INTERNATIONAL MONETARY FUND

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JAMAICA

September 2023

FIRST REVIEWS UNDER THE PRECAUTIONARY AND LIQUIDITY LINE AND UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENTS—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR JAMAICA

In the context of the Staff Report for the First Reviews Under the Precautionary and Liquidity Line and Under the Resilience and Sustainability Facility Arrangements, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on August 31, 2023, following discussions that ended on June 16, 2023, 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 July 20, 2023.
- A **Statement by the Executive Director for Jamaica**

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PRESS RELEASE

PR23/300

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

FOR IMMEDIATE RELEASE

- *The IMF Executive Board concluded today the first review under Jamaica's Precautionary and Liquidity Line (PLL). The PLL serves as insurance against shocks, with access at about US$611 million. The authorities continue to treat the PLL as precautionary.*
- *The IMF Executive Board also concluded the first review under the Resilience and Sustainability Facility (RSF) arrangement, making available about US$255 million under the RSF.*
- *Jamaica's commitment to macroeconomic stability and strong policy frameworks have allowed the country to navigate a difficult global environment. The authorities have continued to enhance fiscal, financial, and AML/CFT policy frameworks, and are implementing an ambitious climate policy agenda.*

Washington, DC – **August 31, 2023:** The Executive Board of the International Monetary Fund (IMF) completed the first reviews of the Precautionary and Liquidity Line (PLL) and the Resilience and Sustainability Facility (RSF) arrangement. The completion of the RSF review makes available the equivalent of SDR191.45 million (about US$255 million) under the under the RSF. Access to the PLL equivalent to SDR 459.48 million (about US$611 million) is available after completion of this review. The authorities continue to treat the PLL as precautionary.

Jamaica has continued to make progress in enhancing fiscal, financial, AML/CFT policy frameworks, and data adequacy, and is implementing the ambitious climate policy agenda to support economic growth. These policies are supported by the PLL and RSF arrangements, which were approved on March 1, 2023, in an amount equivalent to SDR 727.51 million (about US$968 million) or 190 percent of quota, and SDR 574.35 million (about US$764 million) or 150 percent of quota, respectively (see Press Release No. 23/57).

Following the Executive Board's discussion, Ms. Antoinette Monsio Sayeh, Deputy Managing Director and Acting Chair of the Board, issued the following statement:

"Jamaica continues to make significant progress in strengthening its policy frameworks and implementing an ambitious climate policy agenda, supported by the Precautionary and Liquidity Line (PLL) and the Resilience and Sustainability Facility (RSF) Arrangement.

"Entrenched macroeconomic stability and sound policy frameworks continue to support economic growth, allowing Jamaica to navigate a complex global environment. A large primary fiscal surplus continues to support a strong downward trajectory of public debt, the financial system remains well capitalized, liquid, and stable, and inflation is converging to the midpoint of the Bank of Jamaica's target band.

"Important progress has been made on the fiscal reform agenda, including the reform of the public wage structure to eliminate distortions in the salary scale and to retain skilled workers, and improvements in the fiscal policy framework.

"The authorities continue their efforts to improve financial supervision and to bring the AML/CFT framework to international best practices. Moving forward, efforts should focus on demonstrating the AML/CFT framework's effectiveness in line with the action plan agreed with FATF. They also remain committed to improve data adequacy and have defined a roadmap to subscribe to the SDDS by mid-2025.

"The authorities are advancing their ambitious climate policy agenda to increase resilience to climate change and green the economy. Reforms include the adoption of a disaster risk financing policy, the addition of climate requirements to the framework for private public partnerships, the approval of an electric vehicle policy and the issuance of guidelines for energy efficiency in public buildings, schools, and hospitals.

"Climate-oriented reforms of the fiscal framework, incentives for investments in renewables and the greening of the financial system can foster investor confidence and catalyze private climate financing."

INTERNATIONAL MONETARY FUND

JAMAICA

July 20, 2023

FIRST REVIEWS UNDER THE PRECAUTIONARY AND LIQUIDITY LINE AND UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENTS

EXECUTIVE SUMMARY

Context. Jamaica's commitment to macroeconomic stability and strong policy frameworks continue to allow the country to navigate the difficult global environment. Strong growth continued over the last fiscal year, and sound macroeconomic policies are focused on prioritizing sustainability, supporting growth, and facilitating the convergence of inflation to the midpoint of the central bank's target band. There are significant risks ahead—from tighter than expected global financial conditions, commodity price volatility, and natural disasters—but the economic outlook remains a positive one.

Precautionary and Liquidity Line (PLL) Review. Staff recommends completion of the First PLL Review as: (i) all indicative targets and structural benchmarks have been met; (ii) Jamaica continues to meet the PLL qualification criteria; and (iii) the authorities remain committed to implement their strong policy agenda supported by the PLL arrangement. The authorities intend to continue to treat the PLL as precautionary.

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

Policy Agenda. The PLL continues to support efforts to strengthen the institutional framework for consolidated supervision of financial conglomerates, enhance the framework for the resolution of financial institutions, bring the AML/CFT framework to international best practice, and improve data adequacy. The RSF supports Jamaica's ambitious agenda to accelerate the transition to renewable power generation, increase resilience to climate change, enhance the climate focus in fiscal policy frameworks, and strengthen management of climate risks by financial institutions. These efforts have the potential to catalyze climate financing going forward.

Approved By

Nigel Chalk (WHD) and Peter Dohlman (SPR)

Discussions took place in Kingston during June 12–16, 2023. The staff team comprised Esteban Vesperoni (head), Pierre Guérin, Mariusz Sumlinski (all WHD), Julia Faltermeier (SPR), and Nicoletta Feruglio (FAD). Dulani Seneviratne (MCM) joined some of the meetings. Siyao Chen and Sheng Tibung (both WHD) provided research and editorial assistance. Ms. Cunningham (Senior Advisor, OED) participated in the discussions and Mr. Jennings (Executive Director) joined the concluding meeting. The team met with Minister of Finance Nigel Clarke, Central Bank Governor Richard Owen Byles, and other senior officials.

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RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

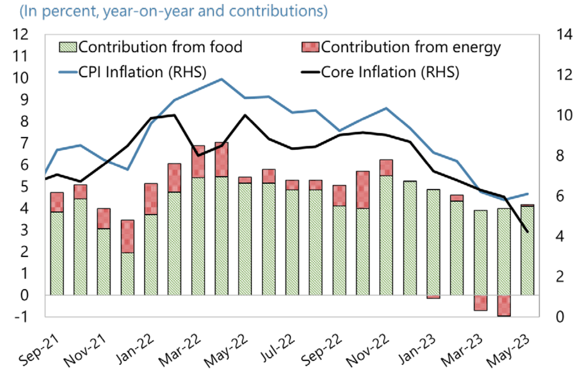
1. **Entrenched macroeconomic stability and sound policy frameworks are helping Jamaica navigate a complex global environment**. Sound policies continue to support strong growth. The policy responses to recent external shocks have been nimble and pragmatic—relying on temporary and targeted measures—while continuing to lower public debt and facilitating inflation convergence to the central bank's (BOJ) target.

2. **Strong GDP growth continued during FY2022/23.** Growth is estimated at 4.3 percent for the recently ended fiscal year, higher than projected at the time of the PLL approval. Growth was supported by a stronger-than-expected rebound in tourism (which has reached pre-pandemic levels) and the reopening of one of the largest alumina plants, which offset the impact of the terms-of-trade shock from the war in Ukraine. An ongoing drought has, however, been a drag on agriculture. Growth in the FY2023/24 is expected to fall to around 1.7 percent.[1]

3. **Inflation has fallen to the upper bound of the BOJ's target band.** At end-May, headline inflation was 6.1 percent—marginally above the target band (4-6 percent)—while core inflation fell to 4.2 percent amid appropriately tight fiscal and monetary policies, the dissipation of energy price pressures, and a deceleration of food prices. Inflation is expected to fall to the mid-point of the target band by year-end.

CPI Inflation by Major Components

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



Sources: STATIN and IMF staff calculations.

4. **The current account deficit is estimated at close to 0.3 percent of GDP in FY2022/23.** Booming tourism and still strong—although moderating—remittances more than offset the large import bill from high fuel, food, and freight prices. Hence, in the context of a lower-than-expected current account deficit, international reserves remained above the PLL target, at 116 percent of the ARA metric at end-March 2023.

5. **The public debt has continued to fall fast**. Public debt is estimated at 80 percent of GDP at the end of FY2022/23, falling by 30 percentage points of GDP since FY2020/21 amid a strong post-pandemic recovery and large primary surpluses. The overall surplus in FY2022/23 was in line with the Medium-Term Fiscal Framework (MTFF) and slightly exceeded program targets. In the context of the strong recovery, the prudent fiscal stance was supported by a rebound in tax revenue driven by buoyant collection of direct taxes (this has been associated with the wage bill reform since the incorporation of wage allowances in base salaries has moved public employees into income

[1] The FY2022/23 GDP was revised after the conclusion of the first review discussion with the authorities. The revision resulted in higher growth (4.7 percent) and a revised GDP deflator. Staff does not expect this revision to impact the policy line and believes the current macroeconomic framework is still valid. Staff will discuss the implications and drivers of the revisions with the authorities prior to integrating them in future macroeconomic frameworks.

brackets taxed at higher rates). The authorities decided to frontload the wage bill reform—originally to be introduced gradually over a three-year horizon. Although this will increase the transitional costs of the reform, the medium-term wage bill is still projected as estimated at program approval.[2] Program spending in FY2022/23 was higher than previously envisaged as social spending to address the cost-of-living shock was increased through a supplementary budget. This has been partially offset by lower capital expenditure as a consequence of the delayed implementation of some investment projects.

6. **The financial system remains well capitalized and liquid.** The capital adequacy of deposit taking institutions (DTIs) was at 14.2 percent at end-March (above the regulatory minimum of 10 percent) and the NPL ratio remains low at 2.4 percent. The level of capital in other financial institutions also remains above the minima, and liquidity ratios are healthy. Banks' funding is dominated by local deposits and banks have been increasing capital to cover unrealized losses from higher interest rates, which have reduced liquidity and profitability slightly compared to historical averages —though credit growth has continued.

7. **The climate agenda is expected to support medium-term growth, but the economy continues to face significant risks.** Investment in resilient public infrastructure should increase the level of GDP over the long term, lessening vulnerabilities due to volatile energy prices and natural disasters (Box 1 and Annex IV). Inflation is expected at the midpoint of the BOJ target band and large primary surpluses will lower the public debt to 60 percent of GDP by FY2027/28. The current account deficit is expected to converge to around 2 percent of GDP. The economy continues to face risks from tighter than expected global financial conditions, a worsening of the terms of trade (particularly, higher energy prices), and the ever-present risks from climate events (Annex 1).

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

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
				Est.	Proj.				
Growth and Prices									
GDP growth	-0.1	-11.0	8.2	4.3	1.7	1.7	1.7	1.6	1.6
Consumer price inflation (e.o.p.)	4.8	5.2	11.3	6.2	5.0	5.0	5.0	5.0	5.0
Government Finances									
Central government revenue	30.6	29.5	31.0	31.3	30.2	29.6	29.7	29.8	30.0
Central government expenditure	29.7	32.6	30.1	31.0	29.9	29.3	28.6	27.9	27.8
Public sector overall balance	1.0	-3.2	1.1	0.3	0.3	0.3	1.2	1.9	2.1
Central government primary balance	7.1	3.5	6.8	6.0	5.7	5.1	5.1	5.1	5.0
Consolidated public sector debt	94.3	109.7	94.2	80.2	75.4	71.0	66.9	63.3	59.7
Balance of Payments									
Current account	-1.9	-1.3	-0.7	-0.3	-1.4	-1.8	-2.0	-2.0	-2.0
Foreign direct investment	0.8	1.3	1.9	2.3	2.7	3.0	3.5	3.5	3.5
Gross reserves (US$million)	3,688	4,244	4,324	4,685	4,600	4,650	4,700	4,750	4,800

Sources: Jamaican authorities and Fund staff estimates and projections.

[2] The total cost of the wage bill reform is estimated at J$120 billion. Higher costs are expected to suppress other spending in the short term but it does not change the medium-term impact estimated at program approval.

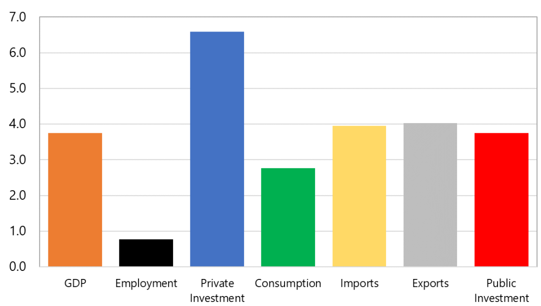
Box 1. Impact of Resilient Public Infrastructure

Staff assessed the potential impact of resilient public infrastructure. Resilient public infrastructure can moderate direct damage from climate events. The benefits of resilient investment are quantified through a DSGE model (F. Corugedo, G. Gomez and A. Guerson, 2022; see: Annex IV). The model compares two scenarios: a baseline without resilient public investments and one with resilient investment increasing to 80 percent of the total—so that the resilient capital stock converges to the same share in the long term. Despite resilient investment costing 25 percent more—as per the Ex-Post Damage Assessments from the World Bank—the fiscal position is assumed consistent with the MTFF.

Investment in resilient infrastructure results in measurable output and fiscal gains. The model indicates that resilient public investment yields a long-term increase in the level of GDP of about 3½ percent by 2050. This comprises the direct impact from resilient public capital—which moderates the output loss after a climate event—and an indirect effect from higher expected returns of private investment due to resilient public capital and higher GDP than in the baseline. In turn, this results in increased employment, labor productivity, and real wages. The model also suggests that, over the long run, investment in resilient infrastructure would yield fiscal gains of about 0.35 percent of GDP per year.

Benefits of Investing in Resilient Infrastructure - DSGE Model

Long-Term Return of Public Investment in Resilience to Natural Disasters
(Percent increase relative to no resilience)



Sources: Fund staff calculations based on data from authorities, CCRIF and EM-DAT.

Average Annual Fiscal Return of Investment in Resilience
(In percent of steady state GDP)

Total Return		**1.237**
Stock saving	Decrease in reconstruction cost after NDs	0.160
Flow saving	Moderation of output decline after NDs	0.000
Steady State	Increase in output, investment, employment	1.077
Cost of resilience	Increase of public investment spending due to resilience cost	**0.885**
Net annual saving		**0.352**

Sources: Model-based IMF staff estimates.

PERFORMANCE UNDER THE ARRANGEMENTS

8. All indicative targets and structural benchmarks under the PLL were met:

- The FY2022/23 overall fiscal balance of the central government was J$7.8 billion, modestly exceeding the indicative target of J$7.5 billion. The indicative targets for end-September 2023 and end-March 2024 were agreed with the authorities, including a revision of the target for end-September 2023 to account for seasonal patterns in fiscal outcomes. The revision does not imply a change in the policy stance; the target for the FY2023/24 surplus is slightly above projections at program approval.

- Net international reserves reached US$4.15 billion by end-March 2023, above the indicative target of US$3.53 billion. The indicative targets for end-September 2023 and end-March 2024 were agreed with the authorities. The target for end-September 2023 was increased to reflect stronger reserve accumulation in FY2022/23.
- The National Statistical Committee (NSC) was established in March 2023, comprising representatives of the BOJ, the Ministry of Finance and Public Services (MFPS), and the Statistical Agency (STATIN). The NSC will implement an action plan targeting subscription to SDDS.
- Parliament approved amendments to the Companies Act in March 2023, in line with the structural benchmark.

9. All reform measures (RM) in the RSF were implemented, and their impact is discussed in Annex III:

- Supported by the World Bank, and following a broad social consultation period last April, the MFPS adopted a National Natural Disaster Risk Financing policy by end-June 2023.[3]
- Supported by the Inter-American Development Bank (IDB), the Policy and Institutional Framework for PPPs was amended to include climate requirements, with the Standard Operating Procedure Manual reflecting these requirements.[4] This was completed by end-March 2023.
- With support from the IDB, the Electric Vehicle Policy was approved by the cabinet and submitted to parliament for information by end-June 2023, in line with objectives in ¶23 of the Program Request's Written Communication.[5]
- With technical assistance from the IDB, guidelines to reduce energy use in schools, hospitals, and public buildings for existing and new structures were approved by end-June 2023.

POLICIES UNDER THE ARRANGEMENTS

A. Macroeconomic Policies

10. The FY2023/24 budget is in line with the MTFF. The budget aims for a primary surplus of 5.7 percent of GDP—in line with program targets—and would lower public debt to 75 percent of GDP by the end of the fiscal year. The authorities remain committed to sizable primary surpluses over the medium term to reach a 60 percent debt-to-GDP ratio by FY2027/28, as prescribed by the Fiscal Responsibility Law (FRL; Annex 2). Following the frontloading of the wage bill reform in

[3] It was approved by Cabinet since the adoption of policies by line ministries only requires this approval. The polices are submitted to parliament for information. See https://cabinet.gov.jm/wp-content/uploads/2020/08/GUIDELINES-FOR-THE-DEVELOPMENT-OF-NATIONAL-POLICIES-August-2017-E-book.pdf

[4] See: https://dbankjm.com/slug/dbj-climate-related-operational-guidelines/.

[5] See footnote 3. The Electric Vehicle Policy was submitted to parliament for information.

FY2022/23, the wage bill is expected to decline as a share of GDP this fiscal year. The budget also envisages tight control over non-wage spending. The RSF is supporting the authorities' efforts to create fiscal space to address contingencies.

11. Monetary policy is supporting the convergence of inflation to the midpoint of the BOJ's target band. The policy rate has stood at 7 percent since mid-November 2022 (up from ½ percent in September 2021) and the BOJ has been both mopping up liquidity and intervening to reduce volatility.[6] The BOJ's data-dependent monetary policy decisions are guided by the pace of disinflation and recent inflation developments, and should secure convergence to the midpoint of the inflation target band by year-end. The PLL provides insurance against external shocks and external buffers have benefitted from the strong reserve accumulation experienced in 2022.

B. Strengthening Institutions

12. Jamaica continues to improve its fiscal policy framework. The head of the independent Fiscal Commission (FC)—in charge of assessing the consistency of policies with the FRL—has been sworn in and the government has endowed a Fiscal Research Institute at the University of West Indies to build expertise in public finance management. A new tax administration information system is improving compliance and efforts continue to secure parliamentary approval of a new Customs Act to improve customs clearance and simplify business procedures. The government is expanding the coverage of fiscal accounts, strengthening cash management, and improving fiscal risks reporting. The C-PIMA (Annex V) informed RSF reforms and the authorities are working with support from the IDB to adopt climate budget tagging.

13. An updated safeguards assessment was completed in April. It concluded that financial reporting practices and audit mechanisms at the BOJ continue to be broadly guided by international standards and that recent amendments to the BOJ Act have strengthened the bank's autonomy and governance. Operational frameworks mitigate risks from the adoption of the digital currency (JAM-DEX). The coverage of internal audit function is being strengthened under the Audit and Risk Committee's oversight and the independence of the external audit mechanism is expected to be enhanced through adoption of a selection and rotation policy.

C. Financial System Oversight and AML/CFT Framework

14. The adoption of Basel III standards and the expansion of the BOJ's supervisory authority are ongoing. The implementation of Pillar 2 is underway and a first draft of the framework for designating Domestic Systemically Important Financial Institutions has been prepared (*structural benchmark for end-September 2023)*. Pillar 3 will focus on market disclosures and

[6] FX interventions have been conducted in the context of the still shallow markets and dollarized balance sheets. Authorized dealers and cambios are required to surrender a portion of their daily gross FX purchases from commercial clients to the BOJ.

additional capital and liquidity requirements. The BOJ will have the supervisory responsibility over credit unions once the relevant legislation has been approved by parliament.

15. Efforts continue to strengthen the supervisory framework for financial holding companies (FHC) and the resolution regime of non-viable financial institutions. The BOJ has recently licensed another FHC, and it will now supervise the entity. Amendments to the Financial Services Act are intended to place supervision of financial conglomerates without DTIs under the Financial Service Commission (FSC)—*PLL structural benchmark for end-September 2023*. Technical work is underway to prepare a bill to strengthen the resolution of non-viable financial institutions while protecting financial stability and minimizing the recourse to public funds (*PLL structural benchmark for end-March 2024)*.

16. The authorities are defining a roadmap to unify the framework for financial supervision. They intend to organize it under a "twin peaks" regime, with the BOJ as the sole prudential regulator.[7] The roadmap for the unification is being finalized with capacity development support from the Fund and the World Bank. In the meantime, the FSC will continue to supervise the non-bank financial system, with its mandate strengthened by the amended FSC Act.

17. Steps are being taken to strengthen the AML/CFT framework, including efforts to implement approved legislation. In February, the Judicial Committee of the UK Privy Council upheld the application of AML/CFT legislation to Attorneys-at-Law, subjecting them to provisions of the Proceeds of Crime Act. At end-March, parliament approved amendments to the Companies Act, which: (i) make the definition of beneficial ownership (BO) consistent with FATF standards; (ii) introduce sanctions for breaching basic and BO obligations; and (iii) grant the Registrar of Companies powers to ensure compliance. Regarding risk-based supervision (RBS) of Trust and Corporate Services Providers (TCSPs), the authorities informed staff that the FSC has in place the RBS methodology and started licensing and risk profiling TCSPs before the April application deadline—it is also preparing onsite examinations, informed by risk profiling. The authorities have stated that they have completed all legislative requirements in the action plan to improve the AML/CFT framework, and current efforts are concentrated on implementation issues, including on: (i) the application of the beneficial ownership provisions approved by parliament, which depends on the reporting schedule of corporations; (ii) making the BO registry more comprehensive and effective; and (iii) applying due process to complete implementation of the RBS framework for TCSPs (see Written Communication). These steps will help limit corruption vulnerabilities.

D. Climate Policies Under the RSF

[7] The twin peaks model is a framework comprised of two regulatory authorities. One "peak" represents the regulatory authority with responsibility for the prudential regulation of all financial institutions, while the other "peak" regulates market conduct and consumer protection. The IMF CD is provided for the former and the WB CD for the latter peak.

18. Efforts on climate policies are focused in the following areas (Text Table 2):[8]

- *Resilience to natural disasters and climate change*. Following the approval of amendments to the policy framework for public private partnerships (RM2), with IDB technical support (focusing on technical assistance and capacity building), the Public Investment Appraisal Branch is working on the methodology to conduct climate impact assessment of investment projects (RM3) and the Planning Institute of Jamaica is defining project selection criteria that will encompass climate considerations (RM4). Supported by the World Bank (focusing on technical assistance and capacity building), the National Natural Disaster Risk Financing Policy has been adopted (RM1) and amendments to the Financial Administration and Audit Act are being prepared to establish the National Natural Disaster Reserve Fund (NDRF, RM6)—the MOF submitted to Cabinet an amendment to locate the NDRF in the Consolidated Fund. Finally, the authorities are working, with Fund capacity development support, to develop methodologies for climate-related fiscal risks analysis (RM5).

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

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

- *Greening of the financial sector*. Supported by the French Development Agency, the BOJ is working on an assessment of climate risks, a timeline to incorporate climate considerations into supervisory activities (RM10) and its capacity to properly implement it. This will aid the adoption

[8] The Staff Report for The Request for the PLL/RSF Arrangement includes a background and an extensive discussion of the RSF program modalities.

of a monitoring framework that improves data collection and establishes reporting requirements for financial institutions to implement climate-related stress testing (RM11).[9] The Green Climate Fund and the World Bank are providing support for establishing a framework for the issuance of green bonds (RM12) which will aid the development of the relevant taxonomies and ex-post verification procedures.

- *Mitigation*. Technical work continues on the design of fiscal incentives to foster investment in renewable energy (RM7). Supported by the IDB, the authorities adopted the electric vehicles policy (RM8) and energy efficiency guidelines for public buildings (RM9).

19. RSF support will increase Jamaica's fiscal space. Resources under the RSF will be disbursed as budget support and substitute for more expensive market financing, creating fiscal space by lowering financing costs and improving the debt dynamics.[10] The reforms under the RSF are expected to help mitigate the impact of climate shocks and lead to reallocation of public investment towards climate goals. Measures associated with mitigation—see last bullet in the previous paragraph—are also expected to generate fiscal savings, though over the medium term given the need for sizeable investments and time required for the adoption of efficiency guidelines. The Memorandum of Understanding between the MOFPS and the BOJ defining responsibilities associated with the RSF financing was signed in April.

20. The authorities are working to catalyze private climate financing. Reforms in the RSF—improvements to policy frameworks on the management of natural disasters, the assessment of climate risks, and PPP frameworks—and incentives for investments in renewables are expected to foster investor confidence and incentivize private investment. Technical assistance from the IDB will support the development of a pipeline of bankable climate initiatives including by facilitating project identification, prioritization, feasibility assessment, implementation support, and structuring. Furthermore, sound, climate risk-aware financial supervision can help manage transitional risks and the framework for green bonds should strengthen market participation in climate efforts. The World Bank is completing a Development Policy Financing operation of US$150 million targeting the transition to a low carbon economy and increasing fiscal and financial resilience to climate change. The IDB country strategy places particular focus on developing private sector financing, supporting technologies to reduce emissions and increase climate resilience. The authorities continue to work with Global Affairs Canada to define a framework that has the potential to expand official climate financing. Following an initial meeting in early 2023, DMD Bo Li and the IMF Climate Finance Task Force head met with the authorities, development partners, and the private sector in Kingston last June. Ongoing discussions are exploring additional ways to set up a framework that would help Jamaica catalyze private climate financing in the context of the RSF.

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

[10] Hence, the RSF disbursements will have no impact on international reserves.

E. Strengthening Data Adequacy

21. The authorities have developed a roadmap to improve data adequacy. Following a Special Data Dissemination Standards (SDDS) assessment mission by the Fund Statistics Department, an action plan for SDDS subscription was developed. To facilitate the plan, STATIN will present a restructuring plan to the MOFPS by end-November 2023—to facilitate its implementation during FY2024/25—and key priority measures are proposed as new *structural benchmarks in PLL reviews*—see: Written Communication—on: (i) compilation and submission to the Fund's Statistics Department the International Reserve and Foreign Currency Liquidity template data for August 2023 *(end-September 2023), (ii)* compilation and dissemination of data for general government operations on the National Summary Data Page (NSDP) for fiscal years 2021/22 and 2022/23 *(end-March 2024)*; and (iii) conducting of the Non-Financial Corporation Survey by the BOJ to obtain data for Direct Investment Intercompany Lending positions for each quarter of 2023 to improve external sector data (*end June 2024)*. If implemented, the action plan should ensure subscription to SDDS by mid-2025.

PROGRAM MODALITIES

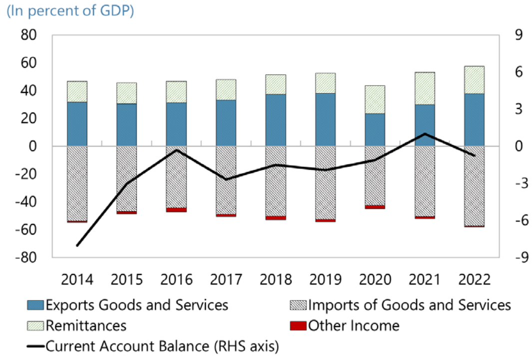
A. PLL Qualification

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

Assessment of Specific Criteria

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

Current Account: Components
(In percent of GDP)



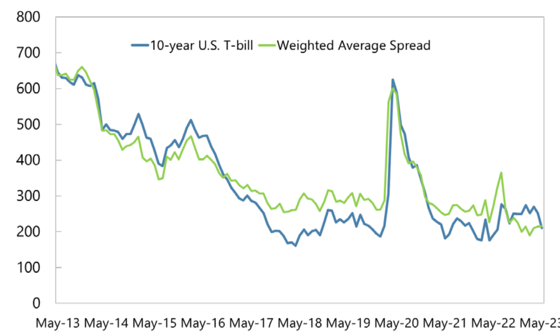
Source: BOJ and IMF staff Estimates

- **Criterion 1. A sustainable external position.** The current account deficit (CAD) has remained below 2 percent of GDP over the last 5 years, and it was more than fully financed by FDI flows (which averaged 2.3 percent of GDP). The 2022 Article IV consultation assessed the 2021 external position to be broadly in line with medium-term fundamentals and desirable policy settings. The CAD was below the External Balance Assessment norm and the Net International Investment Position (NIIP) is assessed as sustainable. The CY2022 CAD widened less than projected at program request—to 0.8 percent of GDP from a surplus of 1 percent of GDP in CY2021—and the NIIP assessment is expected to remain the same. External debt has been declining since 2015—except for the COVID year—and is expected to continue falling over the medium term.

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

- **Criterion 3. A track record of steady sovereign access to international capital markets on favorable terms**. Jamaica has issued a global bond in international markets for US$815 million (158 percent of quota) between 2018 and 2022. It has recorded an average fiscal surplus of about 0.5 percent of GDP over the period, hence financing needs have been low. Debt management has extended the maturity of external debt. Jamaica continues to be rated favorably by major agencies (B+ by S&P (stable) and Fitch (positive), B2 by Moody's, in the middle of the non-investment grade range). Sovereign spreads fluctuate around 200 bps, allowing Jamaica full market access on a durable and sustainable basis.

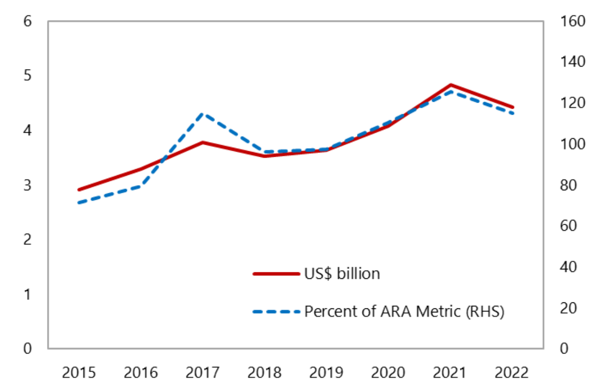
Sovereign Spreads
(Basis points)



Sources: Bloomberg and IMF staff calculations.

- **Criterion 4. A comfortable international reserve position.** Over the past three years, reserves averaged 114 percent of the Assessing Reserve Adequacy (ARA) metric and reached 112 percent at end-2022. Reserves have remained well-above 80 percent of the ARA metric and above 5 months of imports since 2017. The exchange rate regime is classified as floating with the BOJ intervening to limit volatility. Gross reserves have increased in Q1 2023, reaching US$4.7 billion on the back of strong tourism and remittances inflows.

Gross International Reserves



Source: BOJ, IMF Staff calculations.

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

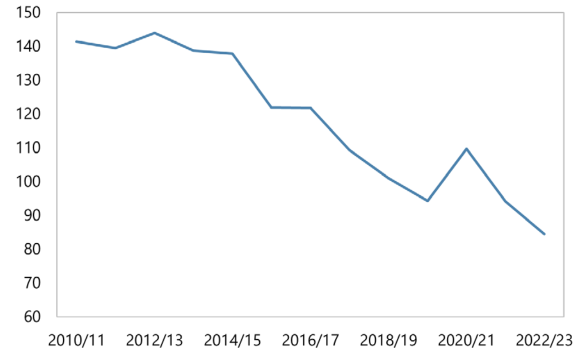
- **Criterion 5. Sustainable public debt position and sound public finances.** Jamaica has demonstrated steadfast commitment to debt sustainability, supported by a sound fiscal framework and well-crafted debt management policies:

  - **A solid fiscal policy framework**. Jamaica's FRL established a public debt goal of 60 percent of GDP and a balanced budget rule. It includes escape clauses for large shocks and an automatic adjustment mechanism to secure convergence to the debt target. There is broad political support of fiscal prudence and the FC established in 2022 will provide independent assessment of policy sustainability going forward.

- **Downward trajectory of public debt**. Central government debt has declined from 142 percent of GDP at end-FY2009/10 to 80 percent of GDP at end-FY2022/23—overcoming the increase due to the COVID shock.

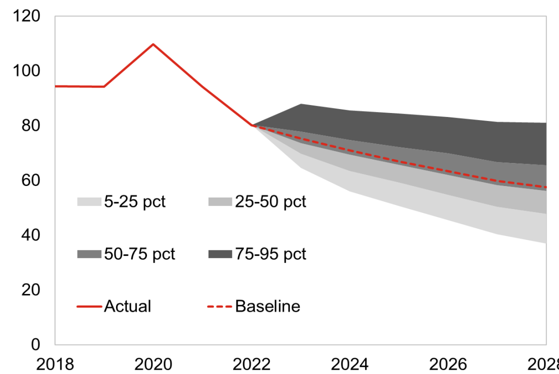
- **The public sector debt is assessed as sustainable with a high probability.** While debt will remain elevated in the near term, the strong fiscal track record, the authorities' commitment to meet the medium-term debt target, and prudent debt management mitigate potential risks. Large primary surpluses in the MTFF ensure debt sustainability. While the share of externally issued foreign currency debt remains high, recent debt buybacks and the issuance of long-dated global bonds have reduced gross financing needs to around 5 percent of GDP.[11] Under a stress scenario, financial institutions would need to increase sovereign exposure, but their current holdings are moderate. Debt dynamics remain vulnerable to uncertainties surrounding global commodity markets, natural disasters, and the realization of contingent liabilities from public bodies. Risks from contingent liabilities are largely associated with weather-related events, which are mitigated by diverse insurance products of about 5 percent of GDP.

Central Government Debt
(In percent of GDP)



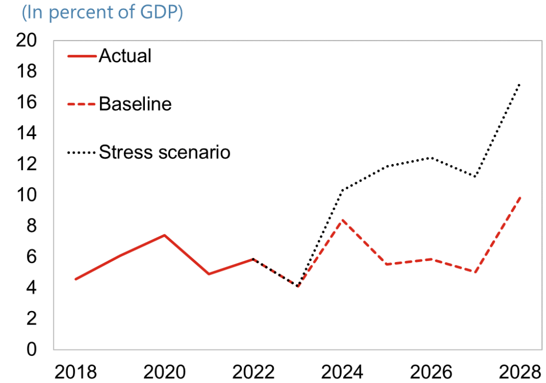
Sources: MOF and IMF staff calculations.

Public Debt: Fan Chart
(In percent of GDP)



Sources: MOF and IMF staff calculations

Gross Financing Needs
(In percent of GDP)



Sources: MOF and IMF staff calculations

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

- **Criterion 6. Low and stable inflation in the context of a sound monetary policy framework.** Inflation has been low and stable, within or below the target bands adopted with the IT regime in 2017—except for 2022. Over the last five years, inflation was in single digits averaging 6

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

percent. The credibility of the monetary regime was strengthened with legislation codifying BOJ's independence. Global shocks have pushed inflation above the target band since August 2021 and the BOJ has executed an appropriate monetary policy response, which together with prudent fiscal policy is expected to bring inflation to the mid-point of the target band by end-2023.

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

- **Criterion 7. Sound financial system and the absence of solvency problems that may threaten systemic stability.** The financial sector has remained profitable, well capitalized (CAR was 14.2 percent and NPL 2.4 percent at end-March) and liquid. The latest stress tests suggest that the financial sector is resilient to tail events. The domestic risks to financial stability are associated with concentrated ownership, related party and large group exposures, and off-balance sheet positions. The main risks to financial stability are associated with the impact of further monetary policy tightening in advanced economies, spillover effects from a recession in the US, and the impact of a climate-related weather event. The RSF conditionality strengthens resilience to climate related risks.

- **Criterion 8. Effective financial sector supervision**. The supervisory framework has guided the financial system through the recent challenging global environment. Adoption of Basel III, risk-based supervision, crisis management and consolidated supervision is advancing. Jamaica is on FATF's list of jurisdictions under increased monitoring. The PLL conditionality supports enhancements of financial conglomerates supervision, the resolution of financial institutions, and the strengthening of the AML/CFT framework. As stated in ¶17 with all legislative requirements in the action plan to improve the AML/CFT framework completed, current efforts are concentrated on the application of these legislative frameworks.

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

- **Criterion 9. Data transparency and integrity.** Data provision is broadly adequate for surveillance. Jamaica has participated in GDDS since 2003 and implemented the enhanced General Data Dissemination System (e-GDDS) in 2017. Supported by the Fund, improvements to national accounts and price statistics (including an ongoing GDP rebasing and a Household Expenditure Survey that was instrumental to updating the CPI weights in 2020) continue. Improvements in the government finance statistics and the public sector debt statistics were achieved during the last Fund program, in 2018. Jamaica did not substantially underperform on data transparency and integrity, but improvements are needed. The authorities and the IMF agreed a roadmap for SDDS subscription, for which the PLL includes conditionality.

23. Institutional strength. Jamaica has a relatively good standing on institutional quality. The Worldwide Governance Indicators show that Jamaica has strong scores on Voice and Accountability and Government Effectiveness. On Political Stability/Absence of Violence and other governance areas, Jamaica scores broadly at the world median.[12]

B. Debt Sustainability and Capacity to Repay the Fund

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

25. Jamaica's capacity to repay the Fund is adequate (Table 5). Debt outstanding and debt service to the IMF in a PLL purchase scenario would reach around 375 percent of quota (225 percent of quota excluding the RSF) or 10 percent of GDP in 2024. Debt service to the Fund, including resources drawn under the RSF, would peak at SDR 409 million (about 2.5 percent of GDP). Over the longer term, risks are mitigated by the authorities' strong commitment to reforms and debt sustainability. The program is fully financed (without RSF disbursements) over the next 12 months, with good prospects for the remainder of the program (see Table 9). Credible policy frameworks also mitigate risks.

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

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27. Entrenched macroeconomic stability and sound policy frameworks continue to support economic growth, allowing Jamaica to navigate a complex global environment. Strong GDP growth continued during the 2022/23 fiscal year and inflation has already fallen to the upper bound of the Bank of Jamaica's target band. Buoyant tourism and strong remittances have resulted in a relatively strong external position, exceeding program targets for international reserves. A large primary surplus continues to support a strong downward trajectory of public debt—which fell by 30 percentage points of GDP since FY2020/21—and the financial system remains well capitalized, liquid, and stable.

28. Fiscal and monetary policies are helping to bring down both inflation and debt. Inflation trends suggest that the Bank of Jamaica's data-dependent monetary policy decisions will secure convergence to the midpoint of the inflation target band by year-end. The budget is targeting a primary surplus that would lower public debt to 75 percent of GDP by the end of the fiscal year, and the authorities remain committed to reach a 60 percent debt-to-GDP ratio by FY2027/28. The reform of the public wage structure will eliminate distortions from allowances in the salary scale and help retain skilled workers, and the authorities continue to improve fiscal policy frameworks.

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

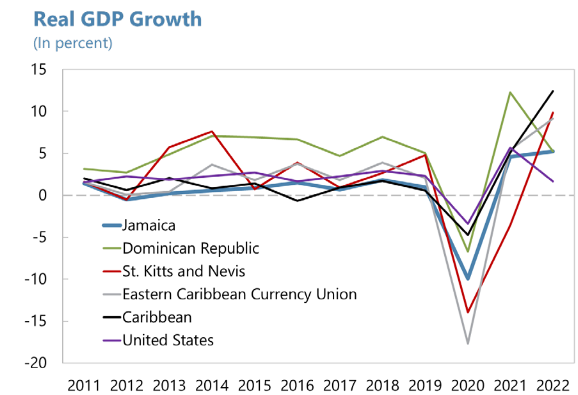
29. The authorities continue their efforts to improve financial supervision and bring the AML/CFT framework to international best practice. They are advancing adoption of the Basel III standards and defining a roadmap to enhance the financial supervision, including through the adoption of a "twin-peaks" regime. In line with PLL objectives, they have strengthened the AML/CFT framework, including by amending the legal framework of the beneficial ownership regime—they remain strongly committed to demonstrate its effectiveness. Efforts continue to improve the institutional framework for consolidated supervision and enhance the financial institutions' resolution framework. The authorities have also defined a roadmap to improve data adequacy and associated structural benchmarks have been added to the PLL agenda.

30. The RSF continues to support Jamaica' ambitious climate agenda. The authorities have adopted a disaster risk financing policy, amended the framework for private public partnerships to include climate requirements, and approved an electric vehicle policy and guidelines for energy efficiency in public buildings, schools, and hospitals. Reforms under the RSF, incentives for investments in renewables and the greening of the financial system can foster investor confidence and catalyze private climate financing.

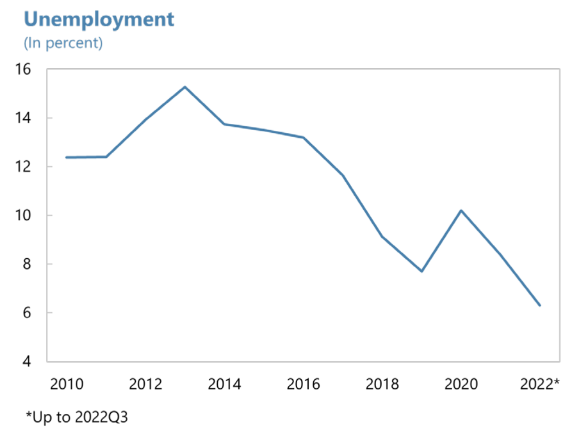
31. Staff recommends the completion of the first review under the PLL and the RSF arrangements. Macroeconomic performance remains strong, and Jamaica continues to meet the PLL qualification criteria. Indicative targets and structural benchmarks under the PLL have been met, and reform measures 1, 2, 8, and 9 under the RSF have been completed. Staff supports the modification of indicative targets for the second review, as these do not imply a change in the authorities' policy stance. The authorities continue to make progress on their reform agenda, and structural benchmarks and reforms measures for future reviews are on track.

Figure 1. Jamaica: Real Sector Developments

The post-COVID recovery continues …

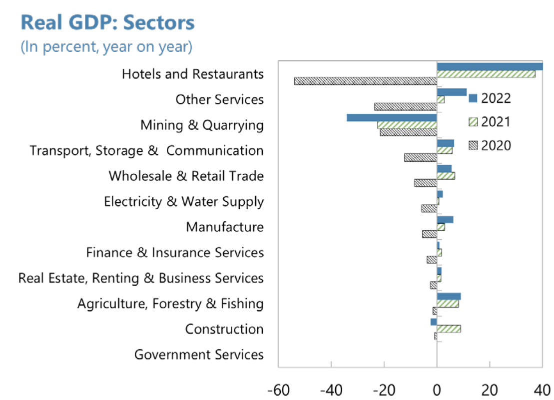


…and unemployment has fallen to historic lows.

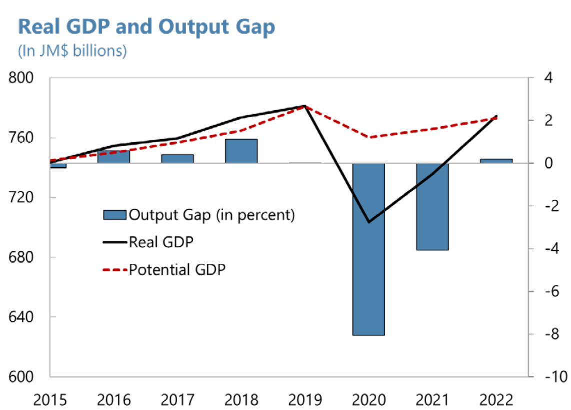


Tourism and hospitality industries have rebounded…

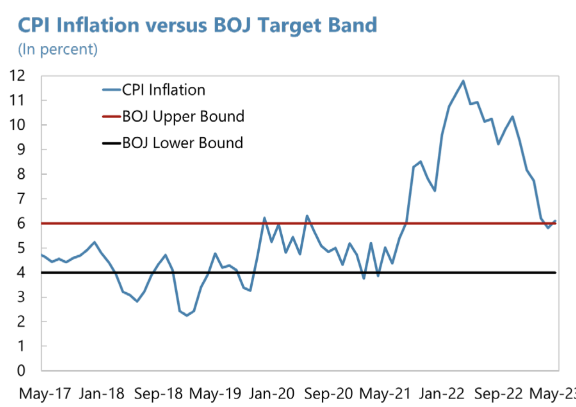
…as have most sectors, except mining.



Output gap is closing with…



…inflation dipping below the BOJ's upper target bound.

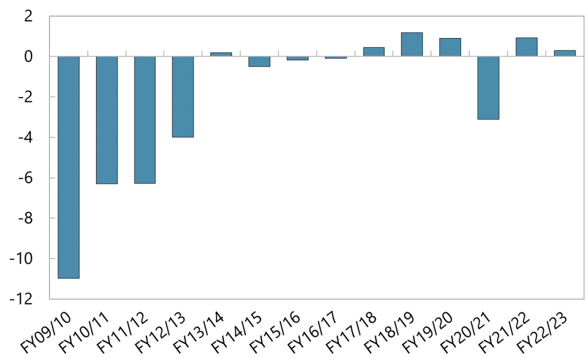


Source: Jamaican and IMF staff calculations.

Figure 2. Jamaica: Fiscal Sector Developments

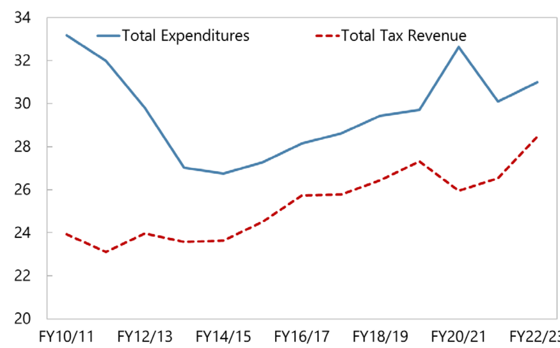
Central government fiscal balance is back in surplus…

Central Government Balance
(In percent of GDP)



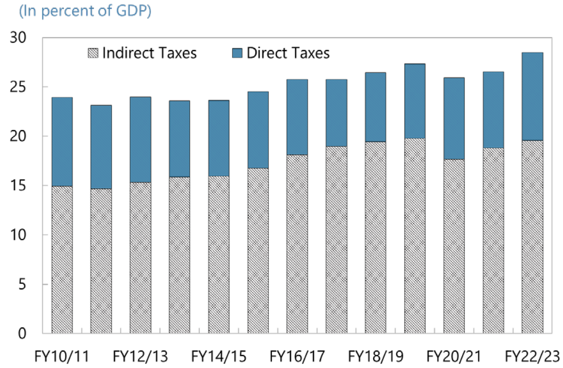
…due to buoyant tax revenues.

Central Government Revenues and Expenditures
(In percent of GDP)



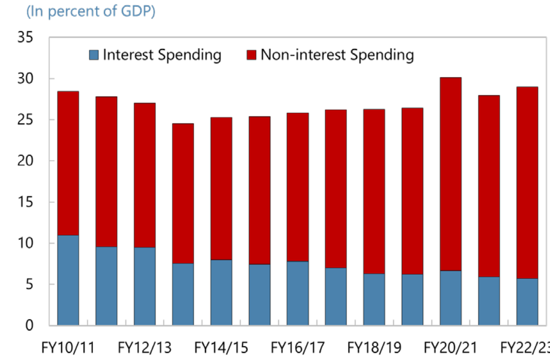
Which were due to strong direct tax collections…

Tax Revenue
(In percent of GDP)



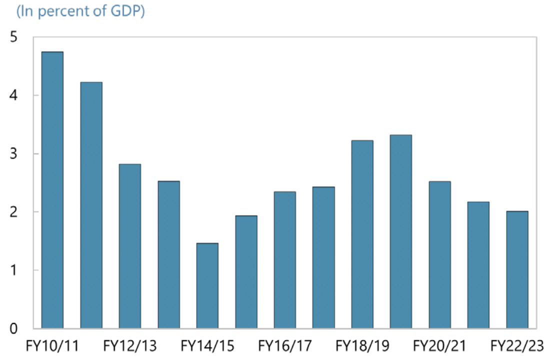
….while primary spending edged up slightly in FY22/23.

Central Government Current Spending
(In percent of GDP)



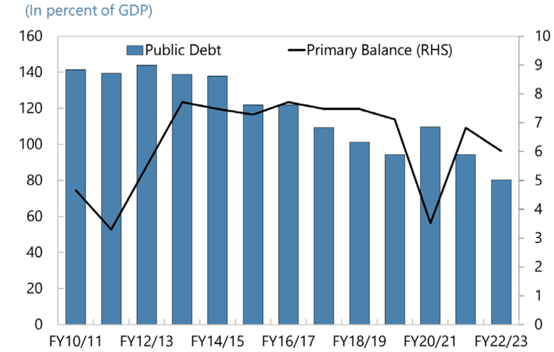
Capital spending remains at its long-term average.

Central Government Capital Spending
(In percent of GDP)



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

Public Debt and Primary Balance
(In percent of GDP)



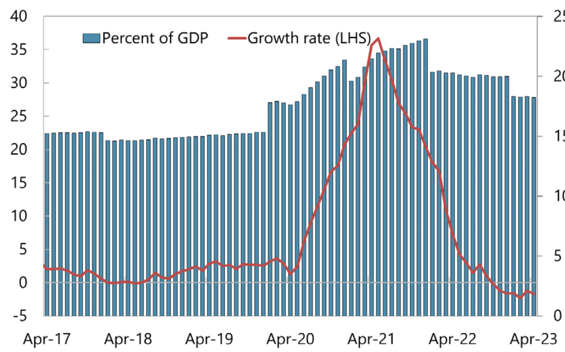
Source: Jamaican and IMF staff calculations.

Figure 3. Jamaica: External Sector Developments

Remittances receipts still boosted the CA balance in 2022 but started to decline.

Monthly Remittances

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

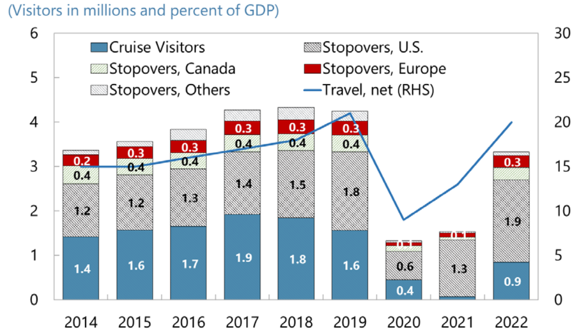


Sources: BOJ, IMF staff calculations.

Tourism—especially from the US—recovered, returning to pre-pandemic levels in H2 2022…

Total Visitor Arrivals and Travel Exports

(Visitors in millions and percent of GDP)

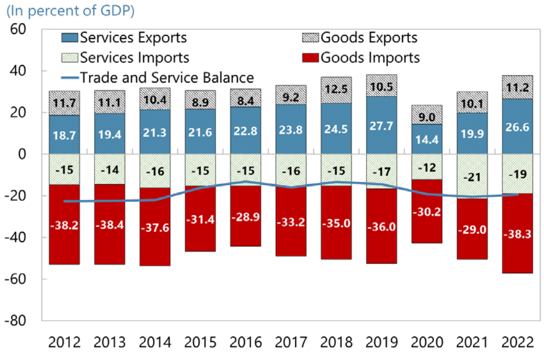


Sources: Jamaica Tourism Board, and IMF staff calculations.

… reducing the trade and service deficit despite high fuel prices…

Trade and Service Balance

(In percent of GDP)

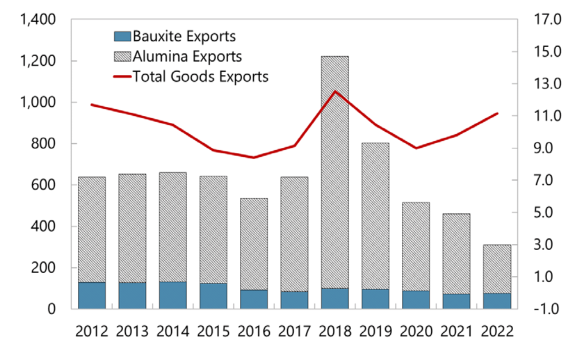


Sources: BOJ, and IMF staff calculations.

…and below-average mining exports.

Mining Exports

(In US$ millions, and percent of GDP)

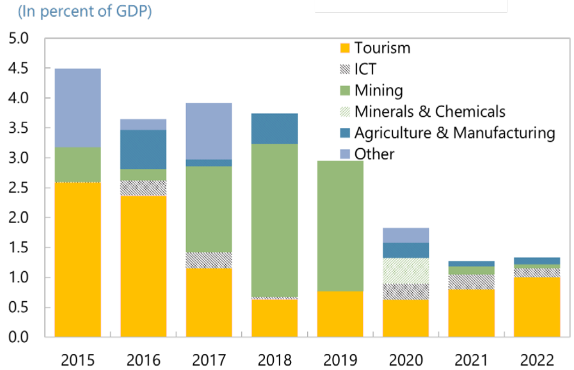


Sources: BOJ, and IMF staff calculations.

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

FDI by Sector

(In percent of GDP)

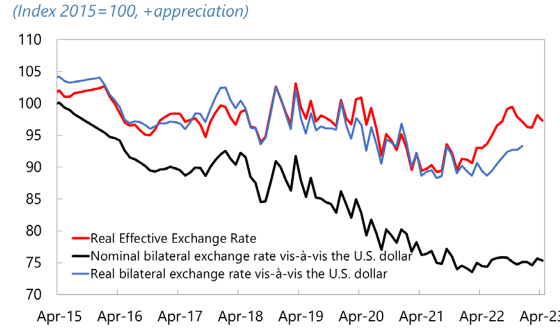


Sources: BOJ, and IMF staff calculations.

The real effective exchange rate appreciated in 2022.

Nominal and Real Effective Exchange Rate

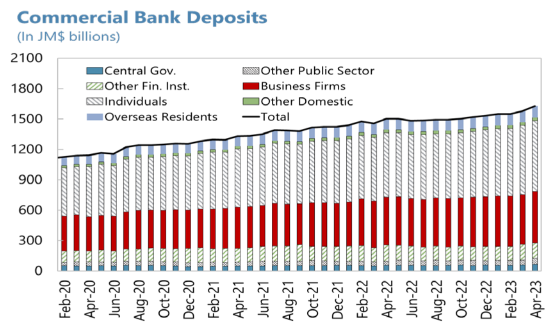
(Index 2015=100, +appreciation)



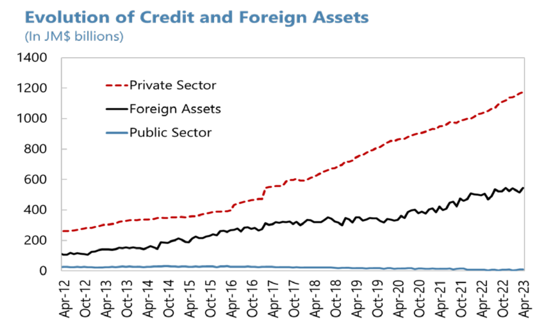
Sources: BOJ, and IMF staff calculations.

Figure 4. Jamaica: Monetary and Financial Sector Developments

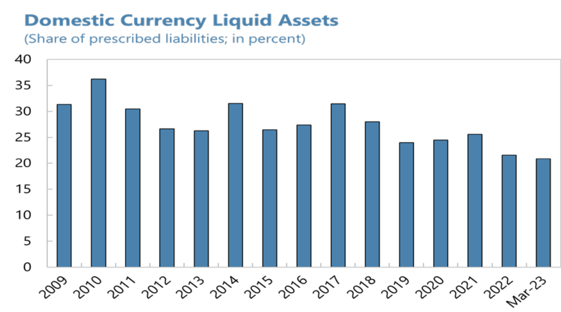
Banking system deposits have been growing steadily with individuals and businesses dominating.



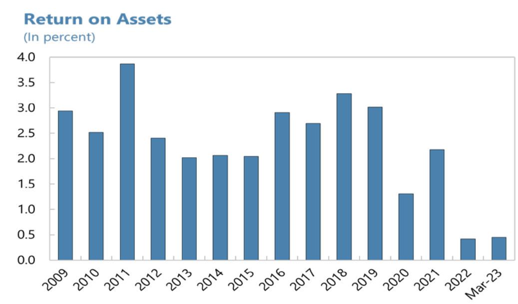
Private credit continues to grow reflecting post-Covid rebound and good prospects going forward.



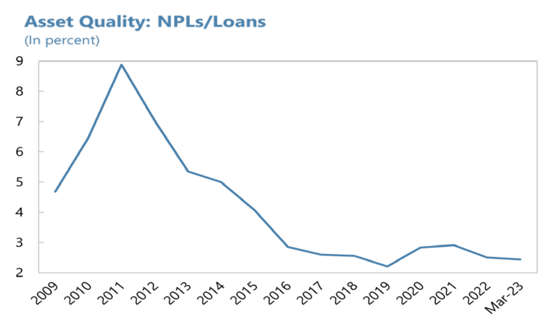
The depository institutions retain liquidity above required minimum…



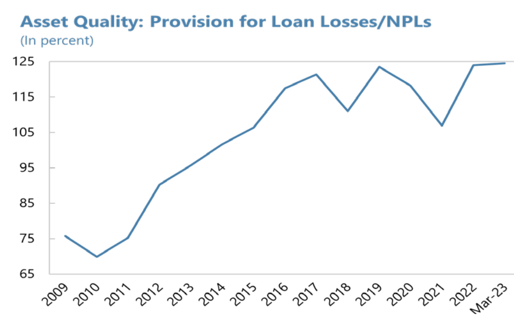
…with moderate profitability.



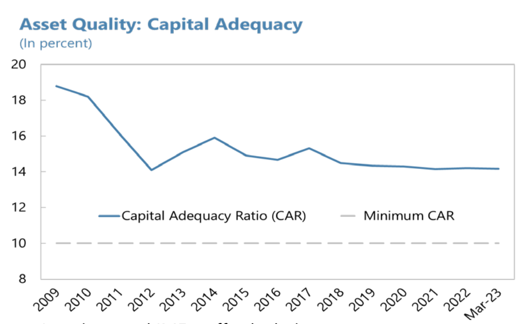
The NPL ratio is very low…



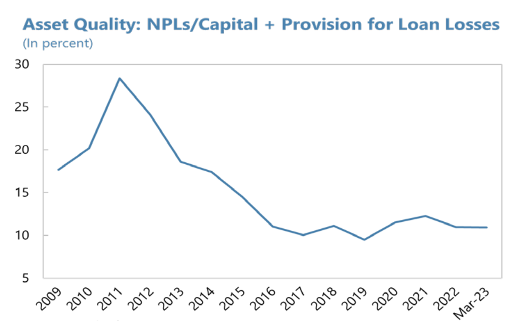
… with sufficient provisioning.



The capital is well above the minimum ratio and…



…sufficient to absorb potential losses.



Source: Jamaican and IMF staff calculations.

Table 1a. Jamaica: Selected Economic Indicators 1/

(Fiscal Year)

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

Per capita GDP (2019): US$5729
Literacy rate (2015)/Poverty rate (2017): 87%/12.6%
Unemployment rate (July 2022): 6.6%

				2022/23		2023/24		Projections			
	2019/20	2020/21	2021/22	Program	Est.	Program	Proj.	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	4.3	2.0	1.7	1.7	1.7	1.6	1.6
Nominal GDP	3.3	-8.1	19.2	11.5	13.9	7.3	7.5	6.4	6.3	6.4	6.4
Consumer price index (end of period)	4.8	5.2	11.3	7.7	6.2	5.2	5.0	5.0	5.0	5.0	5.0
Consumer price index (average)	4.6	5.0	7.4	9.5	9.5	6.5	5.3	5.0	5.0	5.0	5.0
Exchange rate (end of period, J$/US$)	134.0	146.6	153.8	...	150.9	...	...	...	...	...	...
End-of-period REER (appreciation +) (INS) 2/	-2.4	-8.4	0.9	...	5.5	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	1.8	1.5	6.4	...	8.3	...	...	...	...	...	...
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	31.3	29.4	30.2	29.6	29.7	29.8	30.0
Of which: Tax revenue	27.3	25.9	26.5	26.4	28.5	26.4	27.4	26.8	26.9	26.9	27.0
Budgetary expenditure	29.7	32.6	30.1	29.1	31.0	29.1	29.9	29.3	28.6	27.9	27.8
Primary expenditure	23.5	26.0	24.2	23.6	25.3	24.0	24.5	24.6	24.6	24.8	25.0
Of which: Wages and salaries	9.2	10.7	9.6	10.9	12.0	11.3	11.4	11.5	11.5	11.5	11.5
Interest payments	6.2	6.6	5.9	5.5	5.7	5.1	5.4	4.8	4.0	3.1	2.8
Budget balance	0.9	-3.1	0.9	0.3	0.3	0.3	0.3	0.3	1.2	1.9	2.1
Of which: Central government primary balance	7.1	3.5	6.8	5.8	6.0	5.4	5.7	5.1	5.1	5.1	5.0
Public entities balance	0.0	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.0	-3.2	1.1	0.3	0.3	0.3	0.3	0.3	1.2	1.9	2.1
Public debt (FRL definition) 3/	94.3	109.7	94.2	84.1	80.2	77.9	75.4	71.0	66.9	63.3	59.7
External Sector											
Current account balance	-1.9	-1.3	-0.7	-2.5	-0.3	-2.8	-1.4	-1.8	-2.0	-2.0	-2.0
Of which: Exports of goods, f.o.b.	9.8	9.3	9.6	9.9	12.0	9.7	12.4	12.0	11.8	11.5	11.3
... of services	27.0	10.6	22.7	28.1	27.9	28.1	26.7	27.6	27.8	28.2	28.4
Imports of goods, f.o.b.	34.7	29.4	31.2	36.9	39.5	35.2	37.2	37.6	37.7	37.8	37.9
... of services	16.3	12.3	22.1	21.0	19.2	19.8	18.3	18.2	18.2	18.2	18.2
Gross international reserves (US$ millions)	3,688	4,244	4,324	4,191	4,685	4,100	4,600	4,650	4,700	4,750	4,800
					(Percent of GDP)						
Money and Credit											
Net foreign assets	18.4	20.6	20.8	15.6	20.2	15.4	18.4	17.9	17.5	17.1	16.8
Net domestic assets	41.0	53.8	49.6	52.8	47.7	52.8	49.6	50.2	50.9	51.6	52.4
Of which: Credit to the private sector	49.2	57.7	52.8	51.6	51.1	51.9	51.3	51.7	52.2	52.9	53.8
Credit to the central government	11.9	20.0	16.8	13.6	14.9	11.2	13.7	12.6	12.0	10.8	10.4
Broad money	59.4	74.4	70.4	68.4	67.8	68.2	68.0	68.2	68.4	68.7	69.1
Memorandum Item:											
Nominal GDP (J$ billions)	2,121	1,949	2,322	2,588	2,645	2,777	2,844	3,027	3,218	3,425	3,644

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 1/

(Calendar Year)

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%

				2022		2023	Projections				
	2019	2020	2021	Program	Est.	Program	Proj.	2024	2025	2026	2027
(Annual percent change, unless otherwise indicated)											
GDP and Prices											
Real GDP	1.0	-9.9	4.6	4.0	5.2	2.2	2.0	1.8	1.7	1.6	1.6
Nominal GDP	4.1	-6.8	12.4	12.0	18.7	7.5	6.8	6.6	6.5	6.4	6.4
Consumer price index (end of period)	6.2	5.2	7.3	9.4	9.4	5.5	5.0	5.0	5.0	5.0	5.0
Consumer price index (average)	3.9	5.2	5.9	10.4	10.4	7.0	6.5	5.0	5.0	5.0	5.0
Exchange rate (end of period, J$/US$)	131.2	141.7	155.1	152.3	152.3	...	...	...	...	...	...
End-of-period REER (appreciation +) (INS)	-0.2	-5.3	-4.1	...	6.4	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	1.6	0.8	4.3	8.2	8.2	...	...	...	...	...	...
Unemployment rate (percent)	7.7	10.2	8.4	...	...	...	...	...	...	...	...
(In percent of GDP)											
Government Operations 1/											
Budgetary revenue	30.6	29.5	31.0	29.4	31.3	29.4	30.2	29.6	29.7	29.8	30.0
Of which: Tax revenue	27.3	25.9	26.5	26.4	28.5	26.4	27.4	26.8	26.9	26.9	27.0
Budgetary expenditure	29.7	32.6	30.1	29.1	31.0	29.1	29.9	29.3	28.6	27.9	27.8
Primary expenditure	23.5	26.0	24.2	23.6	25.3	24.0	24.5	24.6	24.6	24.8	25.0
Of which: Wages and salaries	9.2	10.7	9.6	10.9	12.0	11.3	11.4	11.5	11.5	11.5	11.5
Interest payments	6.2	6.6	5.9	5.5	5.7	5.1	5.4	4.8	4.0	3.1	2.8
Budget balance	0.9	-3.1	0.9	0.3	0.3	0.3	0.3	0.3	1.2	1.9	2.1
Of which: Central government primary balance	7.1	3.5	6.8	5.8	6.0	5.4	5.7	5.1	5.1	5.1	5.0
Public entities balance	0.0	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.0	-3.2	1.1	0.3	0.3	0.3	0.3	0.3	1.2	1.9	2.1
Public debt (FRL definition) 2/	94.3	109.7	94.2	84.1	80.2	77.9	75.4	71.0	66.9	63.3	59.7
External Sector											
Current account balance	-1.9	-1.1	1.0	-3.2	-0.8	-2.9	-1.2	-1.5	-2.0	-2.0	-2.0
Of which: Exports of goods, f.o.b.	10.5	9.0	10.1	9.8	11.2	10.1	12.6	12.1	11.8	11.5	11.3
... of services	27.7	14.4	19.9	27.9	26.6	29.0	26.5	27.4	27.7	28.0	28.2
Of which: Imports of goods, f.o.b.	36.0	30.2	29.0	37.5	38.3	36.9	37.5	37.3	37.5	37.6	37.7
... of services	16.6	12.3	21.4	21.8	18.9	20.6	18.5	18.2	18.1	18.1	18.1
Gross international reserves (US$ millions)	3,631	4,081	4,833	4,428	4,520	4,065	4,600	4,600	4,700	4,738	4,788
(Changes in percent of beginning of period broad money)											
Money and Credit											
Net foreign assets	6.3	-0.2	9.3	-4.6	1.3	-0.1	0.5	0.6	1.0	1.0	1.0
Net domestic assets	3.0	18.6	4.3	12.9	7.2	7.5	8.6	6.3	5.7	5.8	6.0
Of which: Credit to the private sector	13.3	8.3	6.1	6.6	8.1	6.1	5.7	5.6	5.6	5.9	6.2
Of which: Credit to the central government	-3.3	15.7	-1.9	-1.8	-0.7	-2.5	0.5	-0.4	0.1	-0.5	0.1
Broad money	9.4	18.4	13.6	8.3	8.5	7.3	9.1	7.0	6.7	6.9	7.0
Memorandum Item:											
Nominal GDP (J$ billions)	2,110	1,967	2,210	2,476	2,623	2,662	2,802	2,987	3,183	3,388	3,606

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

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

				2022/23		2023/24		Projections			
	2019/20	2020/21	2021/22	Program	Est.	Program	Proj.	2024/25	2025/26	2026/27	2027/28
Budgetary Revenue and Grants	649,759	575,404	720,224	760,306	827,775	817,106	859,012	897,096	956,431	1,021,714	1,091,504
Tax	579,397	505,685	616,368	682,062	752,841	733,147	778,426	811,333	864,265	920,665	984,077
Of which:											
Income and profits	159,726	161,428	180,183	195,849	235,812	206,154	237,072	235,202	250,022	265,775	284,791
Of which: Other companies	68,283	66,049	73,311	81,719	92,445	87,688	94,446	94,483	100,436	106,764	115,761
PAYE	66,670	67,956	76,661	80,454	107,456	82,330	104,005	99,618	105,894	112,567	119,659
Production and consumption	200,644	171,980	198,231	220,946	231,896	237,107	240,959	256,439	274,408	293,643	315,277
Of which: GCT (Local)	109,304	91,192	107,799	120,163	130,571	128,939	133,398	141,968	152,422	163,646	176,566
International Trade	214,810	168,130	232,559	259,233	278,518	278,167	291,920	310,673	330,248	351,056	373,175
Of which: GCT (Imports)	92,498	76,074	101,902	113,589	117,871	121,886	119,156	126,811	134,801	143,294	152,323
Non-tax	65,705	62,539	93,736	66,876	67,327	71,760	72,406	77,057	82,912	89,136	94,753
Grants	4,657	7,180	7,659	6,460	6,341	6,932	6,819	7,257	7,714	10,275	10,934
Budgetary Expenditure	630,354	635,911	698,895	752,800	819,989	809,051	850,763	888,014	919,240	955,923	1,013,193
Primary expenditure	498,867	506,873	561,848	609,599	668,614	666,866	696,578	744,139	791,026	848,406	910,890
Compensation of employees	211,618	222,996	241,751	305,433	338,126	338,852	349,870	378,400	402,242	428,142	455,573
Wage and salaries	195,936	207,912	222,680	282,137	317,885	313,855	324,270	348,128	370,063	393,891	419,127
Employer contributions	15,681	15,084	19,071	23,296	20,242	24,997	25,600	30,272	32,179	34,251	36,446
Programme expenditure	216,857	234,693	269,587	239,099	277,303	240,804	278,441	274,923	292,246	310,660	327,757
Capital expenditure	70,393	49,184	50,510	65,067	53,185	87,210	68,267	90,816	96,538	109,604	127,560
Interest	131,487	129,038	137,048	143,201	151,375	142,185	154,185	143,875	128,214	107,517	102,303
Domestic	47,596	50,339	54,712	64,936	67,987	64,083	65,083	63,968	51,489	45,183	44,295
External	83,891	78,699	82,336	78,265	83,388	78,102	89,102	79,907	76,726	62,334	58,008
Budget Balance	19,405	-60,507	21,329	7,506	7,786	8,055	8,249	9,082	37,191	65,791	78,310
Of which: Primary budget balance	150,892	68,530	158,377	150,707	159,161	150,240	162,434	152,957	165,406	173,308	180,613
Public Entities Balance 1/	763	-1,632	4,750	0	0	0	0	0	0	0	0
Public Sector Balance	20,168	-62,139	26,079	7,506	7,786	8,055	8,249	9,082	37,191	65,791	78,310
Gross Financing Needs 2/	237,700	144,308	113,547	143,877	154,948	177,748	116,890	253,379	177,482	200,217	182,988
Gross Financing Sources 2/	237,827	144,308	113,547	143,877	154,948	177,748	116,890	253,379	177,482	200,217	182,988
Domestic	72,894	76,553	45,419	57,551	61,979	71,099	46,756	97,352	70,993	80,087	73,195
External	134,239	37,627	68,128	86,326	92,969	106,649	70,134	152,028	106,489	120,130	109,793
Memorandum Items:											
Nominal GDP (billion J$)	2,121	1,949	2,322	2,588	2,645	2,777	2,844	3,027	3,218	3,425	3,644
Public sector debt (FRL definition, billion J$) 3/	1,999	2,138	2,188	2,177	2,121	2,164	2,144	2,149	2,152	2,169	2,177

Sources: Jamaican authorities and Fund staff estimates and projections.
1/ The list of public entities is provided in Attachment I. Technical Appendix.
2/ Gross financing needs and sources are for the central government.
3/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

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

				2022/23		2023/24		Projections			
	2019/20	2020/21	2021/22	Program	Est.	Program	Proj.	2024/25	2025/26	2026/27	2027/28
Budgetary Revenue and Grants	30.6	29.5	31.0	29.4	31.3	29.4	30.2	29.6	29.7	29.8	30.0
Tax	27.3	25.9	26.5	26.4	28.5	26.4	27.4	26.8	26.9	26.9	27.0
Of which:											
Income and profits	7.5	8.3	7.8	7.6	8.9	7.4	8.3	7.8	7.8	7.8	7.8
Of which: Other companies	3.2	3.4	3.2	3.2	3.5	3.2	3.3	3.1	3.1	3.1	3.2
PAYE	3.1	3.5	3.3	3.1	4.1	3.0	3.7	3.3	3.3	3.3	3.3
Production and consumption	9.5	8.8	8.5	8.5	8.8	8.5	8.5	8.5	8.5	8.6	8.7
Of which: GCT (Local)	5.2	4.7	4.6	4.6	4.9	4.6	4.7	4.7	4.7	4.8	4.8
International Trade	10.1	8.6	10.0	10.0	10.5	10.0	10.3	10.3	10.3	10.2	10.2
Of which: GCT (Imports)	4.4	3.9	4.4	4.4	4.5	4.4	4.2	4.2	4.2	4.2	4.2
Non-tax	3.1	3.2	4.0	2.6	2.5	2.6	2.5	2.5	2.6	2.6	2.6
Grants	0.2	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Budgetary Expenditure	29.7	32.6	30.1	29.1	31.0	29.1	29.9	29.3	28.6	27.9	27.8
Primary expenditure	23.5	26.0	24.2	23.6	25.3	24.0	24.5	24.6	24.6	24.8	25.0
Compensation of employees	10.0	11.4	10.4	11.8	12.8	12.2	12.3	12.5	12.5	12.5	12.5
Wage and salaries	9.2	10.7	9.6	10.9	12.0	11.3	11.4	11.5	11.5	11.5	11.5
Employer contribution	0.7	0.8	0.8	0.9	0.8	0.9	0.9	1.0	1.0	1.0	1.0
Programme expenditure	10.2	12.0	11.6	9.2	10.5	8.7	9.8	9.1	9.1	9.1	9.0
Capital expenditure	3.3	2.5	2.2	2.5	2.0	3.1	2.4	3.0	3.0	3.2	3.5
Interest	6.2	6.6	5.9	5.5	5.7	5.1	5.4	4.8	4.0	3.1	2.8
Domestic	2.2	2.6	2.4	2.5	2.6	2.3	2.3	2.1	1.6	1.3	1.2
External	4.0	4.0	3.5	3.0	3.2	2.8	3.1	2.6	2.4	1.8	1.6
Budget Balance	0.9	-3.1	0.9	0.3	0.3	0.3	0.3	0.3	1.2	1.9	2.1
Of which: Primary budget balance	7.1	3.5	6.8	5.8	6.0	5.4	5.7	5.1	5.1	5.1	5.0
Public Entities Balance 1/	0.0	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public Sector Balance	1.0	-3.2	1.1	0.3	0.3	0.3	0.3	0.3	1.2	1.9	2.1
Gross Financing Needs 2/	11.2	7.4	4.9	5.6	5.9	6.4	4.1	8.4	5.5	5.8	5.0
Gross Financing Sources 2/	11.2	7.4	4.9	5.6	5.9	6.4	4.1	8.4	5.5	5.8	5.0
Domestic	3.4	3.9	2.0	2.2	2.3	2.6	1.6	3.2	2.2	2.3	2.0
External	6.3	1.9	2.9	3.3	3.5	3.8	2.5	5.0	3.3	3.5	3.0
Memorandum Items:											
Nominal GDP (billion J$)	2,121	1,949	2,322	2,588	2,645	2,777	2,844	3,027	3,218	3,425	3,644
Public sector debt (FRL definition, billion J$) 3/	1,999	2,138	2,188	2,177	2,121	2,164	2,144	2,149	2,152	2,169	2,177
Public sector debt (FRL definition, %GDP) 3/	94.3	109.7	94.2	84.1	80.2	77.9	75.4	71.0	66.9	63.3	59.7

Sources: Jamaican authorities and Fund staff estimates and projections.
1/ The list of public entities is provided in Attachment I. Technical Appendix.
2/ Gross financing needs and sources are for the central government.
3/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

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

				2022/23		2023/24		Projections			
	2019/20	2020/21	2021/22	Program	Proj.	Program	Proj.	2024/25	2025/26	2026/27	2027/28
Current Account	-291	-173	-101	-418	-49	-504	-270	-356	-411	-419	-442
Trade balance	-3,914	-2,736	-3,267	-4,537	-4,741	-4,573	-4,665	-5,043	-5,287	-5,544	-5,803
Exports (f.o.b.)	1,531	1,258	1,456	1,671	2,056	1,749	2,327	2,374	2,401	2,430	2,454
Imports (f.o.b.)	5,445	3,994	4,723	6,208	6,796	6,322	6,992	7,417	7,687	7,973	8,257
o/w Fuel (cif)	1,601	931	1,563	2,303	2,226	2,023	1,960	1,907	1,861	1,829	1,815
Services (net)	1,671	-225	97	1,185	1,498	1,494	1,587	1,843	1,965	2,115	2,233
o/w Travel (net)	3,199	608	2,373	3,505	3,585	3,710	3,718	4,042	4,205	4,392	4,551
Primary income (net)	-472	-412	-486	-519	-342	-633	-535	-558	-577	-594	-608
Secondary income (net)	2,423	3,200	3,556	3,453	3,536	3,208	3,343	3,402	3,488	3,603	3,737
Government (net)	137	150	182	158	175	144	151	141	131	112	103
Private (net)	2,286	3,051	3,374	3,295	3,361	3,065	3,192	3,261	3,358	3,492	3,634
Capital Account (net)	-29	-30	-31	-29	-30	-30	-30	-31	-30	-30	-30
Financial Account (net)	-201	-394	-609	-447	-78	-534	-301	-386	-441	-450	-472
Direct investment (net)	-123	-181	-287	-387	-390	-477	-512	-589	-707	-735	-763
Portfolio investment (net)	-544	-163	-87	71	646	151	183	-45	86	197	193
Financial derivatives (net)	-97	7	0	-1	-1	0	0	0	0	0	0
Other investment (net)	479	-612	-315	2	-695	-117	113	197	130	39	48
Reserve assets (change)	83	554	80	-133	361	-91	-85	50	50	50	50
Net Errors and Omissions	120	-191	-476	0	0	0	0	0	0	0	0
			(In percent GDP)								
Current Account	-1.9	-1.3	-0.7	-2.5	-0.3	-2.8	-1.4	-1.8	-2.0	-2.0	-2.0
Trade balance	-24.9	-20.1	-21.6	-27.0	-27.6	-25.4	-24.8	-25.6	-25.9	-26.3	-26.6
Exports (f.o.b.)	9.8	9.3	9.6	9.9	12.0	9.7	12.4	12.0	11.8	11.5	11.3
Imports (f.o.b.)	34.7	29.4	31.2	36.9	39.5	35.2	37.2	37.6	37.7	37.8	37.9
Services (net)	10.7	-1.7	0.6	7.1	8.7	8.3	8.4	9.4	9.6	10.0	10.2
o/w Travel (net)	20.4	4.5	15.7	20.9	20.8	20.6	19.8	20.5	20.6	20.8	20.9
Primary income (net)	-3.0	-3.0	-3.2	-3.1	-2.0	-3.5	-2.8	-2.8	-2.8	-2.8	-2.8
Secondary income (net)	15.4	23.6	23.5	20.5	20.6	17.9	17.8	17.3	17.1	17.1	17.1
o/w Private (net)	14.6	22.5	22.3	19.6	19.5	17.1	17.0	16.5	16.5	16.6	16.7
Capital Account (net)	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1
Financial Account (net)	-1.3	-2.9	-4.0	-2.7	-0.5	-3.0	-1.6	-2.0	-2.2	-2.1	-2.2
o/w Direct investment (net)	-0.8	-1.3	-1.9	-2.3	-2.3	-2.7	-2.7	-3.0	-3.5	-3.5	-3.5
Memorandum Items:											
Gross international reserves /1	3,688	4,244	4,324	4,191	4,685	4,100	4,600	4,650	4,700	4,750	4,800
(in months of next year's imports of GNFS)	5.5	9.0	6.4	5.2	5.6	5.0	5.3	5.1	4.9	4.8	4.7
(in percent of ARA metric)	96	110	109	104	116	106	114	115	115	115	116
Net international reserves (NIR)	3,238	3,319	3,676	3,691	4,152	3,805	4,249	4,405	4,483	4,535	4,585
Exports of goods (percent change)	-23.7	-17.8	15.7	17.6	41.2	4.6	13.2	2.0	1.1	1.2	1.0
Imports of goods (percent change)	-3.2	-26.6	18.2	30.6	43.9	138.0	2.9	6.1	3.6	3.7	3.6
Oil prices (composite, fiscal year basis)	56.5	48.6	76.0	92.9	91.4	79.7	75.2	71.0	68.3	66.2	64.5
Terms of trade (fiscal year basis)	108	110	97	93	93	98	98	101	103	105	105
GDP (US$ millions)	15,688	13,588	15,131	16,806	17,197	17,974	18,805	19,710	20,391	21,087	21,790
Jamaican dollar/USD, period average	135	143	153	…	154	…	…	…	…	…	…

Sources: Jamaican authorities; and Fund staff estimates.

1/ The RSF will be used for budget support and will not add to international reserves.

Table 4. Jamaica: Summary of Monetary Survey 1/
(In billions of Jamaican dollars)

				2022/23		2023/24		Projections			
	2019/20	2020/21	2021/22	Program	Act.	Program	Proj.	2024/25	2025/26	2026/27	2027/28
Net Foreign Assets	391.3	402.1	482.1	403.4	533.6	426.3	522.9	542.6	564.3	587.3	611.1
Net Domestic Assets	869.6	1,047.7	1,152.7	1,366.2	1,261.0	1,467.6	1,410.6	1,520.9	1,637.5	1,767.2	1,908.3
Net domestic claims	1,354.8	1,575.9	1,695.0	1,772.5	1,828.3	1,839.9	1,938.5	2,041.1	2,169.0	2,289.1	2,449.6
Net claims on central government	253.4	390.1	390.6	352.9	393.0	310.1	388.9	380.8	387.5	369.9	377.4
Claims on rest of public sector	13.1	14.4	6.4	6.4	10.0	6.4	10.0	10.0	10.0	10.0	10.0
Claims on private sector	1,046.7	1,126.0	1,228.5	1,337.6	1,354.9	1,442.0	1,463.9	1,569.6	1,685.8	1,817.9	1,965.2
Of which: Credit to private sector	1,044.4	1,123.6	1,225.8	1,336.7	1,351.3	1,441.0	1,460.0	1,565.5	1,681.4	1,813.2	1,960.0
Claims on other financial corporations	41.6	45.4	69.5	75.6	70.4	81.4	75.8	80.6	85.7	91.2	97.1
Capital account	359.9	393.8	367.2	367.2	380.9	367.2	380.9	380.9	380.9	380.9	380.9
Other	-125.3	-134.5	-175.0	-39.0	-186.4	-5.1	-147.0	-139.2	-150.5	-140.9	-160.4
Broad Money (M3)	1,260.9	1,449.8	1,634.8	1,769.7	1,794.5	1,893.9	1,933.5	2,063.5	2,201.8	2,354.5	2,519.4
Narrow money (M2)	1,030.6	1,172.8	1,352.4	1,464.7	1,483.4	1,565.8	1,598.3	1,705.8	1,820.1	1,946.4	2,082.6
Other liabilities	230.3	277.0	282.4	305.0	311.1	328.1	335.2	357.7	381.7	408.2	436.7
						(Percent change)					
Net Foreign Assets	23.7	2.8	19.9	-16.3	10.7	5.7	-2.0	3.8	4.0	4.1	4.0
Net Domestic Assets	10.0	20.5	10.0	18.5	9.4	7.4	11.9	7.8	7.7	7.9	8.0
Net domestic claims	9.8	16.3	7.6	4.3	7.9	3.8	6.0	5.3	6.3	5.5	7.0
Of which: Credit to private sector	14.6	7.6	9.1	8.9	10.2	7.8	8.0	7.2	7.4	7.8	8.1
Claims on other financial corporations	-0.6	9.0	53.2	8.8	1.4	7.7	7.5	6.4	6.3	6.4	6.4
Capital account	22.3	9.4	-6.7	0.0	3.7	0.0	0.0	0.0	0.0	0.0	0.0
Other	-16.1	7.3	30.2	-78.3	6.5	-87.0	-21.1	-5.3	8.1	-6.4	13.8
Broad Money (M3)	13.9	15.0	12.8	8.2	9.8	7.0	7.7	6.7	6.7	6.9	7.0
Narrow money (M2)	15.9	13.8	15.3	8.3	9.7	6.9	7.7	6.7	6.7	6.9	7.0
Other liabilities	5.7	20.3	1.9	8.0	10.2	7.6	7.7	6.7	6.7	6.9	7.0
						(Percent of GDP)					
Net Foreign Assets	18.4	20.6	20.8	15.6	20.2	15.4	18.4	17.9	17.5	17.1	16.8
Net Domestic Assets	41.0	53.8	49.6	52.8	47.7	52.8	49.6	50.2	50.9	51.6	52.4
Net domestic claims	63.9	80.9	73.0	68.5	69.1	66.2	68.2	67.4	67.4	66.8	67.2
Of which: Credit to private sector	49.2	57.7	52.8	51.6	51.1	51.9	51.3	51.7	52.2	52.9	53.8
Claims on other financial corporations	2.0	2.3	3.0	2.9	2.7	2.9	2.7	2.7	2.7	2.7	2.7
Capital account	17.0	20.2	15.8	14.2	14.4	13.2	13.4	12.6	11.8	11.1	10.5
Other	-5.9	-6.9	-7.5	-1.5	-7.0	-0.2	-5.2	-4.6	-4.7	-4.1	-4.4
Broad Money (M3)	59.4	74.4	70.4	68.4	67.8	68.2	68.0	68.2	68.4	68.7	69.1
Narrow money (M2)	48.6	60.2	58.2	56.6	56.1	56.4	56.2	56.3	56.6	56.8	57.1
Other liabilities	10.9	14.2	12.2	11.8	11.8	11.8	11.8	11.8	11.9	11.9	12.0

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

Table 5. Jamaica: Financial Soundness Indicators 1/

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

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, 2023–44 1/
(In millions of SDRs, unless otherwise indicated)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Fund Obligations Based on Existing Credit																						
(millions of SDRs)																						
Principal	130.9	247.5	124.1	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges and interest 2/	23.0	36.8	25.3	22.0	21.7	21.7	21.6	21.7	21.7	21.7	21.6	21.7	21.7	21.7	21.6	21.7	21.7	21.7	21.6	21.7	21.7	21.7
Fund Obligations Based on Existing and Prospective																						
Credit (millions of SDRs)	163.3	341.4	215.6	153.8	409.3	367.9	84.1	50.0	50.0	50.0	50.0	78.2	104.8	102.0	99.1	96.3	93.5	90.7	87.8	85.0	82.1	51.1
Principal	130.9	247.5	124.1	66.9	330.3	306.3	33.5	0.0	0.0	0.0	0.0	28.7	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	28.7
GRA	130.9	247.5	124.1	66.9	330.3	306.3	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.7	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	28.7
Charges and interest 3/	32.4	93.9	91.6	86.9	79.0	61.6	50.6	50.0	50.0	50.0	50.0	49.5	47.4	44.6	41.7	38.9	36.0	33.2	30.4	27.5	24.7	22.4
Total Obligations Based on Existing and Prospective																						
Credit																						
Millions of SDRs	163.3	341.4	215.6	153.8	409.3	367.9	84.1	50.0	50.0	50.0	50.0	78.2	104.8	102.0	99.1	96.3	93.5	90.7	87.8	85.0	82.1	51.1
Percent of exports of goods and services	3.0	5.9	3.6	2.5	6.3	5.5	1.2	0.7	0.7	0.7	0.6	1.0	1.3	1.2	1.1	1.1	1.0	0.9	0.9	0.8	0.8	0.5
Percent of gross international reserves	4.7	9.9	6.1	4.3	11.4	10.1	2.2	1.3	1.2	1.2	1.1	1.7	2.2	2.0	1.9	1.8	1.7	1.5	1.4	1.3	1.2	0.7
Percent of government revenue	3.9	7.8	4.7	3.3	8.3	7.2	1.6	0.9	0.9	0.8	0.8	1.2	1.5	1.4	1.3	1.2	1.1	1.1	1.0	0.9	0.9	0.5
Percent of public external debt service	21.9	45.0	28.4	16.8	46.1	42.4	18.0	12.1	12.9	12.9	13.3	21.1	28.0	26.1	24.4	22.8	21.2	19.8	18.4	17.1	15.9	9.5
Percent of GDP	1.1	2.2	1.3	0.9	2.3	2.0	0.4	0.3	0.2	0.2	0.2	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.1
Percent of quota	42.7	89.2	56.3	40.2	106.9	96.1	22.0	13.1	13.1	13.1	13.0	20.4	27.4	26.6	25.9	25.2	24.4	23.7	22.9	22.2	21.5	13.3
Principal	34.2	64.6	32.4	17.5	86.2	80.0	8.7	0.0	0.0	0.0	0.0	7.5	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5
GRA	34.2	64.6	32.4	17.5	86.2	80.0	8.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	7.5
Outstanding IMF Credit Based on Existing and																						
Prospective Drawings																						
Millions of SDRs	1,031.9	1,435.4	1,311.3	1,244.4	914.2	607.9	574.4	574.4	574.4	574.4	574.4	545.6	488.2	430.8	373.3	315.9	258.5	201.0	143.6	86.2	28.7	0.0
GRA	840.4	861.0	737.0	670.1	339.8	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	191.5	574.4	574.4	574.4	574.4	574.4	574.4	574.4	574.4	574.4	574.4	545.6	488.2	430.8	373.3	315.9	258.5	201.0	143.6	86.2	28.7	0.0
Percent of exports of goods and services	19.0	24.7	21.8	19.9	14.2	9.1	8.4	8.1	7.9	7.6	7.4	6.8	5.9	5.1	4.3	3.5	2.8	2.1	1.5	0.8	0.3	0.0
Percent of gross international reserves	29.8	41.5	37.1	34.9	25.4	16.7	15.2	14.6	14.0	13.4	12.9	11.8	10.1	8.6	7.1	5.8	4.6	3.4	2.3	1.3	0.4	0.0
Percent of government revenue	24.7	32.7	28.8	26.3	18.6	11.9	10.8	10.3	9.9	9.5	9.1	8.2	7.0	6.0	5.0	4.0	3.2	2.4	1.6	0.9	0.3	0.0
Percent of total public external debt	17.3	24.8	24.4	26.1	21.9	17.1	17.1	18.0	18.7	19.6	20.5	20.4	20.0	17.0	14.1	11.5	9.0	6.7	4.6	2.7	0.9	0.0
Percent of GDP	7.0	9.1	8.0	7.3	5.2	3.4	3.1	2.9	2.8	2.7	2.6	2.4	2.0	1.7	1.4	1.2	0.9	0.7	0.5	0.3	0.1	0.0
Percent of quota	269.5	374.9	342.5	325.0	238.7	158.7	150.0	150.0	150.0	150.0	150.0	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0
GRA	219.5	224.9	192.5	175.0	88.7	8.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	50.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	142.5	127.5	112.5	97.5	82.5	67.5	52.5	37.5	22.5	7.5	0.0
Net Use of IMF Credit (millions of SDRs)	520.0	403.5	-124.1	-66.9	-330.3	-306.3	-33.5	0.0	0.0	0.0	0.0	-28.7	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-57.4	-28.7
Disbursements	650.9	650.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	130.9	247.5	124.1	66.9	330.3	306.3	33.5	0.0	0.0	0.0	0.0	28.7	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	57.4	28.7
Memorandum Items:																						
Exports of goods and services (millions of U.S. dollars)	7,207	7,729	8,012	8,304	8,582	8,847	9,119	9,400	9,690	9,988	10,296	10,613	10,940	11,277	11,624	11,983	12,352	12,732	13,124	13,529	13,945	14,375
Gross international reserves (millions of U.S. dollars)	4,600	4,600	4,700	4,738	4,788	4,838	5,036	5,243	5,459	5,683	5,917	6,160	6,413	6,677	6,951	7,237	7,534	7,844	8,166	8,502	8,852	9,215
Government revenue (million of U.S. dollars)	5,554	5,841	6,061	6,290	6,526	6,771	7,075	7,394	7,726	8,074	8,437	8,817	9,214	9,593	9,987	10,397	10,825	11,270	11,733	12,215	12,717	13,240
Total external debt, public (million of U.S. dollars)	7,950	7,685	7,142	6,347	5,543	4,725	4,457	4,255	4,080	3,901	3,733	3,563	3,242	3,376	3,514	3,659	3,809	3,966	4,129	4,298	4,475	4,659
External debt service, public (million of U.S. dollars)	991	1,009	1,010	1,216	1,181	1,153	620	548	515	514	498	494	499	519	541	563	586	610	635	661	688	717
Nominal GDP (millions of U.S. dollars)	19,633	21,038	21,790	22,522	23,274	24,056	25,044	26,074	27,145	28,261	29,423	30,632	31,891	33,202	34,566	35,987	37,466	39,006	40,609	42,278	44,016	45,825
Quota (millions of SDRs)	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9	382.9
SDR/USD exchange rate	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33

Source: IMF staff estimates and projections.

1/ Based on a drawing scenario.

2/ Based on the GRA rate of charge of 4.984 percent as of June 29, 2023.

3/ Jamaica belongs to the RST interest Group C. Interest based on the RST rate of interest of 4.934 percent as of June 29, 2023

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

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

Source: IMF staff estimates

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

Availability Date	Millions of SDR	Percent of Quota	Conditions for Access
August 31, 2023	47.8625	12.50	Completion of RSF review of reform measures 1 implementation
August 31, 2023	47.8625	12.50	Completion of RSF review of reform measures 2 implementation
August 31, 2023	47.8625	12.50	Completion of RSF review of reform measures 8 implementation
August 31, 2023	47.8625	12.50	Completion of RSF review of reform measures 9 implementation
February 29, 2024	47.8625	12.50	Completion of RSF review of reform measures 3 implementation
February 29, 2024	47.8625	12.50	Completion of RSF review of reform measures 4 implementation
February 29, 2024	47.8625	12.50	Completion of RSF review of reform measures 6 implementation
February 29, 2024	47.8625	12.50	Completion of RSF review of reform measures 10 implementation
August 31, 2024	47.8625	12.50	Completion of RSF review of reform measures 5 implementation
August 31, 2024	47.8625	12.50	Completion of RSF review of reform measures 7 implementation
August 31, 2024	47.8625	12.50	Completion of RSF review of reform measures 11 implementation
August 31, 2024	47.8625	12.50	Completion of RSF review of reform measures 12 implementation
Total	574.35	150	
Memorandum item:			
Quota	382.90		

Source: IMF staff estimates

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

	FY 2023/24			FY 2024/25		
		Program request 1/			Program request 1/	
	Baseline	Baseline	Downside scenario	Baseline	Baseline	Downside scenario
Gross Financing needs	3,030	3,293	4,002	3,063	3,250	3,645
Current account deficit	270	504	1,213	356	475	875
MLT amortization	595	595	595	574	574	574
ST amortization	2165	2194	2194	2133	2201	2196
Financing sources	2,945	3,202	3,019	3,113	3,400	3,301
FDI (net)	512	477	388	589	558	502
MLT debt disbursements	167	163	143	468	456	436
Other 2/	2,266	2,562	2,488	2,056	2,385	2,363
Net sources of financing	85	91	983	-50	-150	344
PLL	0	0	607	0	0	354
in percent of quota	*0*	*0*	*120*	*0*	*0*	*70*
Net change in reserves (-: increase)	85	91	376	-50	-150	-10
Memorandum items:						
Gross international reserves (GIR)	4,600	4,100	3,815	4,650	4,250	3,824
(as % of 2022 ARA metric)	114	106	98	116	109	98

Sources: IMF staff calculations and estimates.

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

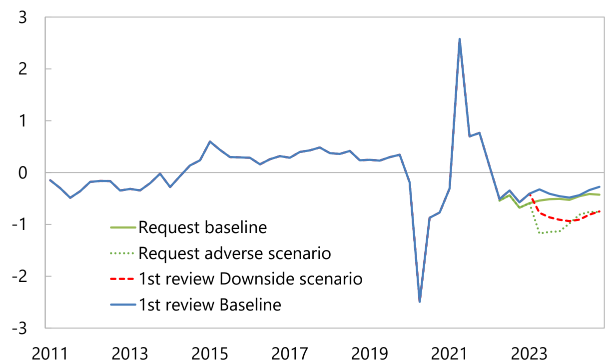
2/ Includes the rollover of short term debt, portfolio flows and other private investment flows. The RSF is excluded as it replaces other public debt financing and does not add to external financing.

Annex I. External Economic Stress Index

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

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

External Economic Stress Index
(↓ more external economic stress)



Sources: WEO and IMF staff estimates.

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

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

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

6. Revised downside scenario. The downside scenario is in line with the global downside scenario of the April 2023 WEO. It illustrates how shocks to global credit supply, stemming from banking sector fragility in the face of tightening monetary policy, amplified through risk-off behavior, could reduce global growth to about 1 percent.[1] Under this scenario, bank lending contracts, corporate spreads increase and a flight to safety and declining in confidence is assumed to lead to higher savings and falling consumption. This leads to a strong deceleration in growth in advanced economies in 2023, in which Jamaica's main trading partners' growth is about 1.8 percentage points below the baseline. Whereas the downside scenario in the PLL/RSF request featured higher fuel and food prices as well as global interest rates, under this revised scenario the fall in global demand triggers a fall in commodity prices and inflation, and consequently considerably lower policy rates than under the baseline as monetary policy responds endogenously. The shock begins to dissipate in 2024, in which growth in trading partners is about ½ percent above the baseline, but the level of GDP remains below the baseline.

7. Overall Assessment. The external economic stress index suggests that external pressures under the revised adverse scenario remain high but are projected to soften, particularly in 2023—though still above the baseline.

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

Annex II. Debt Sustainability Analysis

***Jamaica's public debt is sustainable**. Underpinned by the authorities' sustained efforts in fiscal consolidation, public debt is estimated to have declined to 80 percent of GDP in FY2022/23 and is on a downward trajectory in line with the Fiscal Responsibility Law debt target of 60 percent of GDP by FY2027/28. The authorities have been proactive in reducing near-term gross financing needs with prudent debt management policies and debt buybacks. Debt dynamics remain vulnerable to the uncertainties surrounding the global commodity markets, natural disasters, and the realization of contingent liabilities from public bodies.*[1]

1. Jamaica's public debt has been declining steadily as a result of strong fiscal consolidation efforts, and prudent debt management. Jamaica's public debt fell from 110 percent of GDP in FY 2020/21 to 80 percent in FY2022/23. Debt reduction efforts resumed promptly following the pandemic. The authorities are committed to bringing public debt below 60 percent of GDP by FY2027/28, although with a modest (two-year) delay from the original FY2025/26 target date under the Fiscal Responsibility Law.

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 recede to the target of 5 percent over the medium-term due to fading commodity prices and an easing of global supply-chain shortages. Fiscal balance is expected to be around 0.3 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 payments are projected to fall in line with retiring of maturing bonds, even though at a slower pace than at program approval due to higher projected interest rates. External debt projections are based on projected increases in the current account deficit of around 2 percent of GDP over the medium term and planned disbursements of project loans by multilateral and bilateral creditors. Use of the RSF funds would create fiscal space by lowering the gross financing needs. Without the RSF, a larger share of GFN would be financed by government borrowing from the market, on less concessional terms. Also, the RSF funds would boost investment and growth which would lower the long-term debt ratios over time.

Long-Term Risk Analyses

3. Long-term risk is assessed to be moderate. The large amortization module shows gradual declines in GFN and debt relative to GDP both under the baseline and customized scenarios. Climate-related expenditure are manageable and would not significantly impact debt sustainability. In the long-term, the customized scenario assumes an increase of 0.5 percent of GDP per year of spending related to climate risks arising from adaptation and mitigation investment needs. In this scenario, public debt and GFN will increase relative to the baseline but will be on a downward

[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.

trajectory over the 20-year horizon (Figure 6). 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.

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

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

	Debt Stock (end of period) 2022			Debt Service 2022	2023	2024	2022	2023	2024
	(In US$ millions)	(Percent total debt)	(Percent GDP)	(In US$ millions)			(Percent GDP)		
Total	**14057.9**	**100.0**	**80.2**	2085.4	1835.6	2617.3	11.9	9.8	13.4
External	**8965.9**	**63.8**	**51.2**	864.2	1010.7	1000.0	4.9	5.4	5.1
Multilateral creditors[2]	3117.3	22.2	17.8	407.3	469.2	429.5	2.3	2.5	2.2
IMF	195.3	1.4	1.1						
World Bank	1025.0	7.3	5.8						
ADB/AfDB/IADB	1674.5	11.9	9.6						
Other Multilaterals	222.6	1.6	1.3						
o/w: list largest two creditors									
list of additional large creditors									
Bilateral Creditors	718.0	5.1	**4.1**	107.2	102.7	111.3	0.6	0.5	0.6
Paris Club	16.4	0.1	0.1						
o/w: list largest two creditors									
list of additional large creditors									
Non-Paris Club	701.6	5.0	4.0						
o/w: list largest two creditors									
list of additional large creditors									
Bonds	5130.6	36.5	**29.3**	349.7	438.9	459.2	2.0	2.3	2.3
Commercial creditors	5130.6	36.5	29.3	349.7	438.9	459.2	2.0	2.3	2.3
o/w: list largest two creditors									
list of additional large creditors									
Other international creditors									
o/w: list largest two creditors									
list of additional large creditors									
Domestic	**5092.0**	**36.2**	**29.1**	1221.2	824.8	1617.3	7.0	4.4	8.3
Held by residents, total									
Held by non-residents, total									
T-Bills	68.3	0.5	**0.4**	148.4	203.4	148.4	0.8	1.1	0.8
Bonds	5023.7	35.7	**28.7**	1072.8	621.4	1468.9	6.1	3.3	7.5
Loans	0								
Memo Items:									
Collateralized debt[3]	0								
o/w: Related	0								
o/w: Unrelated	0								
Contingent liabilities[4]	1618.3								
o/w: Public guarantees									
o/w: Other explicit contingent liabilities[5]									
Nominal GDP	17528								

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

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

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

4/ Data as of end of FY2021/22.

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

Table 2. Jamaica: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	Moderate	Jamaica's overall risk of sovereign stress is moderate, reflecting a relatively moderate level of vulnerability in the near-term and long-term, and a low level of vulnerability in the medium term.
Near term 1/			
Medium term	Low	Low	Medium-term risks are assessed as low on the basis of the strength of institutions. The fan chart suggests a moderate risk due to the volatility of key macroeconomic indicators, and public debt is on a declining path. The GFN tool indicates a low risk reflecting low GFN needs and 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 would not pose any significant concerns to debt sustainability. Pension expenditures would lead to larger GFNs and an upwards debt trajectory in the long run, pointing to the need to undertake parametric reforms of the current public pension system.
Sustainability assessment 2/	…	Sustainable with high probability	Public debt is already on a declining path and GFNs are low and remain at manageable levels. The Fiscal Responsibility Law ensures that the fiscal path ensures a debt target of 60% of GDP by FY2027/28. Therefore, debt is assessed as sustainable with high probability.
Debt stabilization in the baseline			Yes

DSA summary assessment

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

Source: Fund staff.

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

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

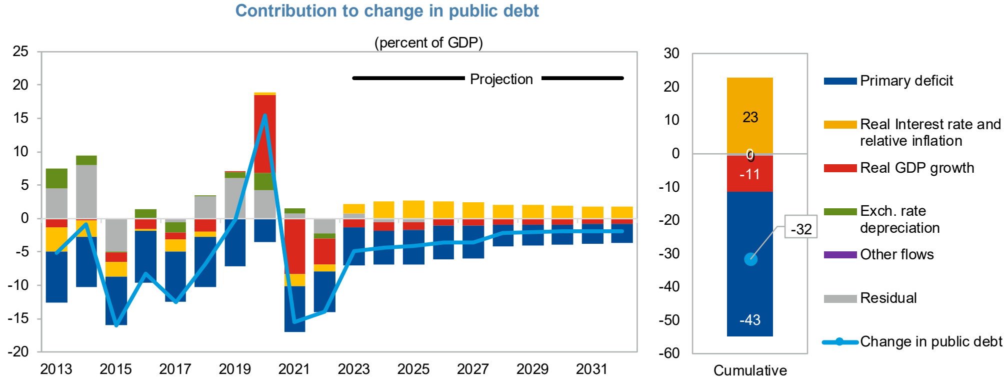
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access,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

Table 3. Jamaica: Baseline Scenario

(FY In percent of GDP, unless indicated otherwise)

	Est.	Medium-term projection						Extended projection				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	80.2	75.4	71.0	66.9	63.3	59.7	57.5	55.6	53.6	51.7	49.8	48.5
Change in public debt	-14.0	-4.8	-4.4	-4.1	-3.6	-3.6	-2.2	-2.0	-1.9	-1.9	-1.9	-1.3
Contribution of identified flows	-11.8	-5.6	-3.8	-3.6	-3.6	-3.5	-2.2	-2.0	-1.9	-1.9	-1.9	-1.3
Primary deficit	-6.0	-5.7	-5.1	-5.1	-5.1	-5.0	-3.3	-3.1	-3.0	-2.9	-2.8	-2.2
Noninterest revenues	31.3	30.2	29.6	29.7	29.8	29.9	30.1	30.2	30.3	30.4	30.5	30.6
Noninterest expenditures	25.3	24.5	24.6	24.6	24.8	25.0	26.8	27.0	27.3	27.5	27.7	28.5
Automatic debt dynamics	-5.8	0.1	1.3	1.6	1.5	1.4	1.1	1.1	1.1	1.0	0.9	0.9
Real interest rate and relative inflation	-1.1	1.5	2.5	2.8	2.6	2.4	2.0	2.1	2.0	1.8	1.7	1.7
Real interest rate	-2.0	0.6	1.6	1.8	1.6	1.6	1.4	1.5	1.5	1.4	1.3	1.3
Relative inflation	0.9	0.8	1.0	0.9	0.9	0.8	0.7	0.5	0.5	0.5	0.4	0.4
Real growth rate	-3.9	-1.3	-1.3	-1.2	-1.1	-1.0	-0.9	-0.9	-0.9	-0.8	-0.8	-0.8
Real exchange rate	-0.9	…	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-2.2	0.8	-0.6	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	5.9	4.1	8.4	5.5	5.8	5.0	9.8	6.7	5.9	6.0	6.0	6.9
of which: debt service	11.9	9.8	13.4	10.7	10.9	10.0	13.1	9.9	9.0	8.9	8.7	9.0
Local currency	7.0	4.4	8.3	5.7	5.1	4.6	7.9	7.2	6.7	6.9	6.8	7.2
Foreign currency	4.9	5.4	5.1	5.0	5.8	5.4	5.1	2.6	2.2	2.0	1.9	1.8
Memo:												
Real GDP growth (percent)	4.3	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Inflation (GDP deflator; percent)	9.2	5.7	4.6	4.5	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Nominal GDP growth (percent)	13.9	7.5	6.4	6.3	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Effective interest rate (percent)	6.8	6.6	6.8	7.3	7.4	7.4	7.1	7.5	7.5	7.4	7.4	7.4

Contribution to change in public debt



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

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

(In fiscal year and 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	93.0	85.8	82.6	103.8	92.6			**81.2**	**73.2**	**68.9**	**66.0**	**63.5**	**61.0**	**-3.7**
Change in external debt	-1.7	-7.2	-3.2	21.2	-11.2			-11.4	-8.0	-4.2	-2.9	-2.6	-2.5	
Identified external debt-creating flows (4+8+9)	-12.0	-6.6	0.0	10.2	-12.4			-5.4	-2.6	-2.5	-2.8	-2.8	-2.7	
Current account deficit, excluding interest payments	0.2	-1.0	-0.7	-1.1	-1.8			-1.9	-0.8	-0.4	-0.2	-0.2	-0.1	
Deficit in balance of goods and services	-83.1	-89.7	-87.8	-61.6	-85.6			-98.5	-94.6	-95.4	-95.5	-95.7	-95.8	
Exports	33.6	38.1	36.7	19.9	32.3			39.8	39.1	39.6	39.6	39.7	39.7	
Imports	-49.4	-51.6	-51.0	-41.7	-53.3			-58.7	-55.5	-55.8	-55.9	-56.0	-56.1	
Net non-debt creating capital inflows (negative)	-9.1	-4.2	-2.1	-3.8	-2.5			-2.2	-2.8	-3.1	-3.7	-3.7	-3.8	
Automatic debt dynamics 1/	-3.0	-1.4	2.8	15.1	-8.1			-1.3	1.0	1.0	1.0	1.1	1.1	
Contribution from nominal interest rate	2.9	2.5	2.6	2.3	2.4			2.2	2.3	2.2	2.2	2.2	2.1	
Contribution from real GDP growth	-0.8	-1.7	0.1	10.5	-7.6			-3.5	-1.3	-1.2	-1.1	-1.0	-1.0	
Contribution from price and exchange rate changes 2/	-5.1	-2.2	0.1	2.3	-3.0			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	10.3	-0.6	-3.2	11.0	1.2			-6.0	-5.4	-1.7	-0.1	0.2	0.2	
External debt-to-exports ratio (in percent)	276.4	225.6	224.9	521.9	286.5			204.0	187.1	174.1	166.7	159.7	153.6	
Gross External Financing Need (in billions of US dollars) 4/	3.2	3.1	2.4	2.1	2.7			2.5	3.1	3.2	3.1	3.1	3.1	
in percent of GDP	21.2	19.7	15.1	15.1	18.1	10-Year	10-Year	14.7	16.6	16.2	15.1	14.7	14.2	
Scenario with Key Variables at Their Historical Averages 5/								**81.2**	**80.2**	**79.3**	**79.2**	**79.4**	**79.6**	**-1.9**
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	4.3	1.7	1.7	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	9.0	7.5	3.1	1.7	1.8	1.7	
Nominal external interest rate (in percent)	3.3	2.8	3.0	2.5	2.6	3.8	1.4	2.7	3.1	3.2	3.3	3.4	3.4	
Growth of exports (US dollar terms, in percent)	12.9	18.0	-3.7	-53.1	81.0	6.1	32.7	40.0	7.4	6.1	3.5	3.7	3.2	
Growth of imports (US dollar terms, in percent)	15.3	8.9	-1.3	-29.3	42.3	1.7	18.6	25.2	3.4	5.5	3.6	3.6	3.5	
Current account balance, excluding interest payments	-0.2	1.0	0.7	1.1	1.8	-0.5	2.9	1.9	0.8	0.4	0.2	0.2	0.1	
Net non-debt creating capital inflows	9.1	4.2	2.1	3.8	2.5	4.5	2.2	2.2	2.8	3.1	3.7	3.7	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 1. Jamaica: Debt Coverage and Disclosures

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

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

Coverage		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/
chosen coverage	chosen coverage	chosen coverage	Missing from recommended coverage	Missing from recommended coverage

4. Accounting principles:

Basis of recording		Valuation of debt stock		
Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
	chosen coverage	chosen coverage		

5. Debt consolidation across sectors: Consolidated | Non-consolidated (chosen coverage)

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

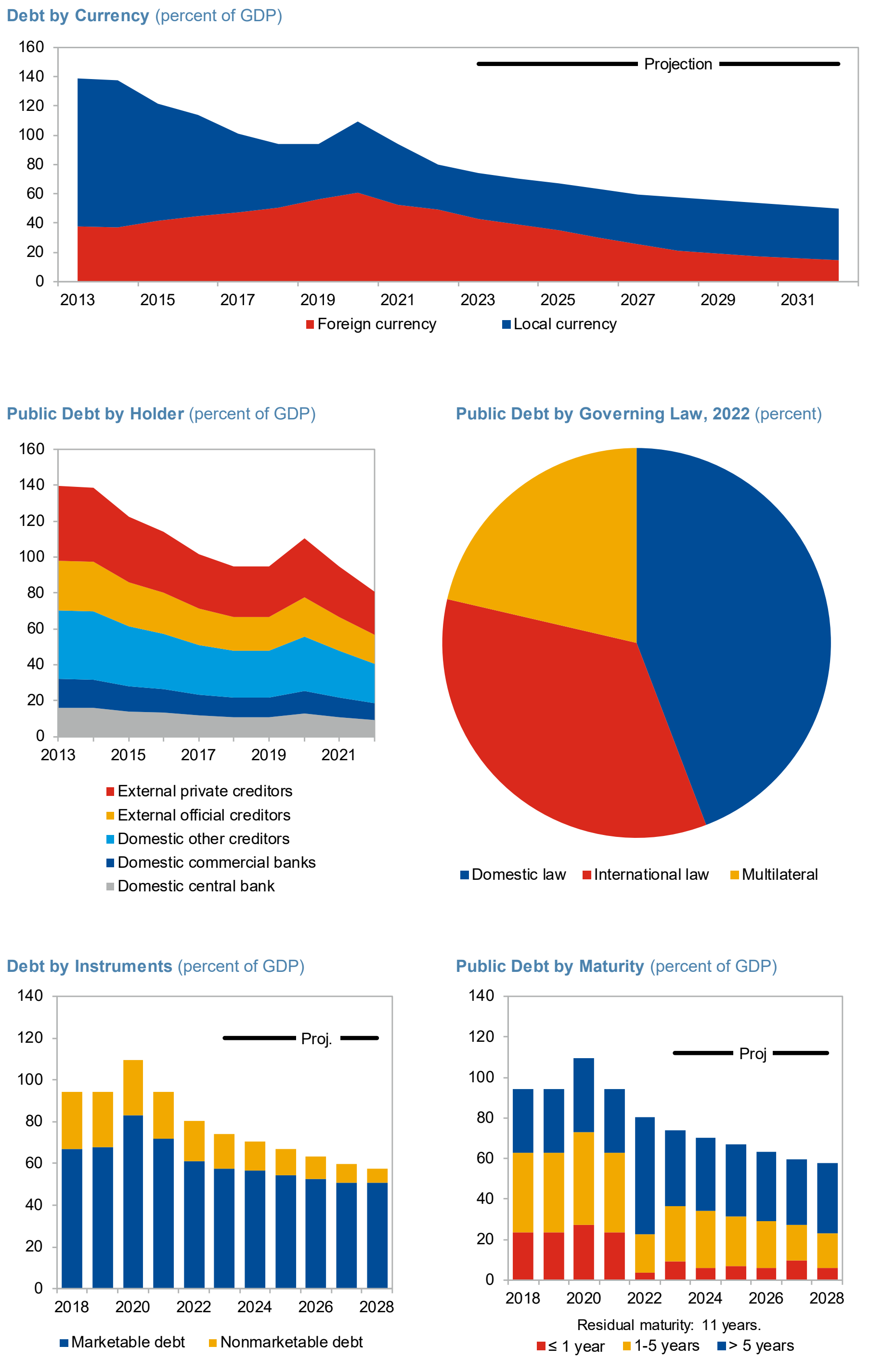
Reporting on intra-government debt holdings

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

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

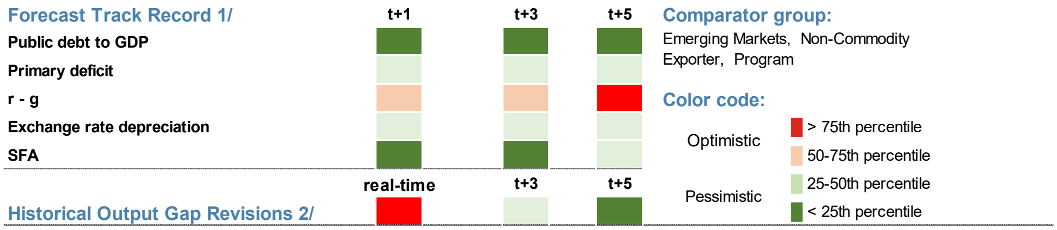
Commentary: The DSA covers debt issued by central government, public bodies and debt guaranteed by central government. The authorites are improving coverage and quality of public debt data, including expanding the coverage to general government.

Figure 2. Jamaica: Public Debt Structure Indicators

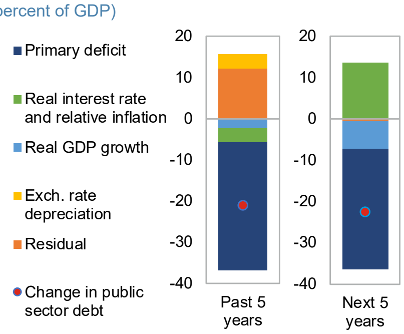


Note: The perimeter shown includes direct debt by the central government, guaranteed debt and debt of public bodies guaranteed by the government, excluding the central bank.
Commentary: The share of external debt is expected to decline over the medium-term as the authorities implement strategies and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

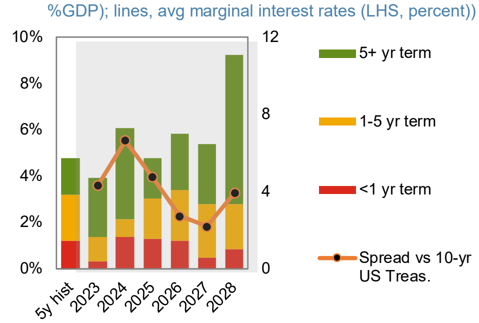
Figure 3. Jamaica: Realism of Baseline Assumptions



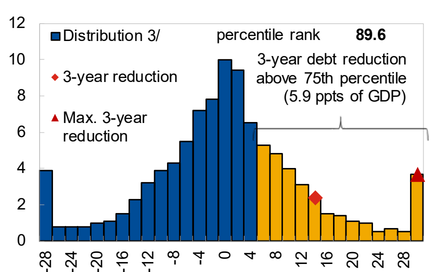
Public Debt Creating Flows
(percent of GDP)



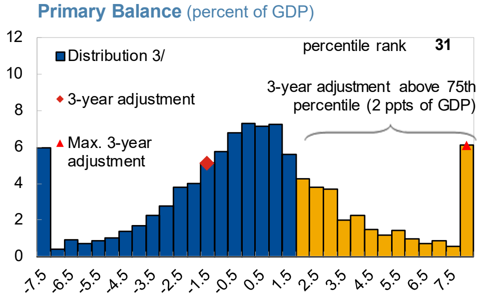
Bond Issuances (bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



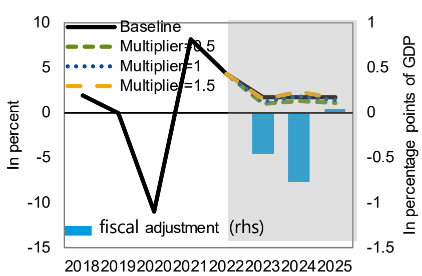
3-Year Debt Reduction
(percent of GDP)



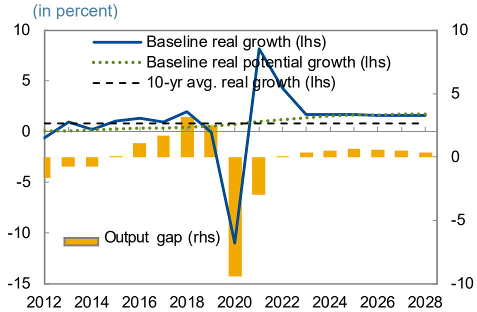
3-Year Adjustment in Cyclically-Adjusted Primary Balance (percent of GDP)



Fiscal Adjustment and Possible Growth Paths
(lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS)



Real GDP Growth
(in percent)

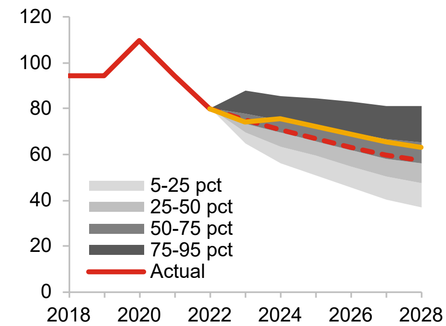


Commentary: The realism analysis does not point to major concerns. Past forecast errors do not reveal any systematic biases and the projected debt reduction is within norms. Most of the debt reduction in the next five years is expected from the elevated primary balance surpluses, underpinned by the planned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

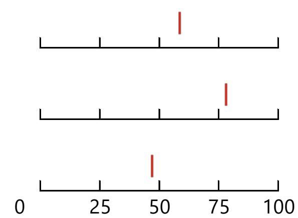
Source : IMF Staff.
1/ Projections made in the October and April WEO vintage.
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

Figure 4. Jamaica: Medium-Term Risk Analysis

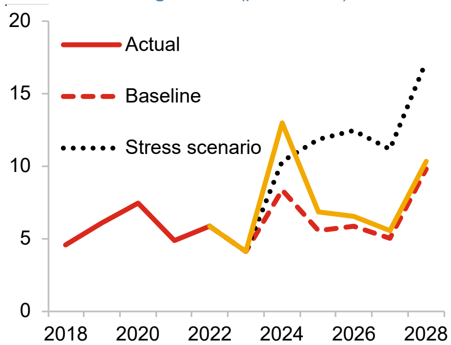
Final Fanchart (pct of GDP) | **Debt fanchart module**



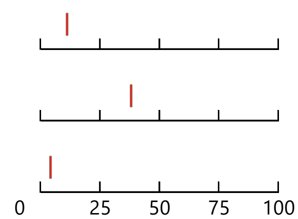
	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	44.0	0.6	
Probability of debt non-stabilization *(percent)*	15.6	0.1	
Terminal debt-to-GDP x institutions index	28.9	0.6	
Debt fanchart index (DFI)		1.4	
Risk signal: 3/		**Moderate**	



Gross Financing Needs (pct of GDP) | **Gross financing needs (GFN) module**

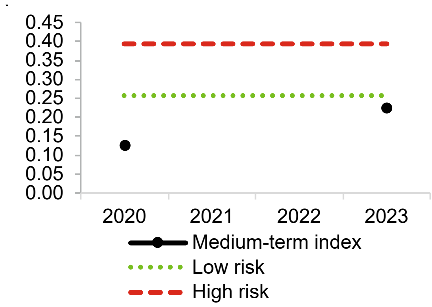


	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	6.4	2.2	
Banks' claims on the gen. govt *(pct bank assets)*	10.9	3.5	
Chg. In banks' claims in stress *(pct banks' assets)*	4.0	1.3	
GFN financeability index (GFI)		7.1	
Risk signal: 4/		**Low**	



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

Medium-term Index (index number)



Medium-term risk analysis

	Value	Norm. Value	Weight	Contribution
Debt fanchart index	1.40	0.31	0.50	0.16
GFN finaceability index	7.09	0.14	0.50	0.07
Medium-term index		0.2		
Risk signal: 5/		**Low**		
Final assessment:		**Low**		

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

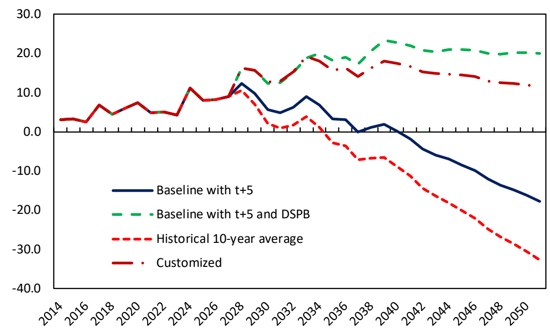
Commentary: The GFN Financeability Module and the medium-term tools suggest low levels of risk. The Debt Fanchart Module points to a moderate level of risk, reflecting the elevated fanchart width at the end of the projection horizon due to a history of high volatility of public debt in Jamaica. In the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

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

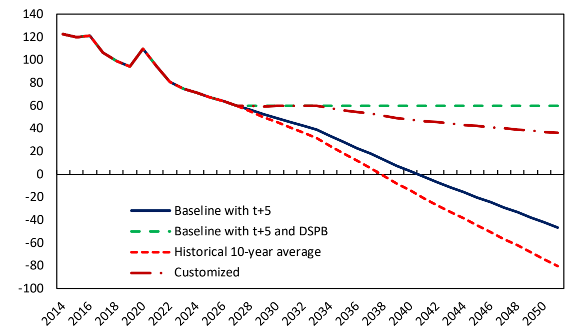
Figure 5. Jamaica: Long-Term Risk Analysis

Large Amortization

GFN-to-GDP ratio



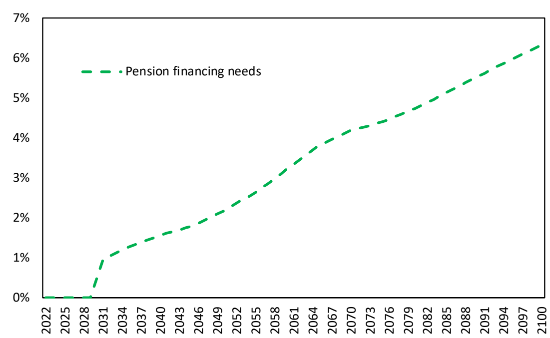
Total Public Debt-to-GDP Ratio



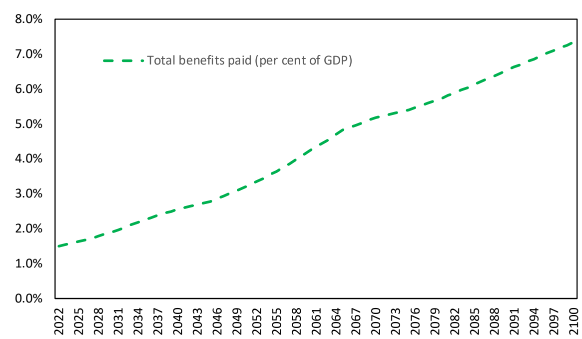
Demographics: Pension

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

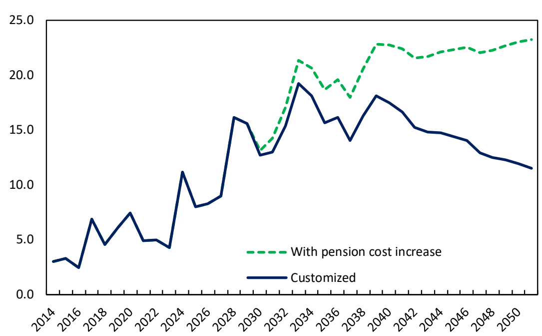
Pension Financing Needs



Total Benefits Paid



GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

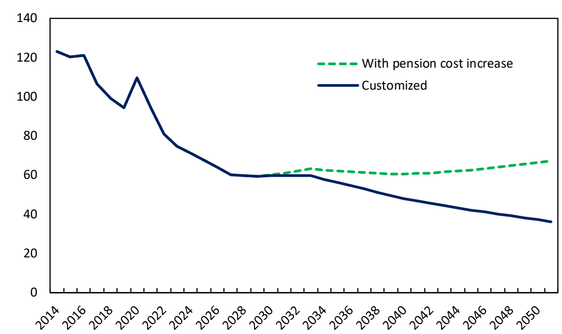
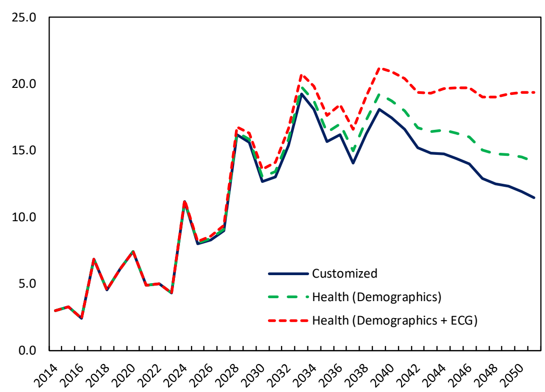


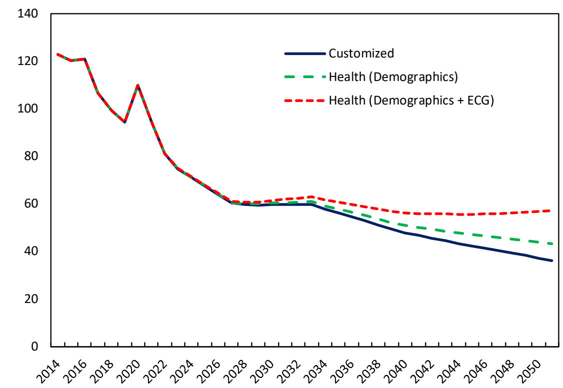
Figure 5. Jamaica: Long-Term Risk Analysis (concluded)

Demographics: Health

GFN-to-GDP Ratio

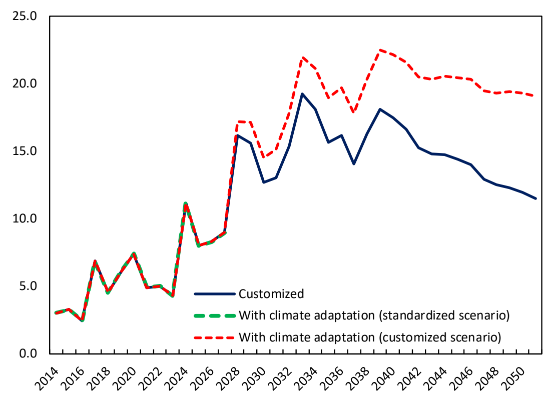


Total Public Debt-to-GDP Ratio

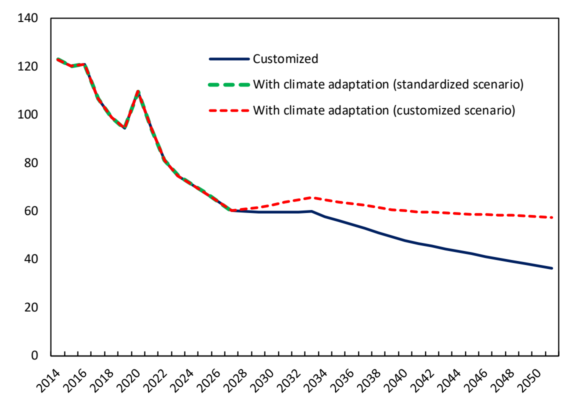


Climate change

GFN-to-GDP Ratio



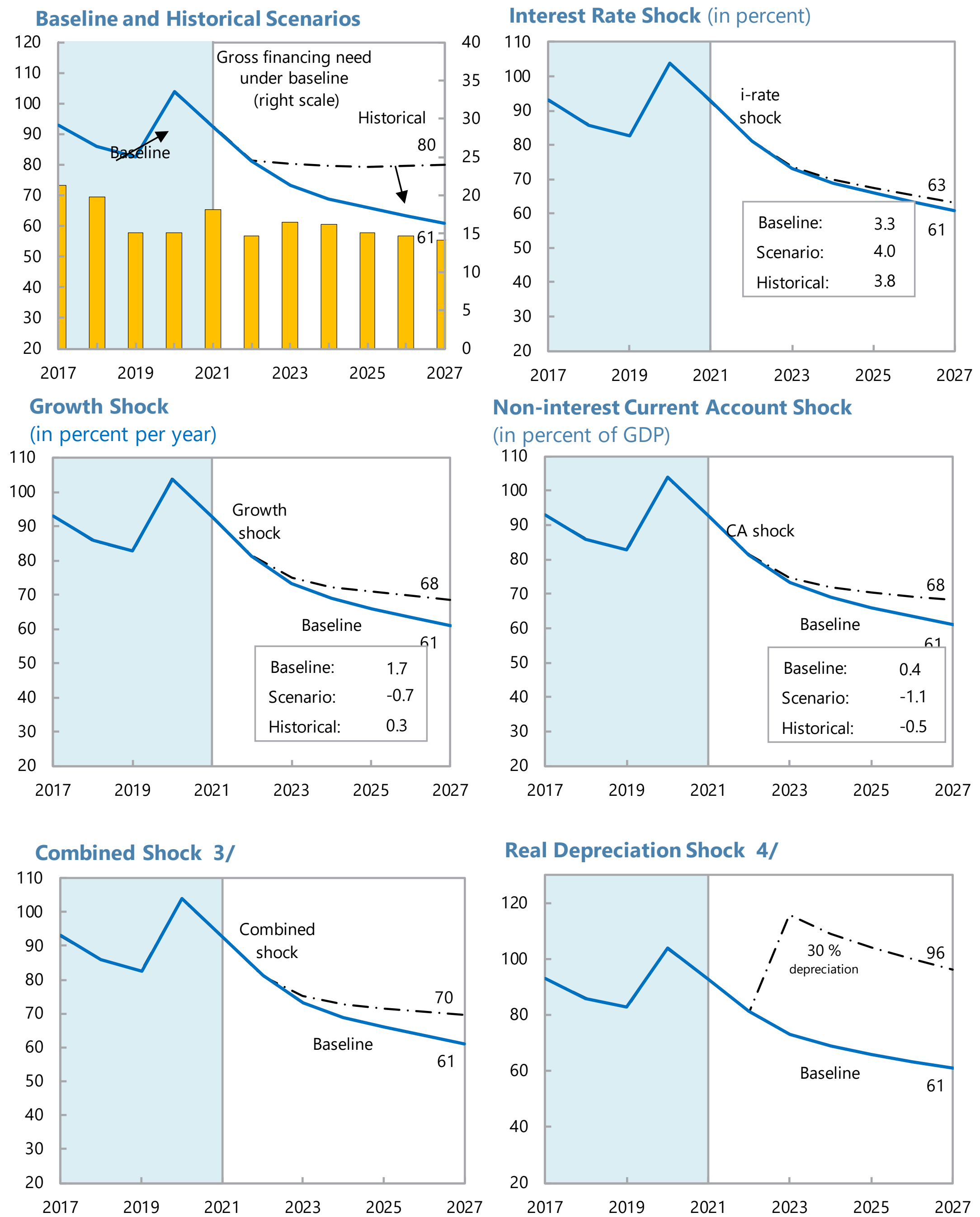
Total Public Debt-to-GDP Ratio



Staff Commentary: Long-term risk is assessed to be moderate. The large amortization module shows gradual declines in GFN and debt relative to GDP both under the baseline and customized scenarios. The customized scenario assumes real GDP growth of 2 percent, a GDP deflator of 5 percent, and a primary balance surplus of 1 percent of GDP. Climate-related expenditure are manageable and would not significantly impact debt sustainability. 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 upward trajectory in the long run. This points to the need to undertake parametric reform of the current public pension system.

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

(External debt in percent of GDP)



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

Annex III. First Review Reform Measures: Content and Impact

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

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

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

2. RM2: The Development Bank of Jamaica in consultation with the MOFPS to modify the Policy and Institutional Framework for the Public-Private Partnership (PPP) policy Program of the Government of Jamaica to include climate requirements in PPP project agreements from project identification to contract management and revise the PPP Standard Operating Procedure Manual to reflect these requirements.

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

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

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

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

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

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

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

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Source: The PPP Standard Operating Procedure Manual, 2023.

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

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

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

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

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

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

4. RM9: The MSET to approve guidelines adapted to the type and purpose of the structures, to reduce energy use in schools, hospitals, and public buildings for the existing and new structures.

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

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

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

Annex IV. A Dynamic Stochastic General Equilibrium (DSGE) Model to Quantify the Return of Investment in Resilient Infrastructure[1]

1. Staff assessed the net benefits of investing in resilient infrastructure through a highly stylized Dynamic Stochastic General Equilibrium (DSGE) model. The model was developed to quantify the return of investment in infrastructure resilient to natural disasters—such as cyclones, tornadoes, and floods that destroy a share of public and private capital and temporary reduce productivity—as well as the macroeconomic impact of climate change based on an explicit parametrization of frequency and intensity of natural disasters, which affect not only the near-term dynamic responses of the economy after each natural disaster but also the long run equilibrium. While investing in adaptation infrastructure is costly—either in terms of additional taxes or debt—it can generate benefits by reducing the destruction associated with each natural disaster and lower the post-disaster fiscal costs of responding to it. Results should be interpreted with caution, as the model relies on simplifying assumptions. A key upshot of the exercise is that agents *internalize* the possibility of *future* natural disasters that are expected to result in output losses and asset destruction in their decisions. This results in lower investment (since natural disasters all else equal reduce the return on investment) and output even if no natural disasters has taken place.

2. Model Calibration. The model's parameters[2] are calibrated to match the main macroeconomic ratios of Jamaica's economy,[3] the probability of occurrence and the average damages of a climate-related disaster. The average impact of a climate disaster and the probability of a natural disaster are computed using the EM-DAT database.[4] Since 1960, there have been 23 reported storms, implying an annual probability of around 0.35. The expected losses per storm event is estimated at around 5 percent of GDP.

3. Scenario Analysis. The model is used to quantify the short-run and long-run (steady-state) impact of natural disasters on macroeconomic outcomes (beyond damages), including the return of investments in resilient structures. Two scenarios are considered.

a. Baseline scenario, no policy change: this scenario assumes that the authorities only invest in standard (non-resilient) infrastructure. The model is calibrated to generate annual capital

[1] Prepared by Juan Angel Mojica (ICD).

[2] See https://www.imf.org/-/media/Files/Publications/WP/2023/English/wpiea2023138-print-pdf.ashx.

[3] These include various ratios of GDP (remittances, foreign grants, consumption, public and private investment, exports and imports as well as government consumption, government transfers, consumption/labor/corporate/other taxes and public debt); corporate spreads; and the trend growth rate of the economy. A key input is the share of public investment in GDP which is calibrated at 3.5 percent of GDP, consistent with staff's projections over the medium term.

[4] The database records disasters if they meet at least one of the following criteria and are reported by the authorities: (i) 10 or more people are killed; (ii) 100 or more people are reported as affected; (iii) a state of emergency is declared; or (iv) if there is a call for international assistance.

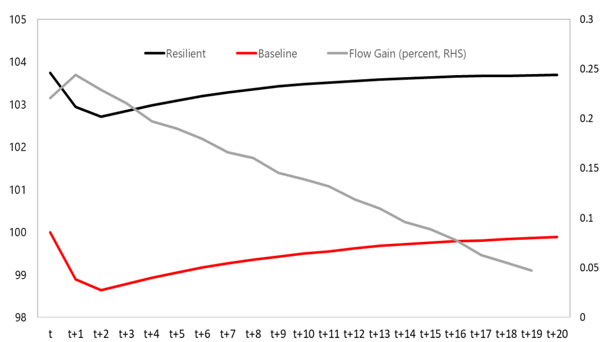
destruction of around 5 percent of GDP and assumes that there is no increased public investment (reconstruction) following the natural disaster.

b. Resilient investment scenario: this scenario assumes that the authorities have installed resilient public capital (80 percent of the total capital stock).[5] The cost of resilient investment is assumed to be 25 percent more expensive than standard public investment (in line with expert estimates) and that the higher cost is fully financed domestically by lump-sum taxes (without increases in the public debt level or contributions from international donors).[6]

4. Results. The key long-run results are discussed in Box 1. Figures 1-2 provide further details. Figure 1 shows the GDP response to a climate-related natural disaster (ND) shock with and without resilient public capital. The ND is assumed to occur in period t+1. The level of GDP is normalized in both cases to the baseline steady-state level of output. The ND, which destroys around 5 percent of GDP of the capital stock reduces GDP in the baseline by between 1 to 1.5 percent on impact and gradually returns to its steady state prior to the occurrence of the event. With resilient public capital, the initial level of GDP is around 3.5 percent higher compared to the baseline. Moreover, in response to a ND, the level of GDP drops by ¾ to 1 percent on impact when the public capital stock is 80 percent resilient, and also gradually returns to its steady state. Figure 2 shows the response of public debt to GDP following a ND event. In both cases, the public debt to GDP increases but the increase in public debt is lower (by around 1 pp of GDP) when public investment is resilient. This is due to the smaller GDP decline.[7]

Output Responses to a ND 1/

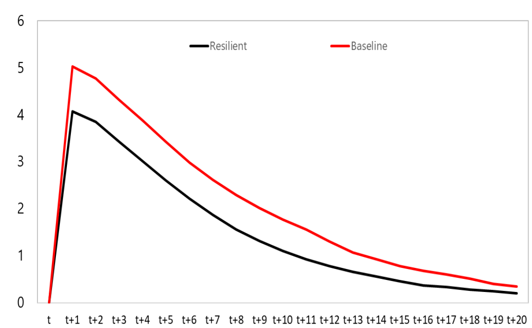
(Output levels in real terms, saving in percent of baseline)



Source: Staff calculations based on data from authorities, CCRIF and EM-DAT.
1/ Assumes Resilient capital fully implemented. Flow saving is the calculated as the difference between the output response to a natural disaster under Resilient investment and the Baseline, as a percent of the Baseline. The flow savings response has been normalized for account for different steady state levels.

Public Debt to GDP Responses to ND 1/

(Debt to GDP as pp of steady-state)



Source: Staff calculations based on data from authorities, CCRIF and EM-DAT.
1/ Assumes Resilient capital fully implemented. Resilient and Baseline correspond to the public debt increase following a natural disaster, expressed as percentage points of GDP relative to the steady-state.

[5] The private sector capital stock is assumed to be non-resilient to climate events.

[6] The use of lump-sum taxes allows for a clean quantification of the return from resilient investment. Using other fiscal instruments would also incorporate the impact of their associated multiplier.

[7] The fiscal rule is implemented through a simple rule where lump-sum taxes respond to deviations of the public debt to GDP ratio relative to their steady state. The feedback rule is assumed equal in both scenarios as is the steady state level of public debt to GDP. The rule also assumes constant (exogenous) government spending (consumption and transfers) as a share of GDP.

Annex V. Assessment of the Climate Public Investment Management Framework (C-PIMA)[1]

1. Jamaica is highly exposed to multiple natural hazards, including tropical cyclones, floods, and droughts. Jamaica ranks 47th out of 191 countries in the 2023 Inform Risk Index.[2] Jamaica suffers from damaging winds, rain, and storm surges, especially during the tropical cyclone season. Over the coming decades, Jamaica is expected to experience more heatwaves, more irregular rainfalls that bring heightened hazards of droughts or flooding, stronger tropical cyclones, and raising sea levels. Intensified climate hazards interact with socioeconomic vulnerability in Jamaica—since infrastructure, population and tourism activities are concentrated in the coastal areas—amplifying climate related costs to the country's physical assets, population, and the broader economy.

2. The Jamaica C-PIMA has identified several reform areas where adoption of the sequenced reform measures will strengthen climate-responsive public investments (Figure 1).[3] Progress has been made in the development of a comprehensive climate change policy framework and in planning for disaster risk financing, but coordination across the central government and with municipal corporations is weak with no institution positioned strategically to lead either adaptation or mitigation related investments. The regulatory and oversight framework for public bodies does not promote consistency between their climate-related investments and national climate policies even though individual public bodies are identified as contributors to the Nationally Determined Contribution (NDC). The Public-Private Partnership (PPP) framework is lacking a framework for allocation of climate risks between the government and PPP partners and investment project appraisal, and the project selection procedures do not integrate climate-related analysis based on a standardized methodology. Also, the climate-oriented infrastructure spending in the budget is not tracked and ex-post reviews or external audits of projects' climate outcomes are not conducted, and climate impact is not integrated into public asset management.

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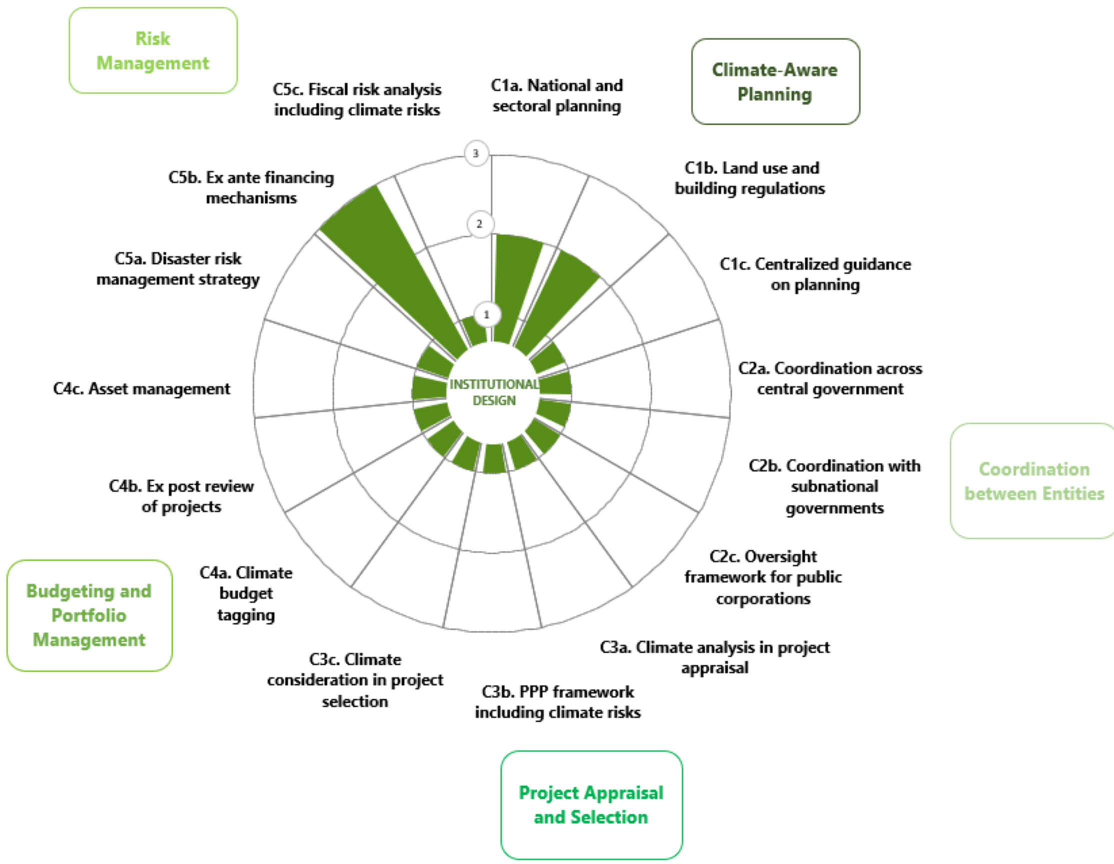
[1] To respond to the growing need for countries to invest in climate-responsive infrastructure, in 2020 the Fiscal Affairs Department developed the Climate Public Investment Management Assessment (C-PIMA). The C-PIMA is a powerful tool to inform countries about where they stand in terms of the strength of their public investment management practices to achieve their climate objectives through green and resilient infrastructure and to provide them with a set of sequenced reform measures. As of this writing, the C-PIMA has been conducted in 30 countries across Africa, Asia, Latin America and Europe and different income groups. The C-PIMA recommendations have proven useful to inform targeted reforms in the context of a new Resilience and Sustainability Facility (RSF).

[2] The INFORM Risk Index is a global, open-source risk assessment for humanitarian crises and disasters. https://drmkc.jrc.ec.europa.eu/inform-index. A rank of 1 means very high exposure to natural hazards.

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

Figure 1. Institutional Strength of C-PIMA Institutions in Jamaica



Source: IMF staff calculations.

3. **On these grounds, the C-PIMA assessment makes eight high-priority recommendations which could improve climate-related public investment management processes in Jamaica and support green and sustainable economic growth.** These recommendations informed the Reform Measures (RM) under the RSF arrangement. The C-PIMA high priority recommendations, their priority, and the related RMs (and their target completion dates) are presented below:

- Improve the climate informed medium-term fiscal and budget framework to guide budget preparation, high priority; RM1 (end-June 2023), RM5 (end-March 2024), RM6 (end-Dec. 2023)
- Strengthen the climate change strategic guidance of planning for capital budgeting, medium priority.
- Revise the framework for private and public bodies participation in climate smart infrastructure, medium/high priority; RM2 (end-March 2023).

- Develop climate change project appraisal and selection methodologies and apply them consistently to all projects, regardless of financing source, high priority; RM3 (end-Dec. 2023), RM4 (end-Dec. 2023)
- Enhance transparency on green and resilient investment projects in budget documentation, medium priority.
- Introduce climate change arrangements for the ex-post evaluation of investment projects, medium priority.
- Develop a climate smart asset register and ensure adequate funding for maintenance of assets, medium priority.
- Ensure that the legal framework and staff capacity are supportive of climate change PIM reforms, medium/high priority.

Appendix I. Written Communication

July 18, 2023

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

Dear Ms. Georgieva:

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

2. The entrenched macroeconomic stability and improved policy frameworks have supported the economy's rebound from the pandemic induced slump. Growth in 2022 was spearheaded by tourism and supported by the recovery in services, goods producing industries, and a gradual return to service of one of the largest alumina plants. Growth is expected to remain above potential this year and converge to the pre-pandemic trend afterwards. Monetary policy tightening and the fading of commodity shocks continue to aid inflation convergence to the targeted corridor. The prompt fiscal consolidation following the pandemic and adherence to the FRL continue to support a strong downward path in public debt.

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

4. We continued to make progress with our structural reform agenda since the approval of the PLL and the RSF arrangements:

a. Following the approval of a law mandating establishment of an Independent Fiscal Commission (FC), its head was sworn in last March. The FC will assess the realism of fiscal plans and their consistency with the FRL.

b. Reforms of the public compensation framework have been implemented within the fiscal envelope envisaged by the Fiscal Responsibility Law. It establishes a wage structure that is simple, fair, equitable, sustainable, affordable, and fit for the purpose of attracting talent and recognizing performance.

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

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

6. We will use the RSF disbursements as budget support. It will substitute more expensive market financing improving debt dynamics and lowering overall financing cost. On April 18, we have signed the Memorandum of Understanding Regarding the Respective Responsibilities of MOFPS and BOJ in connection with the financing under the Resilience and Sustainability Facility from the International Monetary Fund to establish a framework on the modalities for the repayment of IMF financing and the servicing of interest and other charges.

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

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

8. We have addressed the remaining vulnerabilities in our AML/CFT regime, in line with the action plan agreed with FATF. In February, the Jamaica's final Court of Appeal upheld our application and agreed that Attorneys-at-Law were subject to the Proceeds of Crime (POCA) legislation and its reporting requirements. At end-March, parliament approved amendments to the Companies Act (i) making the definition of beneficial ownership consistent with FATF standards; (ii) introducing sanctions for breaching basic and beneficial ownership obligations; and (iii) granting the Registrar of Companies powers to ensure compliance. Regarding risk-based supervision of Trust and Corporate Services Providers (TCSPs), the FSC has the RBS methodology and has started licensing and risk profiling of TCSPs ahead of the application deadline in April. The FSC licensing and risk profiling will inform the subsequent onsite examinations. Our current efforts are concentrated on: (i) the implementation of the beneficial ownership provisions approved by parliament; (ii) making the beneficial ownership registry more comprehensive and effective; and (iii) advancing the RBS of the TCSPs and Attorneys-at Law. These efforts will help address corruption vulnerabilities.

9. We expect our achievements and on-going efforts will demonstrate effectiveness of our reformed AML/CFT framework. With the passage and coming into force of the Companies Amendment Act (2023) on March 31 and April 1 respectively, Jamaica would have satisfied the international standards in relation to putting in place an appropriate legal framework for the transparency and beneficial ownership of legal persons and arrangements, in keeping with its international obligations with the FATF ICRG. Having successfully completed all the legislative requirements, among others, in its Action Plan agreed with the FATF ICRG, Jamaica remains committed at the highest level to implementing by September 2023 the aforementioned amendments regarding beneficial ownership and commencing implementation of the RBS framework for trust and corporate service providers and lawyers.

10. With respect to financial supervision and regulation, we continue to advance with the Basel III adoption plan. A significant milestone under Phase I of the roadmap was achieved with the publication of the Standard of Sound Practice for Capital Adequacy (SSP), which sets out the minimum capital requirements for credit, market, and operational risk components under Pillar 1 of Basel III and the revised definition of regulatory capital of the Basel framework. Implementation of Pillars 2 and 3 of the Basel framework and the work to make the SSP into a capital adequacy regulation are ongoing. Phase II comprises Pillar 2, including the Internal Capital Adequacy Assessment Process (ICAAP), the Supervisory Review and Evaluation Process (SREP), and the framework for designating Domestic Systemically Important Financial Institutions (D-SIFIs). This phase also covers the execution of a quantitative impact studies (QIS) by the licensed DTIs. Phase III

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

will involve Pillar 3, focusing on market disclosures, consultation and implementation of additional capital and liquidity measures—including capital buffers and the Net Stable Funding Ratio (NSFR).

11. We continue to expand application of risk-based supervision and the regulatory perimeter of the BOJ to the financial institutions not hitherto supervised by it. The amendment to the Co-operative Societies Act will bring credit union cooperatives under the regulatory perimeter of the Ministry of Finance and the BOJ—including provisions restricting deposit-taking to those operating as credit unions. The bill will be presented to Parliament in 2023 jointly with the proposed Credit Unions (Special Provisions) Act, which contains prudential requirements for credit unions. It will cover licensing, capital, reserves, prohibited business, and intervention processes—defining the role of authorized credit unions and allowing the BOJ to monitor their operations.

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

a. We will strengthen the regime for the resolution of non-viable financial institutions. The work on the Special Resolution Regime (SRR) started in October 2017. The Technical Working Group is preparing a draft law for submission to Parliament establishing administrative resolution powers for systemically important financial institutions and modifying the insolvency component for non-systemic financial institutions, in line with Fund staff recommendations (*Structural Benchmark, end-March 2024*).

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

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

d. We will expand supervisory remit of the Financial Services Commission (FSC). The FSC launched a risk-based supervision framework in November 2021. It applies to financial groups not comprising DTIs, which are supervised by the FSC. The FSC is preparing an amendment to be tabled in Parliament to enhance the framework for consolidated supervision (*Structural Benchmark, end-September 2023*). This change will facilitate progress towards a unified prudential regulatory structure which we intend to implement over the next 24 months.

e. We will implement a unified prudential regulatory structure under a twin-peaks model. Currently the BOJ supervises banks, while non-bank institutions (securities dealers, insurance companies, pension funds) are supervised by the FSC. This division of supervisory responsibilities has served Jamaica well in the past. However, given the evolving structure of the financial system dominated by diverse financial holding companies comprising banks and non-bank financial institutions, we consider that the unified prudential supervision under the BOJ would be appropriate. We have requested Fund support on how best to design such a system. As this reform will take time—likely beyond the duration of the PLL arrangement—the FSC will continue to supervise the non-bank financial system in the short term. When the reform is complete, the FSC will focus on supervision of market conduct and consumer protection in the financial system.

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

14. We plan to subscribe to the SDDS and the PLL will facilitate progress towards this goal. An IMF's STA Special Data Dissemination Standard Assessment mission that took place in May 1-12 and, working with a committee comprising representatives from the MOF, BOJ, and STATIN (*Structural Benchmark, end-March 2023*), helped us define an action plan to subscribe to the SDDS by mid-2025. To facilitate this process, STATIN will present a restructuring plan to the MOFPS by end-November 2023, to facilitate its implementation during FY2024/25. We are proposing to include three high-priority actions as new structural benchmarks under the PLL (Table 2): (i) the BOJ will compile and present to the Fund's Statistics Department the International Reserve and Foreign Currency Liquidity (IRFCL) template data for August 2023 *by end-September 2023;* (ii) the MOFPS will disseminate on the National Summary Data Page (NSDP) the compiled data for general government operations for fiscal years 2021/22 and 2022/23 *by end-March 2024;* and (iii) the BOJ will conduct the Non-Financial Corporation Survey to obtain data for Direct Investment Intercompany Lending positions for each quarter of 2023, which will improve external sector data *by-end June 2024*. In addition, we will progress with implementation of other high-priority actions, some of them extending beyond the program's expiration date.

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

16. The RSF is instrumental to implement the reform agenda that has the potential to strengthen our resilience to climate change vulnerabilities and to facilitate the integration of this

agenda in macroeconomic policy formulation. Concessional resources and the reform measures under the RSF play a fundamental role in catalyzing private sector financing.

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

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

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

a. The first pillar enhances policy frameworks to tackle the adaptation challenge by building resilience to natural disasters and climate change. It comprises reforms to be completed between March 2023 and March 2024. For the first review, we (i) reformed the Public-Private Partnership (PPP) policy to include climate requirements from project identification to contract management and revise the PPP Standard Operating Procedure Manual to include these requirements; and (ii) adopted a National Natural Disaster Risk Financing (DRF) policy. For the remainder of the program, we will: (iii) adopt methodologies to conduct climate risks assessments at project appraisal stage (*project proposal stage*) and incorporate the methodology in the Public Investment Management System (PIMS) handbook; (iv) define and publish project selection criteria including climate change criteria; (v) conduct and publish in the Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change, and (vi) establish a National Natural Disaster Reserve Fund (NDRF) and financial regulations for a transparent administration and reporting of the NDRF.

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

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

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

21. As a member of the IMF, we will be presenting relevant information on our economic and policy developments within the framework of this letter and the Fund's Articles of Agreement ahead of the semi-annual reviews, expected to be completed no later than August 31, 2023, February 29, 2024, and August 31, 2024. We will also observe the standard performance criteria on trade and exchange restrictions, bilateral payment agreements, multiple currency practices and the non-accumulation of payment arrears on the external debt. We will provide the Fund with all the needed information to monitor the program under the PLL and the RSF arrangements.

22. We believe that the policies contained in this communication are adequate for achieving the economic goals supported by the PLL and the RSF arrangements, and we are committed to taking additional measures that may be necessary to attain these goals. We have agreed new end-September and end-March fiscal and international reserves indicative targets to account for seasonal patterns in fiscal outcomes and reflect the strong reserve accumulation over the last year respectively—Table 1 is modified to reflect this. We reiterate our commitment to the targets in the PLL. IMF's technical support with the adoption of these measures would be appreciated. The continued strengthening of the economy's resilience should position Jamaica well for achieving the objectives of the program, both in the short- and the medium-term. We continue to treat the PLL as precautionary. The risks that could trigger the drawings are likely to dissipate in the next 18 months. Jamaica is expected to be in a strong position to exit the PLL by end-2024 as external risks subside, and external buffers continue to grow.

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

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

Very truly yours,

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

Table 1. Jamaica: PLL Quantitative Targets

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

Source: IMF staff estimates.

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

Table 2. Jamaica: PLL Structural Benchmarks

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

Note: Measures B, C, and D under Data Adequacy are proposed as new SBs.

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

Measure	Target Date	Status	TA
Pillar 1: Building Fiscal and Physical Resilience to Natural Disasters and Climate Change			
RM1: The Ministry of Finance and Public Service (MOFPS) to adopt a National Natural Disaster Risk Financing (DRF) policy.	1st PLL Review (End-June 2023)	Met	World Bank
RM2: The Development Bank of Jamaica in consultation with the MOFPS to modify the Policy and Institutional Framework for the Public-Private Partnership (PPP) policy Program of the Government of Jamaica to include climate requirements in PPP project agreements from project identification to contract management and revise the PPP Standard Operating Procedure Manual to reflect these requirements.	1st PLL Review (End-March 2023)	Met	IDB
RM3: The Public Investment Appraisal Branch (PIAB) to define a methodology to conduct climate impact assessments at project appraisal stage (*project proposal stage*) and incorporate the methodology in the Public Investment Management System (PIMS) handbook	2nd PLL Review (End-Dec. 2023)	On track	IDB
RM4: The Planning Institute of Jamaica (PIOJ) to define and publish project selection criteria including climate change criteria.	2nd PLL Review (End-Dec. 2023)	On track	IDB
RM5: The MOFPS to conduct and publish in the Fiscal Risk Statement quantitative analysis of the fiscal risks generated by climate change.	3rd PLL Review (End-March 2024)	On track	IMF
RM6: The MOFPS to submit to parliament an amendment to the Financial Administration and Audit Act to establish a National Natural Disaster Reserve Fund (NDRF) subaccount under the consolidated fund account. In parallel, the MOFPS to approve financial regulations for a transparent administration and reporting of the NDRF.	2nd PLL Review (End-Dec. 2023)	On track	World Bank
Pillar 2: Strengthening Mitigation/Promoting Renewables			
RM7: The MOFPS to submit to parliament a bill to incentivize investment in renewables through fiscal measures.	3rd PLL Review (End-June 2024)	On track	N/A
RM8: The Ministry of Science, Energy and Technology (MSET) to submit to parliament the electric vehicle policy, in line with the objectives in paragraph 23 of the Written Communication.	1st PLL Review (End-June 2023)	Met	IDB
RM9: The MSET to approve guidelines adapted to the type and purpose of the structures, to reduce energy use in schools, hospitals, and public buildings for the existing and new structures.	1st PLL Review (End-June 2023)	Met	IDB

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

Pillar 3: Greening the Financial Sector			
RM10: BOJ to publish a climate risks assessment (including a diagnostic of related climate and environmental risks detailing the current governance and regulatory regime) and define a timeline to embed these risks in supervisory activities and related databases for the development of climate risks assessments.	2nd PLL Review (End-Dec. 2023)	On track	French Dev. Agency
RM11: Adopt a monitoring framework that improves data collection and establishes the reporting requirements for financial institutions to implement Climate Related Financial Risks stress testing and for the BOJ to gradually integrate climate risks in supervision and macroprudential policy formulation.	3rd PLL Review (End-June 2024)	On track	
RM12: Establish an institutional framework for green-bond issuance and trading.	3rd PLL Review (End-June 2024)	On track	World Bank/Green Climate Fund

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

Attachment I. Technical Appendix

For the remaining reviews of the PLL arrangement, indicative targets (IT) as defined in Table 1 of our written communication will be set for end-September 2023 (2nd review) and end-March 2024 (3rd review). They include:

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

    - *Reporting:* Data will be provided not later than six weeks after the test date.

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

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

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

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

Table 1. Jamaica: Arrangement Exchange Rates 1/

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

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

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

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

Table 2a. Jamaica: External Disbursements (Baseline Projection)	
Cumulative flow from Dec 31, 2022	(in US$ million)
Budget Support Grants	
• End-September 2023	1.72
Multilateral Loans	
• End-September 2023	0.00
Loans Guaranteed by Multilaterals	
• End-September 2023	0.00

Table 2b. Jamaica: External Disbursements (Baseline Projection)	
Cumulative flow from Dec 31, 2023	(in US$ million)
Budget Support Grants	
• End-March 2024	4.13
Multilateral Loans	
• End-March 2024	0.00
Loans Guaranteed by Multilaterals	
• End-March 2024	0.00

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

- **As per the policy of the Government of Jamaica all its external obligations will be met on time and with no delays.** The policy of the government has also been to pay domestic obligations on time, including commercial loans, treasury bills, notes, and bonds. For the arrangement, the payment arrears are defined as external debt service obligations (principal and interest) that have not been paid at the time they are due as specified in the contractual agreements, on central government and central government guaranteed debt. Overdue debt and debt-service obligations that are in dispute will not be considered external payment arrears.

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

Statement by Philip Jennings, Executive Director for Jamaica and Rose Cunningham, Senior Advisor to Executive Director
August 31, 2023

Our Jamaican authorities appreciate the Fund's continued support and wish to thank staff for their very constructive engagement and policy discussions during the first reviews under the Precautionary Liquidity Line (PLL) Facility and the Resilience and Sustainability Facility (RSF).

Building on Jamaica's record of strong performance under IMF-supported programs, the Jamaican authorities have met all requirements for the first reviews of the PLL and RSF arrangements, and they are on track to meet the requirements for the upcoming reviews. Staff and the authorities have agreed on updated program requirements. The authorities are fully committed to completing their reform agenda under these arrangements in support of their economic development and climate resilience goals.

Economic Developments and Outlook

Jamaica's economic fundamentals remain strong, and economic performance has been somewhat better than forecast at the time of program approval. The economy expanded at a strong pace of 4.7 percent in FY 2022/23, compared to staff's growth forecast of 3.5 percent at the time the PLL and RSF approval on March 1, 2023. Staff and authorities expect growth to slow over 2023 to be more in line with potential output growth. The labor market has also seen strong performance recently with the unemployment rate dropping to a record low of 4.5 percent in April, even while the labor force expanded, with notable increases in female labor force participation. The low unemployment rates are consistent with anecdotal information on wage adjustments in selected industries which also indicate the domestic labor market is very tight. The monetary authorities have made substantial progress in reducing inflation. In July, core inflation stood at 5.2 percent (down from a peak of 8.2 percent in 2022) and headline inflation is 6.6 percent (from a peak of nearly 12 percent in 2022).

The economy remains vulnerable to downside risks, especially from external shocks including tighter global financial conditions or worsening of terms of trade (e.g., from higher energy prices), as well as the ongoing risks from climate-related events and natural disasters.

Precautionary Liquidity Line (PLL)

The PLL arrangement provides valuable insurance against external shocks while bolstering investor confidence. All indicative targets and structural benchmarks for the first review of the PLL have been met, and staff assess that Jamaica continues to qualify for the PLL arrangement. The Jamaican authorities remain committed to implementing a strong policy agenda, and they intend to treat the PLL arrangement as precautionary. They expect to be in a strong position to exit the PLL by end-2024 when external risks are expected to subside.

The authorities continue to implement sound macroeconomic policies and strengthen their policy frameworks. Fiscal performance somewhat exceeded the PLL indicative target for March 31, 2023. Prudent fiscal policy and a strong recovery from the pandemic have led to large fiscal surpluses and a sharp drop of about 30 percentage points in Jamaica's debt to GDP ratio, which reached about 80 percent. Staff project public debt as a share of GDP will decline further to reach the target of 60 percent by FY2027/28, consistent with the Fiscal Rule. Authorities have also recently successfully delivered on their commitment to complete major reforms to public sector wage compensation. This reform addresses a long-standing need and has been done consistent with the fiscal rules. Costs of the wage reform bill were front-loaded into FY2022/23. Nonetheless, fiscal performance has been better than expected due to strong tax revenue inflows. Indicative targets for upcoming PLL reviews have been updated to better reflect seasonality in mid-year fiscal flows for September, but the full FY policy stance remains the same. Staff continues to assess that Jamaica's debt is sustainable with high probability and that Jamaica has adequate capacity to repay the Fund.

Jamaica's central bank has credibly demonstrated its commitment to bringing inflation back to the target range by tightening monetary policy. The policy rate was increased by 650 basis points to 7 percent from October 2021 to November 2022. Since then, the monetary stance has been data dependent. Inflation has since dropped considerably with recent readings close to the top end of the central bank's target range of 4 to 6 percent. There has been an uptick in headline inflation since May due primarily to agriculture price increases, however, and the central bank remains vigilant to the risks of further inflation pressures. Staff and authorities both expect inflation to be within the Bank of Jamaica's target range by the end of 2023.

Jamaica's external position is sustainable, and net international reserves were well above the PLL indicative target for March 31, 2023. The current account (CA) was close to balance in FY2022/23, and CA deficits have averaged less than 3 percent of GDP over the past 5 years. Private capital flows are strong, external debt is projected to decline, and the government has good access to international debt markets. Strong growth in tourism and continued high levels of remittances have helped support reserve accumulation. Staff and authorities have agreed to an upward revision to the indicative target for reserves for September.

To meet the PLL structural benchmark on financial integrity and their FATF action plan requirements, Jamaican authorities finished putting in place the legal framework to address the vulnerabilities in the AML/CFT regime. In March, Jamaica approved legislation to amend the Companies Act to: (i) make the definition of beneficial ownership consistent with FATF standards; (ii) introduce sanctions for breaching basic and beneficial ownership obligations; and (iii) grant the Registrar of Companies powers to ensure compliance. This met the PLL structural benchmark on financial integrity that was due for the first review. Earlier in February, a constitutional challenge which had delayed application of some of Jamaica's AML/CFT legislation was resolved. The final Court of Appeals decision by the Judicial Committee of the Privy Council in the UK supports the government and agreed that Attorneys-at-Law were subject to the Proceeds of Crime Act (POCA) and its reporting requirements.

While the June FATF Plenary recognized Jamaica's progress on enacting the necessary legislation, to complete their FATF action plan Jamaican authorities now need to demonstrate effective application of their AML/CFT regime. The authorities are in the process of doing so, and they are fully committed to effectively implementing their AML/CFT regime. Specifically their implementation work is focused on three main areas: i) demonstrating that the legal profession is subject to effective, risk-based AML/CFT supervision; ii) demonstrating that the trust and service company providers (TSCP) are subject to effective ,risk-based AML/CFT supervision, including by making more progress on licensing and risk rating the sector and also on enforcement strategy and onsite/offsite supervision, and iii) in relation to the transparency of legal persons and arrangements, demonstrating that effective, proportionate and dissuasive sanctions are applied against delinquent companies, where appropriate; and demonstrating effective use of the mechanism to access beneficial ownership information is made available to competent authorities on a timely basis. Jamaican authorities are making good progress on these requirements. They have been conducting extensive outreach sessions and engagement with affected groups to provide guidance and collect information to facilitate licensing, risk-profiling and reviews, as well as other supervision and enforcement activities. The authorities have also commenced sanctions against some delinquent companies under the new sections of the Companies Act related to the beneficial ownership obligations. **Authorities are making every effort to demonstrate completion of the remaining items**.

Jamaican authorities are also advancing other reforms to strengthen financial supervision and regulation, and are on track to meet the upcoming PLL structural benchmarks. Jamaica continues to make progress in adopting Basel III regulations, risk-based supervision, and expansion of the regulatory perimeter to include credit unions. In this context, the authorities have already published their framework for identifying Domestic Systemically Important Financial Institutions (D-SIFIs) and expect to submit legislative amendments to strengthen risk-based supervision of financial conglomerates that are not DTIs for the next PLL review deadline in September. They are also advancing work on a regime to resolve non-viable financial institutions, in line with the PLL structural benchmark due in March 2024. Beyond the PLL benchmarks, the government has begun building capacity and preparing the legislative ground to adopt a "twin peaks" model of unified prudential supervision whereby both banks and non-bank financial institutions will be overseen by the Bank of Jamaica. The implementation of this framework is expected be completed over the next two years.

Improving data quality is also a priority under the PLL arrangement, as it will support more evidence-based policy analysis and decision making. The government established a National Statistical Committee in March (meeting the first PLL structural benchmark on data quality). The Committee and other authorities also benefited from IMF technical assistance in May which has helped identify gaps in current practices and inform the development of a roadmap for Jamaica to fulfill its goal to subscribe to the IMF's SDDS. The authorities are committed to completing this process and have agreed to three additional structural benchmarks under the PLL on data adequacy.

Resilience and Sustainability Facility (RSF)

Jamaica has an ambitious reform agenda to address climate risks and reduce vulnerabilities using a wide range of adaptation and mitigation measures. Under the RSF, staff and authorities have agreed on 12 reform measures. Authorities completed four of these by the end of June, as required for the first RSF review. Two of these reform measures entailed changes to policies. The government adopted a National Natural Disaster Risk Financing (DRF) policy which will help provide a more strategic approach to disaster risk financing in Jamaica. It has also revised its Public Private Partnership (PPP) policy to include climate requirements from project identification to contract management, and the authorities also revised the PPP Standard Operating Procedure Manual to include these requirements.

The other two reform measures completed for the first review support increased use of renewable energy, which is a crucial component of Jamaica's climate agenda. Authorities have passed legislation establishing an electric vehicle policy and approved guidelines on increasing energy efficiency in public buildings. Authorities and staff are working closely together to implement the remaining reform measures, including fiscal incentives to invest in renewables.

Reform measures under the RSF will accelerate implementation of some of Jamaica's climate agenda, including by catalyzing investment from other stakeholders. In June, the IMF and its Climate Finance Task Force led a very successful high-level roundtable meeting in which IFIs, development partners and private sector participants met with Jamaican authorities to discuss opportunities to scale up climate financing to support Jamaica's climate-related goals.

Concluding Remarks

Taken together, the first reviews under the PLL and RSF arrangements show that Jamaica continues to make important progress in advancing macroeconomic and climate reforms with the support of the Fund. The Jamaican authorities appreciate the effective engagement and collaboration with Fund staff as well as that of the World Bank, IDB, and other stakeholders. They look forward to continuing to work closely with Fund staff and other partners as they implement the remaining program commitments to help Jamaica achieve sustainable, equitable, and resilient growth.