INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/83

JAMAICA

February 2023

2022 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STAFF STATEMENT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2022 Article IV consultation with Jamaica, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its February 6, 2023 consideration of the staff report that concluded the Article IV consultation with Jamaica.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 6, 2023, following discussions that ended on December 14, 2022, with the officials of Jamaica on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 19, 2023.
- An **Informational Annex** prepared by the IMF staff.
- A **Staff Statement** updating information on recent developments.

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

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PRESS RELEASE

PR23/37

IMF Executive Board Concludes 2022 Article IV Consultation with Jamaica

FOR IMMEDIATE RELEASE

Washington, DC – **February 10, 2023:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Jamaica.

Over the past few years, Jamaica has been buffeted by a difficult global environment—from COVID, the war in Ukraine, and the ongoing tightening of global financial conditions. Supported by sound policy frameworks and policies prioritizing macroeconomic stability, the economy is now recovering strongly. As COVID waned, stopover flight arrivals had rebounded to pre-crisis levels, and 2022 real GDP growth is expected to be around 4 percent. Pushed by global factors—in particular, the impact of the war in Ukraine on commodity prices—inflation has risen above the central bank's target band but is expected to decline during the course of 2023. High commodity prices have resulted in an increase in the current account deficit. However, international reserves remain at healthy levels. The financial system is well-capitalized and liquid.

The outlook points to a continued recovery in activity and inflation falling back within the Bank of Jamaica's target range by end-2023. Nonetheless, global risks remain high. The war in Ukraine may push commodity prices higher, a stronger-than-envisaged tightening of global financial conditions may curb capital flows and reduce remittances, and new COVID variants could disrupt tourism and trade. The authorities' response to recent shocks has been well designed. The fiscal policy response to COVID was nimble, supporting the economy in 2020 but then quickly resuming a downward path for the debt as the impact of the pandemic faded. Similarly, the response to the upward surge in fuel and food prices was to allow for full pass-through while providing targeted support to the poor within the existing fiscal envelope. The Bank of Jamaica has followed a data dependent tightening of monetary policy to counter the inflationary impulse arising from the rapid recovery in demand and increases in global prices. These policies have struck the right balance in responding to shocks, protecting the vulnerable, countering inflationary pressures, and further securing debt sustainability.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities' strong track record of building institutions and prioritizing macroeconomic stability, which together with a nimble and prudent policy response helped Jamaica navigate successfully the pandemic and other recent global shocks. Directors noted that the continued

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

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

recovery faces elevated uncertainty and risks from higher commodity prices, tighter-than-envisaged global financial conditions, new COVID outbreaks, and natural disasters.

Directors agreed that maintaining the planned path of primary balances coupled with continued data-dependent monetary policy tightening should further enhance debt sustainability, curb inflation, and create fiscal space to respond to future shocks. This prudent fiscal envelope should also identify resources for climate-resilient infrastructure, investments in health, security, and education. Directors also welcomed continued improvement of the fiscal policy framework, including strengthening tax and customs administration and public financial management systems, the recently established Fiscal Commission, and reforms of the wage structure to simplify the system and reward performance.

Directors supported ongoing reforms strengthening financial stability by adopting Basel III regulatory standards and bolstering supervision. They emphasized the need to enhance crisis management and consolidated supervision, and strongly encouraged the authorities to step up efforts to improve the AML/CFT framework in line with the action plan agreed with FATF. Directors also called for further efforts to deepen FX markets and refine the macroprudential framework. They took note of the nascent benefits for financial inclusion of central bank digital currency adoption, while stressing the need to manage possible risks.

Directors encouraged a multipronged approach to overcome constraints to growth. They stressed the need to strengthen education and training, upgrade infrastructure, digitalization of government services, reduce crime and barriers to trade. Social inclusion will benefit from the strengthened cash transfer program. Evidence-based policymaking would benefit from improved data quality and timeliness leading to subscription to the SDDS.

Directors encouraged reforms alleviating climate change challenges and long-term vulnerabilities. These reforms should strengthen physical and fiscal resilience, incentivize renewable energy generation, reduce energy consumption, develop markets for “green” financial instruments, and ensure proper recognition and management of climate risks. Reduced climate vulnerability would help catalyze private sector financing for climate-related investments. Directors looked forward to continued and enhanced collaboration with other international organizations to support these efforts.

Jamaica: Selected Economic Indicators

Population (2019): 2.73 million	Per capita GDP (2019): US$5729
Quota (current; millions SDRs/% of total): 382.9/0.08%	Literacy rate (2015)/Poverty rate (2017): 87%/12.6%
Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite, coffee, sugar	Unemployment rate (July 2022): 6.6%
Key export markets: U.S., U.K., Canada	

	2020/21 Act.	**2021/22** Act.	**2022/23** Proj.	**2023/24** Proj.
Output				
Real GDP growth (%)	-11.0	8.2	3.5	2.0
Employment				
Unemployment (%) 1/	8.9	6.2	...	...
Prices				
Inflation, end of period (%)	5.2	11.3	7.7	5.2
Inflation, average (%)	5.0	7.4	9.5	6.5
Central government finances 2/				
Budgetary revenue (% of GDP)	29.5	31.0	29.4	29.4
Budgetary expenditure (% of GDP)	32.6	30.1	29.1	29.1
Budget balance (% of GDP)	-3.6	0.9	0.3	0.3
Of which: central government primary balance	3.5	6.8	5.8	5.4
Public entities balance (% of GDP)	-0.5	0.0	0.0	0.0
Public sector balance (% of GDP)	-3.6	0.9	0.3	0.3
Public debt (% of GDP)	109.7	94.2	84.1	77.9
Money and credit				
Broad money (% of GDP)	74.4	70.4	68.4	68.2
Credit to the private sector (% of GDP)	57.7	52.9	51.6	51.9
Treasury bill rate, end-of-period (%)	1.5	6.4	...	...
Treasury bill rate, average (%)	1.7	3.9	...	...
Balance of payments				
Current account (% of GDP)	-1.1	-1.2	-2.5	-2.8
FDI, net (% of GDP)	1.3	1.9	2.3	2.7
Gross international reserves (weeks of imports)	9.0	6.4	5.2	5.0
External debt (% of GDP)	103.9	92.6	82.7	77.6
Exchange rate				
End-of-period REER (appreciation +) (INS)	-8.4	1.0	...	...

Sources: Jamaican authorities; UNDP Human Development Report; Information Notice System; and Fund staff estimates and projections.

1/ As of January in each period.
2/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.

INTERNATIONAL MONETARY FUND

JAMAICA

January 19, 2023

STAFF REPORT FOR 2022 ARTICLE IV CONSULTATION

KEY ISSUES

Context. Jamaica has built a strong track record of investing in institutions and prioritizing macroeconomic stability. This aided the country to adapt to the difficult global environment of the past few years. The authorities provided targeted support to vulnerable households and firms during the pandemic but promptly scaled it back as conditions normalized. Similarly, in the wake of the war in Ukraine, domestic food and energy prices adjusted in line with shifts in international markets while targeted support was provided to the poor.

Outlook and Risks. The economy is expected to continue its post-COVID recovery, with inflation returning to the central bank's target range by end-2023. The outlook is subject to downside risks from potential new COVID waves, higher commodity prices, a global slowdown, and tighter than expected global financial conditions.

Policy Issues. Discussions focused on the prompt post-COVID fiscal consolidation and monetary policy tightening, which were instrumental to secure debt sustainability, respond to global shocks and aid the return of inflation to the target band. The staff assess that maintaining high primary balances over the medium term remains important for debt sustainability. The staff also welcome efforts to strengthen the Bank of Jamaica's institutional framework, make the fiscal commission to enhance the fiscal responsibility framework operational, and reorient the public sector pay structure to simplify the system and reward performance. The ongoing implementation of Basel III and expansion of the supervisory perimeter should continue. Going forward, further efforts are needed to reform the resolution regime for non-viable financial institutions, enhance consolidated supervision, and strengthen the AML/CFT framework. A multipronged approach will be needed as well to raise productivity and support the poor.

Climate Change Challenges. The Article IV consultation places a special focus on climate change. Despite contributing insignificantly to global greenhouse gas emissions, Jamaica's geographical and socio-economic characteristics make the country vulnerable to climate events that are becoming larger and more frequent due to global warming. This calls for policies and reforms to reduce vulnerabilities, notably on adaptation, though mitigation and transition to a low-carbon economy need to be tackled as well.

Approved By
Nigel Chalk and Andrea Schaechter

Discussions took place in Kingston during December 5–14, 2022. The staff team comprised Esteban Vesperoni (head), Saji Thomas, Mariusz Sumlinski (all WHD), Nicoletta Feruglio (FAD), and Julia Faltermeier (SPR). Siyao Chen and Sheng Tibung (both WHD) provided research and editorial assistance. Mr. Jennings (Executive Director) and Ms. Cunningham (Senior Advisor, OED) participated in the discussions. The team met with Minister of Finance Nigel Clarke, Central Bank Governor Richard Owen Byles, other senior officials, private sector, and civil society representatives.

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A CHALLENGING GLOBAL ENVIRONMENT

1. **Efforts to entrench macroeconomic stability and improve policy frameworks have helped Jamaica navigate the pandemic.** In the last years, Jamaica reduced public debt, inflation, and external deficits. It institutionalized fiscal discipline through a Fiscal Responsibility Law (FRL), adopted inflation targeting and a floating exchange rate regime, and strengthened financial oversight. The response to the COVID shock was nimble and pragmatic, supporting the economy in the depth of the pandemic but then quickly returning to prioritize debt reduction as the impact of the pandemic faded. The economy is now recovering from the pandemic and inflation is moderating, supported by sound macroeconomic policies and a strong commitment to fiscal sustainability. Nonetheless, the recent global shocks have created hardship given Jamaica's dependence on international tourism, and on energy and food imports.

2. **Jamaica remains vulnerable to the effects of climate change**. Jamaica's geographical and socio-economic characteristics make it vulnerable to climate risks. While its contribution to global greenhouse gases is insignificant, vulnerabilities create challenges in terms of adaptation, mitigation, and transition issues. The Article IV consultation assesses policies and reforms needed to foster investments to increase resilience to climate change and reduce reliance on fossil fuels.

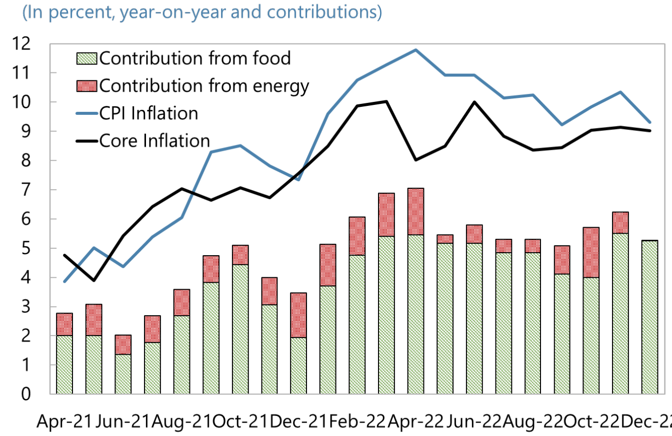
RECENT DEVELOPMENTS

3. **The economy is continuing a gradual recovery, supported by a rebound in tourism**. As COVID waned, the authorities accelerated the reopening and, by mid-2022, stopover flight arrivals had rebounded to pre-crisis levels. FY2022/23 growth is likely to be around 3½ percent, with GDP close to pre-pandemic levels. [1] The recovery, though, has been hindered by a prolonged outage in one of the largest alumina plant in the country, as well as the effects of the negative terms of trade shock arising from the war in Ukraine.

4. **Inflation has risen above the central bank (BOJ) target band of 4-6 percent.** Global developments led to higher food and energy prices—whose weights account for about 50 percent of the CPI basket—pushing headline inflation to 11.8 percent in April. As external shocks lessened and monetary policy tightened, headline inflation has fallen to 9.4 percent in December. Core inflation, which peaked at 10 percent in June, has yet to return decisively downwards from around 8 ¾ percent.

CPI Inflation by Major Components

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



Sources: STATIN and IMF staff calculations.

[1] Fiscal Year (FY) runs from April 1 to March 31.

5. High commodity prices also impacted the external accounts, with the current account deficit projected at 2½ percent of GDP in FY2022/23. The positive impact from the recovery in tourism would be more-than-offset by high freight, energy, and food prices and the shortfall in alumina exports. Remittances have moderated and imports remain high. International reserves are expected to remain adequate, at 115 percent of the ARA metric by end-2022. The external position is assessed to be broadly in line with the level implied by medium-term fundamentals and desirable policies (Annex IV). Jamaica's capacity to repay the Fund remains adequate, with risks mitigated by its strong track record of policy implementation and past use of Fund resources (Table 6).

6. The financial system remains well-capitalized and liquid. Even as COVID liquidity support and regulatory forbearance were phased out, banks' balance sheets have been supported by deposit growth and the suspension of dividend payments. Capital adequacy of Deposit Taking Institutions (DTIs) was at about 14 percent in September 2022, well above the regulatory minimum of 10 percent. The NPL ratio at 2.5 percent was below the 5-year pre-pandemic average. The sector of non-deposit taking financial institutions (NDTI) also appear stable with capital adequacy ratios above the minimum thresholds and stable liquidity ratios. BOJ stress tests show the financial system to be resilient to rising global interest rates and tail events.

7. Public debt continues to fall as a share of GDP. The overall fiscal balance in FY2021/22 was 0.9 percent of GDP, supported by buoyant revenues, a reduction of the wage bill, and a reversal of pandemic related spending. Public debt has fallen to 94 percent of GDP, fully reversing the increase seen during COVID. Despite global shocks, budget execution during the first half of FY2022/23 suggests the 0.3 percent of GDP budget surplus target for the fiscal year may be exceeded.

OUTLOOK AND RISKS

8. Growth is expected to converge to potential and inflation to the BOJ's target range. Growth should remain above potential this year and next—supported by operations resuming at the alumina plant—and converge to about 1¼ percent over the medium term. Tighter monetary policy and falling commodity prices should allow inflation to fall. Despite strong FX inflows from tourism, the current account deficit is expected to remain high in 2023—given still-high commodity prices and remittances further falling from historical heights—before converging to around 1 percent of GDP over the medium term. FDI is projected to return to its historical average. Fiscal consolidation, which the authorities are committed to sustain going forward, should bring public debt to 60 percent of GDP by FY2027/28.

9. There are important risks facing the economy (Annex II). The war in Ukraine may push commodity prices higher, resulting in inflationary pressures and higher interest rates, worsening the fiscal accounts and weakening growth. A stronger-than-envisaged tightening of global financial conditions may curb capital flows, reduce remittances, put pressure on the currency, raise the costs of budget financing, and weaken profitability in the financial sector. Finally, new COVID variants could amplify these risks and disrupt tourism, trade, and capital flows.

Medium-Term Macroeconomic Framework
(In percent of GDP unless otherwise specified)

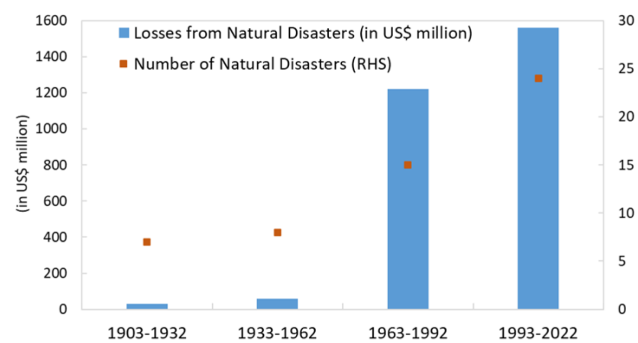
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
				Proj.					
Growth and Prices									
GDP growth	-0.1	-11.0	8.2	3.5	2.0	1.8	1.5	1.3	1.3
Consumer price inflation (e.o.p.)	4.8	5.2	11.3	7.7	5.2	4.5	5.0	5.0	5.0
Government Finances									
Central government revenue	30.6	29.5	31.0	29.4	29.4	29.4	29.4	29.5	29.6
Central government expenditure	29.7	32.6	30.1	29.1	29.1	29.1	27.9	27.0	27.1
Public sector overall balance	1.0	-3.6	0.9	0.3	0.3	0.3	1.5	2.5	2.5
Consolidated public sector debt	94.3	109.7	94.2	84.1	77.9	74.0	70.0	64.4	59.9
Balance of Payments									
Current account	-1.7	-1.1	-1.2	-2.5	-2.8	-2.5	-1.2	-1.2	-1.2
Foreign direct investment	0.8	1.3	1.9	2.3	2.7	2.8	3.0	3.0	3.0
Gross reserves (US$million)	3,688	4,244	4,324	4,191	4,100	4,250	4,350	4,450	4,550

Sources: Jamaican authorities and Fund staff estimates and projections.

10. Climate risks can undermine the strength of Jamaica's external position (Annex III):

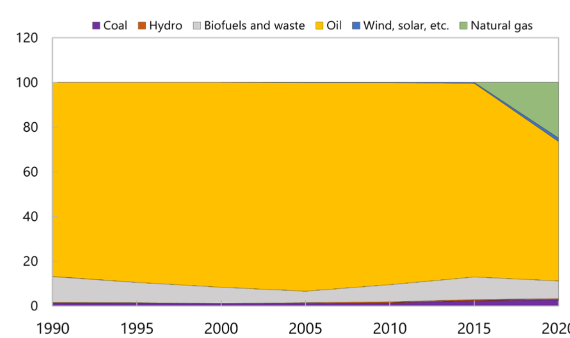
- Natural disasters have inflicted significant damage on the economy over the past decades. Hydrometeorological events have been the most prominent, with two hurricanes in the early 2000s causing cumulative losses of 11 percent of GDP. The tourism sector—which provides about 20 percent of GDP in FX inflows—is highly sensitive to the increased severity and frequency of natural disasters. Such events also erode nature-based assets and negatively impact the agricultural sector (which is already coping with rising temperatures and sea levels and more volatile precipitation patterns).

Frequency and Damages from Natural Disasters
(In US$ Million)



Source: Emergency Events Database and IMF Staff Calculations

Energy Supply by Source
(In percent of total)



Source: IEA World Energy Balances and IMF Staff Calculations

- Jamaica's contribution to global emissions is negligible. However, the country is dependent on imported petroleum products to meet over 85 percent of its electricity generation needs. This makes Jamaica susceptible to volatility in commodity prices, undermining the strength of Jamaica's external position. Therefore, macroeconomic stability would be helped by transitioning away from hydrocarbons, even with the required up-front investment in imported equipment.

Authorities' Views

11. **The authorities agreed with staff on outlook and risks.** They noted that the staff's 2022 growth forecast is on the conservative side of their range and agreed with the outlook for inflation. They emphasized that major downside risks are associated with external factors and remain confident that their policies will continue to secure macroeconomic stability in the medium-term. They agreed with the staff's assessment that the external position was broadly in line with fundamentals.

POLICY DISCUSSIONS

Policy discussions focused on the optimal response to new global shocks and the reforms to continue enhancing policy frameworks, strengthening financial stability, and fostering inclusive growth. Discussions emphasized policies to adapt to climate change, reduce emissions, and transition to a low carbon economy.

A. Short-Term Policies

12. **The fiscal position has returned to a sizeable primary surplus, which will bring public debt to below pre-pandemic levels**. Buoyant consumption taxes, high dividend transfers, and sluggish capital spending prompted an overperformance relative to the budget in FY2021/22. Despite global shocks, a recovery in investment, and the up-front cost of reforming the public sector pay structure (see ¶19), FY2022/23 is expected to record an overall fiscal surplus of 0.3 percent of GDP—as stipulated in the MTFF—bringing public debt to 84 percent of GDP. The authorities have allowed higher global commodity prices to pass-through to domestic prices while providing around ¼ percent of GDP in temporary transfers to needy families—mainly through vouchers and transfers to students under social programs.

13. **The budget for FY2023/24 targets a primary surplus close to 5½ percent of GDP.** It would bring public debt to 78 percent of GDP by FY2023/24. The budget is predicated on strict control of primary spending—maintaining the ongoing reduction of program expenditure—while maintaining revenues through improved tax administration. Public debt is forecast to fall to 60 percent of GDP by FY 2027/28, in line with the Fiscal Responsibility Law (FRL, Annex V).

14. **The BOJ has increased the policy rate to 7 percent as of November 2022**. It is also mopping up liquidity and maintaining a market-determined exchange rate, supported by occasional FX intervention to limit volatility. The BOJ has stated that adjustments in the monetary policy stance will depend on seeing a persistent downward inflation path. Staff's inflation projections imply that the real policy rate is broadly neutral. Based on the current staff's assessment, the continuing data dependent tightening cycle combined with the prudent fiscal stance would bring inflation back to the target range by end-2023.

15. Debt sustainability and inflation pressures call for sustained primary surpluses and tight monetary policy. Following the prompt post-COVID consolidation, a large primary surplus is appropriate to secure sustainability without sacrificing ability to respond to shocks. Over the medium term, maintaining the primary surpluses will raise the overall balance, lower public debt and restore the fiscal space to respond to potential new downside shocks. Similarly, downside risks to inflation argue for maintaining a relatively tight monetary stance until inflation is firmly on the path to the BOJ's target range. Jamaica's public debt is sustainable, and fiscal surpluses and prudent debt management are keeping gross financing needs low. Debt dynamics remain vulnerable to the impact of global shocks on growth and interest rates (Annex V).

Authorities' Views

16. The authorities believe that the tightening of monetary policy and high primary surpluses are needed to secure internal and external balance. The central bank remains committed to data dependent monetary policy tightening to bring inflation back to the target range within the policy horizon. They noted that the monetary policy transmission mechanism is weak and has worked faster in the non-bank financial sector. They intend to continue efforts to strengthen monetary policy transmission in the banking sector. On fiscal policy, high primary surpluses will lead to a further fiscal consolidation without losing sight of critical expenditure.

B. Underpinning a Prudent Medium-Term Fiscal Path

17. Jamaica has continued to improve its sound fiscal framework. Parliament recently established an independent Fiscal Commission (FC) to assess the realism of the government's fiscal plans and its consistency with the FRL—a reform initiated under the last Fund-supported program. The government is now undertaking the last steps to staff the FC. The authorities have actively managed the debt structure—undertaking buybacks of expensive liabilities and lengthening maturities through the issuance of global bonds—instrumental to mitigate envisaged tighter financial conditions.

18. Efforts to further strengthen tax and customs administration continue. At 26 percent of GDP, tax revenue compares favorably with peers, and the authorities are not introducing tax policy changes. To support revenue collection, tax administration has transitioned to a new information system to improve compliance, cross-check data, and track taxpayers. Recent efforts are appropriately focused on improving the timeliness of filings and strengthening tax arrears reporting. Customs administration is being modernized through IT improvements and better risk management and post-clearance audits. The rollout of an automated System for Customs Data (*ASYCUDA)* and a single window for trade operations (JSWIFT) will improve efficiency and performance. A new Customs Act—currently before Parliament—is expected to further enhance customs clearance, improve revenue collection, and simplify business procedures.

19. Jamaica has improved public financial management but further efforts are needed. Recent improvements include expanding the coverage of fiscal accounts by integrating public bodies into reporting systems, strengthening cash management, and reporting fiscal risks. However, the recording and management of expenditure and revenue arrears remains weak and commitment controls and medium-term budgeting for program spending need to be strengthened.[2] Ex-post audits of COVID-related spending have been completed and information on companies that were awarded procurement contracts during COVID—including beneficial ownership—has been published.[3]

20. The authorities are working to improve the structure of public wages. Allowances are being eliminated, creating a standardized pay structure that rewards performance and helps retain skilled employees. The authorities stressed that the cost of this reform will be accommodated within the MTFF, consistent with FRL's objectives. The changes—initiated during the last Fund-supported program—will be phased in over three years. About two-thirds of the fiscal cost will be met by reducing wage allowances (which were previously recorded as program spending). The remaining will be offset by reduced travel expenditures, savings due to digitalization of budgetary procedures, and lower tax expenditures (also associated with the elimination of allowances).

21. Over the medium term, spending on security, health, education, and climate-change adaptation should be prioritized. Reducing crime requires more spending on law enforcement and community responses; and the healthcare infrastructure needs an upgrade (¶31). Natural disasters caused damage to infrastructure in the past and pose fiscal risks going forward. This calls for more resources for climate change adaptation, including infrastructure resilient to natural disasters. The authorities intend to meet these needs by further improving tax collection through better tax administration and by reallocating resources within the budget.

Authorities' Views

22. The authorities underscored their commitment to debt sustainability. They emphasized that high primary balances aided by sound tax administration and proactive debt management will further reduce financing costs and aid the fiscal consolidation. They expect that with macroeconomic stability firmly in place, the reduction in debt ratios will open policy space to increase human and infrastructure investment. The wage bill is reformed with a view to create an equitable, efficient, and competitive wage structure within the existing budget envelope consistent with the MTFF—its accommodation will be facilitated by the fact that a significant portion of the wage bill is already captured by other lines in the budget, as wage allowances. PFM reforms will continue going forward, with the view to strengthen Jamaica's fiscal framework.

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[2] The authorities developed a 4-year implementation plan for the adoption of the climate budget tagging with the support of the IDB.

[3] 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 May 2020– Auditor General's Department; Audit of the COVID-19 Allocation of Resources for Employees (CARE) Programme June 2020 – Auditor General's Department. 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. The information on beneficial ownership of companies can be found under: http://procureja.gov.jm/wp-content/uploads/2022/10/COVID-19-Related-Contracts-Report.pdf.

C. Strengthening the Monetary Policy Framework

23. **The recent amendments to the BOJ Act have strengthened central bank autonomy.** The changes improved its governance arrangements and provided a clear mandate of price stability.[4] The BOJ has implemented all the recommendations of the 2017 Safeguards Assessment and a new assessment is currently underway. There is scope to improve the BOJ's inflation expectations survey—which currently covers the 12-month ahead expectations—to better guide policy.

24. **The FX trading platform has supported a smoother functioning of FX markets through enhanced price discovery**.[5] Approved participants place orders to buy and sell foreign exchange (FX) on the platform, though in the context of still shallow markets, which may occasionally submit to excess volatility. Going forward, there is scope to improve the functioning of FX markets by reducing surrender requirements, orienting Net Open Position limits to macroprudential objectives and allowing greater latitude for private entities meeting appropriate prudential requirements to issue FX bonds.

D. Financial Stability

25. **The authorities are implementing the Basel III capital requirements under Pillar 1 and have revised the definition of regulatory capital**. A system of parallel reporting including the current framework and Basel III requirements is expected to run for a year, after which the latter will become mandatory for DTIs.[6] Implementation of Basel III's Pillar 2 is underway including the Internal Capital Adequacy Assessment Process, the Supervisory Review and Evaluation Process, and the framework for designating Domestic Systemically Important Financial Institutions (SIFIs). A quantitative impact study of these changes will be undertaken for designated institutions. Pillar 3 will focus on market disclosures and implementation of additional capital and liquidity requirements (including capital buffers and the Net Stable Funding Ratio).

26. **BOJ's supervision authority will be expanded to incorporate credit unions.** Following the approval of related legislation by parliament, credit unions will be supervised by the BOJ and subject to comprehensive prudential requirements—on licensing, capital, reserves, prohibited business, and intervention and resolution.

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[4] Amendments to the BOJ Act took effect in April 2021, and operationalized two statutory committees, namely the Monetary Policy Committee and the Financial Policy Committee. The latter was established to enhance the BOJ's corporate governance framework, accountability, and transparency.

[5] Jamaica maintains a multiple currency practice (MCP) due to the absence of a mechanism to prevent exchange rates used for the resale of FX auction funds (capped by a specified spread) by participants and the exchange rates at which such participants sell foreign exchange other than from the FX auction funds, from deviating by more than 2 percent. The IMF Executive Board granted temporary approval of this measure in February 2022 for 12 months or until the next Article IV consultation, whichever is sooner. Furthermore, according to the revised MCP policy adopted by the Board on July 1, 2022, MCPs associated with potential spreads deviation, including in Jamaica, will be considered eliminated as of April 1, 2023 (i.e., the effective date of the new policy). Staff will monitor whether official action (as defined under the new policy) gives rise to impermissible spreads under the new MCP policy.

[6] BOJ will, in parallel, replace the existing requirement with Basel III mandated CARs.

27. The regime for the resolution for non-viable financial institutions should be strengthened. A Technical Working Group intends to establish a methodology to identify which financial institutions are systemically important and then prepare a draft law to establish administrative resolution powers for SIFIs and modify the insolvency process for non-systemic institutions.

28. The BOJ is intensifying its supervisory efforts for Financial Holding Companies, including through a regional Consolidated Supervision Group. Risks linked to concentrated ownership call for more efforts on consolidated supervision. The Banking Services Act requires financial groups with DTIs to establish a Financial Holding Company (FHC) that is licensed and supervised by the BOJ, which is undertaking a pilot of the first licensed FHC and recently licensed a second FHC. In addition, the authorities intend to submit legislative amendments that will empower the Financial Services Commission (FSC) to undertake consolidated supervision of financial groups not including DTIs.

29. The authorities are committed to address strategic deficiencies in their AML/CFT regime. In February 2020, Jamaica was placed under increased monitoring by the Financial Action Task Force (FATF). Subsequently, an action plan was developed to address deficiencies in the AML/CFT framework and in 2021, Jamaica published a National Risk Assessment. The authorities have improved their framework but as of December 2022 remain under increased monitoring. The FATF extended the deadline for completion of outstanding measures to February 2023 (Box 1).

30. BOJ is issuing a central bank digital currency (JAM-DEX), which constitutes a legal tender. The goal is to boost financial inclusion and enhance the payment system by reducing currency management costs and facilitating interoperability with existing electronic payment systems, though its use is still limited—0.1 percent of currency in circulation. To protect privacy and mitigate cybersecurity risks, it utilizes encryption techniques, digital signatures, and multi-factor authentication. Financial integrity risks are mitigated by the Proceeds of Crime Act—transactions can be tracked and wallet providers are regulated by the BOJ. An independent assessment commissioned by the BOJ concluded that adequate controls are in place. The Fund continues to provide assistance on central bank risk management, fintech and cybersecurity.

31. The financial sector is also exposed to risks from climate change. Financial institutions have credit exposure to sectors affected by weather-related events (agriculture, tourism and the distribution sector, together 17 percent of the loan portfolio). Decarbonization could also increase credit risks in other sectors and broader global asset price volatility arising from climate change has the potential to negatively affect the balance sheets of Jamaican financial institutions (see ¶43).

Box 1. AML/CFT Framework

Jamaica is on FATF's list of jurisdictions under increased monitoring (grey list). In February 2020, FATF and Jamaica agreed on an action plan to address strategic deficiencies, which comprises 13 action items for the five immediate outcomes (IO) rated at moderate/low effectiveness in the 2017 Mutual Evaluation Report. The IOs are: IO1—completion and dissemination of a National Risk Assessment (NRA); IO3—adoption of risk-based supervision (RBS), monitoring and regulation of financial institutions (FI) and the Designated Non-Financial Businesses and Professions (DNFBP) for compliance with the AML/CFT framework; IO5—preventing legal persons from misuse for ML/TF and ensuring beneficial ownership (BO) information is available to competent authorities; IO7—investigation and prosecution of ML offences and application of effective, proportionate and dissuasive sanctions; and IO10—addressing technical deficiencies of recommendation R6 (targeted financial sanctions (TFS) for terrorist financing), ensuring implementation of TFS without delay, issuing regulations for monitoring non-profit organizations (NPO), and applying targeted measures to higher risk NPOs.

FATF plenary in October 2022 acknowledged progress but noted that the action plan requires further work. FATF agreed that seven action items for IO1, IO5.1, IO7, and IO10.1 have been completed. For IO1 the NRA was published in August 2021, for IO5.1 the risk assessment for legal persons and arrangements was included in the NRA, for IO7 and IO10.1 the investigation and prosecution of ML offences and application of sanctions as well as the implementation of TFS have been strengthened with increased coordination between the Financial Investigation Division, the Ministry of Foreign Affairs and Foreign Trade, the Office of the Director of Public Prosecutions, the Office of the Chief Justice, and regulatory authorities. But FATF assessed six actions in IO3, IO5 and IO10 as incomplete and urged Jamaica to demonstrate progress before the evaluation in February 2023 to prevent further steps within the increased monitoring procedure.

Following the October plenary, Jamaica continued to make progress on the action plan. In December 2022, parliament approved the Charities Regulations authorizing the regulator—which received training from the EU Global Facility—to commence RBS of the NPO sector in line with IO10. The work on IO3 calling for adoption of RBS of the FIs and DNFBPs—which had advanced per the microfinance institutions placement under BOJ's supervision and the Trust and Corporate Service Providers placement under the Financial Services Commission's (FSC) supervision—continues. The BOJ expects to finish processing applications for microcredit institutions by Q3 2023 and the FSC is engaging with prospective licensees to ensure early applications ahead of the April application deadline. The placement of the legal profession under AML/CFT standards is pending a ruling by the Privy Council, which heard the lawyers' appeal last November. Regarding the BO regime (IO5), amendments to the Companies Act are expected to be tabled before parliament in Q1 2023. Jamaica's application for re-rating of technical compliance with six recommendations was approved by CFATF last October. Jamaica is now compliant/largely compliant with 33 out of 40 FATF recommendations and will ask for rerating of the remaining seven after completion of action items for the outstanding IOs.

Authorities' Views

32. **The authorities emphasized that further strengthening the sound policy framework remains important.** They noted that reforms to the foreign exchange trading infrastructure have deepened the market and improved price discovery. They expressed their commitment to pursuing further reforms at appropriate points in time in the future and agreed that continuous monitoring of financial sector risks is important. They emphasized plans to further strengthen policy frameworks with the ongoing adoption of the Basel framework, approval of the special resolution regime for financial institutions, expansion of the supervisory perimeter of the BOJ, and progress with

consolidated financial supervision. They emphasized that advancing with adoption of the AML/CFT reforms agreed with FATF remains a priority.

E. Supporting Inclusive Growth

33. Increasing total factor productivity would address long-standing impediments to growth. Deficiencies in physical and human capital, the business environment, and access to international markets constraint growth. These, in turn, are linked to: (i) crime that increase security costs and deter tourism, foreign investment and investments in education; (ii) insufficient years of schooling and outward migration of university graduates; (iii) poor infrastructure, particularly in logistics and energy; (iv) complex business procedures and insufficient access to financing for small and medium enterprises; and (v) competition from countries with easier access to North American markets.

34. The supply side challenges facing Jamaica call for a multipronged approach:

- **Poverty and inequality**. The pandemic led to an increase in poverty. To further improve social inclusion, the conditional cash transfer program (PATH) is being appropriately strengthened by improving the targeting of beneficiaries. PATH continues to support vulnerable groups through cash transfers, education grants, and job training.

- **Reduce crime.** The government has developed a strategy that prioritizes: (i) effective policing; (ii) swift justice processes; (iii) social development to address risk factors; (iv) crime prevention; (v) community reintegration for offenders. Persevering with these efforts will be critical. The government has requested U.S. support, including intelligence sharing and joint investigation of criminal networks operating in both countries.

- **Improve education and training.** Improving school attendance, skills training, and early childhood education can foster opportunities for the young. The authorities are expanding the school meals program and improving rural transportation. Investment is also needed to improve the quality of teachers and increase the use of information technology.

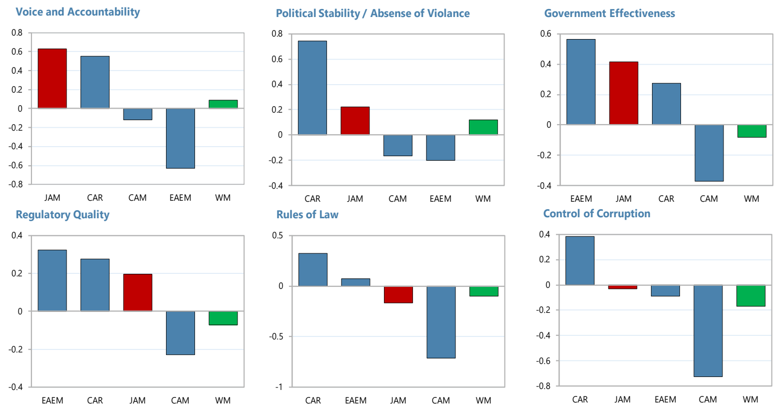
- **Strengthen infrastructure.** There is a need to improve resilience of transportation and water infrastructure. In the electricity sector, investments are needed to reduce generation and transmission costs and losses, improve reliability, and advance a transition to renewables in power generation.

- **Lessen business costs and barriers to international trade.** The ongoing streamlining of custom procedures is encouraging. Reducing trade barriers, including through free trade agreements, would also help. Recent amendments to the tax code to make Special Economic Zones rules compatible with international standards are expected to foster investment in business process outsourcing.

35. Jamaica has a relatively good standing on institutional quality, though it can still progress in some governance areas. The Worldwide Governance Indicators show relatively strong scores on Voice and Accountability and Government Effectiveness. On other governance areas, Jamaica scores at the world median. Following the approval of the new procurement law, further reforms to its regulations to require publication of beneficial ownership information of awarded companies would enhance transparency.

Governance Components Jamaica and Comparators

(Index -1 to 1, in 2021)



Source: Worldwide Governance Indicators (WGI) project by D. Kaufmann (Natural Resource Governance Institute and Brookings Institution) and A. Kraay (World Bank).

Note: Country acronyms are ISO3. CAM = Central America and Mexico; CAR = Caribbean Countries; EAEM = East Asia Emerging Markets; WM = World Median. The WGI reports aggregate individual governance indicators over the period 1996–2021 for six dimensions of governance. The aggregate indicators combine the views of enterprises, citizens, and expert survey respondents. Results leverage confidence intervals to reflect uncertainty. Most inputs are perception based and thus more subjective than other economic indicators.

36. On data adequacy, Jamaica should take steps to subscribe to SDDS. This would involve addressing remaining deficiencies in data provision and standards, such as industrial production, labor market wages and earnings, and coverage of fiscal accounts at the general government level. A diagnosis on these necessary steps will be conducted jointly with the IMF's Statistics Department.

F. Addressing Climate Change Challenges

37. Jamaica is strongly committed to building climate resilience. The National Development Plan provides the framework for climate change initiatives; the energy sector plan focuses on mitigation, and the water sector strategy on shifting to resilient water infrastructure. The Nationally Determined Contribution (NDC)—and sectoral plans underpinning it—outlines a strategy for adaptation and mitigation[7]. The authorities are also developing a National Adaptation Plan to enhance capacity to withstand the impacts of climate change. In addition, they plan to develop a strategy for Low Carbon Emissions and Climate Resilient Development (LTS) that will design options for mitigation and adaptation in an integrated framework to 2050.

38. While progress has been made, further efforts will be needed on key strategic areas. These areas comprise adaptation, mitigation, and greening the financial sector, which are summarized below and detailed in Annex III.

[7] In August 2021 the authorities—with support from the WB and the NDC partnership—developed an NDC implementation plan against which updates on commitments will be duly reported by the Climate Change Division (CCD) in the Ministry of Economic Growth and Job Creation (MEGJC). The sectoral plans embedding climate change mitigation consideration are quite recent and at early stage of implementation. Therefore, the outputs and impact of the climate change policy architecture are not measurable yet.

Adaptation: Building Physical and Fiscal Resilience

39. The authorities developed a Comprehensive Disaster Management program (CDM). The CDM introduced measures to minimize damage and amplify relief response, design recovery and rehabilitation activities; and limit the adverse impact of natural disasters and environmental degradation. The social safety net has been designed to allow a quick response to humanitarian needs after a natural disaster.

40. The fiscal policy framework to manage natural disasters has been improved. This comprises enhancements in Public Financial Management (PFM), embedding transparency and accountability in budget preparation and execution including through:

- Legal and institutional arrangements for a swift and cost-effective financial response to natural disasters, while minimizing budget reallocations and protecting the fiscal balance.
- A tracking system for disaster-related expenditures. The Ministry of Finance and Public Service (MOFPS) issued post-disaster budget execution guidelines for proper and timely access and allocation of funds in responding to natural disasters. With support from the IDB, the MOFPS is developing a road map to implement the climate budget tagging reform.

41. A comprehensive financing framework to provide liquidity during natural disasters has been put in place (see Annex III). The Contingencies Fund, the National Disaster Fund (NDF), the Caribbean Catastrophic Risk Insurance Facility Segregated Portfolio Company (CCRIF-SPC), the catastrophe (CAT) bond and rapid credit facilities are the key instruments to respond to natural disasters. The coverage provided of approximately 5 percent of GDP appears adequate—losses from previous natural disasters have spanned 3-8 percent of GDP.

42. The 2018 National Building Code has the potential to support green and resilient investments. It provides for construction material and practices that resist weather events such as hurricanes, storms, floods, and landslide. The government also initiated a Green Coastal Urban Renewal plan focusing on waterfront renewal to provide habitable public spaces.

43. Going forward, Jamaica would benefit from improvements in the fiscal policy framework to increase public investment and catalyze private financing for climate-resilient infrastructure. This would enhance resilience of the macro-fiscal stance to climate change and natural disaster shocks—including by adopting a fiscally sustainable disaster risks financing strategy—and foster private investment. Key steps would include:

- **Integrating climate risks into fiscal planning**. The fiscal framework would benefit from quantitative appraisals of disaster risks to assess sustainability under different climate change scenarios.
- **Private participation in bearing climate risks.** Jamaica has made extensive use of public-private partnership arrangements (PPP). In collaboration with the IDB and the World Bank, the PPP policy can be revised to include climate requirements from project identification to contract

management, including ways to distribute the burden of contingent liabilities from natural disasters through comprehensive insurance policies.

- **Disaster Risk Financing (DRF) Policy.** A new disaster risk financing policy can complement efforts on the insurance framework and inform the selection of cost-effective ex-ante financing mechanisms.

- **Natural Disaster Reserve Fund (NDRF).** The NDRF should be constituted under the consolidated fund and used for catastrophic national events.[8]

- **Integrating climate considerations in the appraisal and selection of public investments**. The MOFPS Public Investment Appraisal Branch (PIAB) should assess the inclusion of climate risks assessment at project pre-appraisal (concept) and appraisal (proposal) stage, for those infrastructure projects identified at pre-appraisal phase as medium/high risk.

Strengthening Mitigation, Promoting Renewables

44. Jamaica has made progress implementing its NDC. The government is shifting street lighting to energy efficient LED bulbs and deploying low-carbon public buses—supported by the IDB. The National Tree Planting Program has started but requires further financing. Finally, the Energy Efficiency and Conservation Program (EECP) has supported retrofitting of government facilities and the Energy Management and Efficiency Programme (EMEP) promotes energy efficiency and conservation. Finally, legislation has been approved to simplify permitting for renewable power generation and the sale of surpluses to the national grid (net billing).

45. Going forward, increasing renewable sources of energy appears as a critical element toward reducing emissions. Appropriate policies would help attracting private investment to support the transition to renewables and increase efficiency in the energy sector.

- **Incentives for investment in renewables.** This will require legislation to incentivize investment in renewables through fiscal measures.

- **Electric vehicles policy.** This would expand recent government policies and activities to incentivize electric vehicle usage to reduce emissions and the dependence on fossil fuels.[9]

- **Energy efficiency.** Establishing procedures to reduce theft of streetlights and replace lightbulbs in schools and hospitals with low energy alternatives would be instrumental. This could be supplemented with measures to support efficient energy consumption, including extending the successful energy conservation program in public buildings to the private sector.

[8] The Consolidated Fund is the principal Government account to which all government revenues must be deposited and from which expenditure, via warrants, is withdrawn. Considering that NDRF is also eligible for external financing, as for instance the CAT-bond, it is appropriate to structure the NDRF as a subaccount of the consolidated fund. The catastrophic national events would be defined in the Fiscal Administration and Audit Act (FAA).

[9] Road and rail transportation represented close to 30 percent of petroleum consumption in 2017 (2020 IDB Electric Mobility Strategic Framework)

Greening the Financial Sector

46. The authorities have actively engaged in international initiatives to green the financial sector. The BOJ has engaged with: (i) the International Sustainable Banking and Finance Network to develop capacity to monitor climate risks; (ii) the Basel Consultative Group to expedite adoption of supervision of climate risks; and (iii) the Association of Supervisors of Banks of the Americas to benefit from shared experiences. The authorities also intend to develop a green bond market.

47. Developing green financial instruments and climate-related risks management can catalyze private financing and strengthen financial sector resilience. A green bond market will require a solid institutional framework to catalyze private sector and other financing for climate projects and signal commitment to reforms, while increased monitoring of climate-related risks in the financial system would help support lending to green investments. There is a need to strengthen capacity for supervision and develop risk-management guidelines for financial institutions (including scenario analysis and stress testing) while requiring systematic disclosure of climate-risks—including through better data collection.

48. Overall, reforms to address climate challenges would create additional import needs in the short term but can address external vulnerabilities over the long term. A preliminary costing exercise of climate-related projects suggests that compared with the outlook in this consultation, a scenario including reforms would depict a somewhat higher current account deficit over the next few years (about 1 percent of GDP annually) due to a larger import bill and trade deficit. It would also have a positive impact on growth, though limited by the import content of potential investments prompted by reforms. Reforms have the potential to catalyze further multilateral and private capital through FDI and other climate investment (not included in the outlook of this report).

Authorities' Views

49. The authorities agreed on the multifaceted nature of challenges to growth and noted that fostering growth is a priority. They emphasized that pursuing policies that prioritize macroeconomic stability by securing debt sustainability will contribute to the strengthening of growth prospects. Their view is that structural reforms will eventually change the growth trend, but looking at lessons from history, the challenges they faced in terms of growth are notably related to its volatility, associated with recurrent crises. Hence, while they cannot control shocks, the authorities are working towards reducing vulnerabilities that will make them resilient to these shocks—lessening volatility—and reducing financing cost for the economy. On climate change issues, the authorities noted that staff's analysis is consistent with their diagnosis, as well as their policies and goals. Furthermore, they emphasized that reforms to address climate challenges also have the potential to reduce growth volatility.

STAFF APPRAISAL

50. Jamaica's strong track record of building institutions and prioritizing macroeconomic stability is helping the country face a difficult global environment. Jamaica has reduced public debt, inflation, and external deficits. It has institutionalized fiscal discipline through a Fiscal Responsibility Law (FRL), moved to inflation targeting and a floating exchange rate regime, built international reserves, and strengthened financial oversight. These efforts have helped Jamaica to navigate successfully the pandemic and other recent global shocks.

51. The economy continues a gradual post-pandemic recovery. The recovery is supported by a rebound in tourism and its spillovers to other sectors. The external position is assessed to be broadly in line with the level implied by medium-term fundamentals and desirable policies, and international reserves are adequate. Risks from higher commodity prices, tighter-than-envisaged global financial conditions, and new COVID outbreaks loom large while natural disasters pose ever-present risks.

52. Maintaining the currently planned path for the primary balance remains essential to decreasing public debt over the medium term. The prompt post-COVID fiscal consolidation has successfully brought public debt back to pre-pandemic levels. The large primary surpluses in the MTFF coupled with the authorities' commitment to the ongoing monetary policy tightening should further enhance debt sustainability, curb inflation, and create space to respond to future shocks. Within this prudent fiscal envelope, resources will need to be identified for climate-resilient infrastructure, and investments in health, security and education.

53. The authorities continue to improve the fiscal policy framework. The recently established Fiscal Commission will strengthen the fiscal responsibility framework through an independent assessment of the consistency of policies with the FRL. Reforms of the wage structure—financed within the existing fiscal envelope—will create a standardized and equitable pay structure that rewards performance and helps retain skilled workers. The authorities should continue strengthening tax and customs administration and public financial management systems.

54. Important progress is being made in adopting Basel III and the expanding the supervisory perimeter to credit unions. Efforts to improve crisis management, consolidated supervision, and the AML/CFT framework should continue. Going forward, Jamaica would benefit from further efforts to deepen FX markets by gradually reducing surrender requirements and aligning Net Open Position limits with macroprudential objectives. The benefits of Jamaica's CBDC are still nascent. The authorities have requested approval of the existing MCP. Staff supports the request, as the measure is imposed for non-balance of payments reasons and does not materially impede balance of payment adjustments, harm the interest of other members, or discriminate among members.

55. A multipronged approach is required to overcome supply side constraints to growth. Education and training need to become more effective and attuned to labor market needs;

infrastructure, logistics, and digitalization of government services would benefit from an upgrade. Energy generation should shift towards renewables. Continuing to focus on policing and community engagement would help reduce crime; and barriers to trade could be lowered. To promote social inclusion, efforts to strengthen the cash transfer program should continue. Evidence-based policy making would benefit from improvements in data quality and timeliness, which would require addressing remaining issues in data standards to subscribe to SDDS.

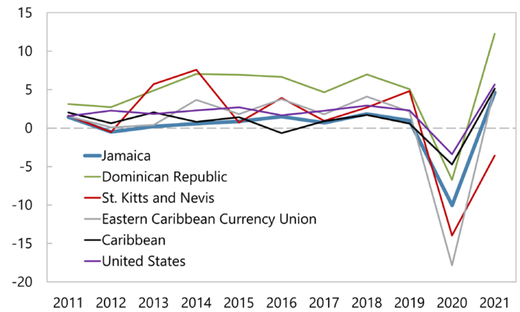
56. Reforms to address the challenges posed by climate change can reduce long-term vulnerabilities. Building on Jamaica's NDCs and a preliminary work on a national adaptation strategy, reforms should aim to enhance policy frameworks to strengthen physical and fiscal resilience, create incentives to increase renewable sources of energy and reduce energy consumption, develop markets for green financial instruments, and ensure that climate risks are properly recognized and managed by financial intermediaries. Reducing Jamaica's susceptibility to natural disasters and other negative effects of climate change would help catalyze private sector financing for climate-related investment in many areas.

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

Figure 1. Jamaica: Real Sector Developments

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

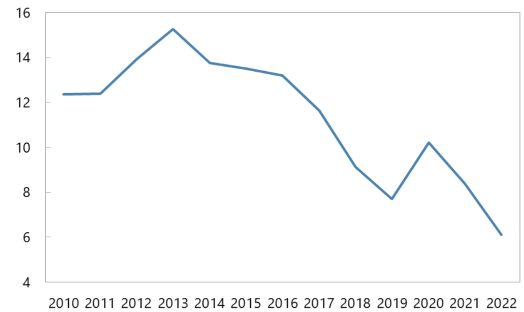
Real GDP Growth
(In percent)



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

…and unemployment has fallen to historic lows.

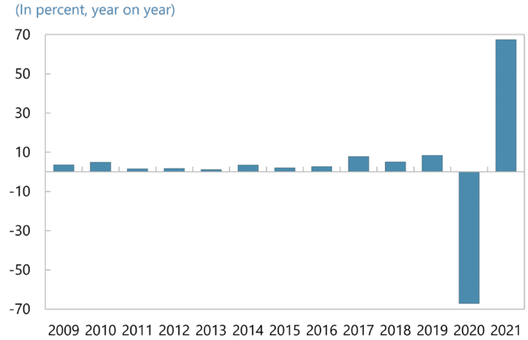
Unemployment
(In percent)



Sources: STATIN

Tourism and hospitality industry have rebounded…

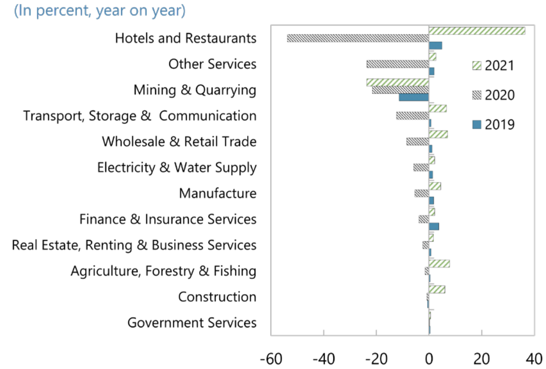
Annual Tourism Performance
(In percent, year on year)



Sources: Jamaica Tourist Board and IMF staff calculations.

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

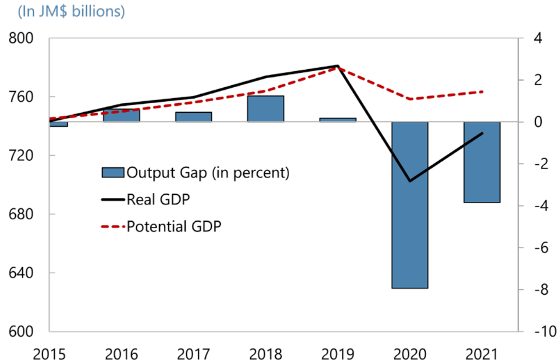
Real GDP: Sectors
(In percent, year on year)



Sources: STATIN and IMF staff calculations.

Output gap is closing…

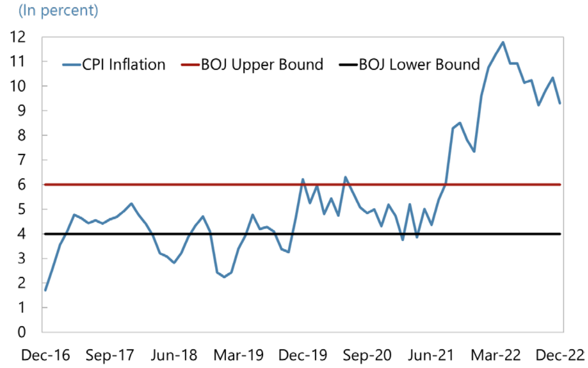
Real GDP and Output Gap
(In JM$ billions)



Sources: STATIN and IMF staff Calculations.

…and inflation, while receding, remains above the target band.

CPI Inflation versus BOJ Target Band
(In percent)



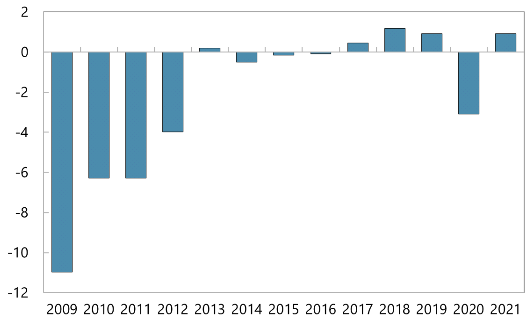
Sources: STATIN and IMF staff calculations.

Figure 2. Jamaica: Fiscal Sector Developments

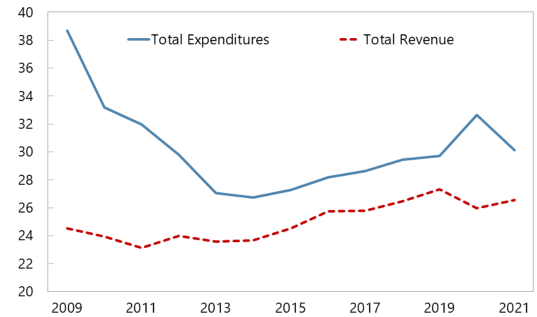
Central government fiscal balance is back in surplus….

…tax revenues are buoyant while total spending was contained.

Central Government Balance
(In percent of GDP)



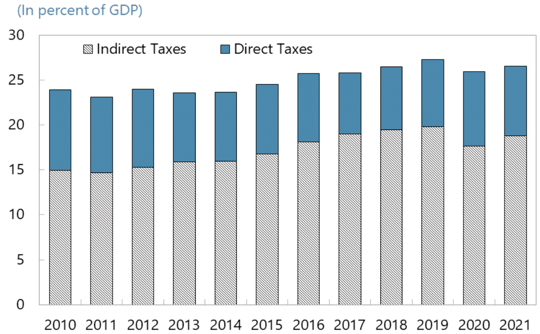
Central Government Revenues and Expenditures
(In percent of GDP)



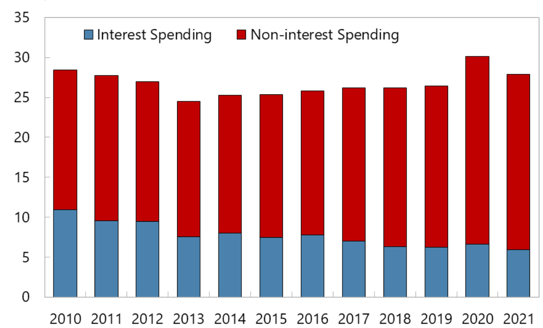
Higher tax revenues were the result of strong GST collections

…and the decline in spending was mainly from reduction in wage bill after the spike from pandemic related needs….

Tax Revenue
(In percent of GDP)



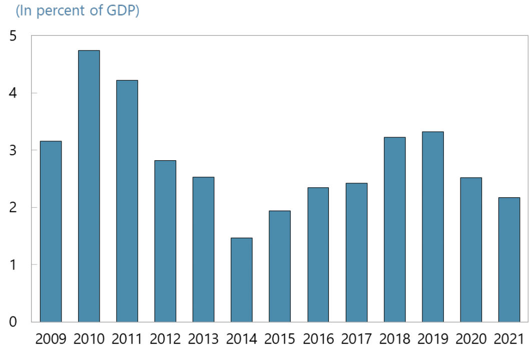
Central Government Current Spending
(In percent of GDP)



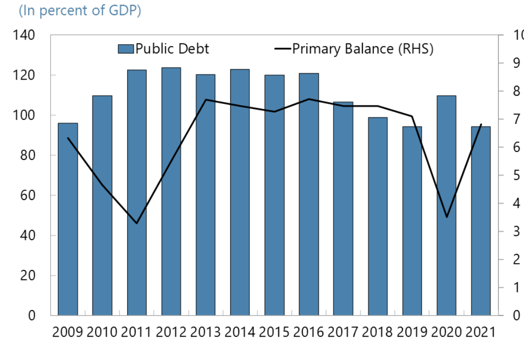
Capital spending continued to remain subdued…

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

Central Government Capital Spending
(In percent of GDP)



Public Debt and Primary Balance
(In percent of GDP)



Sources: Jamaican and IMF staff calculations.

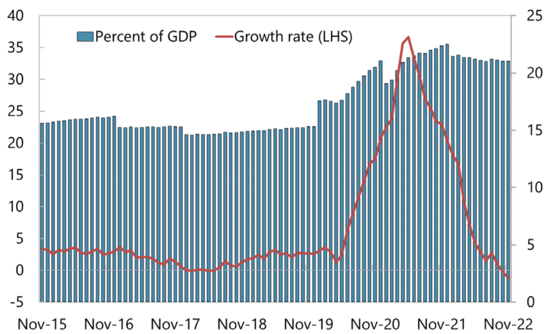
Figure 3. Jamaica: External Sector Developments

Remittances receipts again boosted the CA balance in 2021 but are falling in 2022.

Tourism—especially from the US—has started to recover.

Monthly Remittances

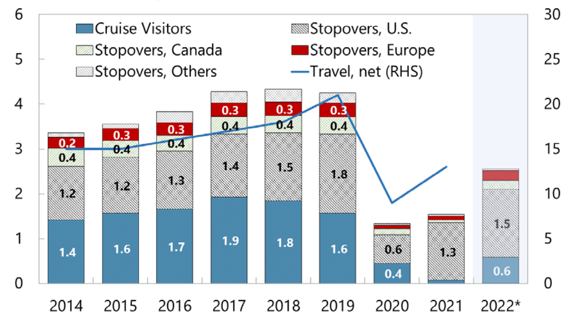
(Percent (LHS), percent of GDP (RHS), 12-month moving sum)



Sources: BOJ, IMF staff calculations.

Total Visitor Arrivals and Travel Exports

(Visitors in millions and percent of GDP)



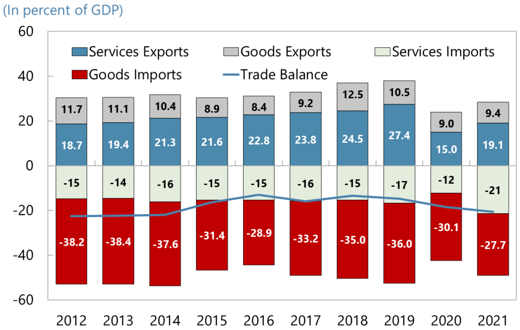
Sources: Jamaica Tourism Board, and IMF staff calculations.
*Jan - Oct only

The trade balance has declined...

...amid below-average mining exports.

Trade Balance

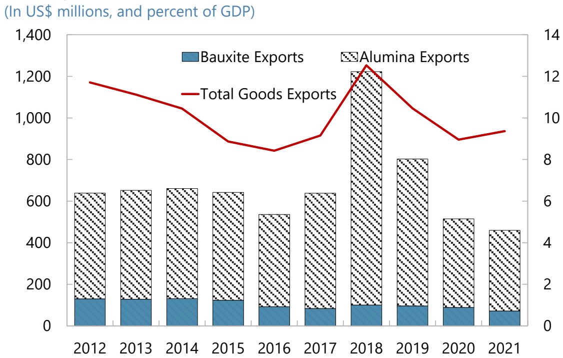
(In percent of GDP)



Sources: BOJ, and IMF staff calculations.

Mining Exports

(In US$ millions, and percent of GDP)



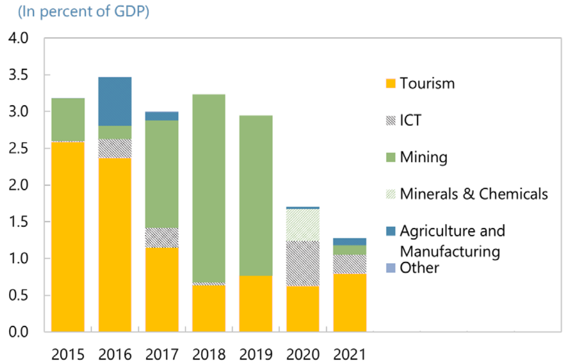
Sources: BOJ, and IMF staff calculations.

COVID hit FDI inflows, but existing tourism projects continued to be executed.

The real effective exchange rate depreciated by 4 percent in 2021 but has appreciated in the first half of 2022.

FDI by Sector

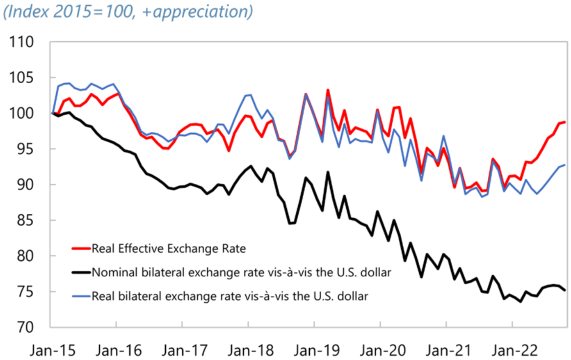
(In percent of GDP)



Sources: BOJ, and IMF staff calculations.

Nominal and Real Effective Exchange Rate

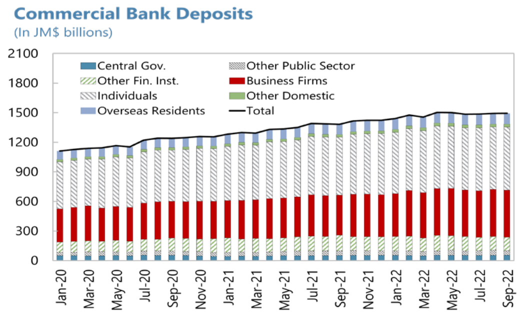
(Index 2015=100, +appreciation)



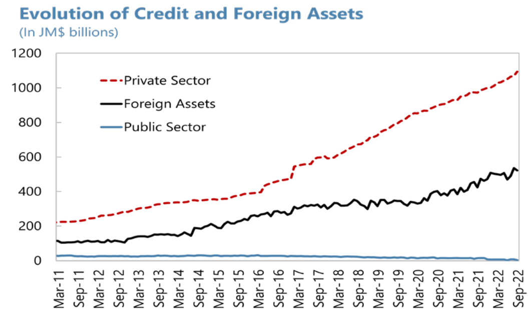
Sources: BOJ, and IMF staff calculations.

Figure 4. Jamaica: Monetary and Financial Sector Developments

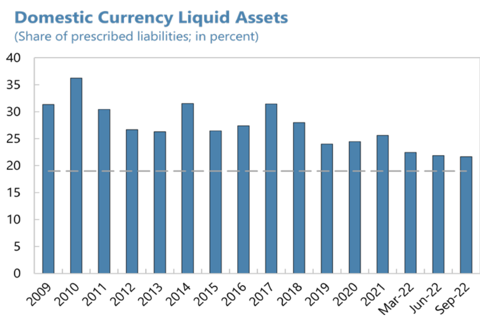
Banking system deposits have been growing steadily with individual and businesses dominating.



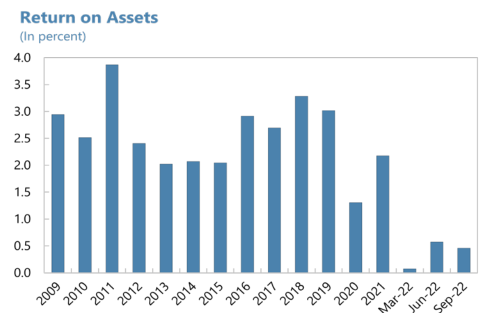
Private credit continues to grow reflecting post-Covid rebound and good prospects going forward.



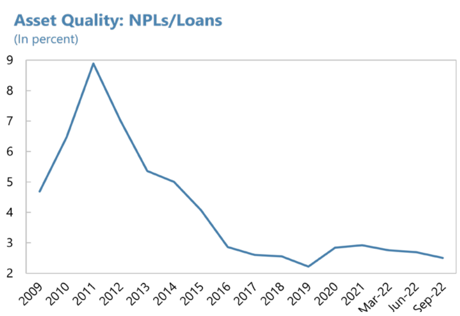
The Depository Institutions retain liquidity above required minimum…



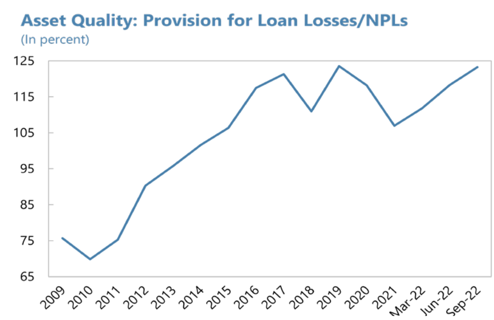
…with moderate profitability.



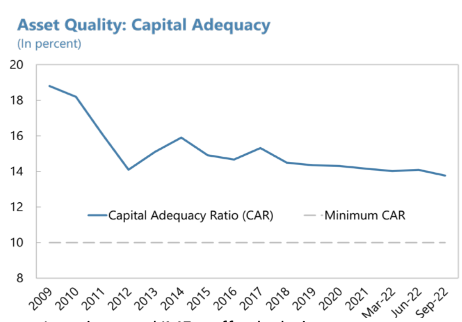
The NPL ratio is very low…



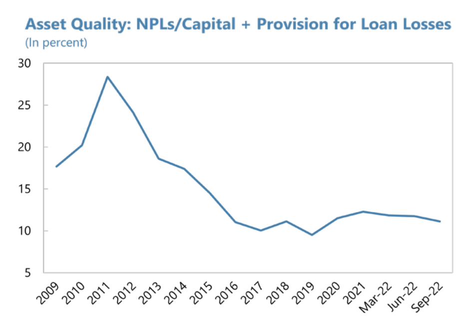
… with sufficient provisioning.



The capital buffers are kept well above the minimum…



…and sufficient to absorb potential losses.



Sources: Jamaican and IMF staff calculations.

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

Population (2019): 2.73 million
Per capita GDP (2019): US$5729
Quota (current; millions SDRs): 382.9
Literacy rate (2015)/Poverty rate (2017): 87%/12.6%
Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite
Unemployment rate (July 2022): 6.6%

				Projections					
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
(Annual percent change, unless otherwise indicated)									
GDP and Prices									
Real GDP	-0.1	-11.0	8.2	3.5	2.0	1.8	1.5	1.3	1.3
Nominal GDP	3.3	-8.1	19.2	11.5	7.3	6.4	6.6	6.4	6.4
Consumer price index (end of period)	4.8	5.2	11.3	7.7	5.2	4.5	5.0	5.0	5.0
Consumer price index (average)	4.6	5.0	7.4	9.5	6.5	4.9	4.8	5.0	5.0
Exchange rate (end of period, J$/US$)	134.0	146.6	153.8	…	…	…	…	…	…
End-of-period REER (appreciation +) (INS) 2/	-2.4	-8.4	1.0	…	…	…	…	…	…
Treasury bill rate (end-of-period, percent)	1.8	1.5	6.4	…	…	…	…	…	…
Unemployment rate (percent) 2/	7.3	8.9	6.2	…	…	…	…	…	…
(In percent of GDP)									
Government Operations									
Budgetary revenue	30.6	29.5	31.0	29.4	29.4	29.4	29.4	29.5	29.6
Of which: Tax revenue	27.3	25.9	26.5	26.4	26.4	26.4	26.4	26.5	26.6
Budgetary expenditure	29.7	32.6	30.1	29.1	29.1	29.1	27.9	27.0	27.1
Primary expenditure	25.3	27.9	26.0	24.1	24.4	24.7	23.9	23.2	23.9
Of which: Wages and salaries	9.2	10.7	9.6	10.9	11.3	11.5	11.5	11.5	11.5
Interest payments	4.5	4.7	4.1	5.0	4.7	4.4	4.1	3.8	3.2
Budget balance	1.0	-3.6	0.9	0.3	0.3	0.3	1.5	2.5	2.5
Of which: Central government primary balance	7.1	3.5	6.8	5.8	5.4	5.2	5.6	5.7	5.4
Public entities balance	0.1	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.0	-3.6	0.9	0.3	0.3	0.3	1.5	2.5	2.5
Public debt (FRL definition) 3/	94.3	109.7	94.2	84.1	77.9	74.0	70.0	64.4	59.9
External Sector									
Current account balance	-1.7	-1.1	-1.2	-2.5	-2.8	-2.5	-1.2	-1.2	-1.2
Of which: Exports of goods, f.o.b.	9.8	9.2	9.4	9.9	9.7	9.5	9.3	9.2	9.1
… of services	27.2	10.9	22.7	28.1	28.1	28.4	28.8	29.0	29.2
Imports of goods, f.o.b.	34.7	29.4	31.4	36.9	35.2	35.0	34.2	34.4	34.7
… of services	16.4	12.3	22.1	21.0	19.8	19.2	18.6	18.3	17.9
Gross international reserves (US$ millions)	3,688	4,244	4,324	4,191	4,100	4,250	4,350	4,450	4,550
(Percent of GDP)									
Money and Credit									
Net foreign assets	18.7	20.6	20.8	15.6	15.4	16.7	16.9	16.8	16.7
Net domestic assets	40.7	53.8	49.6	52.8	52.8	51.9	51.8	52.2	52.4
Of which: Credit to the private sector	49.0	57.7	52.9	51.6	51.9	52.6	53.1	53.8	54.1
Credit to the central government	12.2	20.3	17.0	13.6	11.2	9.2	8.6	7.8	7.5
Broad money	59.4	74.4	70.4	68.4	68.2	68.6	68.7	69.0	69.1
Memorandum Item:									
Nominal GDP (J$ billions)	2,121	1,949	2,322	2,588	2,777	2,955	3,150	3,352	3,565

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.

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

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

Population (2018): 2.73 million
Quota (current; millions SDRs): 382.9
Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite

Per capita GDP (2018): US$5733
Literacy rate (2015)/Poverty rate (2017): 87%/12.6%
Unemployment rate (July 2022): 6.6%

				Projections					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
(Annual percent change, unless otherwise indicated)									
GDP and Prices									
Real GDP	1.0	-9.9	4.6	4.0	2.2	2.0	1.5	1.3	1.3
Nominal GDP	4.1	-6.8	12.4	12.0	7.5	6.6	6.8	6.6	6.6
Consumer price index (end of period)	6.2	5.2	7.3	9.4	5.5	4.5	5.0	5.0	5.0
Consumer price index (average)	3.9	5.2	5.9	10.4	7.0	5.0	5.0	5.0	5.0
Exchange rate (end of period, J$/US$)	131.2	141.7	155.1	152.3	...	...	...	...	...
End-of-period REER (appreciation +) (INS)	-0.3	-5.4	-4.1	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	1.8	0.8	4.3	8.2	...	...	...	...	...
Unemployment rate (percent)	7.7	10.2	7.1	...	...	...	...	...	...
(In percent of GDP)									
Government Operations 1/									
Budgetary revenue	30.6	29.5	31.0	29.4	29.4	29.4	29.4	29.5	29.6
Of which: Tax revenue	27.3	25.9	26.5	26.4	26.4	26.4	26.4	26.5	26.6
Budgetary expenditure	29.7	32.6	30.1	29.1	29.1	29.1	27.9	27.0	27.1
Primary expenditure	25.3	27.9	26.0	24.1	24.4	24.7	23.9	23.2	23.9
Of which: Wages and salaries	9.2	10.7	9.6	10.9	11.3	11.5	11.5	11.5	11.5
Interest payments	4.5	4.7	4.1	5.0	4.7	4.4	4.1	3.8	3.2
Budget balance	0.9	-3.1	0.9	0.3	0.3	0.3	1.5	2.5	2.5
Of which: Central government primary balance	7.1	3.5	6.8	5.8	5.4	5.2	5.6	5.7	5.4
Public entities balance	0.1	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.0	-3.6	0.9	0.3	0.3	0.3	1.5	2.5	2.5
Public debt (FRL definition) 2/	94.3	109.7	94.2	84.1	77.9	74.0	70.0	64.4	59.9
External Sector									
Current account balance	-2.2	-0.4	0.7	-3.2	-2.9	-2.7	-1.5	-1.2	-1.2
Of which: Exports of goods, f.o.b.	10.5	9.0	9.8	9.8	10.1	9.8	9.6	9.4	9.4
... of services	27.4	15.1	19.9	27.9	29.0	29.0	29.5	29.8	29.9
Imports of goods, f.o.b.	36.0	30.2	29.1	37.5	36.9	35.8	35.3	35.2	35.4
... of services	16.7	12.3	21.4	21.8	20.6	19.9	19.2	18.8	18.5
Gross international reserves (US$ millions)	3,631	4,081	4,833	4,428	4,065	4,200	4,350	4,425	4,525
(Changes in percent of beginning of period broad money)									
Money and Credit									
Net foreign assets	5.9	-0.1	8.8	-4.6	-0.1	3.0	2.3	1.5	1.4
Net domestic assets	3.5	18.4	4.6	12.9	7.5	4.0	4.5	5.2	5.2
Of which: Credit to the private sector	13.7	8.0	6.8	6.6	6.1	6.0	5.8	6.0	5.6
Credit to the central government	-3.4	15.6	-1.9	-1.8	-2.5	-2.2	-0.6	-0.3	0.2
Broad money	9.3	18.3	13.7	8.3	7.3	7.0	6.8	6.8	6.6
Memorandum Item:									
Nominal GDP (J$ billions)	2,110	1,967	2,210	2,476	2,662	2,837	3,031	3,231	3,445

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)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
				Projections					
Budgetary revenue and grants	649,759	575,404	720,224	760,306	817,106	869,245	926,751	989,121	1,056,681
Tax	579,397	505,685	616,368	682,062	733,147	779,929	831,526	887,597	948,439
Of which:									
Income and profits	159,726	161,428	180,183	195,849	206,154	219,309	233,817	250,346	269,031
Of which: Other companies	68,283	66,049	73,311	81,719	87,688	93,283	99,454	107,094	114,179
PAYE	66,670	67,956	76,661	80,454	82,330	87,584	93,378	99,555	108,264
Production and consumption	200,644	171,980	198,231	220,967	237,107	252,236	268,923	286,714	305,682
Of which: GCT (Local)	109,304	91,192	107,799	120,163	128,939	137,167	146,241	155,916	166,231
International Trade	214,810	168,130	232,559	259,233	278,167	295,917	315,494	336,366	358,618
Of which: GCT (Imports)	92,498	76,074	101,902	113,589	121,886	129,664	138,242	147,387	157,138
Non-tax	65,705	62,539	93,736	66,876	71,760	76,339	81,390	86,774	92,515
Grants	4,657	7,180	7,659	6,460	6,932	7,374	7,862	8,382	8,937
Budgetary expenditure	630,354	635,911	698,895	752,800	809,051	860,381	879,498	905,322	967,366
Primary expenditure	535,959	544,442	604,500	623,762	677,651	729,481	751,598	777,685	852,550
Compensation of employees	211,618	222,996	241,751	305,433	338,852	369,338	393,772	418,995	446,573
Wage and salaries	195,936	207,912	222,680	282,137	313,855	339,791	362,270	385,476	410,847
Employer contributions	15,681	15,084	19,071	23,296	24,997	29,547	31,502	33,520	35,726
Programme expenditure	216,857	234,693	269,587	239,099	240,804	251,899	256,706	271,547	293,450
Capital expenditure	70,393	49,184	50,510	65,067	87,210	95,269	100,806	107,263	125,040
Interest	94,396	91,470	94,396	129,038	131,400	130,900	127,900	127,637	114,816
Domestic	65,395	71,461	49,931	50,339	51,400	54,600	51,900	50,646	43,391
External	22,901	16,709	89,200	78,699	80,000	76,300	76,000	76,991	71,425
Budget balance	20,528	-69,507	21,329	7,506	8,055	8,864	47,253	83,799	89,315
Of which: Primary budget balance	150,892	68,530	158,377	150,707	150,240	152,739	175,467	191,316	191,618
Public entities balance	1,123	-9,000	0	0	0	0	0	0	0
Public sector balance	20,528	-69,507	21,329	7,506	8,055	8,864	47,253	83,799	89,315
Gross financing needs 1/	237,700	143,642	113,547	143,877	177,748	287,718	111,541	113,359	128,684
Gross financing sources 1/	237,827	143,642	113,547	143,877	177,748	287,718	111,541	113,359	128,684
Domestic	72,894	76,553	45,419	59,126	59,533	93,651	39,849	36,968	45,359
External	134,239	37,627	68,128	88,689	89,299	146,477	59,773	55,451	68,038
Memorandum items:									
Nominal GDP (billion J$)	2,121	1,949	2,322	2,588	2,777	2,955	3,150	3,352	3,565
Public sector debt (FRL definition, billion J$) 2/	1,999	2,138	2,188	2,177	2,164	2,187	2,204	2,158	2,137

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ Gross financing needs and sources are for the central government.

2/ 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)

	2017/18	2018/19	2019/20	2020/21	2021/22	Projections 2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Budgetary revenue and grants	29.1	30.6	30.6	29.5	31.0	29.4	29.4	29.4	29.4	29.5	29.6
Tax	25.8	26.4	27.3	25.9	26.5	26.4	26.4	26.4	26.4	26.5	26.6
Of which:											
Income and profits	6.8	7.0	7.5	8.3	7.8	7.6	7.4	7.4	7.4	7.5	7.5
Of which: Other companies	3.2	3.0	3.2	3.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2
PAYE	2.8	2.8	3.1	3.5	3.3	3.1	3.0	3.0	3.0	3.0	3.0
Production and consumption	9.1	9.3	9.5	8.8	8.5	8.5	8.5	8.5	8.5	8.6	8.6
Of which: GCT (Local)	4.7	4.9	5.2	4.7	4.6	4.6	4.6	4.6	4.6	4.7	4.7
International Trade	9.7	10.0	10.1	8.6	10.0	10.0	10.0	10.0	10.0	10.0	10.1
Of which: GCT (Imports)	4.1	4.2	4.4	3.9	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Non-tax 1/	3.0	3.7	3.1	3.2	4.0	2.6	2.6	2.6	2.6	2.6	2.6
Grants	0.3	0.5	0.2	0.4	0.3	0.2	0.2	0.2	0.2	0.3	0.3
Budgetary expenditure	28.6	29.4	29.7	32.6	30.1	29.1	29.1	29.1	27.9	27.0	27.1
Primary expenditure	23.7	25.0	25.3	27.9	26.0	24.1	24.4	24.7	23.9	23.2	23.9
Compensation of employees	10.0	9.7	10.0	11.4	10.4	11.8	12.2	12.5	12.5	12.5	12.5
Wage and salaries	9.2	8.9	9.2	10.7	9.6	10.9	11.3	11.5	11.5	11.5	11.5
Employer contribution	0.8	0.8	0.7	0.8	0.8	0.9	0.9	1.0	1.0	1.0	1.0
Programme expenditure	9.2	10.2	10.2	12.0	11.6	9.2	8.7	8.5	8.1	8.1	8.2
Capital expenditure	2.4	3.2	3.3	2.5	2.2	2.5	3.1	3.2	3.2	3.2	3.5
Interest	4.9	4.5	4.5	4.7	4.1	5.0	4.7	4.4	4.1	3.8	3.2
Domestic	3.4	3.5	3.1	3.7	2.2	1.9	1.9	1.8	1.6	1.5	1.2
External	1.2	0.8	1.1	0.9	3.8	3.0	2.9	2.6	2.4	2.3	2.0
Budget balance	1.0	1.8	1.0	-3.6	0.9	0.3	0.3	0.3	1.5	2.5	2.5
Of which: Primary budget balance	7.5	7.5	7.1	3.5	6.8	5.8	5.4	5.2	5.6	5.7	5.4
Public entities balance	0.6	0.6	0.1	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.0	1.8	1.0	-3.6	0.9	0.3	0.3	0.3	1.5	2.5	2.5
Gross financing needs	18.0	9.6	11.2	7.4	4.9	5.6	6.4	9.7	3.5	3.4	3.6
Gross financing sources	18.0	3.8	11.2	7.4	4.9	5.6	6.4	9.7	3.5	3.4	3.6
Domestic	1.5	2.7	3.4	3.9	2.0	2.3	2.1	3.2	1.3	1.1	1.3
External	14.0	1.7	6.3	1.9	2.9	3.4	3.2	5.0	1.9	1.7	1.9
Memorandum items:											
Nominal GDP (billion J$)	1,928	2,053	2,121	1,949	2,322	2,588	2,777	2,955	3,150	3,352	3,565
Public sector debt (FRL definition, billion J$) 1/	2,058	2,033	1,999	2,138	2,188	2,177	2,164	2,187	2,204	2,158	2,137
Public sector debt (FRL definition, %GDP) 1/	106.7	99.0	94.3	109.7	94.2	84.1	77.9	74.0	70.0	64.4	59.9

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ 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)

				Projections					
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Current Account	-261	-149	-176	-418	-504	-475	-243	-243	-251
Trade balance	-3,914	-2,742	-3,332	-4,537	-4,573	-4,780	-4,858	-5,077	-5,309
Exports (f.o.b.)	1,531	1,253	1,421	1,671	1,749	1,785	1,815	1,851	1,900
Imports (f.o.b.)	5,445	3,995	4,753	6,208	6,322	6,565	6,674	6,929	7,209
o/w Fuel (cif)	1,601	988	1,727	2,303	2,023	1,973	1,921	1,888	1,880
Services (net)	1,702	-195	90	1,185	1,494	1,732	1,993	2,167	2,343
o/w Travel (net)	3,229	637	2,397	3,505	3,710	3,899	4,096	4,252	4,396
Primary income (net)	-472	-412	-489	-519	-633	-645	-656	-657	-668
Secondary income (net)	2,423	3,200	3,556	3,453	3,208	3,218	3,278	3,324	3,384
Government (net)	137	150	182	158	144	138	129	111	102
Private (net)	2,286	3,051	3,374	3,295	3,065	3,079	3,149	3,213	3,282
Capital Account (net)	-29	-30	-31	-29	-30	-30	-30	-30	-30
Financial Account (net)	-201	-394	-609	-447	-534	-505	-273	-273	-281
Direct investment (net)	-123	-181	-286	-387	-477	-518	-584	-607	-631
Portfolio investment (net)	-544	-163	-87	71	151	-60	-28	-14	-16
Financial derivatives (net)	-97	7	0	-1	0	0	0	0	0
Other investment (net)	479	-612	-315	2	-117	-77	239	248	266
Reserve assets (change)	83	554	80	-133	-91	150	100	100	100
Net Errors and Omissions	89	-215	-401	0	0	0	0	0	0
	(In percent GDP)								
Current Account	-1.7	-1.1	-1.2	-2.5	-2.8	-2.5	-1.2	-1.2	-1.2
Trade balance	-24.9	-20.2	-22.0	-27.0	-25.4	-25.5	-24.9	-25.2	-25.5
Exports (f.o.b.)	9.8	9.2	9.4	9.9	9.7	9.5	9.3	9.2	9.1
Imports (f.o.b.)	34.7	29.4	31.4	36.9	35.2	35.0	34.2	34.4	34.6
Services (net)	10.9	-1.4	0.6	7.1	8.3	9.2	10.2	10.8	11.3
o/w Travel (net)	20.6	4.7	15.8	20.9	20.6	20.8	21.0	21.1	21.1
Primary income (net)	-3.0	-3.0	-3.2	-3.1	-3.5	-3.4	-3.4	-3.3	-3.2
Secondary income (net)	15.4	23.6	23.5	20.5	17.9	17.2	16.8	16.5	16.3
o/w Private (net)	14.6	22.5	22.3	19.6	17.1	16.4	16.1	15.9	15.8
Capital Account (net)	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1
Financial Account (net)	-1.3	-2.9	-4.0	-2.7	-3.0	-2.7	-1.4	-1.4	-1.3
o/w Direct investment (net)	-0.8	-1.3	-1.9	-2.3	-2.7	-2.8	-3.0	-3.0	-3.0
Memorandum Items:									
Gross international reserves	3,688	4,244	4,324	4,191	4,100	4,250	4,350	4,450	4,550
(in months of next year's imports of GNFS)	5.5	9.0	6.4	5.2	5.0	5.0	5.1	5.0	5.0
Net international reserves (NIR)	3,238	3,319	3,676	3,691	3,805	4,177	4,342	4,449	4,549
Exports of goods (percent change)	-23.7	-18.2	13.4	17.6	4.6	2.1	1.7	2.0	2.6
Imports of goods (percent change)	-3.2	-26.6	19.0	30.6	1.8	3.8	1.7	3.8	4.0
Oil prices (composite, fiscal year basis)	58.6	48.6	76.1	92.9	79.7	74.5	71.3	68.9	50.6
GDP (US$ millions)	15,688	13,588	15,130	16,806	17,974	18,759	19,497	20,151	20,821
Jamaican dollar/USD, period average	135	143	153	…	…	…	…	…	…

Sources: Jamaican authorities; and Fund staff estimates.

Table 4. Jamaica: Summary Monetary Survey 1/2/

				Projections					
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
				(In billions of Jamaican dollars)					
Net Foreign Assets	397.5	402.1	482.1	403.4	426.3	492.9	531.8	562.8	593.9
Net Domestic Assets	863.0	1,047.7	1,152.7	1,366.2	1,467.6	1,534.3	1,633.0	1,748.9	1,869.4
Net domestic claims	1,353.4	1,581.7	1,699.6	1,772.5	1,839.9	1,921.7	2,043.8	2,173.5	2,314.4
Net claims on central government	259.6	395.9	395.1	352.9	310.1	270.9	269.4	261.0	268.4
Claims on rest of public sector	13.1	14.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Claims on private sector	1,039.1	1,126.0	1,228.5	1,337.6	1,442.0	1,556.6	1,673.7	1,804.4	1,929.8
Of which: Credit to private sector	1,039.1	1,125.3	1,227.5	1,336.7	1,441.0	1,555.6	1,672.7	1,803.4	1,928.9
Claims on other financial corporations	41.6	45.4	69.5	75.6	81.4	87.8	94.4	101.7	109.7
Capital account	360.1	393.8	367.2	367.2	367.2	367.2	367.2	367.2	367.2
Other	-127.6	-140.2	-179.6	-39.0	-5.1	-20.2	-43.6	-57.4	-77.8
Broad Money (M3)	1,260.5	1,449.8	1,634.8	1,769.7	1,893.9	2,027.2	2,164.8	2,311.6	2,463.3
Narrow money (M2)	1,030.3	1,172.8	1,352.4	1,464.7	1,565.8	1,674.1	1,785.9	1,905.3	2,028.8
Other liabilities	230.2	277.0	282.4	305.0	328.1	353.2	378.9	406.3	434.5
				(Percent change)					
Net Foreign Assets	22.0	1.2	19.9	-16.3	5.7	15.6	7.9	5.8	5.5
Net Domestic Assets	10.5	21.4	10.0	18.5	7.4	4.5	6.4	7.1	6.9
Net domestic claims	9.9	16.9	7.5	4.3	3.8	4.4	6.4	6.3	6.5
Of which: Credit to private sector	28.8	8.3	9.1	8.9	7.8	8.0	7.5	7.8	7.0
Claims on other financial corporations	-0.6	9.0	53.2	8.8	7.7	7.9	7.5	7.7	7.9
Capital account	22.5	9.3	-6.7	0.0	0.0	0.0	0.0	0.0	0.0
Other	-17.3	9.9	28.1	-78.3	-87.0	296.0	116.2	31.8	35.4
Broad Money (M3)	13.9	15.0	12.8	8.2	7.0	7.0	6.8	6.8	6.6
Narrow money (M2)	15.9	13.8	15.3	8.3	6.9	6.9	6.7	6.7	6.5
Other liabilities	5.6	20.3	1.9	8.0	7.6	7.6	7.3	7.3	6.9
				(Percent of GDP)					
Net Foreign Assets	18.7	20.6	20.8	15.6	15.4	16.7	16.9	16.8	16.7
Net Domestic Assets	40.7	53.8	49.6	52.8	52.8	51.9	51.8	52.2	52.4
Net domestic claims	63.8	81.2	73.2	68.5	66.2	65.0	64.9	64.8	64.9
Of which: Credit to private sector	49.0	57.7	52.9	51.6	51.9	52.6	53.1	53.8	54.1
Claims on other financial corporations	2.0	2.3	3.0	2.9	2.9	3.0	3.0	3.0	3.1
Capital account	17.0	20.2	15.8	14.2	13.2	12.4	11.7	11.0	10.3
Other	-6.0	-7.2	-7.7	-1.5	-0.2	-0.7	-1.4	-1.7	-2.2
Broad Money (M3)	59.4	74.4	70.4	68.4	68.2	68.6	68.7	69.0	69.1
Narrow money (M2)	48.6	60.2	58.2	56.6	56.4	56.7	56.7	56.8	56.9
Other liabilities	10.9	14.2	12.2	11.8	11.8	12.0	12.0	12.1	12.2

Sources: Bank of Jamaica; and Fund staff estimates and projections.

1/ The authorities also compile and diseminate monetary data on the basis of the 2016 MFSMCG.

2/ Fiscal year runs from April 1 to March 31. The authorities compile and disseminate monetary data on the basis of the 2000 MFS manual.

Table 5. Jamaica: Financial Soundness Indicators 1/

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mar-22	Jun-22	Sep-22
Balance Sheet Growth (y/y)																
Capital	13.8	5.1	5.3	4.0	18.3	7.4	9.0	12.6	8.1	11.4	8.1	14.1	5.9	4.1	2.3	2.3
Loans	5.3	-1.4	4.8	12.9	14.1	6.6	9.3	18.3	7.2	14.8	17.2	10.9	9.6	10.4	8.6	11.1
NPLs	68.0	36.1	44.0	-10.8	-12.9	0.2	-11.6	-16.9	-2.6	10.1	4.1	41.9	12.6	5.0	1.1	-7.1
Liquidity																
Domestic currency liquid assets 2/	31.3	36.2	30.5	26.7	26.3	31.5	26.5	27.4	31.5	28.0	24.0	24.5	25.6	22.4	21.9	21.7
Asset Quality																
Prov. for loan losses/NPLs	75.7	69.9	75.2	90.3	95.7	101.6	106.4	117.5	121.3	111.0	123.5	118.2	106.9	111.8	118.3	123.2
NPLs/loans	4.7	6.5	8.9	7.0	5.4	5.0	4.1	2.9	2.6	2.6	2.2	2.8	2.9	2.8	2.7	2.5
Capital Adequacy																
NPLs/Capital+Prov. for loan losses	17.7	20.2	28.4	24.1	18.6	17.4	14.5	11.0	10.0	11.1	9.5	11.5	12.3	11.8	11.7	11.1
Capital Adequacy Ratio (CAR)	18.8	18.2	16.1	14.1	15.1	15.9	14.9	14.7	15.3	14.5	14.3	14.3	14.2	14.0	14.1	13.8
Profitability (calendar year) 3/																
Pre-tax profit margin	21.4	21.1	30.8	21.4	19.0	18.9	19.8	26.8	24.9	27.2	25.4	13.3	21.5	2.9	22.4	17.3
Return on average assets	2.9	2.5	3.9	2.4	2.0	2.1	2.0	2.9	2.7	3.3	3.0	1.3	2.2	0.1	0.6	0.5

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 2022–30 1/

(In millions of SDRs, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Fund Obligations Based on Existing Credit									
(millions of SDRs)									
Principal	18.8	177.5	247.5	124.1	9.4	0.0	0.0	0.0	0.0
Charges and interest 1/	0.0	31.2	23.4	15.4	13.1	12.8	12.8	12.8	12.8
Total Obligations Based on Existing Credit									
Millions of SDRs	18.8	208.6	270.9	139.5	22.5	12.8	12.8	12.8	12.8
Percent of exports of goods and services	0.4	4.3	5.3	2.6	0.4	0.2	0.2	0.2	0.2
Percent of gross international reserves	0.6	6.7	8.4	4.2	0.7	0.4	0.4	0.4	0.4
Percent of government revenue	0.5	5.8	7.2	3.5	0.5	0.3	0.3	0.3	0.3
Percent of public external debt service	3.1	30.4	43.6	21.7	3.0	1.7	3.1	4.6	3.1
Percent of GDP	0.1	1.5	1.9	0.9	0.1	0.1	0.1	0.1	0.1
Percent of quota	6.5	71.9	70.7	48.1	7.8	4.4	4.4	4.4	4.4
Outstanding IMF Credit									
Millions of SDRs	558.4	381.0	133.5	9.4	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	12.0	7.9	2.6	0.2	0.0	0.0	0.0	0.0	0.0
Percent of gross international reserves	17.6	12.3	4.1	0.3	0.0	0.0	0.0	0.0	0.0
Percent of government revenue	15.6	10.5	3.5	0.2	0.0	0.0	0.0	0.0	0.0
Percent of total public external debt	9.6	6.4	2.2	0.2	0.0	0.0	0.0	0.0	0.0
Percent of GDP	4.4	2.8	0.9	0.1	0.0	0.0	0.0	0.0	0.0
Percent of quota	145.8	99.5	34.9	2.5	0.0	0.0	0.0	0.0	0.0
Net Use of IMF Credit (millions of SDRs)	-18.8	-177.5	-247.5	-124.1	-9.4	0.0	0.0	0.0	0.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	18.8	177.5	247.5	124.1	9.4	0.0	0.0	0.0	0.0
Memorandum items:									
Exports of goods and services (millions of U.S. dollars)	6,153	6,385	6,804	7,199	7,545	7,909	6,792	6,894	6,998
Gross international reserves (millions of U.S. dollars)	4,191	4,100	4,250	4,350	4,450	4,550	4,600	4,650	4,700
Government revenue (million of U.S. dollars)	4,728	4,780	4,970	5,235	5,436	5,640	5,725	5,811	5,898
Total external debt, public (million of U.S. dollars)	7,654	7,865	8,192	7,902	7,438	6,773	6,280	6,040	5,870
External debt service, public (million of U.S. dollars)	803	906	819	850	999	981	540	371	553
Nominal GDP (millions of U.S. dollars)	16,806	17,974	18,759	19,536	20,191	20,862	21,601	22,526	23,490
Quota (millions of SDRs)	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

Source: IMF staff estimates and projections.

1/ Based on the GRA rate of charge of [3.155] percent as of [November 13, 2022].

Annex I. Progress on 2021 Article IV Policy Recommendations

Recommendations	Policy Actions
Growth Agenda	
Improve social outcomes and foster inclusive growth by addressing supply side constraints to growth through well prioritized structural reforms; make the economy more competitive and resilient.	Ongoing. Increased allocations have been made to prevent crime, enhance information network and mobility for security units. Additional resources have been allocated for crime prevention and reduction, youth education, training and development and women's programs to address deficiencies in social outcomes.
Fiscal Sector	
Maintain a tight fiscal stance to preserve debt sustainability.	The FY2022/23 budget maintains tight fiscal discipline and debt is on a solid downward trajectory to meet FRL debt target.
Reduce the wage bill and reprioritize spending toward growth-enhancing projects.	Ongoing. Reevaluation of allowances is part of the planned overhaul of the public compensation structure that the Government has announced in the FY2022/23 budget.
Improve public sector efficiency through divestments and addressing duplication and inefficiencies in government functions.	Ongoing. Several public bodies have been closed, merged, and reintegrated into central government; earmarked revenues from several entities have been directed into the Consolidated Fund. The authorities continue to assess further opportunities for divestment.
Monetary and Financial Sector	
Formalize the current inflation targeting regime to help entrench macroeconomic stability and promote growth; further tightening of monetary policy to firmly anchor inflation expectations.	The BOJ independence Act sets the BOJ's primary objective to be price stability, strengthens BOJ's institutional independence and accountability, puts in place an effective Board with decision-making structure, and restores autonomy to the central bank. Central bank has already increased policy rate by 600 basis points since October 2021.
Maintain exchange rate flexibility	The BOJ continues to shrink its role in FX markets. Exchange rate flexibility continues, with FX intervention limited to periods of excessive volatility.
Preserve financial sector stability to promote growth.	Ongoing. The BOJ continues to work on the implementation of Basel III criteria and the expansion of the regulatory perimeter (credit unions). Work is also ongoing on crisis management Special Resolution Regime) and consolidated supervision issues. Prudential and supervisory improvements are being enhanced for systemic stability with MCM TA. Changes to investment limits for non-banks is being considered to safeguard financial stability with MCM TA.
Address weaknesses in AML/CFT framework.	Work is ongoing with TA from LEG/MCM.

Annex II. Risk Assessment Matrix[1]

Source and Direction of Risk	Likelihood	Impact if realized	Policy Response
External Risks			
Commodity price shocks. (↓) A combination of continuing supply disruptions (e.g., due to conflicts and export restrictions) and negative demand shocks causes recurrent commodity price volatility and social and economic instability.	High	Medium	Provide targeted support to vulnerable households and firm while preserving fiscal sustainability. Continue to allow pass-through from international prices to domestic ones.
Abrupt global slowdown or recession. (↓) Sharp tightening of global financial conditions combined with volatile commodity prices leads to spiking risk premia, widening of external imbalances and fiscal pressures, capital outflows, sudden stops, and debt and financial crises across EMDEs.	High	Medium	Allow automatic stabilizers to work within the current medium-term fiscal framework and provisions in the FRL. Continue data-dependent monetary policy tunning and limit FX intervention to reduce volatility under disorderly market conditions.
De-anchoring of inflation expectations and stagflation. (↓) Supply shocks to food and energy prices sharply increase headline inflation and pass through to core inflation, de-anchoring inflation expectations and triggering a wage-price spiral in tight labor markets. Central banks tighten monetary policy more than envisaged leading to weaker global demand, currency depreciations in EMDEs, and sovereign defaults. Together, this could lead to the onset of stagflation.	Medium	Medium. Financing difficulties for government, firms/households, erode banks' capital.	Continue data-dependent monetary policy tunning to anchor domestic inflation expectations and secure convergence to the target band. Limit FX intervention to reduce volatility under disorderly market conditions. Intensify surveillance of financial institutions.
Local Covid-19 outbreaks. (↓) Outbreaks in slow-to-vaccinate countries or emergence of more contagious vaccine-resistant variants force new lockdowns or inhibit commerce. This results in extended supply chain disruptions, slower growth, capital outflows, and debt distress in some EMDEs.	Medium	Medium. Weaker growth and lower fiscal expenses.	Respond with temporary and targeted fiscal support within the current medium-term fiscal framework and provisions in the FRL to preserve fiscal sustainability.
Structural/Domestic Risks			
Natural disasters related to climate change. (↓) More frequent natural disasters deal severe damage to infrastructure (especially in smaller vulnerable economies) and amplify supply chain disruptions and inflationary pressures, causing water and food shortages and reducing medium-term growth.	Medium	High. Severe damage to infrastructure and agriculture.	Strengthen the Disaster Risk Management framework, especially institutional arrangements for reconstruction efforts and the multilayered insurance scheme against climate change events.
Cyber-attacks (↓), On critical physical or digital infrastructure (including digital currency platforms) trigger financial instability and disrupt economic activities.	Medium	Low. Relatively low dependence on cybernetics.	Upgrade risk management capacity and infrastructure (payments and settlement system); strengthen cyber security measures.

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

Annex III. Building Resilience to Natural Disasters and Climate Change

Jamaica is implementing a multipronged strategy to address climate risks by reducing vulnerabilities in physical infrastructure, the financial system, and the fiscal and external positions to the effects of climate change. The strategy includes both adaptation and mitigation measures.

A. Jamaica's Exposure to Climate Change Risks

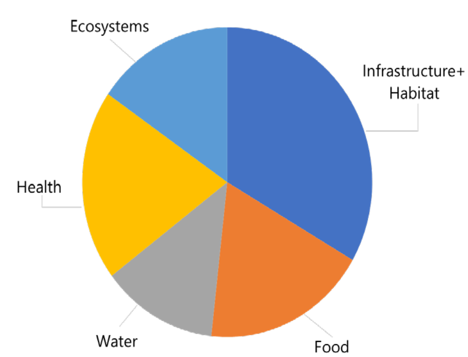
1. **Jamaica's geographical and socio-economic characteristics make it highly vulnerable to the impacts of climate change.** Jamaica ranks 47th out of 191 countries in the 2023 Inform Risk index. Average temperature levels in the country have risen steadily over the last several decades and are projected to increase further in the future. In a business-as-usual (BAU) global emission scenario (RCP 4.5)[1], Jamaica is projected to face a 1.54°C increase of mean temperature by 2100 relative to the 1986–2005 baseline[2]. This would likely result in increased frequency of prolonged high heat and drought. The frequency of tropical storms or hurricanes is expected to remain steady while their intensity will increase with extreme rainfalls, high wind speed, flooding, and increased damages[3]. Additionally, sea level is rising and threatening Jamaica's infrastructure and population that are concentrated in the coastal areas. According to the 2020 ND-GAIN Vulnerability Index[4], climate change and natural disasters in Jamaica affect the costal, energy and transport infrastructure, as well as urban areas (buildings, water supply and sanitation, etc.).

Natural Hazard Risk-Peer Selected Caribbean Countries (2020)

10	Haiti
20	Dominican Republic
45	Belize
47	Jamaica
60	Dominica
112	Barbados
139	Trinidad and Tobago
162	Saint Vincent and the Grenadines
177	Grenada

Source: 2023 INFORM Global Risks Index.

Composition of Vulnerability by Sector



Source: 2020 ND-GAIN Vulnerability Index.

[1] Representative Concentration Pathway 4.5 (RCP4.5) is one of the GHG concentration trajectories adopted by the Intergovernmental Panel on Climate Change (IPCC) that corresponds to a realistic BAU GHG emission pathway.

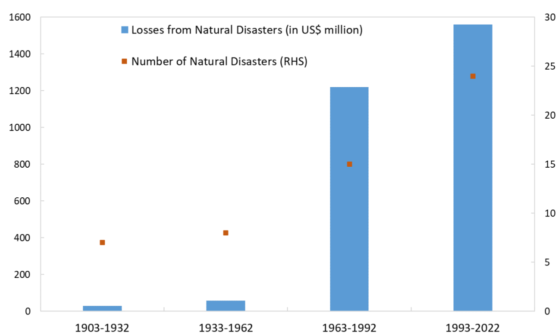
[2] Planning Institute of Jamaica. The State of the Jamaican Climate 2019: Historical and Future Climate Changes for Jamaica, draft March 2021.

[3] Planning Institute of Jamaica. The State of the Jamaican Climate 2019: Historical and Future Climate Changes for Jamaica, draft March 2021. The Intergovernmental Panel on Climate Change (IPCC). 2012. Managing the risks of extreme events and disasters to advance climate change adaptation.

[4] ND-GAIN Vulnerability Index assesses the vulnerability of a country to climate change risks by considering six life-supporting sectors: food, water, health, ecosystem services, human habitat, and infrastructure.

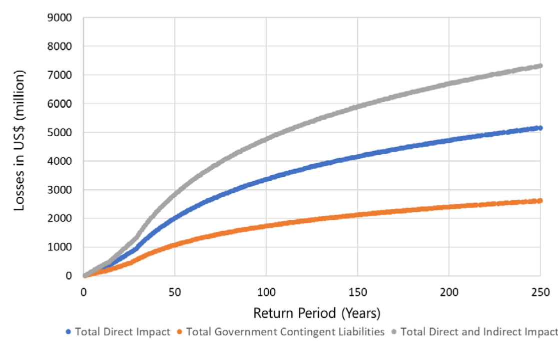
2. Jamaica's high vulnerability to natural disasters poses substantial risk to the country's economic outlook. Jamaica has suffered high and sustained damages from natural disasters over the past several decades.[5] Hydrometeorological events (floods, tropical storms, hurricanes etc.) have been the most prominent hazards in Jamaica. The number of storms passing by or directly affecting Jamaica in the 2000s has been at its highest since 1940-1959[6]. Hurricanes Ivan (2004) and Dean (2007) caused damages of US$580 million and US$329 million each (or 8 and 3 percent of GDP, respectively). In 2010, tropical storm Nicole was an important reminder of a persisting vulnerability to natural disasters, causing damages of US$239 million (or 2 percent of GDP).[7] Looking ahead, the expected damages from the hydrometeorological events would also be significant. For one in 100 years type of event, the fiscal losses are expected to exceed US$ 1,729 million (roughly about 10 percent of GDP); in other words, there is one percent probability in any year that losses will exceed US$ 1,729 million from such an event.

Frequency and Damages from Natural Disasters
(In US$ million)



Sources: Emergency Events Database and IMF Staff Calculations.

Estimated Floods and Hurricane Events Risk Profile
(Indicative probability curve, in US$ million)



Source: 2019 World Bank Jamaica probabilistic risk modelling

3. Climate change and natural disasters threaten Jamaica's external sustainability. The tourism sector is highly sensitive to the effects of climate change and tourism-related BOP inflows are equivalent to some 20 percent of GDP. Tourism dynamics also weigh heavily on economic outcomes given its interconnectedness with other sectors, such as the retail trade, construction, agriculture, and other services. Frequent, severe, and persistent natural disasters would likely sharply reduce tourist arrivals, devalue the capital base of the industry, affect the nature-based tourism assets on the island, disrupt the inflows of foreign exchange, and trigger unplanned fiscal expenditures. They would also

[5] To illustrate trend of damages we use the Centre for Research on the Epidemiology of Disasters' (CRED) Emergency Events Database (EM-DAT; https://www.emdat.be/) which contains data on the occurrence and effects of over 22,000 mass disasters in the world from 1900 to the present day. The database is compiled from various sources, including UN agencies, non-governmental organizations, insurance companies, research institutes and press agencies. The trends shown need to be interpreted with caution due to possible data gaps for the early decades of the last century.

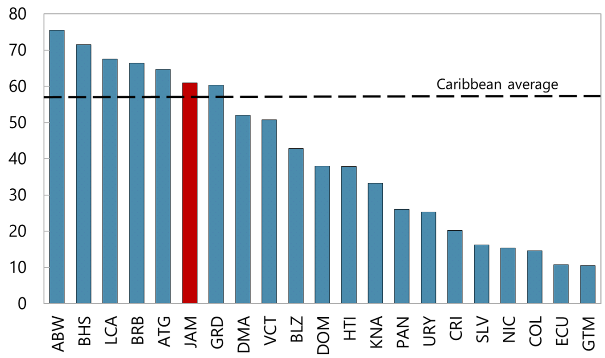
[6] The number of storms passing by or directly affecting Jamaica in the 2000s was 22. Planning Institute of Jamaica. The State of the Jamaican Climate 2019: Historical and Future Climate Changes for Jamaica, draft March 2021. The Intergovernmental Panel on Climate Change (IPCC). 2012. Managing the risks of extreme events and disasters to advance climate change adaptation.

[7] Macro Socio-economic and Environmental Impact Assessment of Damage and Loss caused by the March to June Rains 2017, Planning Institute of Jamaica (PIOJ), PIOJ Economic and Social Survey (2017), Third National Communication (2018).

impact other sectors of the economy, especially agriculture which already is coping with higher temperatures, rising sea levels, and volatile precipitation patterns.[8] Those impacts may result in lower agricultural productivity, further constraining availability and quality of food, energy, and water.

Tourism Receipts

(In percent of total export receipts)

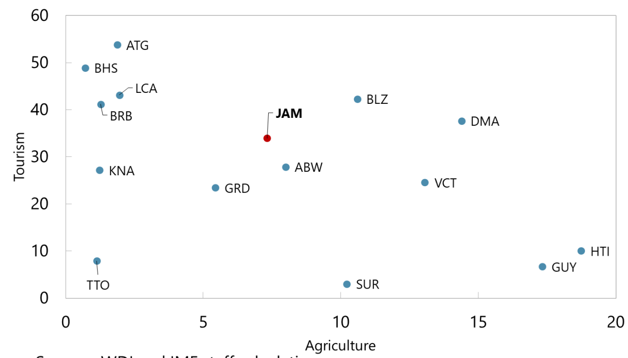


Sources: WDI and IMF staff calculations.

Note: Tourism receipts is the average from 2016 to 2022.

Agriculture and Tourism

(In percent of GDP)



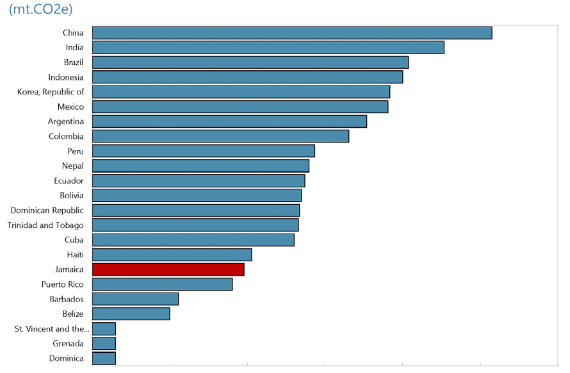
Sources: WDI and IMF staff calculations.

Note: Agriculture and Tourism shares of GDP are averages from 2016 to 2022.

4. Jamaica's contribution to the world-wide greenhouse gases (GHG) emissions is insignificant but its dependence on fossil fuels imports for energy generation calls for a transition to renewables. In 2020, Jamaica contributed to less than 0.03 percent of total GHG emissions and below other Caribbean comparators. However, Jamaica's dependence on fossil fuel imports exposes it to volatility in international commodity prices**.** This vulnerability can exacerbate balance of payment shocks and compromise fiscal sustainability. In FY 2021/22, fuel commodity imports represented 11 percent of GDP and were twice the level of Jamaica's goods exports. Over 85 percent of Jamaica's electricity production is derived from fossil fuel mostly heavy fuel oil. 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. The high fuel import bill and the related inflationary pressures following the war in Ukraine highlight the need to expeditiously transition to renewable energy.

Country GHG Emissions

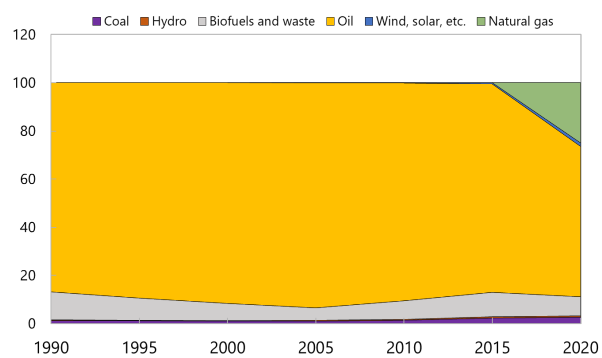
(mt.CO2e)



Source: IMF-CPAT.

Energy Supply by Source

(In percent of total)



Sources: IEA World Energy Balances and IMF Staff Calculations.

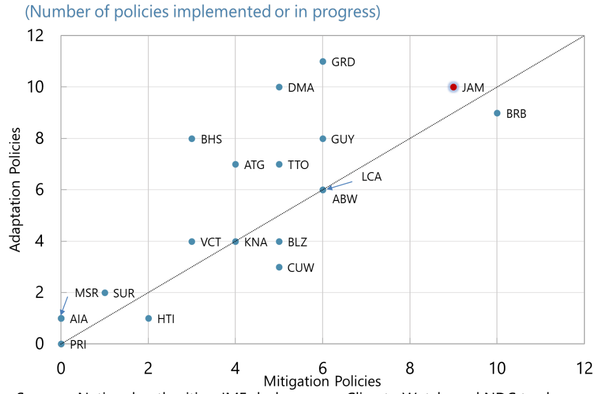
[8] The Climate Change Policy Framework for Jamaica (2015) identifies agriculture as critically important for both mitigation and adaptation.

B. Jamaica's National Climate Change Strategy

5. Over the past few decades Jamaica has developed a comprehensive policy framework which sets out a set of measures and targets to mitigate and adapt to climate change. The Vision 2030 Jamaica-National Development Plan defines the country's long-term strategic development goals towards inclusive and sustainable growth. The 2030 Vision rests on the foundation of three dimensions of sustainable development—social, economic, and environmental—as well as on equity and inclusiveness considerations.[9] The Climate Change Policy Framework for Jamaica was promulgated in 2015 and recently updated in 2021, with the goal of creating a sustainable mechanism for integrating climate change considerations in governance systems (institution arrangement, polices, plans, etc.)[10]. The country submitted its Intended Nationally Determined Contribution (NDC) in November 2016 and ratified the Paris Agreement in April 2017, further signaling its commitment to enhance climate action. The initial NDC which was enshrined in the National Energy Policy (2009- 2030) highlighting the importance of national adaptation planning. In 2019, the government adopted the Integrated Resource Plan (IRP)—a comprehensive decision support tool and a road map for achieving Jamaica's objectives to *transition to renewable energy* over a 20-year period. In June 2020, Jamaica submitted an updated and more ambitious NDC (Table 1 below)[11]. In August 2021, Jamaica launched its NDC Implementation Plan[12].

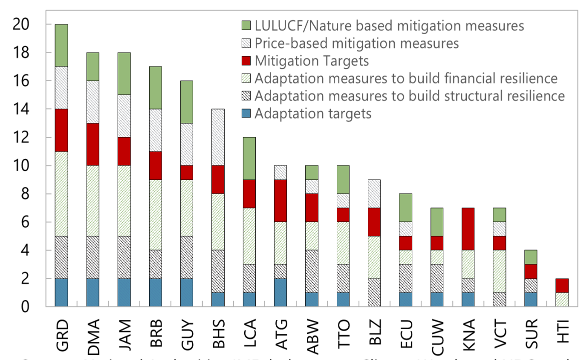
Mitigation vs. Adaptation

(Number of policies implemented or in progress)



Sources: National authorities; IMF desks survey; Climate Watch, and NDC tracker.
Note: Number of policies is a crude number for the strength of reform measures.

Number of Mitigation and Adaptation Measures



Sources: National Authorities; IMF desks survey; Climate Watch, and NDC tracker.
Note: Number of policies is a crude number for the strength of reform measures.

6. Jamaica is advancing with the adaptation and disaster financing policy as well. Jamaica is developing its first National Adaptation Plan (NAP) comprising a comprehensive adaptation

[9] See: Jamaica's UN SDG page.

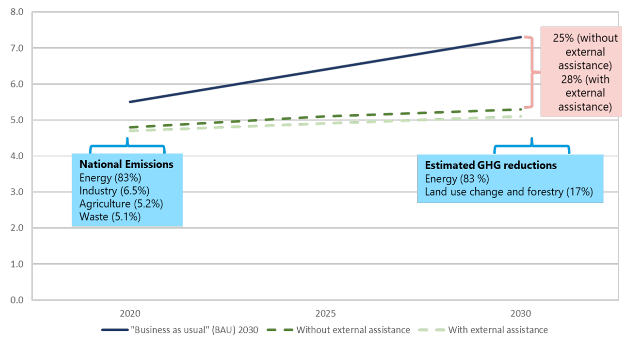
[10] The 2021 Climate Change Policy has not yet been approved.

[11] The updated submission aims to reduce emissions by 25-28% relative to a business-as-usual scenario by 2030. The updated NDC submission covers emissions from forestry and land use change, reflecting the importance of the forestry sector to Jamaica, which accounts for more than half of the island's total land use. In addition, the updated NDC reflects an increase in emissions reduction ambition in in the energy sector.

[12] In August 2021 the authorities developed in collaboration with the WB and the NDC partnership, the NDC implementation plan. The Climate Change Division (CCD) in the Ministry of Economic Growth and Job Creation (MEGJC) will provide an update on commitments based on the NDC implementation plan. The next NDC implementation status is expected in FY2024.

implementation roadmap and investment plan. In addition, the authorities are developing a National Disaster Risk Financing Policy that provides a menu of financing options the Government can draw upon to respond readily to natural disasters.

Emission Trends (2020–2030)



Source: 2020 NDC

7. **The NDC targets emissions reductions of between 25.4 percent and 28.5 percent (with external assistance) relative to business-as-usual by 2030.** About 80 percent of the reductions are expected to come from the energy sector through a large-scale ramp of renewables in the power sector as well as improved energy efficiency across all major energy consuming sectors. The rest will come from the land use change and forestry sector when measures such as the 'No Net Loss of Forestry' commitment and the tree planting are completed.

C. Jamaica's Climate Change Agenda: Implementation to Date and Priorities Going Forward

Building Fiscal and Physical Resilience to Natural Disasters and Climate Change

8. **Implementation to Date**. *Jamaica has made progress in addressing natural disasters and strengthening climate resilience through measures designed to reinforce fiscal stability, mitigate financial risks, create more responsive budgetary mechanisms, and strengthen the public investment management.*

- **The institutional framework and high-level provisions for the management and mitigation of disasters are well laid out in the 2015 Disaster Risk Management (DRM) Act**. The Act establishes the National Disaster Risks Management Council, chaired by the Prime Minister, as the overseeing body. The Office of Disaster Preparedness and Emergency Management (ODPEM), located in the Ministry of Local Government and Development, is the executive arm in charge of coordinating the development and implementation of the integrated disaster preparedness and management systems. The Act also establishes the National Disaster Fund—managed by the ODPEM—to be used for upgrading and maintenance of resilient infrastructure, as well as provincial-level lower impact disasters.

- **In line with the DRM Act, the authorities developed a Comprehensive Disaster Management program (CDM)**. The CDM is directed by the ODPEM[13]. It comprises preparation and execution of: (i) activities to minimize damage and amplify relief response; (ii) recovery and rehabilitation plans; and (iii) a mitigation phase when structural and non-structural measures are undertaken to limit the adverse impact of natural disasters, environmental degradation, and

[13] See: https://www.odpem.org.jm/comprehensive-disaster-management-cdm-strategy/.

technological hazards. The social safety net is fairly developed and allows for a quick response to humanitarian needs after a natural disaster. During COVID, Jamaica demonstrated sound procedures and relatively efficient institutions in providing support for the population.

- **In November 2018, Jamaica's Cabinet approved a Public Financial Management (PFM) policy framework for natural disaster risk financing**. The framework aims to bolster financial resilience by developing sound legal and institutional arrangements for mounting a swift and cost-effective financial response to natural disasters, while minimizing budget reallocations and protecting the fiscal balance. The framework also addresses the need to identify, monitor, and mitigate all sources of contingent liabilities associated with Public Private Partnerships (PPP), as well as fiscal risks due to natural disasters.

- **A comprehensive financing framework to provide liquidity during natural disasters has been put in place.** A combination of budget instruments, disaster risk insurance and contingent line of credit from International Financial Institutions (IFIs) provides a safety net Jamaica can rely upon when a disaster strikes: (i) the Contingencies Fund has been established under the Constitution and operationalized in Section 13 of the Fiscal Administration and Audit Act (FAA) to provide for unforeseen expenditure of any kind, including but not limited to disasters[14]. This is the main budget instrument for the government to finance post-disaster expenditures. The aggregate ceiling of the Contingencies Fund was raised from J$100 million (US$652 thousand) to J$10 billion in 2019 (US$ 65.12 million), to provide space for expenses related to natural-disaster risk coverage; (ii) the National Disaster Fund (NDF) has been established under Part IX of the DRM Act. The NDF is intended for projects that mitigate, prevent, prepare for, respond to, and recover from emergencies and disasters and that provide financial assistance to households for relief and recovery from a disaster. The NDF is currently capitalized at US$ 2.2 million and has historically received an annual injection of around J$500 million (US$3.2 million). The authorities are considering shifting the focus of the NDF to local events and making prominently the ex-ante use of the Fund; (iii) Jamaica is a member of the regional catastrophe insurance platform, the Caribbean Catastrophic Risk Insurance Facility (CCRIF) [15]. CCRIF offers its members quick-disbursing, parameter-based insurance cover against disaster hazards. Annual CCRIF insurance premia of around US$16mn/year, are mostly financed through the development partners (for instance USAID) with the GOJ contributing a small but over time increasing share of the premia. In 2021, insured hazards were earthquakes, tropical cyclones, and floods, with coverage up to US$ 248.7million; (iv) the country is the first small island state to independently sponsor a catastrophe bond (CAT bond) with the assistance of the World Bank's Capital-At-Risk notes

[14] According to article 96 of the Constitution, and Section 13 of the 2012 FAA.

[15] CCRIF's parametric insurance is different from traditional indemnity insurance as it makes payments based on the intensity of a natural hazard event (e.g., hurricane wind speed, earthquake intensity, and volume of rainfall), the exposure or assets affected, and the amount of loss calculated in a pre-agreed model. CCRIF does not need to wait for on-the-ground assessments of loss and damage–unlike with indemnity insurance–to make payouts. This enables the Facility to disburse funds to governments within 14 days of an event. A CCRIF policy is triggered when the modelled loss for a hazard event equals or exceeds the attachment point selected by the country and specified in the policy contract (like a deductible in a traditional insurance contract).

program.[16] The bond was placed in July 2021, securing US$185 million of disaster insurance protection from capital markets[17]; and (v) Rapid credit facilities have been also made available to the country. Liquidity needs have been met through the IFIs in the past, including by relying on the IDB (US$ 285 million remain available) and the IMF's Rapid Financing Instrument.

- **Transparency and accountability for natural disaster and climate resilience spending is embeded in budget preparation and execution**. While not used uniformly and consistently across the government agencies, the budget program—disaster management—allows to track disaster-related expenditures incurred by budget units. In 2019, the Ministry of Finance and Public Service (MOFPS) issued post-disaster budget execution guidelines for proper and timely access and allocation of funds in post-disaster situations. The guidelines specify instruments, disbursement modalities, and the financial procedures to be followed in accordanace with the existing disaster-related legislation and the Financial Administration and Audit Act. These guidelines are a key aspect of the PFM Policy Framework for Natural Disaster Risk Financing. The MOFPS is also planning to adopt climate budget tagging with the support of the IDB.

- **Green and resilient public investments have been included on the agenda to facilitate adaptation and mitigation to climate change**. Sectoral plans and strategies are well aligned with the objectives and priorities of the NDC. While Vision 2030 Jamaica—the National Development Plan—is the overarching framework for sustainable development and climate change in Jamaica, the energy sector plan focuses largely on climate change mitigation and the transport sector strategy addresses green and resilient transport infrastructure.[18] One important measure was also the promulgation of the 2018 Building Act and the related Code. The National Building Code was adopted in 2018 and came into operation in January 2019. The code comprises the International Building Code (IBC) together with 11 documents describing standards of specification. The IBC provides for construction material and construction practices that resist extreme weather events such as hurricanes, storm surges, floods, and landslide. The code also addresses concerns related to energy mitigation through improving energy efficiency in public buildings. However, many settlements remain outside the formal planning system and likley do not meet building standards[19]. The government also initiated a Green Coastal Urban Renewal plan focusing on waterfront renewal that provides sustainable habitable public spaces for recreation along prominent waterfront areas, coastal revetments and sea walls that protect

[16] https://www.worldbank.org/en/news/press-release/2021/07/19/world-bank-catastrophe-bond-provides-jamaica-185-million-in-storm-protection. The USAID provided US$5 million grant and US$14 million was leveraged from other donors.

[17] Under this program, the World Bank issues notes where some or all of the investors' principal may be at risk, such as catastrophe bonds (cat bonds) and pandemic bonds. https://treasury.worldbank.org/en/about/unit/treasury/ibrd/ibrd-capital-at-risk-notes

[18] Climate change is primarily addressed under National Outcome #14 'Hazard Risk Reduction and Adaptation to Climate Change' but is recognized as cross-cutting for other outcomes and strategies of the Plan.

[19] http://Islandr.com/vision2030/wp-content/uploads/sites/4/2020/12/Microsoft-Word-Vision-2030-Jamaica-Final-Draft-Transport-Sector-Plan-_S%E2%80%A6.pdf.

against erosion and flooding from wave action, storm surges, and currents, and relocation of vulnerable communities.

9. Priority Measures Going Forward. *The authorities aim to increase resilience of the country 's macro-fiscal stance to climate change and natural disaster shocks including by adopting a fiscally sustainable disaster risks financing strategy and mechanisms and by fostering climate smart public investment.*

- **Integrate climate risks into fiscal planning**. The examination of risk management at MOFPS is primarily focused on control and governance arrangement for public entities such as public corporations and extra-budgetary units. The MOFPS plans to introduce quantitative assessments of disaster risks in the fiscal policy paper by assessing long-term fiscal sustainability under different climate change scenarios.

- **Add climate change requirements into the PPP legal framework.** Jamaica has made extensive use of public-private partnership (PPP) arrangements since 2011[20]. In collaboration with the Inter-American Development Bank (IADB) and the World Bank (WB), work is advancing to amend the existing policy and regulatory framework to include climate requirements in PPP project agreements from project identification to contract management including comprehensive insurance policies to distribute among the PPP partners the burden of contingent liabilities related to natural disasters.

- **Adopt the National Natural Disaster Risk Financing (DRF) Policy.** The diversity of financial coverage tools available in Jamaica in case of disasters reflects its strategic approach to DRM financing but it appears to be based more on opportunities than on a robust assessment of explicit and implicit contingent liabilities. Work is ongoing to develop a policy framework for disaster risk financing, with assistance from the WB to inform the selection of the most cost-effective ex-ante financing mechanisms.

- **Establishment and operationalization of a National Natural Disaster Reserve Fund (NDRF).** The NDRF will be constituted under the consolidated fund and used for relief financing in case of catastrophic national level events. It will also be eligible for external financing.

- **Integrating climate considerations in the appraisal and selection of public investments**. The PIAB in the MOFPS developed template for the MDAs submission of the project concept and proposal. The templates require a screening of climate hazards—using the Caribbean Climate Online Risk & Adaptation Tool (CCORAL)—at project concept stage. The PIAB is planning to adopt a methodology for inclusion of climate impact assessments at a project pre-appraisal (concept) and appraisal (proposal) stage, for infrastructure projects identified at a screening phase as medium or high risk. Inclusion of climate considerations at the pre-appraisal and the appraisal stage will improve the prioritization and allocation of fiscal resources.

[20] Compared to other Caribbean countries, Jamaica has been very proactive in developing PPPs. While the PPP capital stock in Belize stood at 8.4 percent of GDP in 2019, and in Dominican Republic at 3.4 percent, in Jamaica the PPP capital stock was 16 percent.

A Climate Public Investment Management Assessment (C-PIMA) is ongoing to further assessment of the reforms' progress and the feasibility and robustness of the priority measures.

Strengthening Mitigation, Promoting Renewables

10. Implementation to Date. *Jamaica has made some progress in the implementation of the NDC, including introducing electric buses, enhancing energy efficiency, and advancing tree planting.*

- **LED street lighting installation—targets replacement of the streetlights with energy efficient LED.** In 2021, the replacement reached 80 percent of streetlights. There were upfront costs of some US$30 million, and international support provided by the Caribbean Development Bank through TA and a US$25 million funding. The initiative is to be extended to the underlit areas and through a development of a smart city roadmap with assistance from the US Trade and Development Agency.

- **Deployment of low-carbon public buses (2020-2025) in the Montego Bay and St. James Parish**— 20 buses deployed as of 2021. By 2025, 136 buses are to be in service. The project requires US$30 million financing yet to be secured plus a financing for supportive infrastructure. The project is supported by IDB's TA.

- **National Tree Planting—about ½ million seedlings were planted by end-2021.** The US$2 million project is advancing with pledges to plant another ¾ million seedlings. Further support from private sector and/or international sponsors is needed for the success of the project.

- **Several externally funded projects are progressing well.** The Energy Efficiency & Conservation Program (EECP) has supported retrofitting of many government facilities—including public health, administrative and educational buildings—and facilitated training in best practices for energy efficiency and conservation. It concluded in 2018. The Energy Management and Efficiency Programme in Jamaica (EMEP) promotes energy efficiency and conservation.[21] The EMEP is a key element of the National Development Plan Vision 2030 and the guide for government's energy efficiency and conservation policies. The EMEP Urban Traffic Management System was launched in May 2021.[22] It is expected to ease urban mobility and raise fuel efficiency in the Kingston Metropolitan Area, Spanish Town, and Portmore. This should decrease demand for gasoline and lower oil imports.

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[21] https://www.eu-cif.eu/en/projects/energy-management-and-efficiency-programme-jamaica#:~:text=This%20Energy%20Management%20and%20Efficiency,spending%20whilst%20also%20contributing%20to This project is partially funded.

[22] https://www.mset.gov.jm/2021/12/08/test-emep-post/ Funding for EMEP is secured through the energy loan from the IDB (US$15 million), the Japan International Cooperation Agency (US$15 million) and the European Union Caribbean Investment Facility (US$ 10 million tbd). The Energy Efficiency has allocation of US$22.8 million, and Urban Traffic has US$3.43 million.

11. Priorities Going Forward. *The authorities plan to attract private sector investment to support the transition to renewables and increase efficiency in both energy generation, transmission, and consumption.*

- **Incentives for investment in renewables.** The authorities intend to develop legislation to incentivize investment in renewables through fiscal measures like feebates or support for renewables.

- **Electric vehicles.** The Cabinet approved the Strategic framework for electric mobility developed in conjunction with the IDB. On the base of the framework, the authorities intend to develop 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.[23]

- **Energy efficiency.** Policies and procedures to reduce theft of streetlights, replace existing lightbulbs in schools and hospitals with low energy alternatives[24] and secure inventory of energy-efficient lightbulbs. The government will introduce new reporting, monitoring, and evaluation procedures to ensure efficient application of the replacement process. This initiative would be supplemented with measures to support efficient energy consumption, which could include extending the successful energy conservation program in public buildings to the private sector through incentives to replace air-conditioning equipment with heat exchange units such as heat-pumps and other green oriented technology.

Greening the Financial Sector

12. Implementation to Date. *In 2022 the Central Bank of Jamaica (BOJ) joined the International Sustainable Banking and Finance Network (SBFN)[25] to better develop capacity to monitor climate change risks in line with best practices.* The BOJ has been engaged by the Basel Consultative Group to participate in its proportionality workstream with a view to expedite adoption of the supervision of the climate adoption risks.[26] The BOJ is also a member of the Association of Supervisors of Banks

[23] https://www.mset.gov.jm/wp-content/uploads/2022/11/Electric-mobility-Strategic-Framework-DEF.pdf

[24] A ban on incandescent light bulbs is to take effect from April 1, 2023. https://jamaica-gleaner.com/article/news/20221007/jamaica-ban-incandescent-bulbs-come-april

[25] The SBFN (https://www.sbfnetwork.org/) is a platform for knowledge sharing and capacity building on sustainable finance for financial sector regulators and industry associations across emerging markets.

[26] The BOJ has been engaged by the Basel Consultative Group to participate in its proportionality workstream in which the BOJ and other central banks will provide support to the Basel Committee on Banking Supervision (BCBS) to develop proportional and tailored guidelines to the current Basel framework with respect to market risk, credit risk, operational risk, climate-related risk, cyber risk, as well as corporate governance and risk management. This work will improve practices and provide a common baseline for internationally active banks and supervisors (https://www.bis.org/press/p220615.htm). The principles retain flexibility in recognition of the evolving practices in this area. The BOJ is likely to benefit from this engagement with a view to expedite adoption of the supervision of the climate adoption risks https://www.bis.org/bcbs/membership.htm.

of the Americas[27] and it will consider becoming a member of the Network for Greening the Financial System (NGFS).[28,29] The Financial Stability Commission, at end-2021, adopted a risk-based supervision framework which recognizes the importance of accounting for the climate related risks. The FSC expect to be able, where relevant, to consider such risk when profiling an entity. The FSC encourages its licensees and registrants to adopt the recommendations of the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD). It expects that financial institutions should have in place frameworks to factor in the governance, strategy, risk management, and metrics and targets related to climate risk issues.

13. Priorities Going Forward. *The authorities plan to develop green financial instruments and the capacity for management of climate-related risks to enhance financial sector resilience and help scale up climate financing.* Critical elements in this process will involve: (i) allocation of adequate resources and the building of internal capacity for supervision of climate risks; (ii) setting expectations (guidelines) for financial institutions on governance and strategy, risk management, scenario analysis and stress testing, and disclosure of climate-risks; and (iii) improvements in data collection from financial institutions to better monitor their exposure to climate-related risks.

- **Green bonds[30].** The authorities intend 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 authorities will assess the convenience of issuance at an early stage in the adoption of reforms or when the conceptualization reaches its mature stage—an early issuance might be helpful if it locks in private sector interest in the projects and stresses the authorities' own commitment to them.

- **The authorities will build capacity to monitor climate change risks in the financial system.** BOJ has partnered with the *Agence Française de Développement* (AFD) to green the Jamaican Financial System. The project comprises two phases, with funding provided by the AFD (phase 1) and the European Union Caribbean Investment Fund (CIF) (phase 2):

    - The first phase will focus on building 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 will engage a consultant to assess the climate-related financial risks. The consultant's report will outline the national policies/regulatory framework and provide a diagnostic of climate risk considerations in the Jamaican financial system. This will be followed by an adoption of a monitoring framework, including identification of key risks

[27] http://www.asbasupervision.com/en/who-we-are

[28] https://www.ngfs.net/en is a platform for the central banks and supervisors to share practices for climate risk management in the financial sector and to mobilize support for a transition to a sustainable economy.

[29] For an assessment of how climate change risks can affect the financial system in Jamaica, see https://www.ngfs.net/en/ngfs-climate-scenarios-central-banks-and-supervisors-september-2022.

[30] Green bonds are fixed-income instruments that allow issuers to raise money for projects with environmental benefits, such as renewable energy, energy efficiency or clean transport.

and related monitorable indicators. Supported by the monitoring framework, a detailed guidance on the data required to measure exposures and conduct stress tests will be developed. Finally, a report outlining the recommendations for the implementation of climate stress testing, and the governance and regulatory regime in the Jamaican financial system will be completed.

- Phase 2 will focus on the integration of climate risks in supervision and macroprudential policy formulation, which is expected to continue over the next four years. These activities will comprise 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.

Table 1. Jamaica: NDC (2020–30) at a Glance

	Measure	Year		Share of 2030 Mitigation	Funding Need			Gender Impact	Progress
		Start	*End*	*(In percent)*	*USD mln*	*Secured*	*Source*		
1.	By 2030, deploy 484MW of power from renewable sources (IRP)	2019	2030	21	664.86	Partial	Power Producers	Neutral	Ongoing
2.	Allow self-generators selling to the grid (Net billing Facility)	2013	2020	0.5	0.12	Partial	Self-financed	Neutral	Ongoing, COVID delay
3.	Reduction in Transmission & Distribution losses	2013	2020	8.9	64.7	Partial	Various	Neutral	Ongoing, COVID delay
4.	Installation of LED Street Lighting	2017	2021	1	15	Funded	Various	Positive	Ongoing, COVID delay
5.	Switch to fluorescent lights in schools & hospitals	2020	2030	0.1	0.1	Unclear	Domestic	Positive	Unclear, COVID delay
6.	Deploy low-carbon busses	2020	2025	0.2	30.05	Unclear	Various	Positive	Ongoing
7.	Biodiesel blending (B5)	2020	TBD	1.4	148.4 annually	Unclear	Domestic	Neutral	Yet to start, COVID delay
8.	Improved use of heat & power in alumina refining	2020	2030	30	1.96	Partial	Domestic	Neutral	Ongoing
9.	Use LNG @ Alpart refinery	2019	TBD	13	TBD	Unclear	Domestic	Neutral	Yet to start, COVID delay
10.	Tree Planting 3 million	2020	2022	2.2	2.16	Funded	Various	Positive	Ongoing
11.	No net loss of forest cover	2013	2030	13.2	TBD	Unclear	Domestic	Neutral	Ongoing
12.	Reduce non-revenue water losses in Kingston	2015	2021	0.6	45	Partial	Various	Neutral	Ongoing
13.	Energy Efficiency & Conservation	2012	2018	0.2	20	Funded	Various	Neutral	Concluded
14.	Energy Efficiency in Public Buildings	2017	2023	0.4	22.8	Partial	Various	Neutral	Ongoing
15.	Energy Efficiency Urban Traffic System	2017	2023	6.4	3.43	Partial	Various	Neutral	Ongoing
16.	Reduce electricity consumption in water sector	2020	2030	1	34.97	Partial	Various	Neutral	Ongoing

Source: World Bank, Jamaica's NDC Implementation Plan, Washington DC, August 2021.

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Annex IV. External Sector Assessment

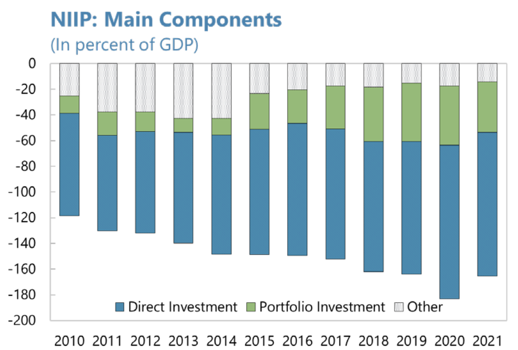
Overall Assessment: *In 2021, Jamaica's external position is assessed to be in line with medium-term fundamentals and desirable policy settings. The Real Effective Exchange Rate (REER) model of the EBA-Lite finds no REER gap. And while the current account (CA) model suggests an exchange rate undervaluation of about 30 percent, a current account deficit in line with the norm would further deteriorate the NIIP. The current level of the real exchange rate would keep the NIIP sustainable according to the External Sustainability Approach.*

The 2021 current account remained around balance despite the on-going impact of the Covid-19 pandemic on tourism because remittances remained at historically high levels, contributing to an accumulation of gross international reserves. The deficit is expected to widen in 2022 but is expected to remain in line with medium-term fundamentals and desirable policy settings. Although tourism had recovered to almost pre-pandemic level by mid-2022 following the removal of Covid-19 restrictions, this is offset by declining remittances receipts and high fuel and commodity prices decreasing the trade balance. Over the medium term, the recovery of cruises and completion of new tourism projects is expected to expand tourism further. Remittances are projected to come down from their unusually high pandemic levels. The impact of high international food and fuel prices is projected to recede as prices normalize over the medium term.

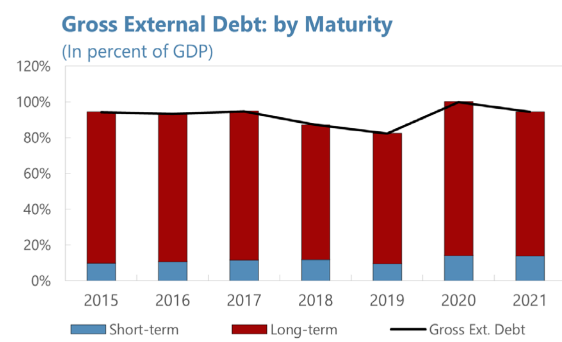
Potential Policy Responses: *Jamaica could address several constraints to its export development, including by fostering currently low tertiary education, enhancing trade facilitation, strengthening its logistics, lowering crime, advocating in CARICOM for lower import barriers, and seeking a free trade agreement with other countries outside the region.*

Foreign Assets and Liabilities: Position and Trajectory

Background. The net international investment position (NIIP) has started to improve in 2021, falling to 169 percent of GDP in 2021 compared to 2020. IIP liabilities are dominated by direct investment which account for about 50 percent of the total. External debt is mainly long-term and returned to its downward trend after the temporary increase due to the Covid shock in 2020.



Sources: Bank of Jamaica and IMF staff calculations.
Note: Components of Jamaica's Net International Investment Position (NIIP).



Sources: IMF Balance of Payment Statistics, IMF Staff estimates and WEO.

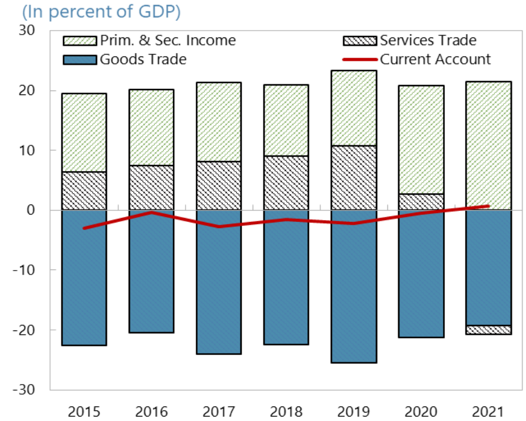
Assessment. Although the NIIP is sizeable, it is projected to decline in the future given the projected reduction in government external debt and low current account deficits. According to the External Sustainability approach, under the current baseline scenario (which assumes constant real exchange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

2021 (% GDP)	NIIP: -168.8	Gross Assets: 81.8	Debt Assets: 37.9	Gross Liab.: -250.6	Debt Liab.: -97.5

Current Account

Background. The deficit in goods trade declined in 2021 despite lower alumina exports, while remittances increased further, both factors contributing to an improvement in the current account balance (from -0.4 percent of GDP in 2020 to 0.7 percent in 2021). Despite the nascent recovery in tourism, the services balances turned negative in 2021 amid high freight costs.

Current Account: Balance of Major Components
(In percent of GDP)



Source: BOJ, Staff calculations.

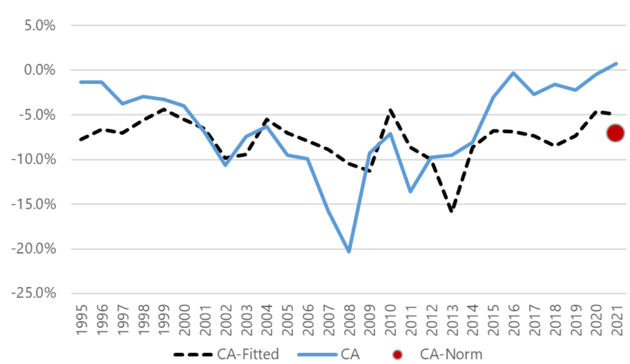
Assessment. The EBA-lite CA model results points to a positive CA gap, largely due to the residual. However, current account deficits as large as the norm estimated by the model would further deteriorate the NIIP. The Covid-19 shock led to an improvement in the current account despite the decline in tourism because of a major increase in remittances that further increased in 2021. Adjustors for both effects largely offset each other. Adding the cyclical adjustor leads to an adjusted CA of 1.6 percent of GDP, which is higher than the CA norm of -7.1 percent of GDP. The gap between the adjusted CA and CA norm implies a -30.2 percent gap in the REER. The high norm for Jamaica's current account deficit is the result of its large outward migration and associated remittances inflows. According to EBA-Lite the 40 percent share of the population living abroad raises the norm for the current account deficit by 4.4 percent of GDP.

Jamaica: EBA-lite Model Results, 2021

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**0.7**	
Cyclical contributions (from model) (-)	-0.9	
COVID-19 adjustor (-) 2/	0.2	
Natural disasters and conflicts (-)	-0.2	
Adjusted CA	**1.6**	
CA Norm (from model) 3/	**-7.1**	
Adjusted CA Norm	**-7.1**	
CA Gap	**8.7**	**0.4**
o/w Relative policy gap	4.0	
Elasticity	-0.29	
REER Gap (in percent)	**-30.2**	**-1.3**

1/ Based on the EBA-lite 3.0 methodology
2/ Additional cyclical adjustment to account for the temporary impact of the tourism (3.4 percent of GDP) and remittances (-1.9 percent of GDP).
3/ Cyclically adjusted, including multilateral consistency adjustments.

Current Account (%GDP): Actual, Fitted, and Norm

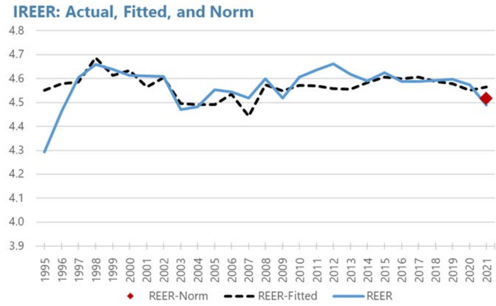


Sources: BOJ, and IMF staff calculations.

Real Exchange Rate

Background. The REER has remained stable in recent years and depreciated by 6 percent in 2021. Between January and October 2022, the REER has appreciated by around 4 percent relative to the same period in 2021.

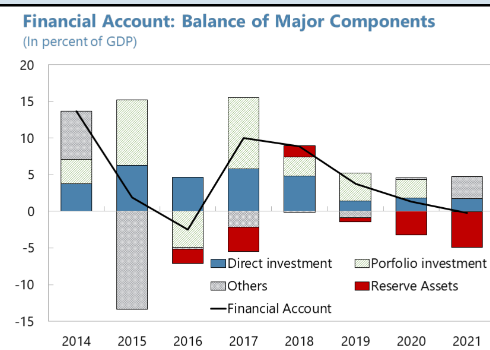
Assessment. The REER norm has also remained stable according to the iREER model. This model indicates that the REER gap in 2021 was at only -1.3 percent.



Sources: BOJ, and IMF staff calculations.

Capital and Financial Accounts: Flows and Policy Measures

Background. The financial account is dominated by private flows. Foreign direct investment amounted to 1.8 percent of GDP in 2021. Despite the Covid crisis which slowed many tourism projects, FDI continued to flow in tourism, agrobusiness, IT, chemicals and other. FDI inflows have picked up in the first half of 2022 as the recovery is firming up. As public debt continues its downward trend, the role of public flows in financing the current account is projected to be limited.

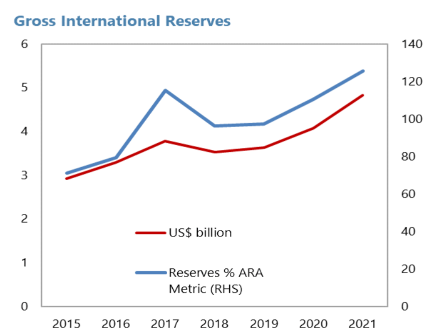


Sources: BOJ and IMF staff calculations.

Assessment. The financing structure of the current account supports external stability. FDI is expected to increase as the Covid pandemic comes to an end. However, Jamaica could benefit from attracting more additional FDI outside the tourism and mining sector, which would help promote export diversification and economic development.

FX Intervention and Reserves Level

Background. The BOJ continued to accumulate foreign reserves in 2021, in line with the improvement in the current account. Reserves dropped at the beginning of 2022 mostly due to government amortization of an external bond, but also some FX sales to the market to limit volatility amid global uncertainty related to Russia's war in Ukraine. Since then, reserves increased gradually over the rest of 2022.



Sources: BOJ, IMF staff calculations.

Assessment. Gross international reserves reached 125 percent of the ARA metric (7.8 months of imports, 33 percent of GDP) at the end of 2021 compared to 111 percent (8.3 months of imports, 29.4 percent of GDP) at end-2020. Despite the increase in terms of the ARA metric, reserves in months of imports declined in 2021 due to the recovery in imports of goods and services from the Covid-19 related import compression. For 2022, reserves are set to remain adequate at around 115 percent of the ARA metric (5.6 months of imports, 27.6 percent of GDP).

Annex V. Debt Sustainability Analysis

Jamaica's public debt is sustainable. *Underpinned by the authorities' sustained efforts in fiscal consolidation, public debt declined to 94 percent of GDP in FY2021/22 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 shocks, 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 94 percent in FY2021/22. Debt reduction efforts resumed promptly following the pandemic. The authorities are committed to bringing public debt below 60 percent of GDP by FY2027/28, although with a modest (two-year) delay from the original FY2025/26 target date under the Fiscal Responsibility Law.

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, and inflation to the target range amid fading commodity markets. While inflation has risen above the central bank's target range as a result of result of rising global food and energy prices, and global supply-chain shortages, it is expected to recede to 5 percent over the medium-term. Fiscal balance is expected to be around 0.5 percent of GDP in the near term, in line with the MTFF and FRL targets. Over the medium-term fiscal balances are projected to rise to 1.5-2 percent of GDP to bring debt down to the FRL target of 60 percent of GDP by FY 2027/28. Interest rates are assumed to increase by 100 basis points in FY 2022/23. Interest payments are projected to fall in line with retiring of maturing bonds. External debt projections are based on projected increases in the current account deficit of around 1¼ percent of GDP over the medium term and planned disbursements of project loans by multilateral and bilateral creditors.

3. **Jamaica faces modest near-term gross financing needs**. External debt stood at 61 percent of GDP at end of FY2021/22 and is predominantly owed to private creditors (58 percent). Most of the external debt is denominated in US dollars (98 percent). In terms of maturity profile, 35 percent of the external debt is medium term (1-5 years) and 55 percent is long-term (over 5 years), and as such the rollover risks remain contained and gross financing needs over the medium-term are modest.

4. **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

[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.

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. As part of their medium- term debt strategy, the authorities plan to continue to conduct opportunistic liability management operations (LMOs) to further mitigate costs and risks in public debt portfolio. The public debt risk profile would also benefit from plans to reduce reliance on FX-denominated borrowing, while further developing the local currency bond market over the medium term.

5. The profile of public debt poses limited risk. Domestic debt (mostly treasury bills and bonds) accounted for about 35 percent of the central government debt. External debt consisted of multilateral loans (22 percent of the central government debt), bilateral loans (5 percent), international sovereign bonds (38 percent), and nonresidents' holdings of treasury bills and bonds (3 percent). The evolution of public debt holders has shifted towards a more evenly distributed creditor base, and the sovereign-financial sector interconnectedness has been reduced over the years. The 2010 and 2013 debt restructurings resulted in a large reduction in debt service as short-term debt was swapped with long-term debt or discounted, and the restructured securities have longer grace period and maturity accompanied by low interest rates. In addition, the debt buybacks of outstanding global bonds coming due in 2022, 2025, and 2028, have also drastically lowered the gross financing needs over the medium-term. Principal payments associated with restructured external debt will resume only from 2025 onwards.

Medium-Term Risk Analyses

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

- **Fan chart**. Debt fan chart index–measuring medium-term solvency risks –indicates a high risk with the score at 1.5, which is moderate. The baseline debt trajectory and the fan are on a downward trend, and the probability of debt not stabilizing is assessed to be limited. Overall, solvency risks should be contained with continuous fiscal consolidation and a gradual economic recovery. However, this assessment is susceptible to other economic shocks, including the re-emergence of COVID-19, natural disasters, and a global economic downturn.

- **Gross Financing Needs (GFN)**. The GFN finance ability index—measuring medium-term liquidity risks—indicates a low risk with the score of 6.4 (below the low-risk threshold of 7.6). Medium-term GFN is expected to gradually come down as fiscal consolidation progresses. Additionally, there are limited roll-over risks in the medium-term since the authorities have extended maturity of the existing debt though issuance of 2045 bonds.

Long-Term Risk Analyses

7. 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 custom scenarios. Climate-related expenditure are manageable and would not significantly impact debt sustainability in the long run even under the customized scenario where an additional 0.5 percent of GDP expenditure is added in the baseline, which is preliminarily estimated to address both adaptation and mitigation investment needs. While the current healthcare expenditure policies would not pose significant sustainability concerns, pension expenditures under the current system would lead to larger GFNs and an upwards debt trajectory in the long run. This points to the need to undertake parametric reforms of the current public pension system.

8. Jamaica's public debt is assessed to be sustainable with a high probability. The projected debt trajectory remains vulnerable to the high degree of uncertainty from the size and duration of the ensuing global shocks and the associated risks to growth, interest rates, exchange rate and fiscal revenues. However, the strong policy track record, the authorities' commitment to meet the medium-term debt target sooner should growth overperform, and prudent debt management mitigate potential risks.

Table 1. Jamaica: Decomposition of Public Debt and Debt Service by Creditor, 2022–2024 1/

	Debt Stock (end of period)			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(In US$ millions)	(In percent total debt)	(In percent of GDP)	(In US$ millions)			(In percent GDP)		
Total	**14310.1**	**100.0**	**94.3**	1651.2	2094.0	1412.2	10.9	13.1	8.6
External	**9260.0**	**64.7**	**61.0**	894.9	1013.7	951.1	5.9	6.3	5.8
Multilateral creditors[2,3]	3193.2	22.3	21.0	373.5	372.5	321.2	2.5	2.3	2.0
IMF	110.2	0.8	0.7						
World Bank	1042.2	7.3	6.9						
ADB/AfDB/IADB	1737.6	12.1	11.4						
Other Multilaterals	303.1	2.1	2.0						
o/w: list largest two creditors									
list of additional large creditors									
Bilateral Creditors[2]	682.9	4.8	4.5	124.8	122.4	120.8	0.8	0.8	0.7
Paris Club	24.9	0.2	0.2	5.0	4.9	4.8	0.0	0.0	0.0
o/w: list largest two creditors									
list of additional large creditors									
Non-Paris Club	658.0	4.6	4.3	119.8	117.5	116.0	0.8	0.7	0.7
o/w: list largest two creditors									
list of additional large creditors									
Bonds	5383.8	37.6	35.5	396.6	518.8	509.1	2.6	3.2	3.1
Commercial creditors	5383.8	37.6	35.5	396.6	518.8	509.1	2.6	3.2	3.1
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	**5050.2**	**35.3**	**33.3**	756.3	1080.3	461.1	5.0	6.7	2.8
Held by residents, total									
Held by non-residents, total									
T-Bills	320.5	2.2	2.1	141.9	143.4	139.8	0.9	0.9	0.9
Bonds	4729.7	33.1	31.2	609.4	932.3	316.7	4.0	5.8	1.9
Loans	0								
Memo items:									
Collateralized debt[4]	0								
o/w: Related	0								
o/w: Unrelated	0								
Contingent liabilities	1618.3								
o/w: Public guarantees									
o/w: Other explicit contingent liabilities[5]									
Nominal GDP	15178								

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/Some public debt is not shown in the table due to [confidentiality clauses/capacity constraints].(Include for all creditor groups where applicable)

3/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

4/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

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 low relatively moderate level of vulnerability in the near-term and long-term, and a low level of vulnerability in the long medium term.
Near Term 1/			
Medium Term	Low	Low	Medium-term risks are assessed as low on the basis of the strength of institutions. Fan chart suggests a moderate risk due to the volatility of key macroeconomic indicators, and public debt is on a declining path. GFN tool indicates a low risk reflecting the declining GFN needs and limited roll-over risks. The authorities have been proactive in reducing medium-term gross financing needs with prudent debt management policies and debt buybacks
Fanchart	Moderate	…	
GFN	Low	…	
Stress test	...	…	
Long Term	…	Moderate	Long-term risks are moderate. The large amortization module shows gradual declines in GFN and debt relative to GDP both under the baseline and customized scenarios. Climate-related expenditure are manageable and would not significantly impact debt sustainability in the long run even under the customized scenario. Health care and pension expenditures would not pose any significant concerns to debt sustainability.
Sustainability Assessment 2/		**Sustainable with high probability**	Public debt is already on a declining path and GFNs are low and remain at manageable levels. The Fiscal responsibility law ensures that the fiscal path ensures a debt target of 60% of GDP by 2027. 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 to 60 percent of GDP by FY2027/28, as stipulated ubder the FRL GFN needs over the medium-term are low and the Medium-term liquidity risks as analyzed by the GFN Module are low .

Source: Fund staff.

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

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

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

Figure 1. Jamaica: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					0	
2. Subsectors included in the chosen coverage in (1) above:						

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

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

	Basis of recording		Valuation of debt stock		
4. Accounting principles:	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

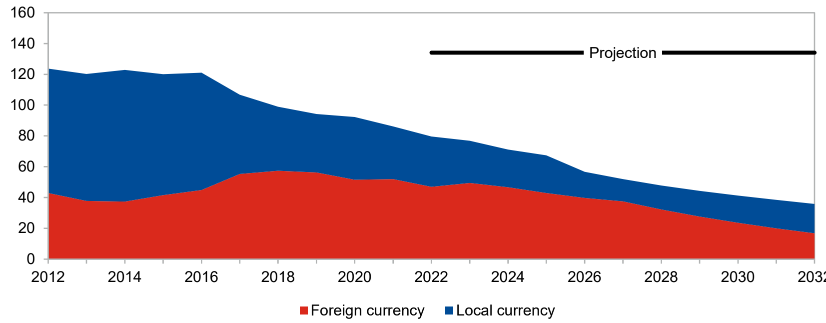
Sector		Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt									0
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0
CPS / NFPS / GG: expected / CG	3	Social security funds									0
CPS / NFPS / GG: expected	4	State govt.									0
CPS / NFPS / GG: expected	5	Local govt.									0
CPS / NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	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 governemnt. The authorites are improving coverage and quality of public debt data, including expanding the coverage to general government.

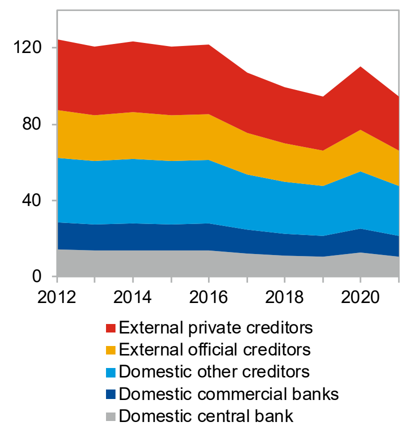
Figure 2. Jamaica: Public Debt Structure Indicators

Debt by currency (percent of GDP)



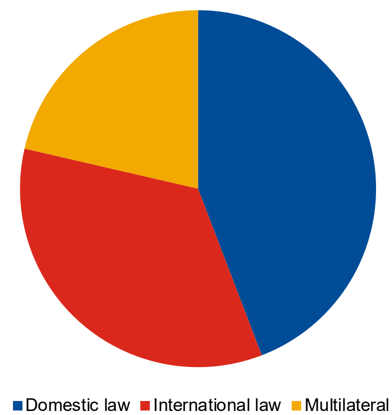
Note: The perimeter shown is central government.

Public debt by holder (percent of GDP)



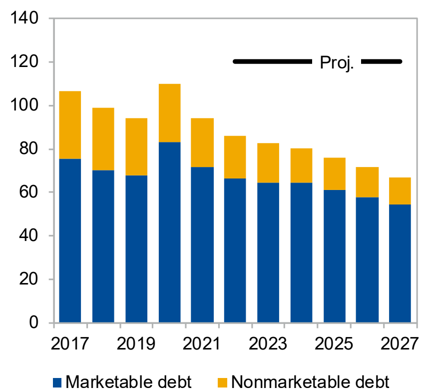
Note: The perimeter shown is central government.

Public debt by governing law, 2021 (percent)



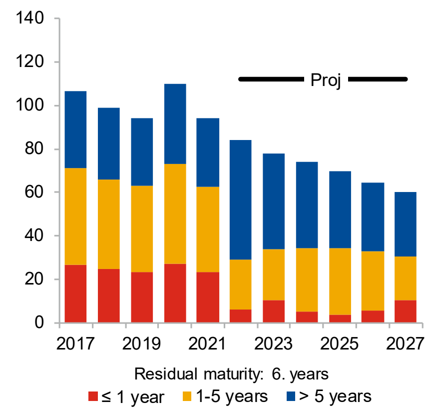
Note: The perimeter shown is central government.

Debt by instruments (percent of GDP)



Note: The perimeter shown is central government.

Public debt by maturity (percent of GDP)



Note: The perimeter shown is central government.

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 medium-term and use of government deposits to pay down domestic debt. In particular, the strong declining share of “domestic other creditors” in total public debt. Liability mangement operations and buybacks of global bonds have also reduced the stock of foreign currency debt. In terms of maturity structure most of the planned issuances are for medium to long-term maturity.

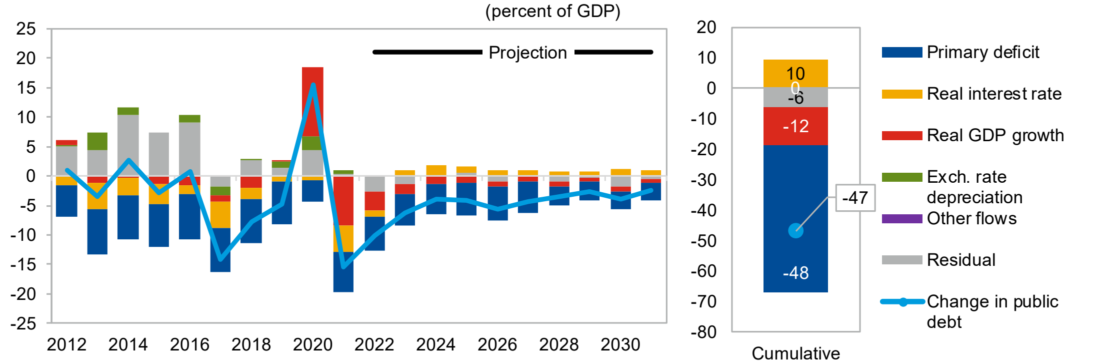
Table 3. Jamaica: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection				
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Public debt	94.2	84.1	77.9	74.0	70.0	64.4	59.9	56.4	53.8	49.9	47.5	47.3
Change in public debt	-15.5	-10.1	-6.2	-3.9	-4.0	-5.6	-4.4	-3.5	-2.7	-3.9	-2.4	-0.2
Contribution of identified flows	-15.9	-8.0	-5.6	-3.9	-4.6	-4.7	-4.6	-3.7	-2.6	-3.1	-2.1	-2.7
Primary deficit	-6.8	-5.8	-5.4	-5.2	-5.6	-5.7	-5.4	-3.3	-3.2	-3.1	-2.9	-2.8
Noninterest revenues	31.0	29.4	29.4	29.4	29.5	29.7	29.9	30.0	30.0	30.1	30.3	30.4
Noninterest expenditures	24.2	23.6	24.0	24.2	23.9	23.9	24.5	26.7	26.8	27.1	27.3	27.5
Automatic debt dynamics	-9.1	-2.2	-0.2	1.2	0.9	1.0	0.8	-0.3	0.6	0.0	0.9	0.2
Int. rate-growth differential	-12.9	-4.4	-0.6	0.4	0.1	0.2	0.0	0.0	0.0	0.4	0.4	0.5
Real interest rate	-4.6	-1.2	1.0	1.8	1.2	1.1	0.8	0.7	0.8	1.1	1.1	1.1
Real growth rate	-8.3	-3.2	-1.6	-1.4	-1.1	-0.9	-0.8	-0.8	-0.7	-0.7	-0.6	-0.6
Real exchange rate	0.6	…	…	…	…	…	…	…	…	…	…	…
Relative inflation	3.2	2.6	1.2	0.8	0.9	0.9	0.8	0.8	0.7	0.6	0.6	0.6
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
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	0.4	-2.5	-1.4	0.0	0.5	-0.9	0.2	-0.9	-0.2	-1.9	-0.5	1.6
Gross financing needs	4.9	5.6	6.4	9.7	3.5	3.4	3.6	10.8	9.1	7.7	4.8	4.4
of which: debt service	11.7	11.4	11.8	14.9	9.1	9.1	9.0	14.2	12.2	10.7	7.7	7.2
Local currency	6.9	6.5	4.9	9.1	5.3	4.1	5.5	9.9	9.0	6.2	4.8	5.0
Foreign currency	4.8	4.8	7.0	5.8	3.8	5.0	3.5	4.3	3.2	4.5	2.9	2.2
Memo:												
Real GDP growth (percent)	8.2	3.5	2.0	1.8	1.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Inflation (GDP deflator; percent)	10.1	7.7	5.2	4.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	19.2	11.5	7.3	6.4	6.6	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Effective interest rate (percent)	5.1	6.3	6.5	7.0	6.8	6.6	6.3	6.3	6.4	7.2	7.3	7.5

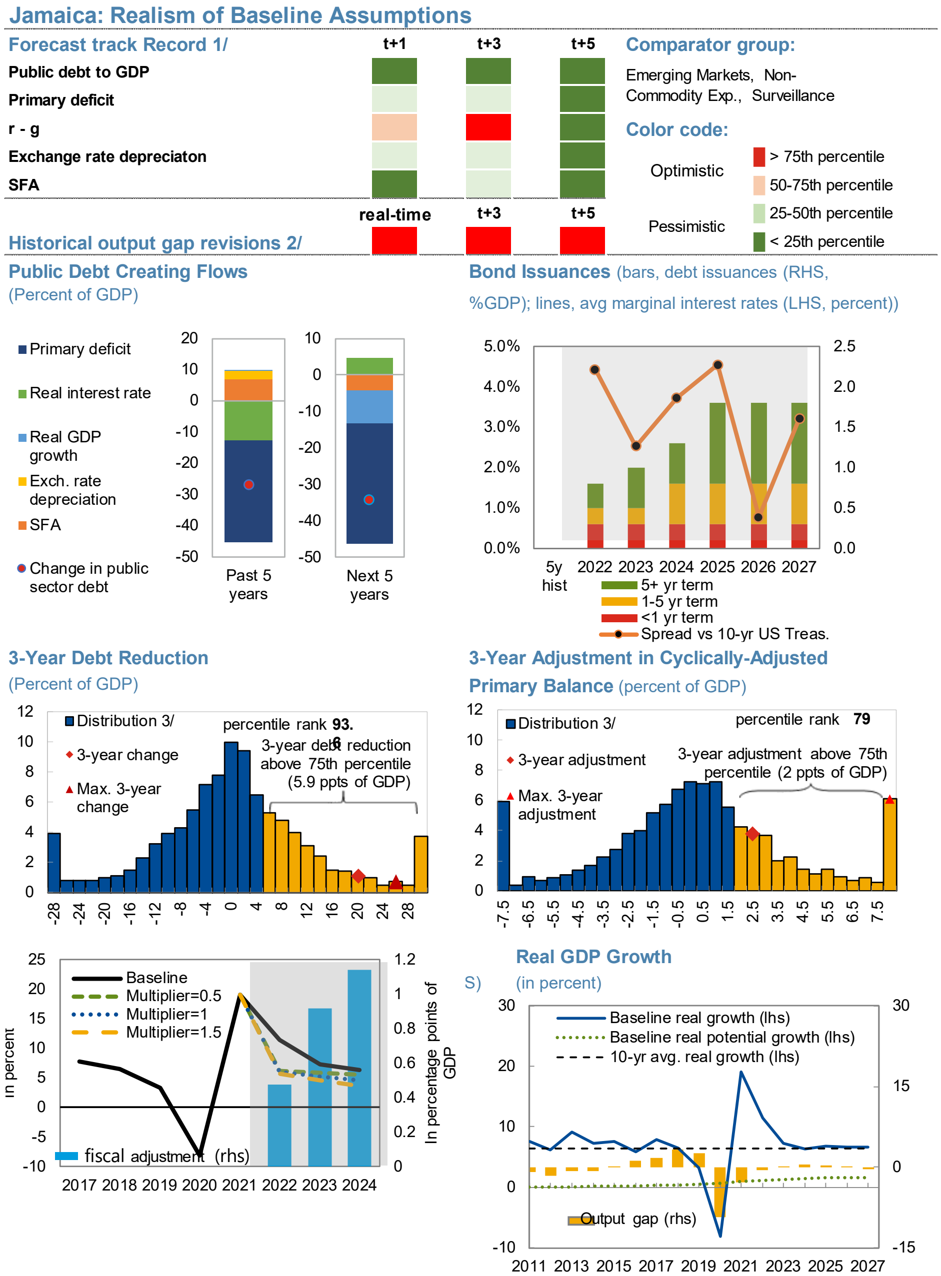
Contribution to change in public debt

(percent of GDP)



Staff commentary. Public debt is expected to resume its downward path to meet the debt target of 60 percent of GDP by FY2027/28, in accordance with the Fiscal Responsibility Law. The authorities have been proactive in reducing near-term financing needs through liability management operations, buybacks and maturity extension (by issuing 2045 bonds). However, debt dynamics remain vulnerable to the uncertainties surrounding the global shocks, natural disaster susceptibility, and the realization of contingent liabilities from public bodies. The authorities have large GFN needs in 2024, 2028 and 2029 as the global bonds mature. They intend to issue global bonds after 2025 when the financial conditions improve.

Figure 3. Jamaica: Realism of Baseline Assumptions



Commentary: The realism analysis does not point to major concerns. Past forecast errors do not reveal any systematic biases and the projected fiscal adjustment and debt reduction are well within norms. Most of the debt reduction in te next five years is expected from the improvements in primary blance, underpinned by the planned fiscal path under the MTFF, in line with the FRL. Similar or bigger debt reductions and fiscal adjustments were implemented by Jamaica in the past even though these are above the 79th percentile of the distribution as shown in the chart. The improvement in the fiscal balance from 2025, will come come lower program spending and decrease in interest payments. Interest payments are lower because of declining debt, lower term spreads on external financing.The r-g differential is also impacted by the high inflation forecast in the near-term, reflecting in low real rates. Better debt management is also expected to reduce the real interest rate of public debt. Growth projections are in line with historical averages. In terms of realism of fiscal adjustments, similar or bigger debt reductions and fiscal adjustments 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/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

3/ Starting point reflects the team's assessment of the initial overvaluation from EBA (or EBA-Lite).

Figure 4. Jamaica: Medium-Term Risk Analysis

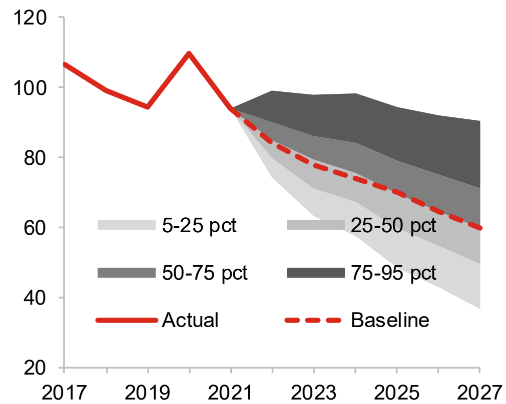
Debt fanchart and GFN financeability indexes

(percent of GDP unless otherwise indicated)

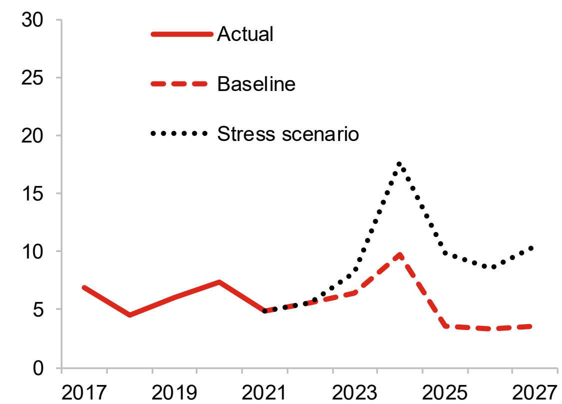
Module	Indicator	Value	Risk index	Risk signal	EM., Non-Com. Exp, Surveillance (0 25 50 75 100)
Debt fanchart module	Fanchart width	53.7	0.8	…	
	Probability of debt not stabilizing (pct)	2.5	0.0	…	
	Terminal debt level x institutions index	31.6	0.7	…	
	Debt fanchart index	**…**	**1.5**	**Moderate**	
GFN finance-ability module	Average GFN in baseline	5.4	1.8	…	
	Bank claims on government (pct bank assets)	10.8	3.5	…	
	Chg. in claims on govt. in stress (pct bank assets	3.6	1.2	…	
	GFN financeability index	**…**	**6.6**	**Low**	

Legend: Interquartile range Jamaica

Final fanchart (pct of GDP)



Gross Financing Needs (pct of GDP)

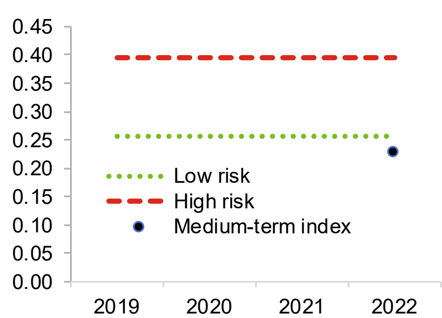


Triggered stress tests (stress tests not activated in gray)

Banking crisis   Commodity prices   Exchange rate   Contingent liab.   Natural disaster

Medium-term index

(index number)



Medium-term risk analysis

	Low risk threshold	High risk threhsold	Weight in MTI	Normalized level
Debt fanchart index	1.1	2.1	0.5	0.3
GFN finaceability index	7.6	17.9	0.5	0.1
Medium-term index (MTI)	0.3	0.4	…	0.2, Low

Prob. of missed crisis, 2022-2027 (if stress not predicted): 9.1 pct.

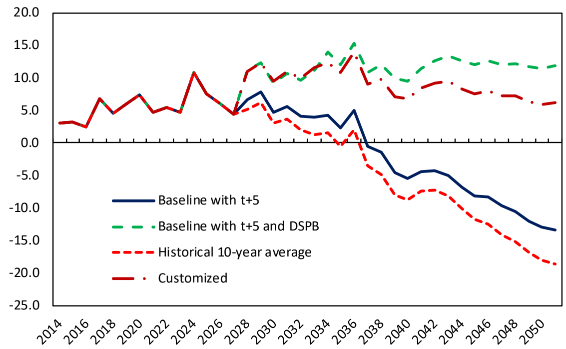
Prob. of false alarm, 2022-2027 (if stress predicted): 48.9 pct.

Commentary: Both the medium-term tools, the Debt Fanchart Module and the GFN Financeability Module suggests lower level of risk.

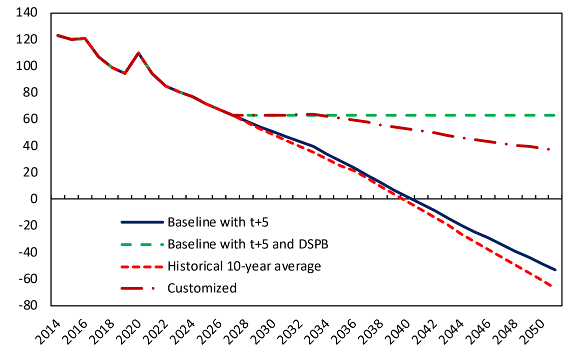
Figure 5. Jamaica: Long-Term Risk Analysis

Large Amortization

GFN-to-GDP ratio



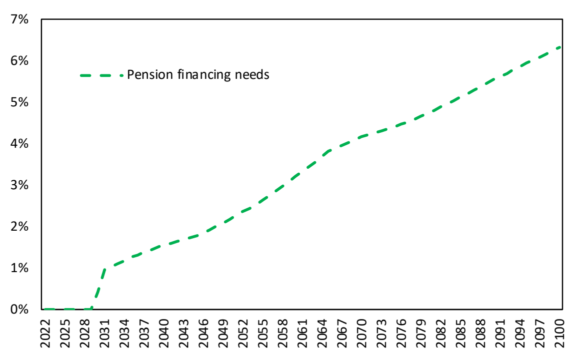
Total public debt-to-GDP ratio



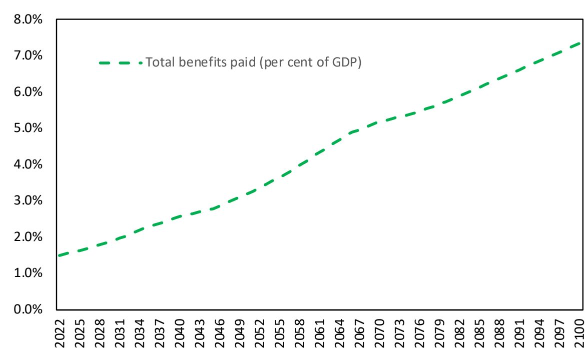
Demographics: Pension

Permanent adjustment needed in the pension system (pp of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	1.04%	1.75%	2.58%

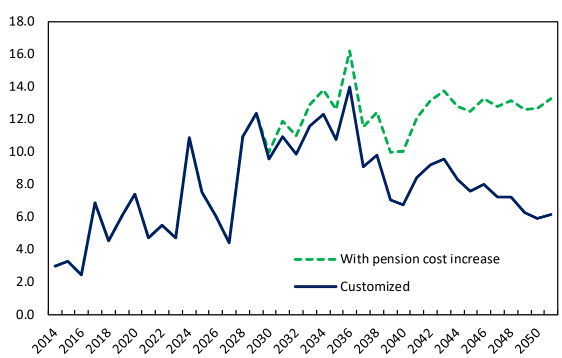
Pension Financing Needs



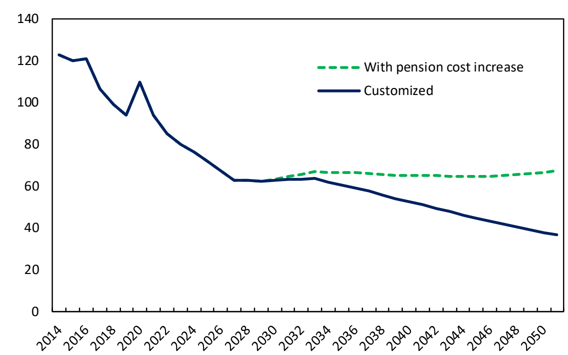
Total benefits paid



GFN-to-GDP ratio



Total public debt-to-GDP ratio

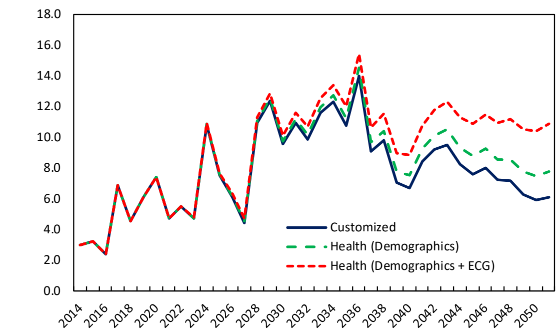


Commentary:The default large amortization module calculates gross financing needs (GFNs) and debt based on amortization from existing debt under three illustrative scenarios. In the baseline with t+5 scenario, the overall fiscal balance is maiantained at 2.5% of GDP. In that situation debt falls rapidly and reaches zero by 2040. The custom scenario is more conservative, and assumes a lower overall balance averaging 1 percent of GDP over the long term (consistent with the fiscal rule and allows higher spending for health, education, climate change), as debt falls and GDP growth is maintained at the potential growth of 1.3 percent.The customized scenario is used as a baseline for the rest of the long-term simulations. Once the FRL debt target of 60% of GDP is reached, the authorities will maintain a lower overal fiscal balance of 1% of GDP. In that scenario, debt is projected to steadily fall to 47 percent of GDP by 2040. GFNs will remain low. The standardized adaptation module adds costs of associated adaptatin investments of 0.3 percent of GDP in the medium term and declining thereafter. These costs should be interpreted as an adverse scenario of unexpected additional net costs. The standardized mitigation module adds mitigation costs averaging about 0.3 percent of GDP over the projection period, although these are expected to be frontloaded. The scenarios, suggest that a combination of unanticipated additional mitigation and adaptation costs do not pose a large risk to the debt trajectory.

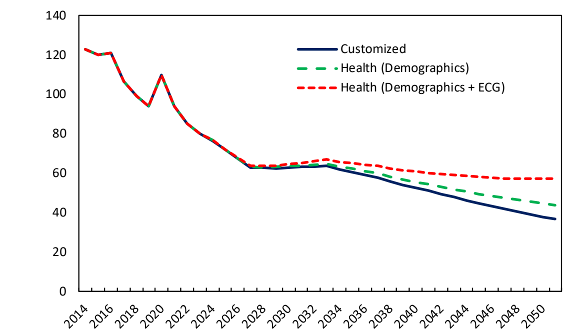
Figure 5. Jamaica: Long-Term Risk Analysis (concluded)

Demographics: Health

GFN-to-GDP ratio

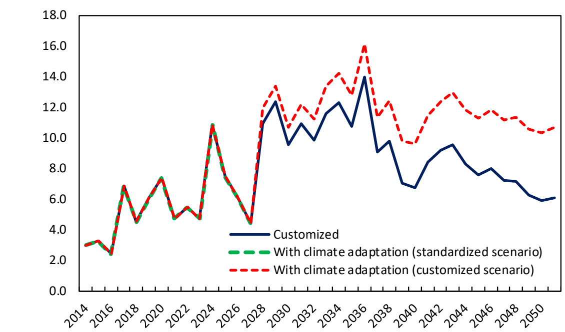


Total public debt-to-GDP ratio

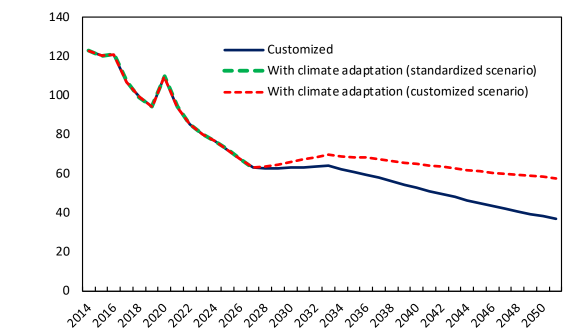


Climate change

GFN-to-GDP ratio



Total public debt-to-GDP ratio



Commentary:The pensions module considers the impact of population aging on the fiscal position. For Jamaica, the focus is on the public pension program which covers the public employees. In the FY 2022/23 pension contributions were 1% of GDP while pension benefits were 1.5% of GDP, which generates fiscal pressures and important risks to debt. pensions old-age, death, and disability pension and is managed by the National Insurance Fund. It has a small surplus and combined reserves worth 10 percent of GDP, modelled demographic pressures run down assets within about 10 years, generating fiscal pressures and important risks to debt. Since the module does not include new parametric changes or future reforms, it highlights the importance of addressing potential pensions liabilities rather than the expected evolution of CG debt and financing needs. The healthcare modules estimate how aging can increase pressures on the budget. A scenario of higher spending per capita by 0.5 percent per year, suggests fiscal pressures that would prevent sustained declines in debt or financing needs.

Table 4. Jamaica: External Debt Sustainability Framework, 2017–2027

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

	Actual							Projections						
	2017	2018	2019	2020	2021			2022	2023	2024	2025	2026	2027	Debt-stabilizing non-interest current account 6/
Baseline: External debt	90.4	85.7	82.6	103.9	92.6			**82.7**	**77.6**	**74.7**	**70.9**	**67.5**	**64.2**	**-4.0**
Change in external debt	-7.2	-4.7	-3.1	21.3	-11.3			-9.9	-5.1	-2.9	-3.8	-3.4	-3.3	
Identified external debt-creating flows (4+8+9)	-12.2	-6.3	-0.2	10.7	-11.9			-2.9	-1.6	-2.1	-3.0	-2.9	-2.8	
Current account deficit, excluding interest payments	0.2	-0.9	-0.9	-1.2	-1.3			0.2	0.4	0.2	-0.2	-0.2	-0.2	
Deficit in balance of goods and services	-83.1	-89.6	-88.1	-61.8	-85.7			-96.0	-92.8	-92.0	-91.5	-91.2	-91.0	
Exports	33.7	38.0	37.0	20.1	32.1			38.0	37.8	37.9	38.0	38.0	38.0	
Imports	-49.5	-51.7	-51.1	-41.7	-53.6			-58.0	-55.0	-54.1	-53.5	-53.2	-53.0	
Net non-debt creating capital inflows (negative)	-9.1	-4.2	-2.1	-3.2	-2.5			-2.5	-2.9	-3.3	-3.8	-3.8	-3.8	
Automatic debt dynamics 1/	-3.2	-1.3	2.8	15.1	-8.1			-0.6	0.9	1.0	1.0	1.1	1.1	
Contribution from nominal interest rate	2.9	2.5	2.6	2.3	2.4			2.3	2.4	2.3	2.3	2.2	2.2	
Contribution from real GDP growth	-0.9	-1.7	0.1	10.5	-7.6			-2.9	-1.5	-1.3	-1.2	-1.1	-1.0	
Contribution from price and exchange rate changes 2/	-5.2	-2.1	0.1	2.3	-3.0			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	4.9	1.7	-2.9	10.6	0.7			-7.0	-3.5	-0.8	-0.9	-0.5	-0.4	
External debt-to-exports ratio (in percent)	268.5	225.8	223.3	517.5	288.4			217.6	205.1	197.1	186.4	177.4	168.9	
Gross external financing need (in billions of US dollars) 4/	3220.3	3153.1	2369.6	2061.4	2852.7			2944.8	3369.9	3356.4	3158.1	3176.5	3147.4	
in percent of GDP	21.4	20.0	15.1	15.2	18.9	10-Year	10-Year	17.5	18.7	17.9	16.2	15.7	15.0	
Scenario with key variables at their historical averages 5/								**82.7**	**81.9**	**81.9**	**81.7**	**81.5**	**81.4**	**-1.8**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation							
Real GDP growth (in percent)	0.9	1.9	-0.1	-11.0	8.2	0.3	4.7	3.5	2.0	1.8	1.7	1.6	1.6	
GDP deflator in US dollars (change in percent)	5.7	2.4	-0.2	-2.7	2.9	0.2	3.2	7.3	4.9	2.5	2.4	2.0	2.0	
Nominal external interest rate (in percent)	3.2	2.9	3.0	2.5	2.6	3.8	1.4	2.7	3.2	3.1	3.2	3.2	3.3	
Growth of exports (US dollar terms, in percent)	12.9	17.7	-2.8	-53.0	78.2	5.9	31.9	31.4	6.4	4.6	4.5	3.7	3.6	
Growth of imports (US dollar terms, in percent)	15.3	9.0	-1.4	-29.3	43.0	1.8	18.8	20.2	1.4	2.8	2.8	3.2	3.2	
Current account balance, excluding interest payments	-0.2	0.9	0.9	1.2	1.3	-0.5	2.9	-0.2	-0.4	-0.2	0.2	0.2	0.2	
Net non-debt creating capital inflows	9.1	4.2	2.1	3.2	2.5	4.4	2.2	2.5	2.9	3.3	3.8	3.8	3.8	

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

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

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

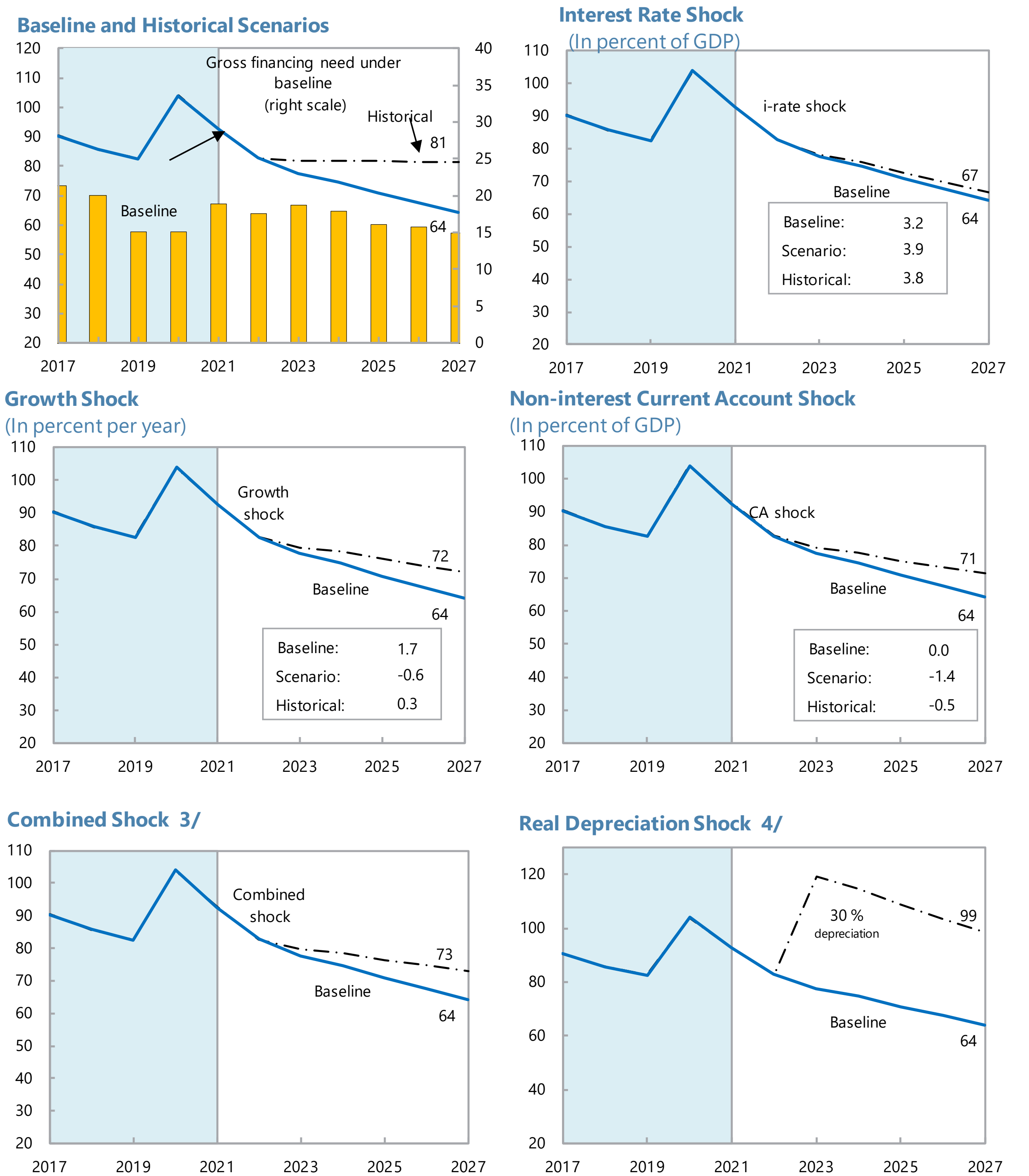
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

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

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

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

(External debt in percent of GDP)



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

Annex VI. Capacity Development Strategy

Further developing institutional and analytical capacity and building on the progress made under two successful IMF-supported programs are key priorities for Jamaica over the medium term. This includes strengthening the governance framework (notably in AML/CFT), supporting the implementation of Jamaica's inflation targeting framework and fiscal rule, and strengthening financial sector supervision and regulation. The authorities' engagement on these issues remains strong, although capacity constraints—including at the Statistical Agency of Jamaica (STATIN) and Ministry of Finance and the Public Service (MOFPS)—have slowed progress in some areas.

Context

1. **In November 2019, Jamaica graduated from 6½ years of Fund-supported programs over two successive arrangements.** CD from the Fund was extensive over this period and supported the achievement of the program's objectives. Improvements in revenue administration and tax policy contributed to a steady increase in the tax-to-GDP ratio, enhanced cash and financial management and improved treasury operations. Key reform milestones included a revised Bank of Jamaica Act and approval of legislation for an independent Fiscal Council. Customized training, including on Forecasting and Policy Analysis System (FPAS) and Financial Programming and Policies (FPP), was also provided to strengthen the analytical capacity of multiple institutions. Table 2 shows CD missions that took place since January 2018 and tentatively planned missions for 2021/22, highlighting how Jamaica will remain a heavy user of CD going forward, calling for close integration between CD and Fund's engagement. CD will continue to play a key role, with the authorities to advance implementation of key reforms.

Collaboration

2. **Fund's CD Engagement with Jamaica**. Historically, Jamaica has had a strong CD engagement with the Fund, with critical public buy in for the reforms supported by effective communication from the authorities as well as support from civil society organizations such as the Economic Program Oversight Committee (EPOC). High staff turnover and understaffing at the MOFPS and STATIN pose risks to reform progress in key CD areas. The IMF team will remain the main channel of engagement on CD going forward, in close coordination with CARTAC and CD providers at headquarters.

3. **Integration of CD in Fund's surveillance.** During the program period, CD delivery was fully aligned with the authorities' reform objectives, with the country team coordinating activities. This is expected to continue, with objectives being guided by surveillance and program priorities. Country team economists and CD providers will continue to work closely together, including through joint missions, to ensure CD is effectively integrated in the overarching reform process, program reviews and Article IV consultations. Appropriate sequencing of CD across reform streams will be coordinated by the country team, in consultation with the authorities and CD providers, as necessary.

4. Collaboration with other partners remains strong, especially in the areas of disaster risk financing and social protection, where efforts with the World Bank have been coordinated closely. To support the authorities' goal of strengthening their AML/CFT framework, staff continues to engage with multilateral and bilateral donors—including with the World Bank on the National Risk Assessment and with the IDB on governance issues.

CD Priorities

5. At the conclusion of the Stand-by Arrangement in November 2019, the authorities outlined a set of priority actions focused on strengthening institutions to guard against policy reversals. These priorities, fully supported by the country team, included establishing a Fiscal Council, placing price stability at the core of BOJ legislation and operations, strengthening macro-fiscal analytical and forecasting capacity, maintaining a stable financial sector with improved risk-based supervision, and adopting a natural disaster financing strategy. Improving the effectiveness of the AML/CFT regime is now a key reform priority following Jamaica's placement on FATF list of countries under increased monitoring in June 2020. Fund's CD is expected to support these main reform areas as follows:

6. Make legislative and operational changes to enhance AML/CFT regulatory framework in line with FATF recommendations. In February 2020, Jamaica was placed by FATF on the list of countries under increasing monitoring (grey list). While progress has been made on addressing identified deficiencies—notably passage of a revised Proceeds of Crime Act and Terrorism Prevention Act and publication of the National Risk Assessment (NRA) in August 2021— that address many compliance issues, gaps remain on the technical and effectiveness front, including but not limited to bring all financial institutions and non-financial institutions under the AML/CFT regime, ensure adequate risk-based supervision of banks and non-banks, ensure that accurate and up to date beneficial ownership information is available on a timely basis, and increase the use of financial intelligence and money laundering investigations and prosecutions.

- *LEG: Financial Integrity (AML/CFT).* Planned CD will continue to support the authorities' efforts to address identified deficiencies in the area of AML/CFT supervision for banks and non-banks (Cambios and microfinance sector). Fund CD has also been assisting the authorities in the review of the legal and regulatory framework, primarily addressing the preventive and supervisory AML/CFT regime, and work will continue as needed. The World Bank and the IDB have assisted the authorities with preparation of the NRA and other anti-money laundering issues.

7. Maintain fiscal discipline and strengthen institutions to achieve fiscal rule targets. Jamaica has succeeded in maintaining fiscal discipline, partly due to the fiscal rule and the strong public accountability from the civil society oversight. Going forward, achieving the debt target under the fiscal rule will require robust fiscal institutions with strong analytical capacity.

- *FAD: Public Financial Management.* CD has prioritized supporting the operationalization of the Fiscal council in addition to providing guidance on potential amendments to the bill during the legislative process. The legislation was approved in 2021. And the authorities are working on the composition of the council to make it operational.

- *FAD: Revenue Administration. Recent FAD TADAT TA is assisting the authorities in improving compliance, tracking taxpayers, and in prioritizing their efforts on timeliness in filing rates and accuracy in reporting tax arrears.*

- *ICD: Macro-Fiscal Frameworks.* This workstream will support efforts to strengthen macro-fiscal management through enhanced analytical and forecasting capacity of the MOFPS and Planning Institute of Jamaica (PIOJ) by building on progress made through delivery of customized on-line and face-to-face Financial Programing and Policies (FPP) and Fiscal Sustainability (FS) courses—including the implementation of a Debt Dynamics Tool to inform debt management. Through a process of additional training and hands-on support, an Excel-based framework will be developed to allow MOFPS and PIOJ to develop their own comprehensive set of macroeconomic forecasts that should strengthen policy analysis and enrich discussions of projections amongst public sector entities including STATIN, and the BOJ.

8. Modernize monetary and foreign exchange frameworks and improve financial sector oversight. With the revised BOJ Act approved by Parliament, modernization efforts and improvements of data quality will be critical for BOJ to deliver on its core mandate of price stability.

- *MCM: Central bank operations and Monetary and Macroprudential Policy.* CD will support the central bank to operationalize the new monetary policy committee (based on best practices from other inflation-targeting central banks), assist with policies to manage capital flows, develop tools to enhance consolidated supervision, and analyze and control cyber and fintech risks including in the context of adoption in late 2022 of the CBDC by the BOJ.

- *STA: Real sector.* This workstream will support the production of high-quality and timely data that is essential for policy analysis. Supply and use tables (SUT) are significantly out of date and expenditure-based GDP estimates are only produced on an annual basis with significant lag. While the CPI expenditure weights have been updated with the 2017 Household Expenditure Survey results and published with the index series starting in January 2020. There are plans to improve the scope of the PPI by covering other industries like electricity, gas, services, among others.

Other Reform Areas

9. Other reform areas, which have benefited from important CD support in the past but are expected to require less extensive support going forward, include developing a tax administration reform strategy, strengthening the international and natural resource taxation regimes. Given the deficiencies in data dissemination including timeliness, more Fund support would be needed to improve the statistical capacity (at STATIN and MOFPS) to meet the SDDS subscription requirements.

Challenges and Mitigation Options

10. CD engagement declined during the pandemic, but the authorities have started to reengage with the team as the crisis slowly subsides. CD priorities remain unchanged and key workstreams aimed at strengthening policy frameworks and institutions are even more important now to support the recovery and the achievements of the authorities' medium-term objectives.

11. Staff and the authorities generally agree on the CD priorities, although specific workstreams have experienced some delays in the past. For example, even before the COVID-19 crisis, the macro-fiscal analysis reform area experienced frequent delays due to lack of resources and prioritization at the working level despite full support from the Minister of Finance. This has been compounded by high staff turnover and delays in integrating macroeconomic analysis units at the PIOJ and MOFPS.

12. Staff supports the BOJ efforts towards the implementation of the Basel II/III framework and risk-based supervision, including enhanced supervisory oversight of Domestically-Systemically Important Banks (DSIBs), with greater priority assigned to strengthen the regulatory and supervisory oversight of financial conglomerates and insurance groups. Staff continue to play an important role to address these issues and liaise with CD providers. Improving the effectiveness of the AML/CFT regime is a key reform priority following Jamaica's placement on the list of countries under increased monitoring.

Annex VII. Capacity Development Integration Matrix (As of August 2022)[1]

Table 1. Jamaica: Reform Progress and IMF Capacity Development				
Specific Area	**Objectives**	**TA/Training Engagement**	**Achieved Outcomes**	**Expected Future Outcomes**
Enhancing the AML/CFT Supervisory Regulatory Framework				
Make operational and legislative changes in line with FATF recommendations.				
AML/CFT Supervisory framework	Work towards addressing deficiencies identified in Jamaica's Mutual Evaluation Report in the area of AML/CFT supervision with a view to exit the FATF intensified monitoring regime.	LEG: Series of missions to develop and establish effective AML/CFT risk-based supervisory frameworks for deposit taking institutions and cambios.	Progress made on key legal reforms to address the main deficiencies identified in the 2017 CFATF Mutual Evaluation Report (MER).	Continue to address the issues as agreed in an action plan with the FATF action plan, primarily by developing institutional capacity to implement and enforce risk-based supervision.
Maintaining Fiscal Discipline and Strengthening Institutions				
Achieve debt target under the fiscal rule supported by strong fiscal institutions and public bodies.				
Macro-Fiscal Capacity Building	Strengthen macro/fiscal capacity through development of comprehensive framework.	ICD (with WHD support): Customized FPP and FS courses, webinar series on macroframework implementation, implementation of Debt Dynamics Tool (DDT).	• Over 40 officers trained. • DSA in FY2020/21 budget informed by DDT results.	• MOFPS to dedicate more resources to upgrade macro/fiscal analysis and IT systems.

[1] This matrix illustrates the integration of capacity development and program objectives, guided by key recommendations in the IMF Board Paper 2018 Review of the Fund's Capacity Development Strategy. The acronyms in the table refer to the following IMF CD providers: Fiscal Affairs Department (FAD), Institute for Capacity Development (ICD); Legal Department (LEG), Monetary and Capital Markets Department (MCM); Caribbean Regional Training and Technical Assistance Center (CARTAC); Statistics Department (STA); World Bank (WB).

Table 1. Jamaica: Reform Progress and IMF Capacity Development (continued)

Specific Area	Objectives	TA/Training Engagement	Achieved Outcomes	Expected Future Outcomes
Maintaining Fiscal Discipline and Strengthening Institutions				
Achieve debt target under the fiscal rule supported by strong fiscal institutions and public bodies.				
				• Interim Fiscal Policy Paper to include preliminary results from enhanced macro framework. • Integrated macroframework and debt dynamics tools to inform fiscal policy decisions.
Revenue Administration	Improve revenue collections and efficiency of collection agencies.	• FAD: Assessment of customs reforms. • CARTAC: Develop and improve customs procedures. • STX: Review of legislative proposals for Customs Law. • FAD TADAT TA on revenue administration.	• Customs Act entering Joint Select Committee review in Parliament. • Standard operating procedures and workload analysis developed for core functions at customs. • Efficiency of post-clearance audits improved. • IT system enhanced.	• Regulations for new Customs Act to be tabled in Parliament in September 2020. • Continue to enhance revenue administration through introduction of performance management, improved HQ functions and computer audit techniques.

Table 1. Jamaica: Reform Progress and IMF Capacity Development (continued)				
Specific Area	**Objectives**	**TA/Training Engagement**	**Achieved Outcomes**	**Expected Future Outcomes**
Maintaining Fiscal Discipline and Strengthening Institutions				
Achieve debt target under the fiscal rule supported by strong fiscal institutions and public bodies.				
Public Financial Management	Improve operation of accounting systems and enhance fiscal institutions.	• CARTAC/STX: Cash forecasting, and management. • LTX: Analyzed government account balances held outside of the treasury account.	• Manuals for cash management and treasury developed. • Report on account balances led to closure of accounts. • Enhancements to chart of accounts developed and adopted . • Basic cashflow forecasting capacity developed.	• Improved bank account monitoring and closure of unused and unnecessary accounts. • Improved management of government cash resources. • Increased capacity for better financial reporting. • Improved operations in the Accountant General Department.
Public Bodies' Reforms	Strengthen fuel pricing mechanism.	FAD: Desk review of fuel pricing reform.	Report delivered outlining options for improving pricing mechanism.	Simplification of pricing formula and enhanced transparency via publication.

Table 1. Jamaica: Reform Progress and IMF Capacity Development (continued)				
Maintaining Fiscal Discipline and Strengthening Institutions				
Achieve debt target under the fiscal rule supported by strong fiscal institutions and public bodies.				
Government Financial Statistics (GFS)	Report government financial statistics for the general government to meet SDDS standard.	STA: Guidance and training provided on producing general government statistics.	Systems and training in place to produce general government tables.	• Inclusion of general government statistics in Fiscal Policy Paper • Include appropriations in aid in budgetary central government statistics.
Public Debt Management	Enhance the primary dealer system and functioning of the debt market.	MCM: Identified areas of improvement in the primary dealer system.	Initialized a review of the Primary Dealer Agreement.	Improved coordination amongst main participants in PD system with MOFPS playing a more active coordinating role.
Modernizing Monetary, Foreign Exchange, and Financial Frameworks				
Improving inflation targeting framework and strengthening financial sector oversight				
Central Bank Operations	Modernize organizational structure in line with BOJ Act and enhance modelling and forecasting techniques.	• MCM: Series of hands-on on- and off/site TA missions on FPAS (subject to progress achieved by the authorities on the operational side and capacity building).	Trained [x] staff on the use of FPAS which now informs projections for monetary policy committee meetings.	• Revamped organizational structure in line with new Monetary Policy Committee functions.

Table 1. Jamaica: Reform Progress and IMF Capacity Development (continued)				
Modernizing Monetary, Foreign Exchange, and Financial Frameworks				
Improving inflation targeting framework and strengthening financial sector oversight				
		• COM: Enhanced communications structure and messaging. • MCM: Organizational and operational structure.		• Continued use and customization of the FPAS model.
Bank and Financial Sector Supervision and Regulations	• Implementing Basel II and III Framework. • Improving supervisory oversight of financial conglomerates and other financial groups.	• CARTAC: Series of missions on implementing Basel II -III Framework and risk-based consolidated supervision. • Improving Securities Market oversight.		• Banks have adequate capital and liquidity that is in line with the Basel II/III standards to cover their risks and contribute to financial system stability. • Amended legal/regulatory and supervisory frameworks underpinning the implementation of risk-based consolidated supervision implemented. • Improved supervisory process (including risk assessment frameworks) for market

Table 1. Jamaica: Reform Progress and IMF Capacity Development (continued)

Modernizing Monetary, Foreign Exchange, and Financial Frameworks				
Improving inflation targeting framework and strengthening financial sector oversight				
				intermediaries and collective investment scheme (CIS) operators that addresses key risks in the securities sector.
Financial Stability	Preserving financial sector stability.	• MCM/LEG: Design legislation for comprehensive Crisis Management and Special Resolution Regime Framework (subject to progress on earlier LEG/MCM recommendations). • MCM/STX: Work on contagion effects and risks around financial groups.	• Review and support drafting of cabinet submission and elements of legislation for the Resolution Authority.	• Passing legislation and regulations for crisis management framework and special resolution regime.
Macroprudential Policy	Develop Jamaica specific menu of macroprudential tools along with the requisite data and risk metric.	MCM: Upgrading macroprudential framework and designing capital flow safeguards and risk metric dashboards.		Planned macroprudential toolkit to be introduced.
Balance of Payments Statistics	Identifying data gaps contributing to large errors and omissions in the Balance of Payments statistics and compilation of direct investment data.	STA: Improving FDI position data.	Authorities reporting BOP statistics on BPM6.	Strengthen BOP/IIP source data.

Table 1. Jamaica: Reform Progress and IMF Capacity Development (concluded)

Modernizing Monetary, Foreign Exchange, and Financial Frameworks				
Improving inflation targeting framework and strengthening financial sector oversight				
Monetary and Financial Statistics	Strengthening the compilation of depository corporations survey, expanding the coverage of monetary statistics to include other financial corporations, and compiling financial soundness indicators.	STA: Guidance and training provided on producing monetary statistics including for other financial corporations using the Standardized Reporting Forms (SRFs) in line with the methodology of the Monetary and Financial Statistics Compilation Guide and Manual.	Authorities submitting data central bank and other depository corporations survey using SRF.	• Improve coverage of monetary statistics to include other financial corporations. • Production of a key set of Financial Soundness Indicators.
National Accounts	Update the supply use tables and produce quarterly expenditure-based estimate of GDP.	• STA: Guidance and training provided on producing general government statistics. • STX/STATCAN: Review of updated supply and use tables.	Both updated SUT and quarterly estimates are nearly completed.	• Publication of the quarterly expenditure-based estimates. • Publication of 2017 SUT.
Price Statistics	Reweight Consumer and Produced Price Indices.	CARTAC: Provided feedback on preliminary CPI weights.	New and old baskets being used to produce CPI estimates in parallel.	• Publish CPI and PPI using new weights. • Improve coverage of the CPI by including additional cities, and PPI with additional industries including gas, electricity and services.

Table 2. Jamaica: IMF Capacity Development Missions Since 2018		
Enhancing AML/CFT Regulatory Framework		
TA/Training Mission	**Provider**	**Date (Completed/Planned)**
Strengthening BOJ's AML/CFT Supervisory Framework	LEG	Nov 2017, Jan–Feb, 2018, Sep 2018, April 2019, December 2019
Financial and Fiscal Law	LEG/CARTAC	Feb 2018–Mar 2018
Review of TPA and POCA	STX	October 2018
FATF Draft Action Plan	STX	March 2020
FATF Draft Action Plan	STX	April 2020
Strengthening Risk-Based Supervision at BOJ	LEG	Dec 2020, Mar 2021
Maintaining Fiscal Discipline and Strengthening Institutions		
Tax Policy Reforms		
Streamlining Cross Border Taxation	FAD	January 2018
Tax Administration		
TADAT on Tax Administration	FAD/TADAT	July 2022
Discretionary Tax Waivers	FAD/LEG	April 2021
Progressing to Higher Levels of Performance	FAD/CARTAC	January, 2019
Taking Stock of Customs Reforms and Next Steps	FAD/CARTAC	January 8–19, 2018
Review of legislative proposals for Customs Law	STX	Feb 26 - Mar 9, 2018
Develop SOP for Core Procedures in Customs	CARTAC	July 2018
Strengthening Customs Administration (Part 1)	CARTAC	Feb 2019
Strengthening Customs Administration (Part 2)	CARTAC	March 2019
Workload Assessment for Customs	CARTAC	May 2019
Customs Administration	CARTAC	May 2019
Implementation of Modern TA IT System	CARTAC	July 2019
Workload Analysis for Customs	CARTAC	November 2019
Training – Local Leadership and Management Workshop	CARTAC	August 2020
Strengthen HQ Function, Performance Management	CARTAC	Feb 2020
Business Impact Analysis (Risk Management)	CARTAC	March 2021
Training–Computer Audit Specialists	CARTAC	March 2021
Public Financial Management		
Treasury Single Account, Review of Financial Management	LTX	July 2017 to December 2018
Macro-Fiscal Capacity Development	STX	January 2018
Government Accounting and Financial Reporting	STX	March 2018
Cash Forecasting	STX	February 2018
Develop a Treasury Manual	STX	August 2018
Develop an Accounting Manual	STX	March 2018

Table 2. Jamaica: IMF Capacity Development Missions Since 2018 (continued)		
Maintaining Fiscal Discipline and Strengthening Institutions		
TA/Training Mission	**Provider**	**Date (Completed/Planned)**
Develop a Cash Management Manual	STX	November 2018
Finalization of Treasury Manual	STX	Feb 2021, Mar 2021
Improving Financial Reporting	CARTAC	Oct 2020
Improving Statistics		
Government Financial Statistics	STA	August 13 – 24, 2018
Macro/Fiscal Capacity Building		
Customized FPP Training	ICD/WHD	July 2021
Fiscal Sustainability Course	ICD	October 2019
Webinar Series on FPP Implementation	ICD	September–November 2019
Blended On-Line and Face-to-Face Customized FPP Training	ICD/WHD	October–Dec 2018
Simplified DSA and Customized Training Follow-Up	ICD/WHD	Dec 2019
Customized FPP Follow-Up	ICD/WHD	Dec 2020, Mar 2021
Modernizing Monetary, Foreign Exchange, and Financial Frameworks		
Debt Market Development		
Developing the Debt Market and Reforming the Primary Dealer System	MCM	Dec 2–6, 2019
Debt Management and Capital markets	CARTAC	Sep 2020
Debt Management Development	CARTAC	Sep 2020
Stress Testing (ST) and Financial Stability		
Securities Market	MCM/STX	Mar 5–16, 2018
Insurance Sector	CARTAC	Sep 2–18, 2019
Macroprudential Regulation of Systemically Important Financial Institutions	CARTAC	Dec 10–14, 2018
Monitoring and Detecting Systemic Risks	CARTAC	Oct 2020
Financial Sector Supervision and Regulation (Banks and Non-Banks)		
Implementing Basel II-III Capital Framework	CARTAC	July 2018
Implementing Liquidity Coverage Ratio (LCR-Basel III)	MCM/STX	2019
Consolidated Risk-based Supervision of Banking Groups and Financial Conglomerates	CARTAC	September 2019

Table 2. Jamaica: IMF Capacity Development Missions Since 2018 (concluded)		
Modernizing Monetary, Foreign Exchange, and Financial Frameworks		
TA/Training Mission	**Provider**	**Date (Completed/Planned)**
Improving Liquidity Requirements and Capital Adequacy Framework for oversight of Retail Repo Operations of Securities Dealers	CARTAC	July to August 2020*
Liquidity Risk Management	CARTAC	July 2020
Consolidated Supervision	CARTAC	Oct 2020
Implement Pillars 1 and 2 of Basel II/III	CARTAC	Jan 2021, Apr 2021
Central Bank Governance	MCM	March 2021
Securities Dealers Workshop on Basel II/III Framework	CARTAC	10/18–22/2021
Supervision of Financial Groups and Conglomerates	CARTAC	11/17–24/2021
Macroprudential Stress Testing	CARTAC	9/27–10/01/2022
The Management and Liberalization of Capital Flows	MCM	9/22–10/3/2022
Bank of Jamaica Modeling and Forecasting		
Strengthening Modeling and Forecasting at BOJ	MCM/STX	Mar 5–16, 2018
Improving Modeling and Forecasting	MCM/STX	October 2018
Improving Modeling and Forecasting	STX	June 2019
Improving Modeling and Forecasting	STX	November 2019
Improving Modeling and Forecasting	MCM/STX	Dec 4, 2019
Financial Networking Analysis	CARTAC	Dec 16–20, 2019
Implementation of Macroprudential Tools	CARTAC	Aug 2020, Mar 2021
Bank of Jamaica Policy, Operations, and Communications		
Strengthening BOJ's Monetary and FX Policy, Operations, and Communications	MCM/COM	Dec 6–14, 2018
Review of Organizational/Operational Structure	MCM	Dec 2020
CB Risk Management Fintech & Cybersecurity	MCM	8/15–9/16/2022
Improving Statistics		
Review of National Accounts Statistics	CARTAC	Jan 29–Feb 9, 2018
Training on Sector Accounts	CARTAC	April 2018
Improving FDI Position Data	CARTAC	April 2018
Monetary Data Reported in SRF	STA	August 7–17, 2018
CPI/PPI Reweighting	CARTAC	Sep 16–27, 2019
Strengthening BOP/IIP Source Data	CARTAC	Apr 2021
Monetary and Financial Statistics	STA	Sep 2020
Review of SNA 2018 Concepts and Methods	CARTAC	Oct 2020
Monetary And Financial Statistics	STA	11/9–20/2020

INTERNATIONAL MONETARY FUND

JAMAICA

January 19, 2023

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By	Western Hemisphere Department

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FUND RELATIONS

(As of November 30, 2022)

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

General Resources Account:	**SDR Million**	**% Quota**
Quota	382.90	100.00
Fund holdings of currency	932.76	243.6
Reserve tranche position	27.35	7.14

SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	628.64	100.00
Holdings	105.84	16.84

Outstanding Purchases and Loans:	**SDR Million**	**% Quota**
Emergency Assistance	382.90	100.00
Extended Arrangements	194.26	50.73

Latest Financial Arrangements:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
SBA	Nov 11, 2016	Nov 10, 2019	1,195.30	0.00
EFF	May 1, 2013	Nov 10, 2016	615.38	558.73
Stand-By	Feb. 4, 2010	May 3, 2012	820.50	541.80

Outright Loans:

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

Overdue Obligations and Projected Payments to Fund 1/
(SDR Million; Based on Existing Use of Resources and Present Holdings of SDRs)

	Forthcoming				
	2022	2023	2024	2025	2026
Principal	18.76	177.45	247.47	124.05	9.44
Charges/Interest		34.19	25.92	17.24	14.72
Total	18.76	211.64	273.39	141.28	24.16

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

Implementation of HIPC Initiative: Not Applicable

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

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

Exchange Rate Arrangements:

Jamaica's de facto and de jure exchange rate arrangements are floating. On December 31, 2022 the Jamaican dollar was trading at around J$152.3 to the U.S. dollar. Jamaica has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement. Jamaica does not maintain exchange restrictions on the making of payments and transfers for current international transactions, subject to IMF approval under Article VIII, Section 2(a) of the IMF's Articles of Agreement. Jamaica maintains a multiple currency practice, subject to IMF approval under Article VIII, Section 3 of the IMF's Articles of Agreement, due to the absence of a mechanism to prevent the exchange rates used for the resale of foreign exchange auction funds (capped with a specified spread) by participants and the exchange rates at which such participants sell foreign exchange other than from the foreign exchange auction funds, from deviating by more than 2 percent.

Last Article IV Consultation and Program Relations:

Jamaica RFI, SDR 382.90 million (100 percent of quota) Rapid Financing Instrument (RFI) was approved by the IMF Executive Board on May 15, 2020. The last Article IV consultation was completed by the Executive Board in February 2022. Jamaica is on the standard 12-month consultation cycle. Jamaica's capacity to repay the Fund remains adequate, with risks mitigated by its strong track record of policy implementation and past use of Fund resources. Fund credit outstanding will reach about 4.4 percent of GDP or 12 percent of exports by end FY 2022/23.

Safeguards Assessment:

An update assessment of the BoJ is in progress. The 2017 update safeguards assessment found relatively strong safeguards in place, particularly in the financial reporting and audit mechanisms.

Annual financial statements continue to be prepared and audited in accordance with international standards. The BOJ Act was amended towards the end of 2020.

Technical Assistance (Since 2017):

Department	**Dates**	**Purpose**
FAD	April 2022	Special Economic Zones – exemption regimes.
	September 2021	Medium-Term Expenditure Framework
	August 2021	Treasury Reporting
	September 2021	Tax Compliance
	September 2021	TADAT Assessment
	April 2021	Discretionary tax waivers
	January 2018	International Taxation
	January 2018	Revenue Administration – taking stock and next steps
	July 2017	Public Bodies Reform Action Plan
	April 2017	Organizational Restructuring of Ministry of Finance
LEG/MCM	July 2017	Central Bank Governance Reform
	July 2017	Resolution Framework for Banks
	July 2017-March 2018	Pension Fund Stress Tests and Indicators (CARTAC)
MCM		
	September 2017	Bank Financial Analysis (CARTAC)
	April-August 2017	Foreign Exchange Operations
	July 2017	Macro Prudential Framework and Toolkit (CARTAC)
	June 2017	Non-Bank Regulation and Supervision
	May 2017	Primary Dealer System Reforms
	January 2017	Bank Restructuring and Crisis Management
	August 2016-October 2016	Liability Management
	June 2016-October 2017	Central Bank Modelling and Forecasting
	May 2016-March2017	Strengthening Securities Supervision
	February 2016-March 2018	Supervisory Framework for SDs and Insurance
	December 2016	Risk Based Supervision (CARTAC)
	June 2015-July 2016	Securities and Insurance Supervision (CARTAC)
STA	October 23 – November 3, 2017	Government Finance Statistics
	August 13-24, 2018	Government Finance Statistics

CARTAC Technical Assistance to Jamaica in FY2020–FY2022

In FY2020 and FY2021, CARTAC delivered approximately -- field person weeks of TA to Jamaica in customs and tax administration, public financial management, statistics, and financial markets.

Description	Start Date	End Date
Macroeconomic Management		
Macroframework Foundation Tool, First Delivery	5/17/2021	5/21/2021
Jamaica General Macroeconomic Analysis	9/13/2021	7/23/2021
Jamaica General Macroeconomic Analysis	7/19/2021	7/17/2021
Macroframework Foundation Tool, First Delivery	5/17/2021	5/21/2021
Financial Programming and Policies	12/15/2020	12/18/2020
Statistics		
Jamaica - TA - BOP/IIP - Enhance Source Data	1/17/2022	1/28/2022
Real Sector – National Accounts	10/11/2021	10/15/2021
National Accounts - Review of Implementation of SNA 2008 Concepts and Methods	10/12/20	11/3/20
Financial Markets		
Liquidity Risk Management and Capital Requirements - Securities Firms	7/1/20	7/3/20
Liquidity Risk Management and Capital Requirements - Securities Firms	7/26/20	8/14/20
Liquidity Risk Management and Capital Requirements - Securities Firms	7/31/20	8/14/20
Management of Credit Risk Supervisory Process and Conducting Credit Risk Reviews	7/8/2019	7/12/2019
Financial Stability – Monitoring and Detection of Systemic Risks	02/08/2021	02/21/2021
Basel II/III (Pillar I) Implement Follow-Up Mission	10/2/20	10/15/20
Basel II/III (Pillar 1) Implementation Follow-Up Mission	10/2/20	10/15/20
Basel II/III (Pillar I) Implement Follow-Up Mission	2/22/21	2/26/21
Basel II/III (Pillar 1) Implementation Follow-Up Mission	2/23/21	2/25/21
Bank of Jamaica - To Conduct Risk-Based Supervision	4/14/21	4/19/21
To Conduct Risk-Based Supervision	4/14/21	4/19/21
Consolidated Supervision of Insurance Groups	4/19/21	4/23/21
Consolidated Supervision of Insurance Groups	4/19/21	4/23/21
Consolidated Supervision of Insurance Groups	4/19/21	4/28/21
Systemic Risk Monitoring - Monitoring Detecting System Risks (FSR Writing)	4/27/21	4/30/21
Systemic Risk Monitoring - Monitoring Detecting System Risks (FSR Writing)	4/28/21	5/07/21
Strengthening Risk-Based Supervision BOJ	3/15/21	3/19/21
Dynamic Stress Test for Banks	10/2/2021	10/08/2021
Government Debt Market (Mission)	10/4/2021	10/15/2021
Enhance Systemic Risk Monitoring	4/11/2022	4/15/2022

COLLABORATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

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

Further information can be obtained from the following hyperlinks.

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

STATISTICAL ISSUES

As of December 12, 2022

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

Government finance statistics are available at: Debt: http://www.mof.gov.jm/dmu/ Budget: http://www.mof.gov.jm/programmes/em/fpmu/default.shtml
Monetary and Financial Statistics: The BOJ submits monetary and financial statistics (MFS) to STA using the standardized report forms (SRFs). The MFS data generally conform to the concepts and definitions of the *Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG)*. The BoJ does not yet report data for the Other Financial Corporations sector for dissemination in the *International Financial Statistics (IFS)*. Currently, the Financial Soundness Indicators (FSIs) are not reported to STA for dissemination on the Fund's website. The BoJ needs to update their action plan related to compilation of FSIs. In addition, Jamaica also reports data on several series and indicators of the Financial Access Survey (FAS), including mobile and internet banking, mobile money, and the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs). The BoJ doesn't report gender-disaggregated data.
Balance of Payments: The BOJ reports quarterly balance of payments (BOP) and international investment position (IIP) in the format of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*), and monthly International Reserves and Foreign Currency Liquidity data. In addition, the BOJ participates in the World Bank's Quarterly External Debt Statistics (QEDS) database with data on Gross External Debt Position. The quality and dissemination of external sector statistics has significantly improved; however, there are shortcomings for direct investment data and the coverage of nonfinancial sector needs to be further improved. External debt data does not include intercompany debt.

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

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

Detailed quarterly balance of payments and international investment position (IIP) data are reported by the BOJ for publication in the *Balance of Payments Statistics Yearbook (BOPSY)* and the *IFS*. In September 2007, Jamaica reported for the first time IIP data to STA; annual IIP data since 2005 (quarterly since 2012) are available in *BOPSY* and *IFS*. Monthly data are reported for the balance sheet of the Bank of Jamaica and Other Depository Corporations with long lags

Limited fiscal data for the budgetary central government and the National Insurance Fund has historically been reported by the MOF for inclusion in the Government Finance Statistics Yearbook and Database but efforts to improve the breadth and depth of these data have been hampered by lack of resources and staff changes at the Ministry of Finance and Public Services.

Jamaica: Table of Common Indicators Required for Surveillance
(As of December 15, 2022)

	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	12/22	12/22	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	06/22	08/22	M	M	M
Reserve/Base Money	07/22	08/22	M	M	M
Broad Money	07/22	08/22	M	M	M
Central Bank Balance Sheet	07/22	08/22	M	M	M
Consolidated Balance Sheet of the Banking System	06/22	08/22	M	M	M
Interest Rates[2]	12/22	12/22	D	D	D
Consumer Price Index	11/22	12/22	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–Selected Public Bodies[4]	10/22	12/22	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	10/22	12/22	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	10/22	12/22	M	M	M
External Current Account Balance	Q2/2022	10/22	Q	Q	Q
Exports and Imports of Goods and Services	08/2022	12/22	M	M	M
GDP/GNP	Q2/2022	09/22	Q	Q	Q
Gross External Debt	06/2022	10/22	M	M	M
International Investment Position	Q2/2022	10/22	Q	Q	Q

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

Statement by the Staff Representative on Jamaica
February 6, 2023

This statement provides an update on events that took place after the staff report was finalized. The additional information does not change the thrust of the staff appraisal.

1. **An alleged fraud in a small securities dealer has attracted significant media attention.** The fraud highlighted weak risk management practices in the company—Stocks and Securities Limited (SSL)—which holds assets of about US$120 million (or 0.8 percent of the assets of the non-bank financial system). The alleged fraud reportedly amounts to US$6-19 million. It has had no systemic impact.

2. **The authorities have reacted promptly.** The Financial Services Commission (FSC)—the regulator of non-bank financial institutions—issued an injunction imposing a strict reporting requirement on SLL, barring it from disposing of assets or accepting new deposits without authorization. It also obtained a court order blocking SSL's directors from winding down the company and liquidating assets. The head of the FSC resigned and was replaced by the central bank's (BOJ) chief prudential officer. In addition, most of the FSC Board was replaced with senior BOJ executives. It is worth noting that securities dealers--which account for about one-third of the assets of the non-bank financial sector—are, as a whole, financially sound (with capital adequacy of about 22 percent, well above the 14 percent minimum, and liquid assets of 13 percent of total assets).

3. **The authorities have announced their intention to move toward a unified regulatory structure, centered in the BOJ**. In the short-term the FSC will continue to supervise the non-bank financial system but with stricter regulations and penalties for misconduct for securities dealers. Over time, the government will propose legislation to provide the BOJ with the mandate for prudential oversight over banks and nonbanks with the FSC focused on overseeing market regulation and consumer protection. Since the financial system is dominated by financial conglomerates, a unified supervision model under the BOJ would be consistent with efforts already underway to ensure consolidated supervision for financial intermediaries. The authorities have requested Fund CD support to design such a system.