.0	316.2	221.2	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	166.2	71.2	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	-124.0	-9.4	-90.9	-363.8	-272.8	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	124.0	9.4	90.9	363.8	272.8	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)	7,727	8,091	8,334	8,586	8,848	9,147	9,455	9,774	10,104	10,444	10,797	11,161	11,537	11,926	12,328	12,744	13,174	13,618	14,078	14,552	15,043
Gross international reserves (millions of U.S. dollars)	5,400	5,500	5,550	5,600	5,650	5,700	5,934	6,178	6,432	6,696	6,972	7,258	7,557	7,867	8,217	8,569	8,936	9,319	9,717	10,133	10,567
Government revenue (million of U.S. dollars)	6,468	6,660	6,854	7,111	7,353	7,656	7,970	8,298	8,639	8,994	9,363	9,748	10,149	10,583	11,036	11,509	12,001	12,515	13,051	13,609	14,192
Total external debt, public (million of U.S. dollars)	8,692	8,353	7,897	7,329	6,725	6,448	5,854	5,599	5,317	5,005	4,694	4,887	5,088	5,306	5,533	5,770	6,017	6,274	6,543	6,823	7,115
External debt service, public (million of U.S. dollars)	1,484	1,078	1,338	1,317	1,156	796	1,101	748	764	781	766	797	830	865	902	941	981	1,023	1,067	1,113	1,160
Nominal GDP (millions of U.S. dollars)	20,847	21,772	22,503	23,267	24,062	25,051	26,080	27,152	28,268	29,430	30,640	31,899	33,210	34,632	36,114	37,660	39,272	40,954	42,707	44,535	46,441
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	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32

Source: IMF staff estimates and projections.

1/ Based on a drawing scenario.

2/ Based on the GRA rate of charge of 5.016 percent as of July 4, 2024.

3/ Jamaica belongs to the RST interest Group C. Interest based on the RST rate of interest of 4.966 percent as of July 4, 2024.

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

Review Date	Conditions for Access	Credit Available: Millions SDR, cummulative	Credit Available: Percent of Quota, cumulative	Credit Available: 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: 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

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

	FY 2023/24			FY 2024/25		
		Program request 1/			Program request 1/	
	3rd Review baseline	Baseline	Downside scenario	3rd Review baseline	Baseline	Downside scenario
Gross Financing Needs	2,277	3,293	4,002	2,621	3,250	3,645
Current account deficit	-472	504	1,213	-202	475	875
MLT amortization	599	595	595	677	574	574
ST amortization	2151	2194	2194	2146	2201	2196
Gross Financing Sources (w/o RSF)	2,835	3,202	3,019	2,789	3,400	3,301
FDI (net)	418	477	388	502	558	502
MLT debt disbursements	188	163	143	846	456	436
Other 2/	2,228	2,562	2,488	1,441	2,385	2,363
Net Sources of Financing	-557	91	983	-168	-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)	-557	91	376	-168	-150	-10
Memorandum items:						
Gross international reserves (GIR)	5,232	4,100	3,815	5,400	4,250	3,824
Net change in reserves (-: increase; with RSF)	-557	91	376	-168	-150	-10
Gross Financing Sources (with RSF)	2,835	3,202	3,019	2,789	3,400	3,301
FDI (net)	418	477	388	502	558	502
MLT debt disbursements (with RSF)	701	676	656	1,102	712	692
of which: RSF disbursement	513	513	513	256	256	256
Other 2/	1,715	2,049	1,975	1,185	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*

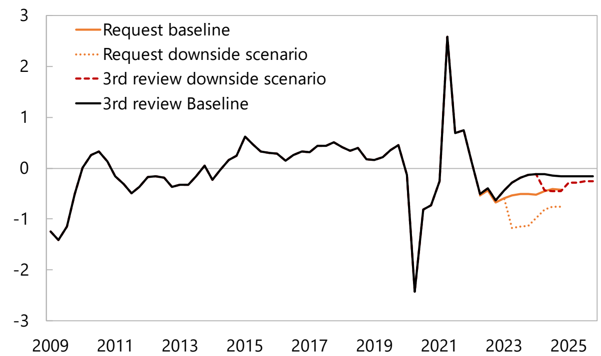
2/ Includes the rollover of short term debt, portfolio flows and other private investment flows.

Annex I. 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 April 2024 WEO projections. The index shows that external economic stress is projected to remain high compared to the pre-Covid period, but less than at the time of the PLL request reflecting mostly lower oil and food price path assumptions and higher projected growth in main trading partners for 2024 while external financial conditions are tighter.

6. Revised downside scenario. The downside scenario combines the global downside scenario of the April 2024 WEO of geopolitical risks and divergence and global financial conditions. This scenario assumes renewed pressures on global commodity prices, especially fuel (15 percent above baseline), while persistent inflation in the US leads to tighter global financial conditions. Strong consumer demand in the US relative to other advanced and emerging economies means that growth in Jamaica's main trading partners is less affected than global output but still lower than baseline.[1] The risk of tighter financial conditions is reflected in a 150 bps increase in sovereign and corporate premia in the second half of 2024. 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. Equally, the baseline index for 2024 suggests external stress will remain contained. The revised downside scenario highlights downside risks linked to global commodity prices and financial conditions.

[1] See: IMF World Economic Outlook, April 2024, Box 1.2

Annex II. Debt Sustainability Analysis

Jamaica's public debt is sustainable*. Underpinned by the authorities' sustained efforts in fiscal consolidation, public debt declined to 73 percent of GDP in FY2023/24 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 73 percent in FY2023/24. 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 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.[2] 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

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[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.

[2] The primary balance in the near-term is now projected at 5.6 percent in FY2024/25 and 5.0 percent in FY2025/26 compared with 5.3 percent and 4.7 percent in the 2024 Article IV consultations, because the projection in the 3rd review of the PLL/RSF reflects the budget for FY2024/25 and the updated medium-term fiscal framework passed by Parliament and published in March 2024 after the completion of the 2024 Article IV consultations.

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 to pay down outstanding US$ global bonds coming due in 2025 and 2028. As part of their medium-term debt management 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 LMOs 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.[3] 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.

[3] The pension module simulation uses information calibrated for Jamaica—total benefits paid by the pension system, total contributions to the pension system, and asset reserves from the pension system (all in percent of GDP).

Table 1. Jamaica: Decomposition of Public Debt and Debt Service by Creditor, 2023–25

(In fiscal year) 1/

	Debt Stock (end of period)			Debt Service					
	2023			2023	2024	2025	2023	2024	2025
	(In US$ millions)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ millions)*			*(Percent GDP)*		
Total	**14271.1**	**100.0**	**73.3**	1995.0	3005.3	2142.5	10.2	14.4	9.9
External	**9255.8**	**64.9**	**47.5**	1393.9	1479.3	1075.8	7.2	7.1	4.9
Multilateral creditors[2]	3582.0	25.1	18.4	771.7	865.5	449.5	4.0	4.1	2.1
IMF	833.6	5.8	4.3						
World Bank	985.5	6.9	5.1						
ADB/AfDB/IADB	1568.9	11.0	8.1						
Other Multilaterals	194.0	1.4	1.0						
o/w: list largest two creditors									
list of additional large creditors									
Bilateral Creditors	669.1	4.7	**3.4**	105.7	122.6	102.1	0.5	0.6	0.5
Paris Club	14.0	0.1	0.1						
o/w: list largest two creditors									
list of additional large creditors									
Non-Paris Club	655.1	4.6	3.4						
o/w: list largest two creditors									
list of additional large creditors									
Bonds	5004.7	35.1	**25.7**	516.6	491.2	524.3	2.7	2.3	2.4
Commercial creditors									
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	**5015.3**	**35.1**	**25.8**	601.0	1526.0	1066.7	3.1	7.3	4.9
Held by residents, total									
Held by non-residents, total									
T-Bills	66.6	0.5	**0.3**						
Bonds	4948.7	34.7	**25.4**						
Loans									
Memo items:									
Collateralized debt[3]									
o/w: Related									
o/w: Unrelated									
Contingent liabilities[4]	584.0								
o/w: Public guarantees									
o/w: Other explicit contingent liabilities[5]									
Nominal GDP	19474								

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/ Contingent liabilities correspond to government guaranteed loans and public bodies' non guaranteed loans as at end-December 2023.

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 under both 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 spending would not pose 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 on a declining path and GFNs are low and remain at manageable levels. The Fiscal Responsibility Law is designed to guide fiscal policy towards achieving a debt of 60% of GDP or less 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"

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:						

CPS / NFPS / GG: expected / CG		Subsectors captured in the baseline	Inclusion	Comments
CG	1	Budgetary central government	Yes	
CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CG	3	Social security funds (SSFs)	No	
GG: expected	4	State governments	No	
GG: expected	5	Local governments	No	
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

Reporting on Intra-Government Debt Holdings

	Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	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

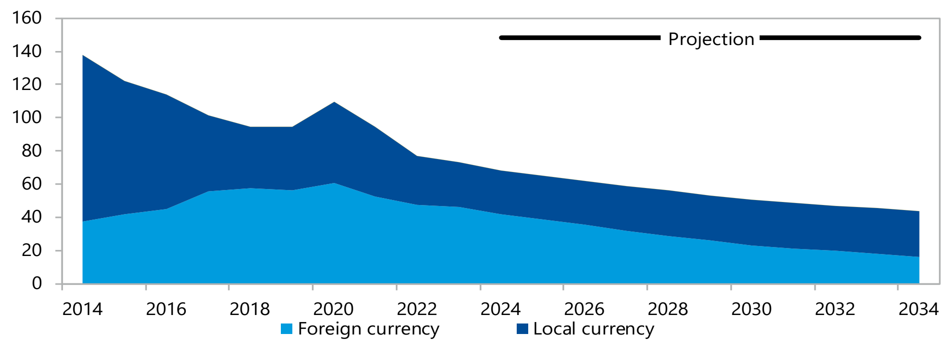
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee 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 finance data, including expanding the coverage to general government.

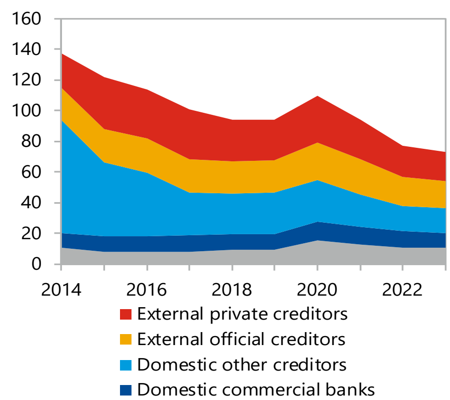
Figure 2. Jamaica: Public Debt Structure Indicators
(Fiscal Year)

Public Debt Structure Indicators

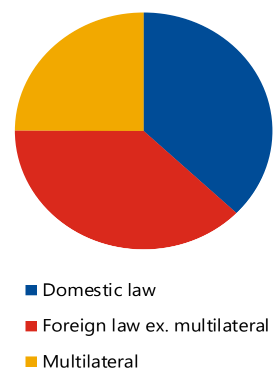
Debt by Currency (Percent of GDP)



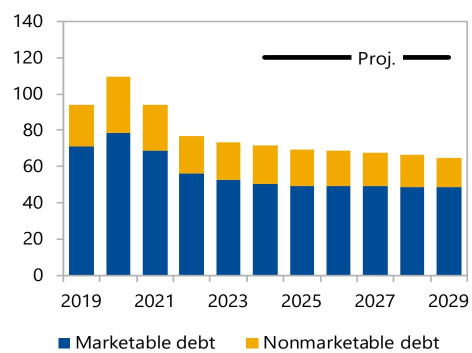
Public Debt by Holder (Percent of GDP)



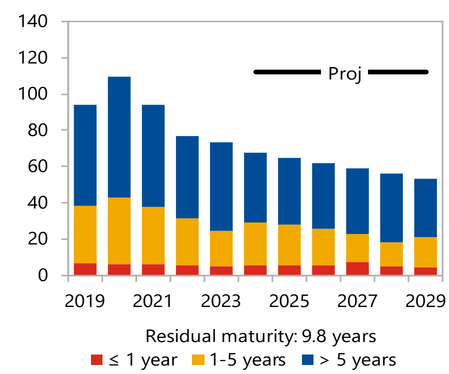
Public Debt by Governing Law, 2023 (Percent)



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.

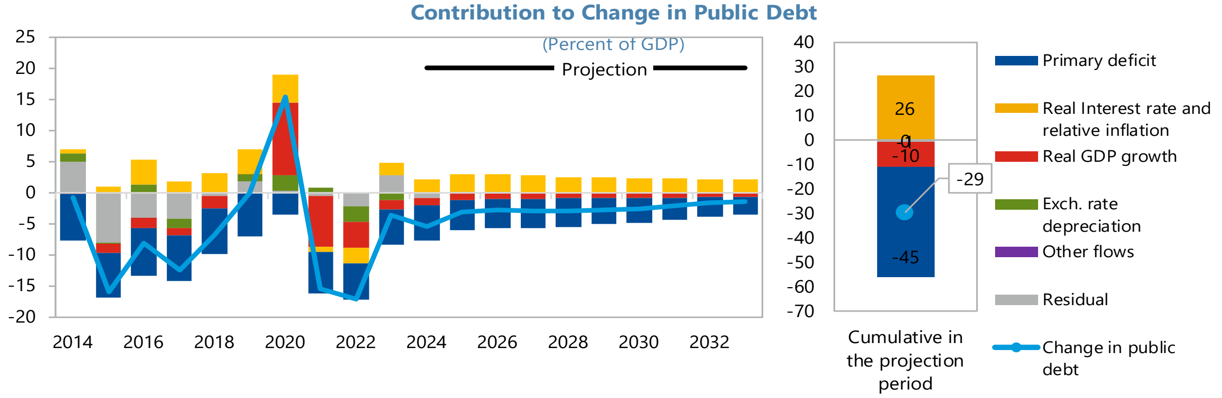
Table 3. Jamaica: Baseline Scenario

(Percent of GDP unless indicated otherwise; fiscal year)

	Actual	Medium-term projection						Extended projection				
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	73.3	67.8	64.7	61.9	58.9	55.9	53.2	50.6	48.6	46.9	45.5	43.9
Change in public debt	-3.7	-5.5	-3.1	-2.9	-3.0	-3.0	-2.7	-2.6	-2.1	-1.6	-1.4	-1.6
Contribution of identified flows	-6.6	-4.7	-3.2	-2.9	-2.9	-3.0	-2.7	-2.5	-2.0	-1.6	-1.4	-1.6
Primary deficit	-5.7	-5.6	-5.0	-4.7	-4.7	-4.5	-4.2	-4.0	-3.5	-3.0	-2.8	-2.8
Noninterest revenues	30.5	31.0	30.6	30.4	30.5	30.5	30.5	30.5	30.5	30.5	30.5	30.5
Noninterest expenditures	24.8	25.4	25.6	25.7	25.8	26.0	26.3	26.5	27.0	27.5	27.8	27.7
Automatic debt dynamics	-0.8	1.0	1.8	1.8	1.8	1.6	1.5	1.5	1.5	1.4	1.4	1.2
Real interest rate and relative inflation	1.9	2.2	2.9	2.8	2.8	2.5	2.4	2.3	2.3	2.2	2.1	2.0
Real interest rate	0.1	0.5	1.9	1.8	1.8	1.7	1.6	1.6	1.7	1.6	1.6	1.5
Relative inflation	1.8	1.6	1.0	1.0	1.0	0.8	0.7	0.7	0.6	0.6	0.5	0.5
Real growth rate	-1.5	-1.2	-1.1	-1.0	-1.0	-0.9	-0.9	-0.8	-0.8	-0.8	-0.7	-0.7
Real exchange rate	-1.3	...	...	...	...	...	...	...	...	...	...	...
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 1/	2.9	-0.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	4.5	8.8	4.9	5.2	5.4	6.9	5.0	5.3	5.2	5.9	6.1	6.4
of which: debt service	10.2	14.4	9.9	9.9	10.1	11.5	9.2	9.4	8.7	8.9	8.8	9.2
Local currency	3.1	7.3	4.9	4.0	4.5	6.7	6.0	5.1	5.9	6.2	6.2	6.7
Foreign currency	7.2	7.1	4.9	5.9	5.7	4.8	3.2	4.2	2.8	2.7	2.7	2.5
Memo:												
Real GDP growth (percent)	1.9	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Inflation (GDP deflator; percent)	8.0	6.2	4.6	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Nominal GDP growth (percent)	10.0	8.0	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Effective interest rate (percent)	8.1	7.0	7.6	7.7	7.8	7.7	7.8	8.0	8.2	8.3	8.4	8.2

1/ The contribution of the real exchange rate explains the non-zero value for the contribution of the residual in the initial year of the projection.

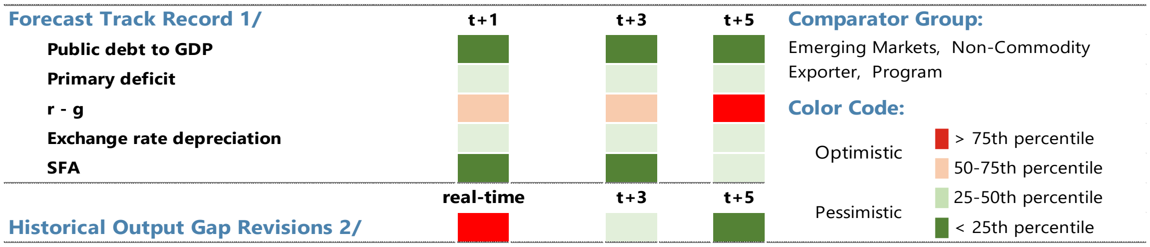
Contribution to Change in Public Debt



Commentary: Public debt is on track 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.

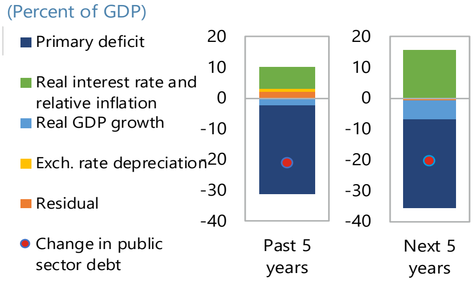
Figure 3. Jamaica: Realism of Baseline Assumptions

(Fiscal Year)

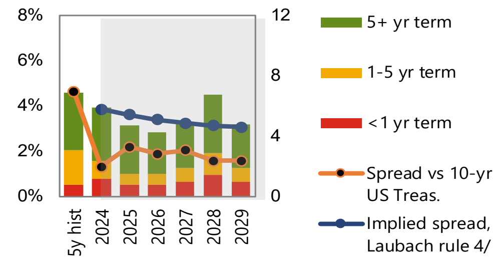


Public Debt Creating Flows

(Percent of GDP)

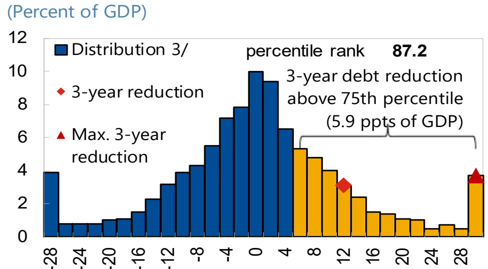


Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))

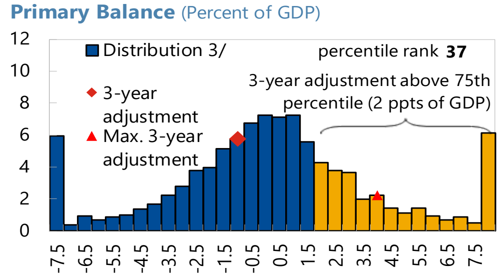


3-Year Debt Reduction

(Percent of GDP)

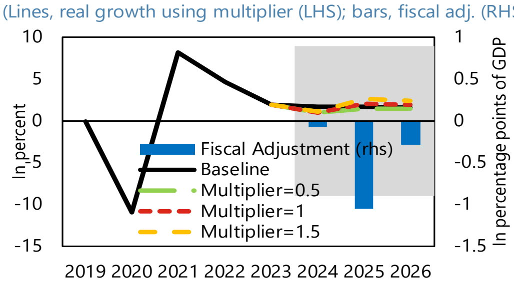


3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



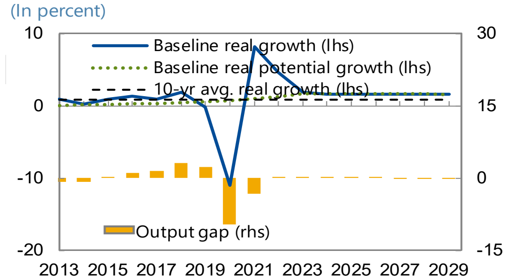
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(In percent)



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.

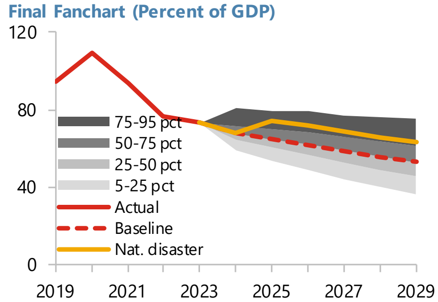
1/ Projections made in the October and April WEO vintage.
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates
3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

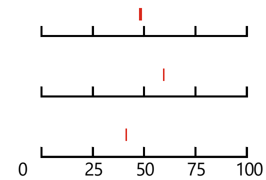
Figure 4. Jamaica: Medium-Term Risk Analysis

(Fiscal Year)

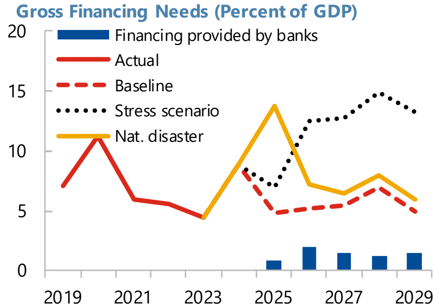
	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	38.8	0.6	
Probability of debt non-stabilization *(percent)*	4.4	0.0	
Terminal debt-to-GDP x institutions index	27.4	0.6	
Debt fanchart index (DFI)		1.2	
Risk signal: 3/		**Moderate**	
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	6.0	2.1	
Initial Banks' claims on the gen. govt *(pct bank assets)*	9.4	3.1	
Chg. In banks' claims in stress *(pct banks' assets)*	2.6	0.9	
GFN financeability index (GFI)		6.0	
Risk signal: 4/		**Low**	

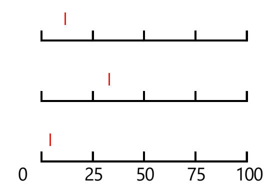
Final Fanchart (Percent of GDP)





Gross Financing Needs (Percent of GDP)

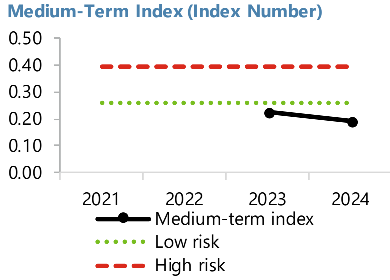




Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | **Natural disaster**

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.2	0.3	0.5	0.1
GFN financeability index	6.0	0.1	0.5	0.1
Medium-term index		0.2		
Risk signal: 5/		**Low**		
Final assessment:		**Low**		

Prob. of missed crisis, 2024-2029, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2024-2029, if stress predicted: 58.0 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)

Triggered Modules

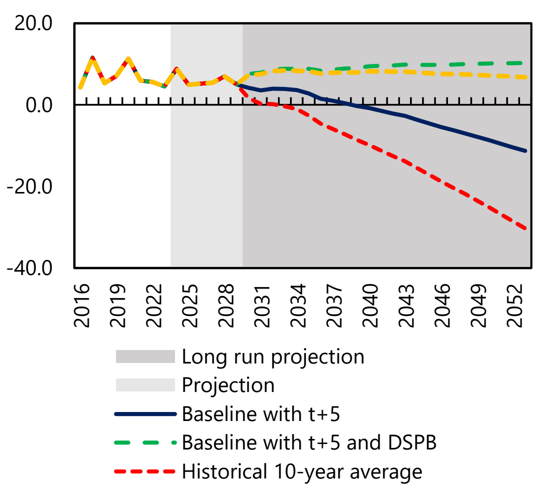
Large amortizations	**Pensions**	**Climate change: Adaptation**	Natural Resources
	Health	Climate change: Mitigation	

Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

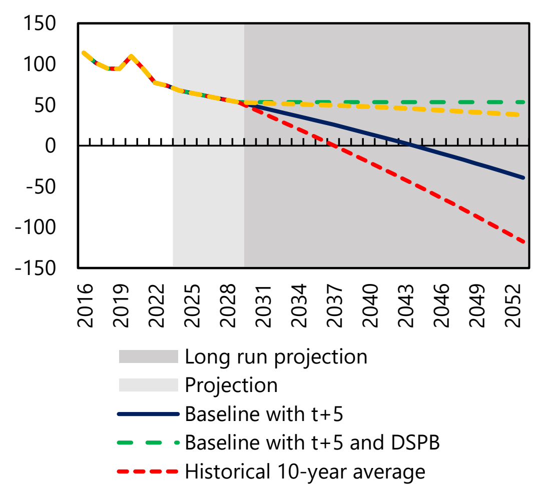
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP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

Variable	2029	2033 to 2037 average	Custom Scenario
Real GDP growth	1.6%	1.6%	2.0%
Primary Balance-to-GDP ratio	4.2%	3.2%	1.0%
Real depreciation	-2.4%	-2.4%	-2.4%
Inflation (GDP deflator)	4.7%	4.7%	5.0%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

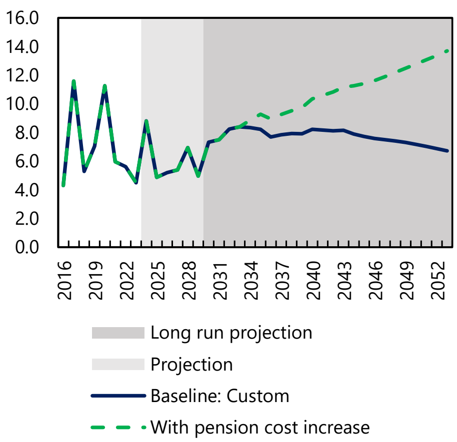


Commentary: Long-term risk is assessed to be moderate. The large amortization module shows gradual declines in GFN and debt relative to GDP both under the baseline and customized scenarios. The customized scenario assumes real GDP growth of 2 percent, a GDP deflator of 5 percent, and a primary balance surplus of 1 percent of GDP. This primary balance surplus is significantly lower than the average of 6.6 percent recorded over the last ten years.

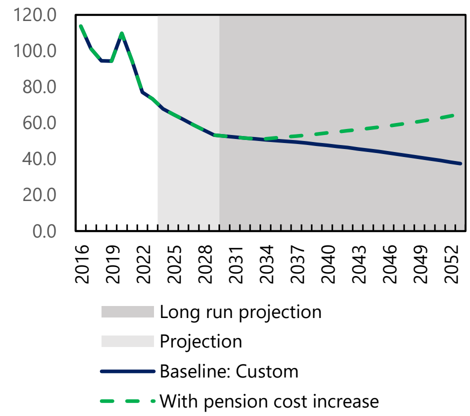
Figure 5. Jamaica: Long-Term Risk Analysis (Continued)
(Fiscal Year)

Demographics: Pensions

GFN-to-GDP Ratio



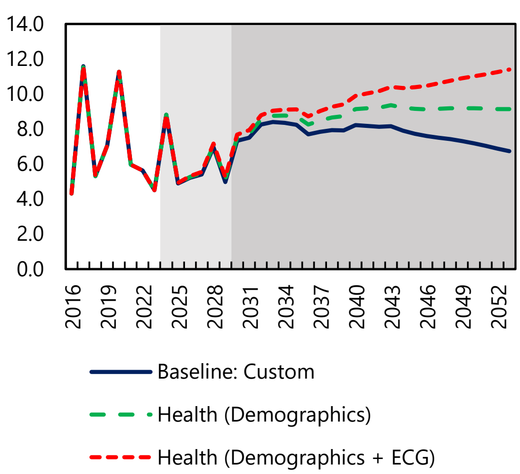
Total Public Debt-to-GDP Ratio



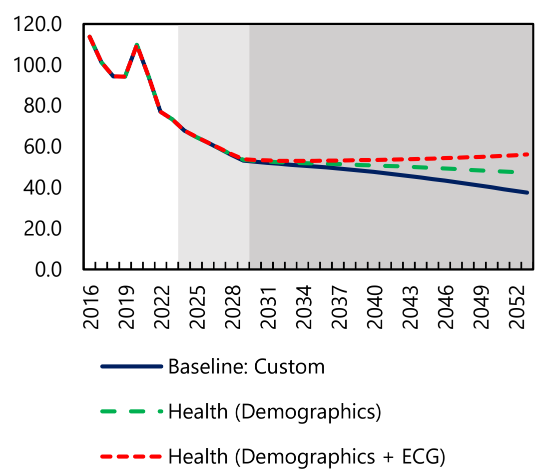
Commentary: Pension expenditures under the current system would lead to larger GFNs and cause a moderate rise in debt in the long run. This points to the need to undertake parametric reforms of the current public pension system. Actuarial reviews, scheduled to take place every three years, should continue to inform parametric reforms to the National Insurance Scheme to ensure that increased coverage does not compromise the fiscal sustainability of the National Insurance Scheme. Further, making parametric changes to the pension plan for public employees will help in reducing its financial burden on public finance going forward.

Demographics: Health

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

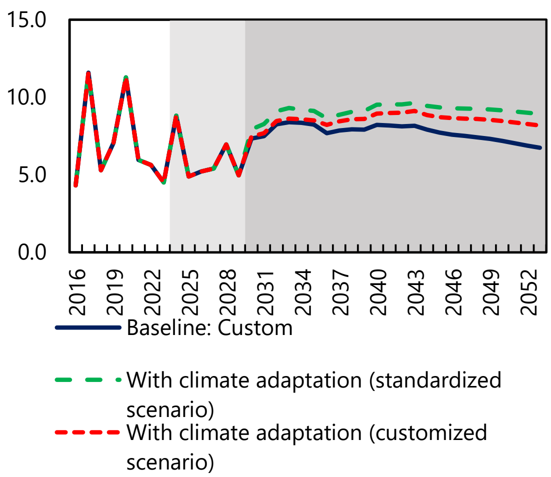


Commentary: Current health care expenditures would not pose significant sustainability concerns. A scenario of higher growth rate of healthcare costs (e.g., due to medical advances) suggests fiscal pressures that would prevent sustained declines in gross financing needs and public debt in the long run.

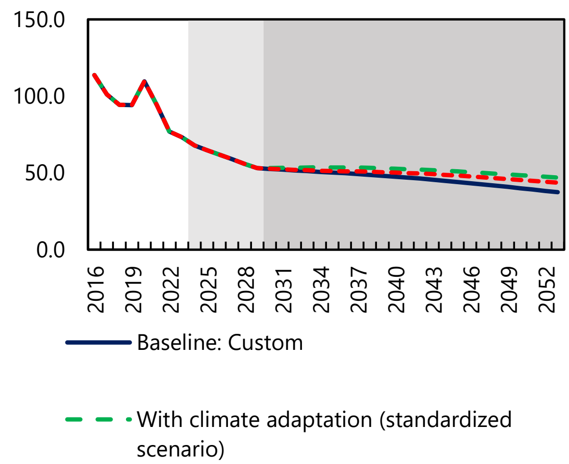
Figure 5. Jamaica: Long-Term Risk Analysis (Concluded)
(Fiscal Year)

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. The standardized and customized scenarios of the climate change adaptation module add costs associated with investments of 0.4 percent of GDP and 0.2 percent of GDP over the long run, respectively.

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			**72.3**	**65.1**	**59.9**	**56.3**	**53.7**	**51.0**	**-2.7**
Change in external debt	-7.2	-3.2	21.2	-11.2	-13.9			-6.5	-7.2	-5.2	-3.6	-2.7	-2.7	
Identified external debt-creating flows (4+8+9)	-6.6	0.0	10.2	-12.4	-18.1			-6.0	-4.7	-4.1	-3.3	-2.3	-1.9	
Current account deficit, excluding interest payments	-1.0	-0.7	-1.1	-1.8	-4.0			-4.8	-3.1	-2.2	-1.5	-0.5	-0.2	
Deficit in balance of goods and services	-89.7	-87.8	-61.6	-85.6	-94.8			-89.5	-89.8	-89.0	-89.3	-89.8	-89.9	
Exports	38.1	36.7	19.9	32.3	39.2			37.8	38.0	37.4	37.3	37.2	37.0	
Imports	-51.6	-51.0	-41.7	-53.3	-55.6			-51.6	-51.7	-51.5	-52.0	-52.6	-52.8	
Net non-debt creating capital inflows (negative)	-4.2	-2.1	-3.8	-2.5	-1.8			-2.2	-2.5	-2.9	-3.0	-3.1	-3.1	
Automatic debt dynamics 1/	-1.4	2.8	15.1	-8.1	-12.3			0.9	0.8	1.0	1.2	1.3	1.4	
Contribution from nominal interest rate	2.5	2.6	2.3	2.4	2.1			2.3	2.0	2.0	2.2	2.2	2.2	
Contribution from real GDP growth	-1.7	0.1	10.5	-7.6	-3.7			-1.4	-1.1	-1.1	-0.9	-0.9	-0.8	
Contribution from price and exchange rate changes 2/	-2.2	0.1	2.3	-3.0	-10.7			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-0.6	-3.2	11.0	1.2	4.2			-0.5	-2.4	-1.0	-0.3	-0.3	-0.8	
External debt-to-exports ratio (in percent)	225.6	224.9	521.9	286.6	201.2			191.1	171.2	160.1	151.0	144.4	137.7	
Gross external financing need (in billions of US dollars) 4/	2.3	2.6	2.1	2.7	2.1			2.3	2.6	2.5	2.9	3.1	3.0	
in percent of GDP	14.8	16.3	15.1	18.1	12.0	10-Year	10-Year	11.7	12.6	11.6	13.0	13.3	12.6	
Scenario with key variables at their historical averages 5/								**72.3**	**69.4**	**66.0**	**62.6**	**59.0**	**55.0**	**-3.8**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation							
Real GDP growth (in percent)	1.9	-0.1	-11.0	8.2	4.7	0.8	4.9	1.9	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	5.2	6.7	5.3	2.7	1.7	1.8	1.8	
Nominal external interest rate (in percent)	2.8	3.0	2.5	2.6	2.6	3.4	0.9	3.2	2.9	3.3	3.7	4.0	4.3	
Growth of exports (US dollar terms, in percent)	18.0	-3.7	-53.1	81.0	43.3	9.9	34.7	5.1	7.6	2.8	3.0	3.1	3.1	
Growth of imports (US dollar terms, in percent)	8.9	-1.3	-29.3	42.3	23.5	4.1	19.8	1.0	7.3	4.1	4.3	4.6	3.8	
Current account balance, excluding interest payments	1.0	0.7	1.1	1.8	4.0	0.5	2.5	4.8	3.1	2.2	1.5	0.5	0.2	
Net non-debt creating capital inflows	4.2	2.1	3.8	2.5	1.8	4.4	2.3	2.2	2.5	2.9	3.0	3.1	3.1	

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.

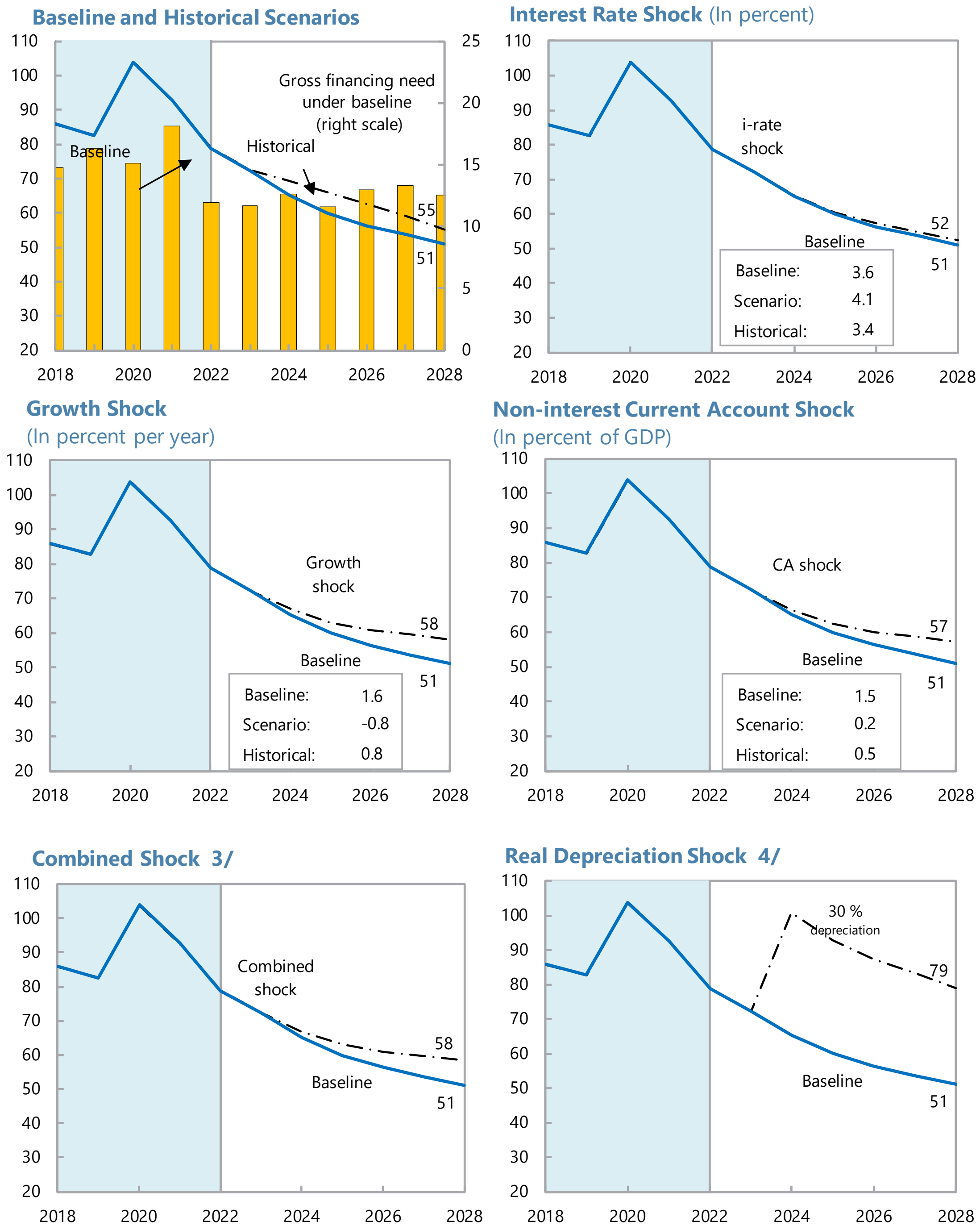
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

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 III. RSF Reform Measures: Content and Impact

First Review

1. RM1: The Ministry of Finance and Public Service (MOFPS) to adopt a National Natural Disaster Risk Financing (DRF) policy.

- RM1 establishes a foundation for a development of the strategic approach to the disaster risk financing. It contributes to operationalization of Jamaica's Public Financial Management Policy for Disaster Risk. The policy adopts a comprehensive financing approach including use of an expanded set of insurance instruments and therefore enables identification and selection of the most cost-effective disaster risk insurance.

- Jamaica has availed itself of a diverse set of financial coverage tools in case of disasters. However, that diversity reflects more an opportune availability of an instrument rather than a strategic approach to DRM financing. The authorities developed a National Natural Disaster Risk Financing policy (NNDRFP) to develop a strategic approach to the DRM financing. The policy was submitted to public consultation. It deploys a robust assessment of explicit and implicit contingent liabilities matched against a suitable suite of the best fitting financial tools. The policy has three focus areas: i) budgeting for DRF – data processes & systems; ii) building financial and disaster risk resilience; and iii) building institutional capacity. The first area includes strategies and activities to improve budgeting and reporting of climate related expenses. The second area adopts a comprehensive financing approach including use of an expanded set of insurance instruments and therefore enables identification and selection of the most cost-effective disaster risk insurance. The third area focuses on improving competence in identifying and quantifying fiscal risks, including contingent liabilities related to natural disasters as well as strengthening capacity to evaluate alternative DRF instruments. The policy is complemented by an Implementation Plan that identifies the relevant parties for the implementation of the policy and its operationalization/implementation schedule. The policy is informed by the World Bank's 2018 report "Advancing Disaster Risk Finance in Jamaica" and the technical support of the World Bank during its preparation.

2. 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.

- Jamaica has made extensive use of public-private partnership (PPP) arrangements since 2011. The PPPs are likely to remain an important vehicle for use and blending of private and public resources to advance development. The PPPs are likely to gain in importance as an avenue to tackle climate related investment needs where resources and expertise of the public and private sector must come together to address the existential challenges facing the island. In that context, the clear structure for allocating the burdens and rewards of climate related investing is crucial to incentivize private partners and to manage the related expectations in a transparent and balanced way.

- However, the institutional PPP framework in Jamaica is lacking a structure for allocation of climate risks between the government and PPP partners. Consequently, the PPP project appraisal, selection, procurement and contract management procedures do not integrate climate-related analysis based on a standardized methodology. RM2 addresses these gaps. The transparent and up-front allocation of liabilities will support proper quantification of liabilities and securing of the matching resources to control them. To this end, the authorities amended the Policy and Institutional Framework for the Public-Private Partnership (PPP) policy Program to integrate climate-related analysis in PPP project appraisal, selection, procurement, and contract management procedures. Additionally, the authorities revised the PPP Standard Operating Procedure Manual to reflect these requirements. The Manual which operationalizes the Policy defines process and procedure to integrate climate considerations into the four critical PPP project's phases: i) project identification; ii) business case; iii) transaction; and iv) contract management. The procedures set by the Manual for each of the PPP project phases are summarized in the Box 1 below. The Manual also includes useful templates for each PPP project phase. The Manual is intended to be useful for the government entities in charge of PPP—the Development Bank of Jamaica (DBJ)—and the enterprises and other financial institutions and development organizations interested in exploring different aspects of PPP management. Both the Policy and the Manual benefitted from the technical assistance of the Inter-American Development Bank (IDB). In terms of Policy and Manual's impact, the transparent and up-front allocation of liabilities will support proper quantification of liabilities and securing of the matching resources to control them.

Box 1. Jamaica: The PPP Standard Operating Procedure Manual: Guidance by Project Phase

Embedding Climate Resilience at the PPP Project Identification Stage: the assessments and guidance in this section will help DBJ/Government of Jamaica (GoJ) PPP teams ensure that their projects align with GoJ development goals and objectives (see: 2.1.1-2.1.3) as well as provide guidance that will help project teams think through, at a high-level, how climate risks can affect the potential project.

Embedding Climate Resilience at the PPP Business Case Stage: this section provides guidance to help project teams think through how to embed climate resilience considerations into the various technical, financial, economic, environment analyses conducted to determine if the project is viable and best delivered as a PPP.

Embedding Climate Resilience at the PPP Transaction Stage: the guidance in this section of will help DBJ PPP teams/Enterprise teams think through how to embed climate resilience considerations into designing the contract, qualifying bidders, tendering the project, and evaluating bids received: the guidance in this section will help DBJ PPP teams/Enterprise teams think through how to embed climate resilience considerations into designing the contract, qualifying bidders, tendering the project, and evaluating bids received.

Embedding Climate Resilience at the PPP Contract Management Stage: the decision support tools in this section of the toolkit will help governments and project planners think through how to track any climate-related agreements set during the Transaction Stage and managing any unforeseen climate-related risks that occur over the life of the PPP.

Source: The PPP Standard Operating Procedure Manual, 2023.

3. RM8: The Ministry of Science, Energy and Technology (MSET) to submit to parliament the electric vehicles policy (EVP), in line with the objectives in paragraph 23 of the Written Communication.

- The electric vehicle policy sets functional standards and regulations for electric mobility, defines energy sector guidelines for electric mobility accommodation, develops operational codes to promote adoption of electric vehicles, and sets guidelines for the development of an electric mobility ecosystem. In Jamaica, mass public transportation is underdeveloped and there is over-reliance on cars and taxis, which leads to high per capita petrol consumption compared to regional peers. This consumption feeds into the high fuel import bill and the related vulnerabilities including most recently and prominently the related inflationary pressures which came to the fore following the war in Ukraine. There is an urgent need to transition to renewable energy. The measures envisaged in the EVP could result in a share of electric vehicles rising to about 12 percent of total privately owned fleet, 16 percent of public transport, and savings of 3 MTCO2eq over the next decade.[1] The economy-wide and socio-financial impacts of the adoption of the electric vehicles are estimated as positive due to investments in infrastructure, fuel imports reductions, development of renewables and socio-financial (including health) savings due to the efficiency advantages in maintenance, emissions, and operations of the electric fleet over the combustible engine-based fleet.

- The electric vehicle policy (EVP) was developed based on the Strategic Framework of Electric Mobility (SFEM) adopted by the government in March 2021 and developed with the technical assistance of the IDB. The SFEM proposes different incentives, policies, regulatory frameworks, and business models in order to maximize the benefits of electric mobility deployment in the country, as well as the creation of a new ecosystem. The EVP comprises six building blocks: i) the establishment of different standards to enable electric mobility adoption including EV import standards requirements, EV registration procedures etc.; ii) the deployment of a public charging infrastructure network as a prerequisite to engage on this new technology transportation mode[2]; iii) the existence of a competitive EV infrastructure market ; iv) the proper management of batteries and other EV components second-life and recycling once EVs reach their end-of-life; v) the promotion of specific training programs to develop EV knowledge among technical experts (mechanics, first response fleet professionals such as firefighters and police etc.) to guarantee the viability of electric mobility deployment; and vi) the social awareness among Jamaican population to incentivize the EVs use through for instance communication campaigns,

[1] IDB Strategic Framework for Electric Mobility. Technical Cooperation Number JA-T1172 – Sustainable Transport and Renewable Energy-Powered Electric mobility April 2020, p.11, scenario 4.

[2] The establishment of the efficient charging infrastructure is one of the goals of the policy. According to the policy it is expected the that actual changing infrastructure investment will be undertaken by the public and private stakeholders. Currently, the JPS, public electric utility, has been building charging stations.

test rides etc.. The EVP policy complements the fiscal incentive to stimulate the purchase and promote the expansion of EVs throughout the country. [3]

4. 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.

- This RM promotes energy efficiency and conservation to free public funds through lower government bills and reduced oil imports, helping the government of Jamaica to create the fiscal space for productive spending whilst also contributing to greenhouse gas emissions' reduction. Previous energy conservation programs may be a good benchmark for the potential impact of this measure. The Energy Efficiency and Conservation Program implemented during 2012-2016 retrofitted public health, administrative and educational buildings, supported energy efficiency and conservation. It is estimated that the program saved some JD131.5 million (US$1 million). A subsequent program developed over 2017- 2021 is estimated to have saved more than 0.6 million barrels of oil (equivalent to 8 percent of total crude volume imported in 2020) by equipping 30 public facilities with energy efficient systems.

- The guidelines collate the existing energy efficiency codes and standards to provide a centralized reference hub for practitioners and thus assure their use at different life stages of the investment project (design, procurement, construction, operation, and maintenance). The guidelines also mandate the use of appropriate expertise (engineers and architects) for the application of codes and standards, and set the measures to evaluate outcomes of enhanced energy efficiency and define the process to follow for new and existing structures as required by the RM. Among others, the guidelines set specific energy efficiency requirements for hospitals and schools in line with the RM. To assure verification of the application of required standards and codes, the guidelines establish procedures for monitoring, evaluation, measurement, and verification of their implementation.

Second Review

5. 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.

[3] Customs Tariff (Revision) (Amendment) (No. 2), Resolution, 2022, and the Road Traffic (License Duties) Order, 2022.

- 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.

6. 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/.

7. 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.

8. 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.[4]

- 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). 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.

Third Review

9. RM5: The MOFPS to conduct and publish in the Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.

- RM5 contributes to a climate resilient fiscal framework by operationalizing a methodology to quantify climate impact on fiscal risks. The requirement to incorporate the methodology in the Fiscal Risk Statement (FRS) in The Policy Paper assures dissemination and mandatory use of the methodology at the most important moment in the budget preparation process. [5]

- While the previous FRSs included analysis of climate hazards and their estimated impact, these assessments had not followed a uniform standard methodology. RM5 addresses this deficiency through a methodology that: (i) identifies the climate risks through the lifecycle of the MTFF; (ii) identifies the climate risks' data sources; and (iii) defines processes and procedures to integrate climate risks analysis in the FRS. The methodology focuses on the past exposure to damage from climate-related disasters and calibrates these estimates for the forecasted FRS.

[4] 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.

[5] Available at the MOFPS website at: https://www.mof.gov.jm/wp-content/uploads/FPP-2024-Final.pdf.

- RM5 was informed by the World Bank's (WB) 2018 report "Advancing Disaster Risk Finance in Jamaica'' quantifying the fiscal disaster losses. RM5 deepened synergies with the WB efforts in this area and the WB considered it would contribute to the soundness of fiscal framework and the credibility of the budget. It was also informed by the IMF's Climate Public Investment Management Assessment (C-PIMA) and benefitted from the technical support of the IMF FAD delivered after C-PIMA completion (Fiscal Risks from Climate Change, Fisher L., October 2023). The C-PIMA was finalized in early 2023, identifying areas that would increase resilience of public investment to climate change.[6]

10. RM7: The MOFPS to submit to parliament a bill to incentivize investment in renewables through fiscal measures.

- RM7 introduces personal income tax rebates to incentivize take up of solar panels for residential generation. This measure was developed in-house. The authorities analyzed experiences of other countries where similar measures were adopted, including Barbados, Trinidad and Tobago, and the United States. The bill was passed by parliament on July 9, 2024. The rebates shall apply to solar panels acquired and installed on or after January 1, 2023.

- RM7 complements the existing incentives for investment in renewables. The existing incentives to support the continued expansion of low-carbon power in Jamaica comprise zero-rated VAT for inputs or raw materials supplied for the manufacture of solar and wind equipment, the suspension of the import duty for items on the priority list of renewable energy and energy efficiency until end-2025, favorable tariffs for imports of EVs, and net billing.[7] In addition, in June the government tabled in parliament an amendment reducing the corporate income tax rate from 33⅓ to 25 percent for independent power producers generating at least ¾ of energy from renewable sources.

- RM7 was recognized as a high priority measure because the renewable generation environment needs incentives to develop a pace. The RM7 deepens synergies with the deep decarbonization strategy as spelled out in the WB's 2021 report "Jamaica's Long-Term Climate Change Strategy Recommendations" that notes importance of the appropriate incentives for advancement of climate related measures.

- The expected impact on residential solar panel adoption and power generation will depend on the public's take-up of the incentive and therefore is difficult to quantify. In addition to this positive impact the measure will impact the revenue collection since the rebates will be granted to those who would otherwise pay taxes. The authorities estimate the potential revenue loss from the measure at

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[6] 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.

[7] See Annex VIII in "Staff Report For 2024 Article Iv Consultation And Second Reviews Under The Arrangement Under The Precautionary And Liquidity Line And Arrangement Under The Resilience And Sustainability Facility" for an in-depth exposition.

approximately J$ 100 million. The volume of 2023 Net Billing applications was used to approximate the demand for the residential solar panels due to the income tax credit.

11. 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.

- RM11 complements RM10 completed in December 2023.[8] RM11 focused 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. Future activities will comprise increasing collaboration between climate scientists and financial sector experts to operationalize climate related stress tests, conducting climate related stress tests, developing a monitoring framework to manage risks, and building capacity at the BOJ and the FSC for on-going assessment of climate-related risks.

- The data collection process will commence early in 2025 with the development of new collection forms and expansion of the existing forms expected by end-March 2025. In parallel, the consultation and refinement of the framework will proceed through stakeholder engagement. The framework is expected to be finalized and the related training of supervisors and supervisees rolled out by mid-2025. The first cycle of data submission is expected by end-September 2025 followed by a continual review and adjustment of the framework and the submission practice to be completed by end-2025. The BOJ expects to launch a climate risk data dashboard on its website by end-March 2026. The data to be collected have been identified through data gap analysis; there are gaps related to company specific financial and production data, sector-specific data that accounts for varying vulnerabilities to climate risks (such as the energy sector's exposure to transition risks compared to the agricultural sector's exposure to physical risks), detailed locational and physical attribute data, and emissions data in Jamaica. The climate risk reports that will utilize the data will feed quantitatively and qualitatively into the Supervisory Review and Evaluation Process assessment. The results of climate stress tests will play a pivotal role in shaping effective macro prudential policies to enhance the resilience of - and to improve - risk management practices. They will help the BOJ to gain broad insights into the systemic risks posed by climate change for the financial sector. They will facilitate the development of disclosure and reporting standards and will raise awareness of the risk and adaptation needs in the financial sector. The supervisors will establish guidelines for reporting to

[8] RM10 was the 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. See the RM10 report available via Internet at: https://e2gobqetsqs.exactdn.com/wp-content/uploads/2023/12/Climate-Risks-Report.pdf. RM11 report is available via Internet at: https://e2gobqetsqs.exactdn.com/wp-content/uploads/2024/06/Climate-Stress-Testing-Data-Managment-Framework-June-2024.pdf

ensure provision of accurate and standardized information. This process will also support an intersection of top-down climate stress tests with the bottom-up tests developed by the financial institutions. Their results will allow for more comprehensive and richer assessment of the institutional performance and level of preparedness for the impact of climate change. Stress testing exercises can further help in the formulation of climate-related government policies, such as national emissions reduction strategies and regional adaptation measures.

- The BOJ received support from the Agence Française de Développement (AFD) to develop RM11. RM11 was recognized as a high feasibility, high urgency measure informed by the BOJ's and the AFD's assessment of the needs to embed environmental risks in the supervisory activities. The assessment spurred a 2022 project "Assessing Climate Related Risks in the Jamaican Financial System" launched with assistance from the AFD.

12. RM12: Establish an institutional framework for green-bond issuance and trading.

- RM12 establishes an institutional framework for green-bond issuance and trading. RM12 is motivated by the authorities' intent to develop a green bond market to mobilize private sector financing for climate adaptation and emission reduction projects—these bonds would also signal commitment to address the impact of climate change and may catalyze other financing. The guide for green bond issuance is available on the Jamaica Stock Exchange website at https://www.jamstockex.com/investors/green-bonds/.

- RM12 was recognized as a high feasibility measure building upon the outcomes of a project to develop guidance for green bond listing, capacity building, and education of market players supported with the 2019 Green Climate Fund (GCF) Readiness Grant (LAC-RS-003) of US$0.6 million ("Towards a comprehensive national adaptation planning process in Jamaica" PIOJ, 2020, p. 6). RM12 deepened synergy with that project.

Annex IV. Summary of PLL Qualification Assessment[1]

	2023 PLL Request	2023 1st Review	2024 2nd Review	2024 3rd Review
1. **A sustainable external position** (EBA assessment at least "moderately weaker").	Broadly in line	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	80 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 1/	218 percent of quota 1/
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 2/	95 percent 2/
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.	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 percent

1/ Further issuances were not needed given low financing needs.
2/ 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, starting July 2022.

[1] Reported indicators are those available at the time of the request or review.

	2023 PLL Request	2023 1st Review	2024 2nd Review	2024 3rd Review
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). 3/	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.	CAR at 14.6 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.	Legislation to improve consolidated supervision tabled in parliament; a measure to enhance crisis resolution adopted. Exit from FATF grey list announced in June 2024.
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.	e-GDDS subscriber; the authorities and staff agreed a roadmap for SDDS subscription and related conditionality under the PLL.
3/ The regulatory threshold for capital adequacy is 10 percent.				

Appendix I. Written Communication

July 22, 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 have continued to implement sound economic and financial policies together with the reforms supported by the PLL and the RSF arrangements approved by the IMF Executive Board on March 1st, 2023, which further strengthened 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 other services, goods producing industries, and a gradual return to service of one of the largest alumina plants. Growth is estimated above potential this year and expected to converge to the pre-pandemic trend afterwards. Monetary policy tightening and the fading of commodity shocks have aided the convergence of inflation 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 regional conflicts increasing 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 to a significant extent on international tourism, are energy and food importers, and rely on foreign investment and external financing to meet 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 this fiscal year, 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. An expenditure review has commenced and is expected to conclude in the near future.

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 the 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.

5. In this context, we consider that the two IMF arrangements supported 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 supported 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) helped, together with engagement by 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 advanced the pace of implementation of our public policy reforms for stronger, more inclusive growth. In particular, they enhanced 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 enhanced: (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, which allowed Jamaica to be removed from the increased monitoring list. During June Plenary FATF welcomed our significant progress in improving the AML/CFT regime. It noted the strengthened effectiveness of our AML/CFT regime meeting the commitments in our action plan regarding the strategic deficiencies that the FATF identified in February 2020, including 13 actions in five areas rated at moderate/low effectiveness in the 2017 Mutual Evaluation Report: i) completion and dissemination of a National Risk Assessment (NRA); ii) 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; iii) preventing misuse of ML/TF by legal persons and ensuring availability of beneficial ownership (BO) information to competent authorities; iv) investigation and prosecution of ML offences and application of effective, proportionate and dissuasive sanctions; and v) addressing technical deficiencies related to 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. We will continue improving our AML/CFT regime, as we prepare for our 5th round mutual evaluation scheduled for June 2026.

8. 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 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).

9. 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

[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

Unions (Special Provisions) Act, which contains prudential requirements for credit unions. It will cover licensing, capital, reserves, prohibited business, and intervention processes.

10. We have strengthened the regulatory framework with the following actions (see: Table 2):

a. We have taken steps to strengthen the regime for the resolution of non-viable financial institutions. The Special Resolution Regime (SRR) Bill was submitted to parliament in June in fulfilment of the PLL *structural benchmark*.

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 the 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. An amendment to the FSC Act 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 extend 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 regulation and supervision.

11. We continue to improve the quality of our evidence-based policy making. We have made steady progress with national accounts and price statistics (including 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).

12. We plan to subscribe to the SDDS and the PLL facilitated progress towards this goal. An IMF STA Special Data Dissemination Standard Assessment mission took place May 1-12, 2023, and, working with a committee comprising representatives from the MOFPS, 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. Three high-priority actions were included 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 was met *by end-March 2024;* and (iii) the BOJ 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, was met *by-end June 2024*. In addition, we will implement other high-priority actions extending beyond the program's expiration date.

13. 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 a forward-looking strategy with adequate resources to build resilience and adaptation to climate change.

14. 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.

15. 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.

16. 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).

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

a. The first pillar enhanced policy frameworks to tackle the adaptation challenge by building resilience to natural disasters and climate change. It comprised multiple reforms. 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 Counsel, 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 this review, we conducted and published in the Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.

a. The second pillar tackled the mitigation challenge to decarbonize our economy—we aim to convert about half of total electricity generation capacity to renewables by 2030. This pillar comprised several reforms. 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 this review, we submitted to parliament a bill to further incentivize investment in renewables through fiscal measures.

b. The third pillar included measures to 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 this review, we (i) adopted 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; and ii) established an institutional framework for green-bond issuance and trading which will open new avenues for private climate related financing.

18. The reform agenda defined above was 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 will not slow down after the RSF is complete as we see it as propelling forward our endeavor to make Jamaica safe, secure, and thriving.

19. As a member of the IMF, we continued presenting relevant information on our economic and policy developments within the framework of this letter and the Fund's Articles of Agreement. We have observed and will continue to 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 provided the Fund with all the needed information to monitor the program under the PLL and the RSF arrangements.

20. We believe that the policies contained in this communication were 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. IMF's technical support in the adoption of these measures was 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. Jamaica is expected to be in a strong position to exit the PLL by early-2025 as external risks subside, and external buffers continue to grow.

21. 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.

22. 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	Adjusted	Actual
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	J$8,249 million	J$1,172 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	US$4,399 million	US$5,138 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	Met
	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	Met
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	Met
	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)	Met	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	N/A
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)	Met	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)	Met	
RM12: Establish an institutional framework for green-bond issuance and trading.	3rd PLL Review (End-June 2024)	Met	IDB
[1] The above reform measures had been discussed with the IDB's and the World Bank's experts and deepened synergies with the IDB's and World Bank's efforts in the areas covered by the reform measures.			

JAMAICA

July 24, 2024

THIRD REVIEWS UNDER THE ARRANGEMENT UNDER THE PRECAUTIONARY AND LIQUIDITY LINE AND THE 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 15, 2024) 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. No updates since the last assessment letter.

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 Bank of Jamaica (BOJ) completed a roadmap to enhance the oversight of climate-related risks in the banking sector. The roadmap was published in December 2023. As a follow up measure, the BoJ is planning to require financial institutions to report periodically their climate risk exposures.

3. The Development Bank of Jamaica (DBJ) is planning to establish a green blue finance facility. The DBJ is exploring the feasibility of launching financial vehicles/

[1] The second assessment Letter: The RSF Assessment Letter—Jamaica (dated February 15, 2024) is available at: https://www.imf.org/en/Publications/CR/Issues/2024/03/08/Jamaica-2024-Article-IV-Consultation-and-Second-Reviews-Under-the-Arrangement-Under-the-545715.

instruments to finance projects aligned with objectives of climate mitigation and adaptation with a working title of a Green/Blue Facility. The establishment of such facility is expected to (1) scale financing level provided by DBJ for green/blue projects by private companies and public-private partnerships, and (2) create a resource mobilization platform to raise resources from international finance institutions, other sources of concessional finance, and private investors.

4. **The Bureau of Standards Jamaica (BSJ) has approved updates to strengthen Fire Code, the Building Code and the Small Building/Residential Code.** Updates are aligned with international standards including provisions that increase climate and disaster resilience. The Codes have been published in the Jamaica Gazette, which is the final step for statutory approval.

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

5. **Jamaica has taken proactive steps to increase the share of renewable energy in the energy mix.** 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. In 2023, the Generation Procurement Entity (GPE) launched its first round of RE tenders for 100 MW, setting the bid submission deadline for April 5, 2024. The GPE has received 12 bids and is in the evaluation stage, with an expected award announcement by mid-Q3 2024. Furthermore, plans are underway for a second, technology-agnostic tender for 168 MW that will encompass both energy generation and storage, planned for Q4 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.

6. **No updates since the last assessment letter.**

E. WB Engagement in the Area of Climate Change

7. **The Government of Jamaica requested the World Bank to prepare a Development Policy Financing with a Catastrophe-Deferred Drawdown Option (Cat DDO) aimed at strengthening disaster risk management capacity and building adequate fiscal and financial buffers to reduce Jamaica's vulnerability to disaster and climate shocks.** The operation, currently under preparation, will support reforms to strengthen the enabling environment for private sector development, enhance adaptation to disasters, and facilitate the green low-carbon transition. The Cat DDO pillar, which anchors a forward-looking program of policy actions and support to build disaster and climate resilience, will provide the country access to the crisis toolkit enhancements. The operation is expected to have synergies with the IMF RST program, including, for example, in reforms to incentivize investment in renewables, expand its financial protection against disasters, and strengthen the financial system's resilience against climate risk.