



Economic and Fiscal Assessment Report

Independent Fiscal Commission

Jamaica

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1.0 Preface

The preparation and tabling of the Independent Fiscal Commission's *Economic & Fiscal Assessment Report* (EFAR) are provided for in the *Independent Fiscal Commission Act, 2021 (IFC Act)* and the *Financial Administration and Audit Act (FAA Act)*. This EFAR is prepared pursuant to Section 15(2), sub-section (1) of the *Independent Fiscal Commission Act*, which requires that the *Report*:

- (a) provides an assessment of the macroeconomic and fiscal forecasts;
- (b) presents an evaluation as to whether the Government's announced policies are consistent with the fiscal rules, principles and targets set out in Part VII of the *Financial Administration and Audit Act*; and
- (c) includes an assessment of medium and long-term debt sustainability.

The EFAR is structured as follows:

1. Macroeconomic Outcomes Assessment
2. Fiscal and Debt Performance Assessment
3. Analysis of Budget Assumptions
4. Assessment of Macro-Fiscal Risks
5. Public Financial Management (PFM) Principles
6. Considerations to strengthen Fiscal Sustainability and Resilience.

The EFAR reviews and assesses, *inter alia*, the array of budget documents that were simultaneously tabled for fiscal year 2026/2027, including the *Fiscal Policy Paper (FPP)*, *Revenue Measures for Financial Year 2026/2027*, *Medium-Term Debt Management Strategy (MTDS)*, *Estimates of Expenditure 2026/2027*, *Revenue Estimates 2026/2027*, *Public Sector Consolidated Estimates of Expenditure*, *Tax Expenditure Statement 2026* and the *Jamaica Public Bodies report*. Importantly, this *EFAR* incorporated Government's response to the adverse impacts of Hurricane Melissa, revisions to the medium-term macrofiscal profile, as well as an assessment of the new *Revenue Measures* that were tabled *simultaneously* for the first time, with the other budget documents.

In this latest review, the IFC will examine, *inter alia*, whether the minimum requirements of the *FPP* were satisfied in accordance with the Fiscal Responsibility Framework (FRF) as the *FAA Act*

and *FAA* Regulations. This includes assessing whether *material* deviations from the original budget (more than 10.0 percent or 0.2 percent of GDP) were reasonably explained, opining on the credibility of the budget assumptions and assessing the level of coverage within the context of the FRF. Electronic access to this report is provided *via* the Independent Fiscal Commission’s website at <https://www.ifc.gov.jm>.

2.0 Disclaimer

In keeping with Section 15 of the *IFC Act*, the ***EFAR***:

- presents an assessment of the macroeconomic and fiscal outcomes and forecasts
- provides an evaluation as to whether Government’s announced policies are consistent with the fiscal rules, principles and targets set out in Part VII of the *FAA Act*
- includes an assessment of medium-term and long-term debt sustainability.

Furthermore, the opinions expressed hereafter are subject to the availability of data and information, in the absence of which, the Commission will not be able to make a full assessment. For instance, the IFC is unable to do a rigorous assessment on the Specified Public Sector (SPS) as contrary to its statement in the FPP, the Government does not report on the SPS (except for the Debt Stock and the Public Sector Investment Programme) in accordance with the *fiscal rules*. Additionally, much of the information presented at this time, is preliminary and subject to material change as Government continues to assess the economic fallout from the hurricane Melissa. Accordingly, the Commission’s assessments and related opinions should be treated as *preliminary* and subject to revision as macro-fiscal developments arise.

3.0 The Fiscal Commissioner's Opinion

Pursuant to Section 15 of the *Independent Fiscal Commission Act, 2021* and the requirements of Part VII Section 48 of the *Financial Administration and Audit Act*, I have independently assessed the Government of Jamaica's (GOJ) fiscal position, macroeconomic outturns and assumptions, and medium-term policy commitments as presented in the *Fiscal Policy Paper (FPP)* and related budget documents, including the *Revenue Measures for FY 2026/27*.

This assessment evaluates:

1. **Credibility** of the macroeconomic and fiscal projections,
2. **Consistency** of the FPP with Jamaica's Fiscal Responsibility Framework (FRF), and
3. **Sustainability** of the Government's medium-term debt trajectory, including the recalibration necessitated by **Hurricane Melissa**.

Overall Assessment

I find that **Jamaica's fiscal policy remains broadly sustainable**, supported by a resilient FRF and significant disaster-risk financing layers. However, the fiscal outlook is **uncertain**, and the GOJ needs to address multiple statutory and operational gaps to enable me to deem the budget wholly credible.

Key Findings:

1. Fiscal Sustainability is Intact, but Medium-Term Targets are at Risk

- Despite the 42.2 percent of GDP damage caused by Hurricane Melissa, and the resultant suspension of the Fiscal Rules through March 2027, the GOJ projects a return to a declining debt-to-GDP path from FY2026/27 onward.
- However, based on the information presented in the *FPP*, the 60 percent debt target is unlikely to be met by the proposed new timeline of FY2029/30. Moreover, the Minister, as required under Section 48C of the *FAA Act*, is required to table a recalibrated fiscal path once the suspension period ends.

2. The Fiscal Responsibility Framework Worked as Intended

- The FRF's **Escape Clause** functioned effectively, allowing temporary suspension of the fiscal rules to facilitate urgent recovery and reconstruction expenditure.
- The FRF's **Automatic Correction Mechanism** should ensure the country returns to the "debt rule" once the suspension ends.

3. GOJ Disaster-Risk Financing Buffers Provided Critical Support

- The Disaster Risk Financing Framework provided **US\$1.0B in immediate liquidity**, with up to **US\$5.7B** in potential multilateral support.
- These resources reduced the need for disruptive mid-year fiscal adjustments and will be vital for the reconstruction phase.

4. Revenue Measures Broadly Support Fiscal Sustainability

New measures—particularly

- **GCT on Digital Services**, and
- **SCT adjustments on alcohol, tobacco and sweetened drinks**
will broaden the overall tax base and improve alignment with health and environmental policy objectives.
- Overall revenue gain of **\$18.0B in FY 2026/27** - *excluding* the \$11.4B continuing transfer from the NHT, and hence not a new measure - appear *credible*, provided they are implemented timely.

5. Credibility of Medium-Term Macroeconomic and Fiscal Projections is mixed and inconclusive

The projections are quite preliminary and did **not** benefit from:

- A detailed **Damage & Loss Assessment (DaLA) from Hurricane Melissa**, and
- The operational and expenditure plans of the **National Reconstruction & Resilience Authority (NaRRA)**.

These omissions materially affect:

- Growth projections;
- Nominal GDP (and thus revenue forecast);
- Expenditure timing; and
- Current account forecasts – impact international trade taxes, in particular.

all of which inform fiscal and debt outcomes.

I am especially concerned that the **FY2026/27 nominal GDP growth projection (9.2 percent)**, which implies a **GDP deflator of 9.7 percent**, appears **inconsistent** with current inflation and historical post-disaster price behaviour. This creates a significant risk, of overstating nominal GDP, **over-projecting revenue and understating debt ratios**.

Furthermore, the near doubling of the capital budget for the Specified Public Sector amid ongoing capacity constraints and procurement bottlenecks, is overly ambitious. Given the legacy of low execution of capital projects, it is implausible to expect the spend to increase from the FY 2025/26 *Fourth Supplementary Estimates* of \$135.4B (and the actual expenditure for the full fiscal year is likely to be much lower) to \$204.9B in FY 2026/27.

It is unclear whether the full estimated costs of wage settlements are factored into the FY 2026/27 Budget. The Ministry has not provided detailed information on the contingency allocation of \$42.8B to allow me to ascertain the sufficiency of such provision.

6. Budget Process Improved but Some Aspects Still Non-Compliant with the *FAA Act*

I welcome the historical tabling of *Revenue Measures with other budget documents, including the FPP*.

However, major gaps remain not least of which are:

- **No consolidated fiscal profile for the Specified Public Sector (SPS).** In a consolidated presentation and assessment, transferring from a public body - for example the NHT – to the Central Government have zero impact on the SPS.
- **Wage settlements continue to be out of sync with the Budget Cycle,** thereby prolonging fiscal uncertainty and raising budgetary risks.

7. Rising Fiscal Pressures Require Structural Correction

Major risks include:

- Wages & Salaries not aligned with economic performance;
- Continued absence of a Compensation Negotiation Cycle;
- Chronic under-execution of capital expenditure;
- Continued reliance on one-off non-tax revenues; and
- Recurring climate-related shocks.

I reiterate the Commission’s view that by not anchoring wages to economic performance, Jamaica risks **eating its “seed corn”**—prioritizing wages today at the expense of capital investments required for tomorrow’s growth and climate resilience.

Priority Considerations to Strengthen Fiscal Credibility and Resilience

1. Establish full compliance with the Fiscal Responsibility Framework

- a. Present a complete fiscal profile of the SPS in the *FPP* (revenue, expenditure, fiscal balance, debt).
- b. Establish a Public Sector Wage Negotiation Cycle aligned with the Budget Cycle (*FAA Act* Section 48H).

2. Accelerate establishment of NaRRA and publish reconstruction blueprints

I am unable to fully evaluate the fiscal risk without:

- a. Detailed project lists,
- b. Cost estimates,
- c. Procurement timelines,
- d. Implementation capacity assessments.

3. Rebuild disaster-risk financing buffers

Given Jamaica's rising climate exposure, the DRF instruments should be replenished prudently after disbursement.

4. Improve capital project execution

- a. Under-execution remains one of the largest structural weaknesses in Jamaica's public financial management

5. Reintroduce a fiscal rule for Wages & Salaries

- a. Alignment with economic performance and to prevent continued crowding out of critical capital and recurrent expenditure that are necessary to invigorate growth and build economic resilience.

Finally, think of the Government's fiscal stance as a family rebuilding after a storm.

- **NaRRA** is the contractor preparing the rebuilding plan.
- **The Fiscal Commissioner** is the bank manager who extends the loan because of the disaster.
- **But no bank approves final financing without the contractor's blueprint.**

Upon the presentation of a detailed reconstruction plans and the finalization and incorporation of the DaLA into the medium-term fiscal programme - I will be in a better position to determine whether the current fiscal path will deliver a Debt/GDP ratio of 60 percent by FY2029/30.



Courtney H. Williams (Mr.)
Fiscal Commissioner

4.0 Macro-Fiscal Assessment

4.1 Macroeconomic Outcomes Assessment

Assessment Overview of the Macroeconomic Framework

Macroeconomic projections underpin the Government’s fiscal framework. They shape revenue expectations, define the fiscal space and guide decisions on whether additional measures—such as tax adjustments—are needed to sustainably finance development priorities. These projections are conditional; reflecting assumptions about both domestic and global economic trends.

Key variables include:

- **GDP**, which determines the size and growth of the country’s revenue base;
- **Interest rates**, which influence both domestic and external borrowing cost;
- **The exchange rate**, which influences trade-related revenue and external debt servicing obligations; and
- **Inflation**, which impacts both revenue performance and government operating costs.

Together, these indicators determine the credibility of fiscal targets and the Government’s capacity to maintain compliance with Jamaica’s fiscal rules.

4.1.1 Performance Prior to Hurricane Melissa

During the first half of FY2025/26, Jamaica’s macroeconomic environment remained broadly stable through September 2025. The real economy expanded by 3.3 percent, 12-month point-to-point inflation was benign at 2.1 percent, unemployment registered a record low of 3.3 percent, and Net International Reserves (NIR) stood at a healthy US\$6,195.5 million. Importantly, the country appeared on track to meet the legislated debt-to-GDP target of 60.0 percent two years ahead of schedule, as the ratio stood at 60.3 percent at end-September 2025.

4.1.2 Shock from Hurricane Melissa

The aforementioned trajectory shifted abruptly after October 28, 2025, when Hurricane Melissa—a Category 5 storm and an extremely rare 1-in-1700-year event for landfall wind speed ([Clarke et al., 2025](#)),—struck the island. The Hurricane caused severe socioeconomic and environmental disruption, with loss of lives, halted production, and extensive damage to infrastructure and key economic assets.

Preliminary estimates from the Planning Institute of Jamaica (PIOJ), using the ECLAC’s *Damage and Loss Assessment* (DaLA) methodology, place total damage and losses at J\$1.5 trillion, equivalent to 42.2 percent of 2024 GDP (PIOJ, 2025). This exceeds the World Bank/IDB Global Rapid Post-Disaster Damage Estimation (GRADE), which estimated physical damage at US\$8.8 billion (approximately J\$1.4 trillion), or 41.0 percent of GDP (World Bank & GFDRR, 2025).

4.1.3 Fiscal Implications and Suspension of Fiscal Rules

Given the scale of the shock, Jamaica was formally declared a disaster area under the *Disaster Risk Management (Hurricane Melissa) Order, 2025*. The cumulative fiscal impact—validated by the Independent Fiscal Commission, of 5.3 percent of GDP over FY2025/26–FY2029/30—significantly exceeded the 1.5 percent legislative threshold for triggering a temporary suspension of the fiscal rules for the remainder of FY2025/26 and for FY2026/27 (IFC, 2025b). This suspension permitted the Government to redirect fiscal resources to address the socioeconomic and environmental fallout. The Minister of Finance and Public Service proposed a recalibration of the timeline for achieving the 60 percent debt-to-GDP ratio target by two fiscal years, to FY 2029/30 (MOFPS, 2026).

4.1.4 Post-Melissa Macroeconomic Outlook for FY 2025/26

Hurricane Melissa significantly altered Jamaica’s macroeconomic outlook. Projections in the FY2026/27 Fiscal Policy Paper (February 2026) reflect sharp adverse revisions relative to the pre-Melissa projections published in February 2025. These include:

- **A contraction in real and nominal GDP**, undermining the revenue base;
- **A higher debt-to-GDP ratio**, reflecting both lower nominal GDP and increased financing needs;
- **Elevated inflation**, driven largely by disruption to agricultural supplies; and
- **Worsened fiscal balances** from reduced revenues and higher spending needs.

Table 1 summarizes the magnitude of the revisions. These shifts signal a **material deterioration** in the macro-fiscal environment, with implications for revenue performance, expenditure pressures, borrowing requirements, and the Government’s ability to re-align toward a sustainable medium-term fiscal path.

Table 1: Key Macro-Fiscal Indicators: Pre- and Post -Melissa Projections¹					
Metric	FPP Pre-Melissa Projections (FY 2025/26, February 2025)	FPP Post-Melissa Projections (FY 2026/27, February 2026)	Impact	Year-to-Date	Projection Attainable?
Real GDP Growth (%)	2.2	-4.5	-6.7	3.3 (Apr-Sep 2025)	Likely
Nominal GDP Growth (%)	8.9	1.0	-7.9	8.1 (Apr-Sep 2025)	Likely
Debt to GDP Ratio² (%)	58.2	68.9	10.7	60.3 (Sep 2025)	Likely
Inflation (End of Period) (%)	5.3	10.0	4.7	3.9 (Jan 2026)	Unlikely (expected to be lower)
Specified Public Sector: Fiscal Balance share of GDP (%)	0.4	-3.7	-4.1	1.2 (Apr-Sep 2025)	Likely
Central Government: Fiscal Balance share of GDP (%)	0.0	-3.8	-3.8	-0.8 (Apr-Sep 2025)	Likely
Central Government: Primary Balance share of GDP (%)	4.7	1.3	-3.4	3.9 (Apr-Sep 2025)	Likely
Net International Reserves (US\$B)	5.8	6.1	0.3	6.7 (Jan 2026)	Likely
Current Account share of GDP (%)	0.2	-0.1	-0.3	1.1 (Apr-Sep 2025)	Likely

Sources: MoFPS, BOJ, PIOJ and STATIN.

¹ The change in macro-fiscal projections was not solely attributed to Hurricane Melissa.

² Revision to Debt to GDP ratio reflect updates introduced by the revised System of National Accounts in July 2025 and the application of projected growth rate for FY 2024/25 and FY 2025/26.

Real Sector

Real GDP

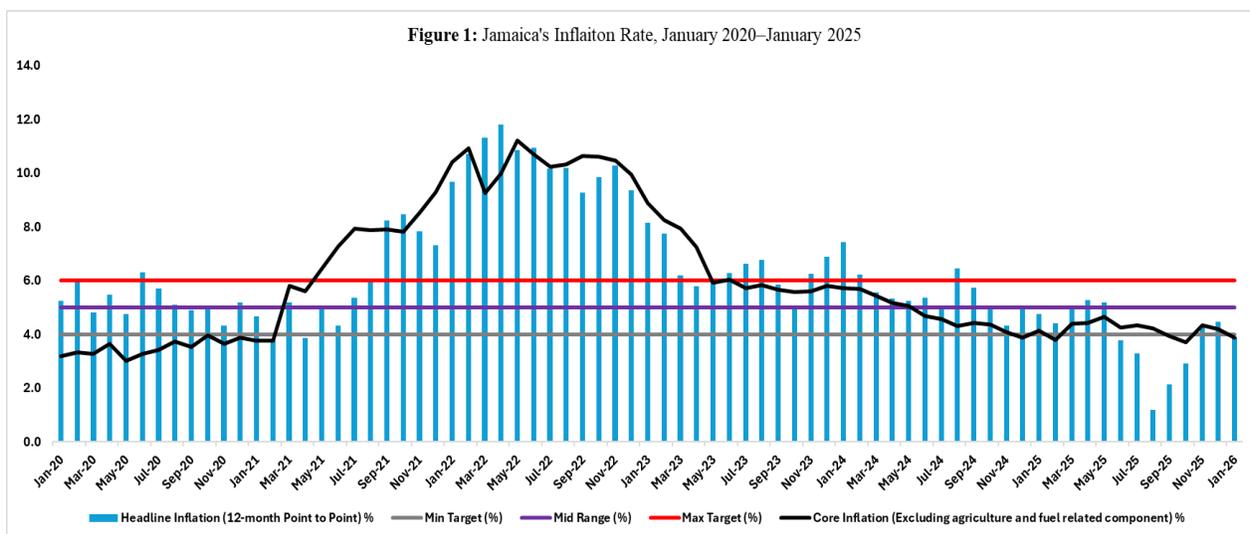
Prior to Hurricane Melissa, Jamaica’s real GDP expanded by **3.3 percent** in the first half of FY2025/26 (April–September 2025). Growth occurred in **12 of 13 industries**, indicating a solid rebound from the disruptions caused by Hurricane Beryl and related hydrological shocks in the previous year, and signalling the emergence of a new growth phase.

Hurricane Melissa inflicted its most severe impacts on *Agriculture, Forestry & Fishing; Accommodation & Food Services; Mining & Quarrying; Manufacturing* and *Electricity, Gas, Water & Waste Management*. Together, these industries accounted for **26.9 percent** of real GDP and **29.5 percent** of total employment in FY2024/25. With the exception of *Electricity, Gas, Water & Waste Management*, these sectors are also key export generators and major sources of foreign exchange. Their scale and economic linkages amplify the economy-wide transmission of the hurricane-related shocks.

The GOJ has projected real GDP to contract by **4.5 percent** for FY2025/26. This implies an economic contraction of **12.0 percent** in the second half of the fiscal year (October 2025–March 2026). The IFC assesses this projection as *broadly credible*, given the historic magnitude of the damage, the concentration of the shock in critical productive sectors, and the emerging —though limited —post-disaster data. In fact, given the faster-than-anticipated rebound in agriculture, the IFC expects the economic contraction to be less than the projected 4.5 percent.

Inflation

As at **January 2026**, 12-month point-to-point headline inflation measured **3.9 percent**; just below the **4.0–6.0 percent** target band (**Figure 1**).



Source: BOJ.

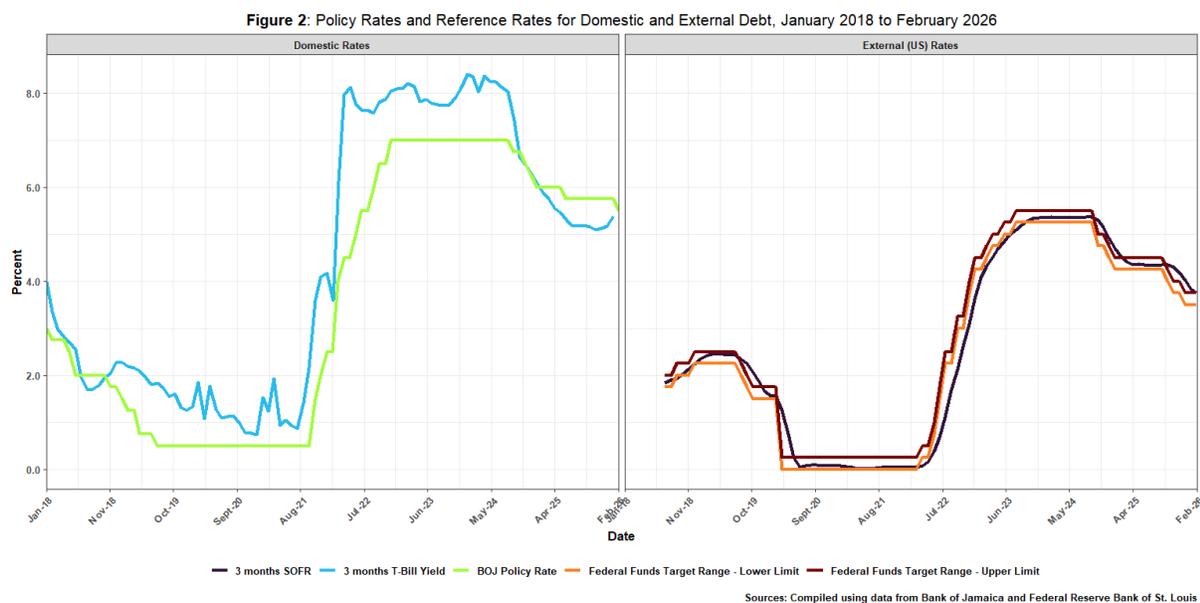
The moderation in inflation largely reflects a decline in **agricultural prices**, especially vegetables, driven by a rebound in market supply outpacing demand. The temporary inflationary impact of **Hurricane Melissa** was concentrated in **November 2025**, when monthly inflation rose by **2.4 percent** relative to October. This was mainly due to a **6.4 percent** increase in the *Food Division*, reflecting short-term shortages in agricultural produce. This spike was the highest since **August 2024**, when **Hurricane Beryl** severely affected the agricultural sector. As with Beryl, the price shock following Hurricane Melissa dissipated quickly as supplies normalised.

Given the aforementioned pattern, further increases in agricultural prices are **unlikely** in the near term and continued easing in food prices is expected to temper overall inflation. This should help offset moderate increases in utilities and housing-related costs. Even with these pressures, inflation reaching **10 percent** for FY2025/26, as presented in the FPP, appears highly **improbable**.

Against the backdrop of current trends and the historical behaviour of weather-related agricultural price shocks, the **IFC assesses the revised inflation projection of 10.0 percent as elevated and unlikely to materialise**. This overestimation of inflation has downside implications for the credibility of fiscal projections, particularly, consumption and income taxes that are closely linked to prices, by overstating revenues and understating expenditures **The IFC views inflation risks as tilted to the downside relative to the GOJ's revised projection**.

Monetary and Financial Sector

Between **March 2025 and February 2026**, the Bank of Jamaica (BOJ) reduced its policy rate twice—first in **May 2025**, by **25 basis points to 5.75 percent** and subsequently on **February 24, 2026**, by a further **25 basis points to 5.50 percent** (Figure 2). The pause through **September 2025** reflected the BOJ’s cautious stance amid inflation mostly tracking below the lower bound of the **4.0–6.0 percent** target band during that period.



Sources: IFC compilation using data from the BOJ and the Federal Reserve Bank.

In the immediate aftermath of **Hurricane Melissa**, the BOJ kept the policy rate unchanged to guard against near term inflationary pressures arising from higher agricultural, electricity, and other goods prices. However, at its **February 2026 Monetary Policy Committee** meeting, the BOJ determined that the inflationary impact of the Hurricane had been **less pronounced than previously expected**. Inflation outturns for **January 2026** were much lower than anticipated, supported by a **faster than expected rebound in agricultural supplies**, which contributed to price reductions.

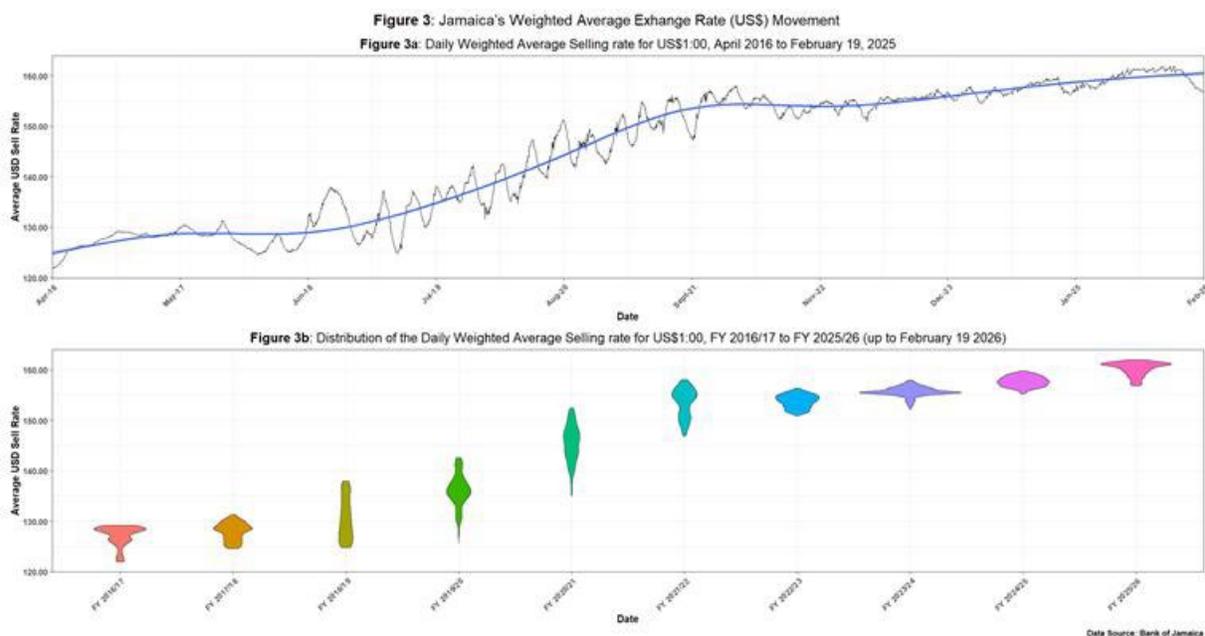
Beyond adjustments to the policy rate, the BOJ relied on **targeted foreign exchange interventions** to maintain orderly market conditions. Since the passage of Hurricane Melissa, the

BOJ sold approximately **US\$365 million** up to January 2026 through the **BFXITT** facility to support exchange rate stability and manage market volatility.

These policy actions by the BOJ have significant implications for the fiscal performance and outlook. Movements in interest rates, inflation and the exchange rate directly influence **debt-servicing costs, revenue performance** and **import related expenditures** therefore playing an important role in assessing fiscal sustainability over the medium term.

External Sector

Jamaica’s exchange rate remained broadly stable throughout the fiscal year. The Jamaica dollar closed 2025 at J\$159.74 per US\$1.00, compared with J\$158.36 per US\$1.00 on March 28, 2025— a modest 0.9 percent nominal depreciation. Foreign exchange market stability was supported by timely BOJ interventions via the *B-FXITT* facility, adequate market supply, and strong reserve buffers. As a result, the economic impact of Hurricane Melissa on the exchange rate has been minimal to date (**Figure 3**).

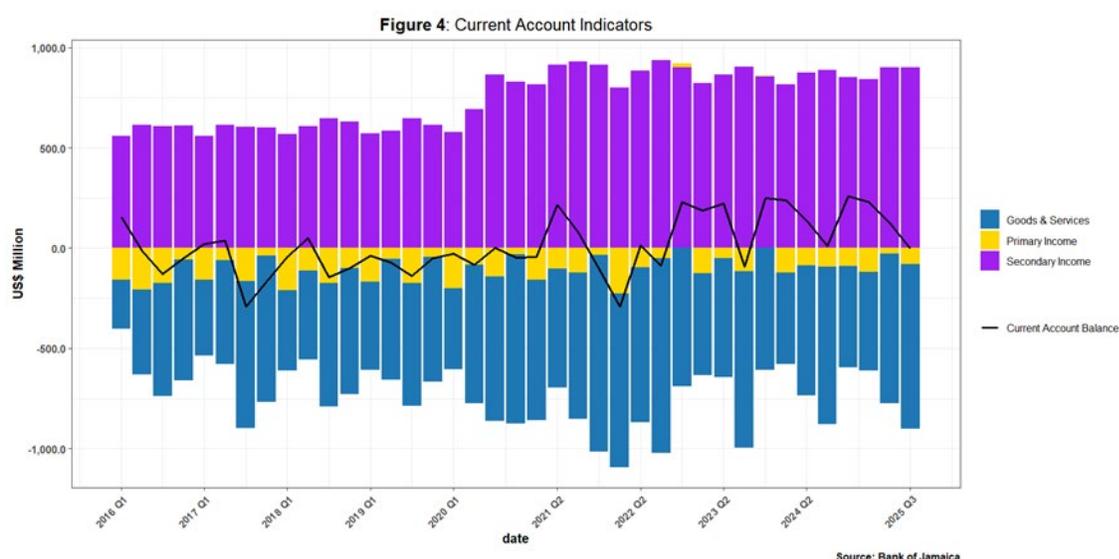


Source: BOJ.

Net international reserves (NIR) strengthened notably, reaching US\$6,731.6 million by end-January 2026, an increase of US\$946.2 million relative to March 2025. Gross International Reserves at end-January 2026 provided 36.1 weeks of goods and services import coverage,

significantly above both the 12-week international adequacy benchmark and the 29.0 weeks levels recorded in March 2025.

The current account recorded a US\$128.6 million surplus in the first half of FY2025/26 (April–September 2025), a decline of US\$20.6 million from the corresponding period of FY2024/25 (Figure 4). The outlook has since deteriorated. Several key export-oriented industries—*Agriculture, Forestry & Fishing, Accommodation & Food Services, Mining & Quarrying* and *Manufacturing*—were severely impacted by Hurricane Melissa, with expected declines in export volumes and foreign exchange earnings.



Source: BOJ.

Overall, the **merchandise trade deficit** is projected to worsen in the **third quarter of FY2025/26 (October–December 2025)**, driven by:

- **Weaker export performance**, and
- **Increased imports** to support relief, recovery and reconstruction.

The IFC views the adverse revision of the current account—from a projected **0.2 percent surplus** to a **0.1 percent deficit** of GDP—as *broadly reasonable*. However, the limited sector-level damage estimates from the DaLA assessment for Hurricane Melissa, prevents the IFC from undertaking a thorough analysis and providing an informed view on the **likely magnitude** of the deficit at this time.

To help finance the expected rise in the import bill, especially as exports decline, the GOJ will rely heavily on its **Disaster Risk Financing Framework**, which provides access to over **US\$1.0 billion** in immediate liquidity and up to **US\$5.7 billion** in additional support from International Development Partners (IDPs). Anticipated increases in remittances will further strengthen Jamaica's external buffers. Together, these resources will help ease external financing pressures and lower the risk that higher borrowing needs crowding out credit to the private sector.

4.2 Central Government Performance Assessment

Fiscal and debt sustainability are essential to the efficient functioning of government and a stable macroeconomic environment. When fiscal policy deviates from a sustainable trajectory, interest rates can rise and remain elevated. This could crowd out private investment, weaken economic growth and increase the prevalence of poverty. Accordingly, it is crucial that the hard-won gains from the fiscal consolidation programmes initiated over a decade ago are preserved and, where possible, further strengthened. **Box 1** summarises the budgetary outturns for Central Government, April to December 2025.

Box 1: Central Govt. Summary Outturns for April-December 2025

Relative to Original Budget

Revenue and Grants surpassed Budget by **5.8 percent**.

Tax Revenue fell below Budget by **0.1 percent**.

Non-Tax Revenue surpassed Budget by **42.6 percent**.

Expenditure exceeded Budget by **0.5 percent**.

Recurrent Expenditure surpassed Budget by **2.9 percent**.

Wages & Salaries exceeded Budget by **1.7 percent**.

Interest fell below Budget by **2.5 percent**.

Capital Expenditure fell below Budget by **37.2 percent**

Fiscal Balance better than Budget by **61.6 percent**.

Primary Balance better than Budget by **57.6 percent**.

Source: IFC compilation based on data from the Ministry of Finance and the Public Service.

During FY 2025/26, the Government of Jamaica tabled four *Supplementary* budgets. The *First Supplementary* budget, tabled in July 2025, revised revenue and expenditure upwards while reducing capital spending by \$4.9 billion relative to the original allocation. *Second Supplementary* budget, presented in October 2025, comprised administrative adjustments and left overall revenue and expenditure unchanged. The *Third* and *Fourth Supplementary* budgets, tabled in December 2025 and February 2026 respectively, introduced measures to address the fiscal impact of Hurricane Melissa, with capital expenditure further reduced by \$2.2 billion.

4.2.1 Fiscal Balance and Primary Balance

At end-December 2025, Central Government operations recorded a **fiscal deficit** of \$24.7 billion, outperforming the original budget and a **primary surplus** of \$99.9 billion; \$36.5 billion above target. This stronger-than-expected outturn mainly reflected higher-than-budgeted non-tax revenue (**Table 2**). The continued under-execution of capital programmes also contributed to the better fiscal balance. By end-FY 2025/26, the **fiscal deficit** is projected to widen from the balanced budget originally programmed to \$134.6 billion (3.8 percent of GDP), with the primary surplus slipping to \$47.1 billion (1.3 percent of GDP). Against this backdrop, staying on course to achieve a **60.0 percent debt-to-GDP ratio** by **end-FY 2029/30** will require firm expenditure discipline, and sustained buoyant revenue performance over the medium term.

Table 2: Budgeted and Actual Outturns for Selected Central Government Budget Indicators for April to December 2025

<i>Indicator</i>	<i>Original Budget</i>	<i>Actual Outturn</i>	<i>Difference</i>	<i>Diff (%)</i>
	<i>Apr. – Dec. 2025</i>	<i>Apr. – Dec. 2025</i>		
Revenue & Grants	762,371.7	806,382.3	44,010.6	5.8
Tax Revenue	648,340.1	647,700.0	-640.1	-0.1
Non-Tax Revenue	109,448.1	156,127.2	46,679.0	42.6
<i>Other Revenue</i>	4,583.5	2,555.2	-2,028.3	-44.3
Total Expenditure	826,675.6	831,052.5	4,377.0	0.5
Recurrent Expenditure	777,043.4	799,888.8	22,845.4	2.9
Programmes	275,693.9	294,154.1	18,460.2	6.7
Compensation of Employees	373,644.9	381,161.5	7,516.6	2.0
<i>of which Wages & Salaries</i>	349,525.7	355,321.5	5,795.8	1.7
Interest	127,704.5	124,573.2	-3,131.3	-2.5
Capital Expenditure	49,632.2	31,163.8	-18,468.4	-37.2
Fiscal Balance	-64,303.9	-24,670.2	39,633.7	61.6
Primary Balance	63,400.6	99,903.0	36,502.3	57.6

Note: J\$ Million.

Source: Compiled by the IFC using data obtained from the MoFPS on February 4, 2026.

4.2.2 Revenue and Grants

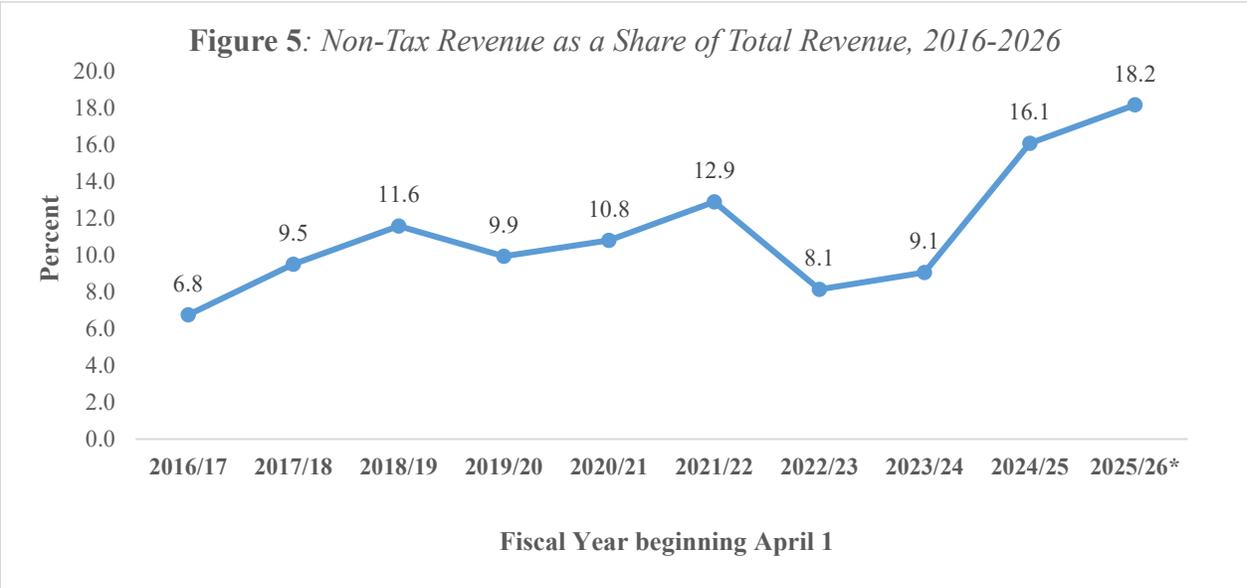
Overall **Revenue & Grants** for the period April–December 2025 surpassed the Original Budget by \$44.0 billion (5.8 percent) to total \$806.4 billion. This outturn mainly reflected stronger non-tax receipts, which exceeded the original target by \$46.7 billion, partly offset by a \$2.1 billion shortfall in Grants. However, by end-FY 2025/26, Revenue and Grants are projected at \$1.07 trillion; \$26.9 billion below the Original Budget.

Tax Revenue for April – December 2025 was broadly in line with budget, with a slight shortfall of \$640.1 million (0.1 percent). Notwithstanding, the performance of the individual tax types was mixed. Notable, underperformance was recorded in Bauxite/Alumina income tax, Other Individuals (self-employed) and the Quarry tax. These shortfalls however were partly mitigated by over-performance in *inter alia* Tax on Dividend, Tax on Interest, SCT (Local), Other Licences and Stamp Duty (Local). **Table 3** elaborates on the factors behind the notable deviations.

Additionally, Tax Revenue increased by \$39.4 billion (6.5 percent) relative to the corresponding period of the previous year; representing a real increase of about 2.0 percent. While the IFC notes the *FPP*'s reported decline in on-time filing of taxes (down by 11.4 percent) relative to the prior year (attributed mainly to Hurricane Melissa-related disruptions that affected small and micro taxpayers), this result contrasts with the reported improvements in taxpayer registration and on-time payment rate. At the same time, the stock **of tax arrears reportedly** fell by \$3.6 billion from the March 2025 level to \$248.8 billion at end-December 2025 *albeit* above the pre-Melissa level of \$246.3 billion at end-September 2025. This reversal in trend post Melissa suggests that compliance shocks from the hurricane might have contributed to new arrears that partially eroded earlier compliance gains.

At end-FY 2025/26, Tax Revenue is projected to be \$869.0 billion; \$80.5 billion below the Original Budget projection. This projected reduction largely reflects the devastating impact of Hurricane Melissa, alongside the recent policy decision to shift the corporate income tax payment deadline to April (from March) starting in 2026. **The IFC welcomes GOJ's decision to implement this previous suggestion** (*Economic and Fiscal Assessment Report*, February 2025).

Non-Tax Revenue for the period April–December 2025 exceeded the original target by \$46.7 billion (42.6 percent). This favourable deviation was primarily driven by non-recurrent inflows, including higher-than-expected proceeds from the securitisation of revenue streams associated with Sangster International Airport (SIA) as well as disaster risk-financing receipts from Caribbean Catastrophe Risk Insurance Facility (CCRIF) and the World Bank's Catastrophe Bond following the passage of Hurricane Melissa. Arising from these one-off inflows, the share of non-tax revenue in total revenue continued to rise steadily over the past decade; climbing from 6.8 percent in FY 2016/17 to a projected 18.2 percent in FY 2025/26 (**Figure 5**).



Note: * means Projected for that fiscal year.

Source: Compiled by the IFC using data from the MOFPS.

Grants for the review period April – December 2025, totalled \$2.4 billion, thus falling below the original budgeted sum by \$2.1 billion (46.9 percent) due mainly to delays in disbursements associated with the slower-than-planned pace of execution of several capital projects.

4.2.3 Expenditure

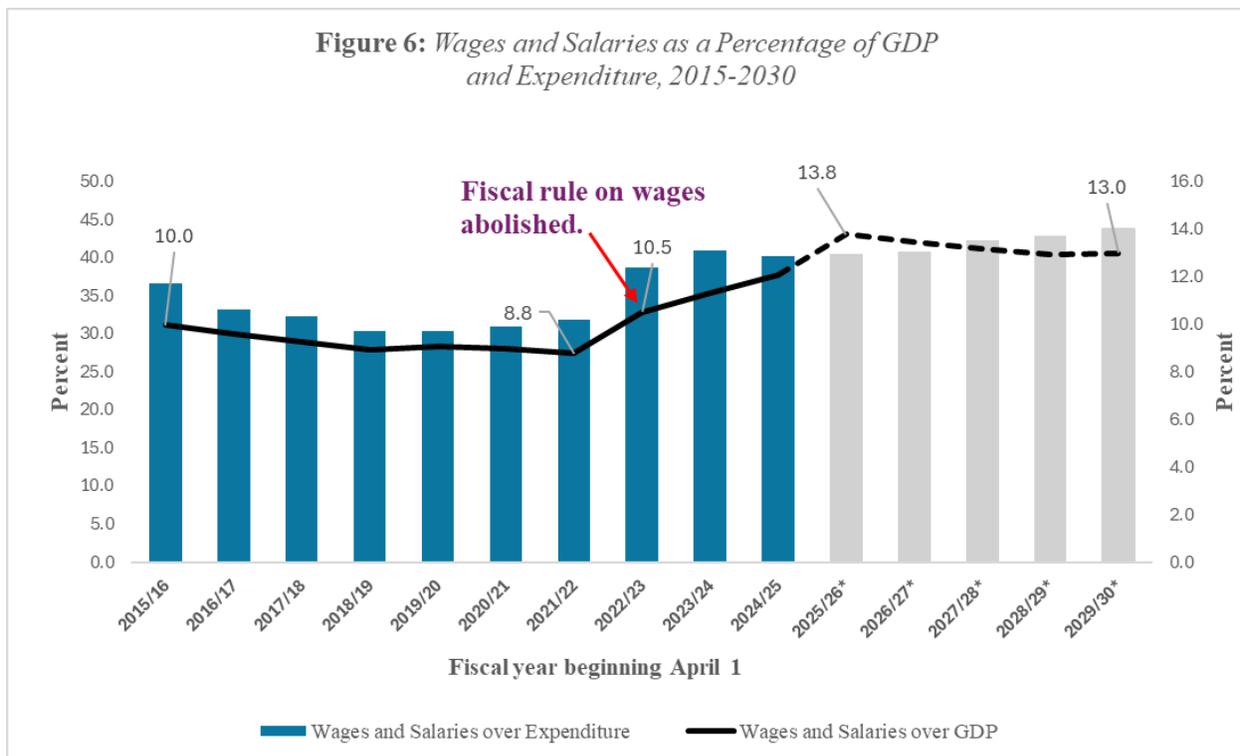
Above-the-line Expenditure (i.e. excluding amortization) for the period April – December 2025 totalled \$831.1 billion; 0.5 percent higher than the original budgeted amount. Recurrent Expenditure of \$799.9 billion accounted for 96.3 percent of total expenditure and notably, 2.9 percent higher than originally budgeted spending while Capital Expenditure was a sizeable 37.2 percent lower.

4.2.3.1 Recurrent Programmes

For the period April – December 2025, expenditure on Recurrent Programmes totalled \$294.2 billion, exceeding the original budgeted amount by \$18.5 B (6.7 percent). This increase was partly driven by Melissa-related expenses (**Table 3**).

4.2.3.2 Compensation of Employees

Compensation of Employees (Wages & Salaries plus Employers' Contributions) for the review period totalled \$381.2 billion; 2.0 percent higher than the original projection. The overall Compensation of Employees reflects *inter alia* reflected salary increments granted effective April 2025. **Wages & Salaries** totalled \$355.3 billion; roughly \$5.8 billion (1.7 percent) above the original budgeted amount.



Note: * indicates projected fiscal years. The “fiscal rule” for wages was implemented in 2010/2011 and abolished in 2022/2023.

Source: Compiled by the Independent Fiscal Commission using data from the MoFPS.

Since the abolishment of the fiscal rule on wages in FY 2022/2023, there has been a general uptick in Wages & Salaries; coming from a low of 8.8 percent of GDP (FY 2020/2021) to an estimated high of 13.8 percent in FY 2025/2026 (**Figure 6**). The GOJ medium-term projections are for Wages & Salaries as a percentage of GDP to decelerate before stabilising at around 13.0 percent at the end of 2029/2030. Despite the projected decline, the Wages & Salaries ratio will remain elevated. Given the foregoing, the IFC reiterates its suggestion for the GOJ to consider re-

introducing a “fiscal rule” in order to anchor Wages & Salaries expenditure and keep the underlying expenditure in check.

4.2.3.3 Interest Cost

Total Interest payments of \$124.6 billion at the end of December 2025 fell below the original projection by 2.5 percent. While **Domestic interest** expenditure of \$56.8 billion exceeded budget by 19.8 percent, **External interest** payments fell 15.6 percent below budget. **Table 3** provides further explanations for these deviations.

4.2.3.4 Capital Expenditure

For the period April – December 2025, **Capital Expenditure** totalled \$31.2 billion (3.7 percent of the total expenditure); \$18.5 billion (37.2 percent) below the originally projected amount. The *FPP* reported that this shortfall was due to a slower-than-programmed pace of execution of several planned public sector investment projects. This performance represents a continuing trend of under-execution of capital spending on public sector investment projects.

From the originally budgeted amount of \$62.6 billion for capital expenditure in FY 2025/2026, only 49.8 percent was executed over the first nine months of the fiscal year. Against this backdrop, and even with the reductions by way of the supplementary budgets, full utilisation of budgeted capital expenditure would require a disproportionately large – close to 50 percent of the full year allocation - outlay of capital spending in the last quarter of FY2025/2026. This continued under-execution remains of major concern given the multiplier effect of capital expenditure's impact on economic growth.

4.3 Analysis of the Public Bodies

At end-December 2025, preliminary data revealed that the **Self-Financing Public Bodies (SFPBs)** ran an overall balance surplus of \$74.3 billion compared with a budgeted surplus of \$23.7 billion. The higher-than-anticipated balance was primarily due to a **\$29.7 billion** under expenditure in Capital.

The combined effect of the surplus by the SFPBs and a \$24.7 billion Central Government deficit is an overall **Specified Public Sector** surplus of **\$49.6 billion** for the period April to December 2025 (compared with an overall surplus of \$42.1 billion at the end of the corresponding period in 2024).

At the end of FY2025/2026, the group of SFPBs is projected to achieve an overall balance surplus of \$5.4 billion, compared with an initial \$29.5 billion projected surplus.

The improvement in the SFPBs' overall balance surplus during the review period primarily arose from a material under-execution in capital projects, similar to what obtained with the Central Government. Accordingly, the Specified Public Sector experienced a capital Budget under-execution of \$48.2 billion. This slow pace of delivery continues to undermine the credibility of the forecast and raises doubts about the GOJ's capacity to exhaust the remaining 48.8 percent of the \$135.4 billion total capital expenditure allocation to the Specified Public Sector for FY 2025/26.

4.4 Public Debt

Stock of **Public Debt** outstanding for the *Specified Public Sector* at end-December 2025 stood at approximately \$2.2 trillion; up \$21.1 billion (1.0 percent) from end-December 2024. Up to end-September 2025, the *debt-to-GDP* ratio remained on a downward path, supporting progress toward the statutory 60.0 percent target. However, following Hurricane Melissa, the debt trajectory was reversed with debt-to-GDP now projected to rise to 68.2 percent at the end of FY 2025/26; up compared with the 62.4 percent registered at the end of the previous fiscal year.

Table 3: Explanations for Major Fiscal Deviations from Original Budget - April to December 2025

REVENUE						
Revenue Item	J\$ Million			Difference (%)	MoFPS' Explanation for Deviation	IFC Comments
	Provisional	Original Budget	Difference			
Total Tax Revenue	647,700.0	648,340.1	-640.1	-0.1		
<i>Income and Profits</i>	207,817.8	206,636.6	1,181.2	0.6		
Bauxite/Alumina	970.6	2,968.0	-1,997.4	-67.3	The below budget collection from Bauxite/ Alumina reflected lower than projected payment of Bauxite/Alumina arrears due to losses experienced by entities within the sector.	Explanation is reasonable.
Tax on Dividend	2,866.3	2,612.6	253.7	9.7	The above budget collection reflected generally higher dividend payments, with dividend yields trending higher in 2025 compared to 2024. On the Jamaica Stock Exchange, average payouts were J\$0.50 per share in 2025, compared with J\$0.34 in 2024.	Explanation is reasonable.
Other Individuals	3,162.1	5,416.3	-2,254.2	-41.6	Inflows from Other Individuals were constrained by disruptions to economic activity following the passage of Hurricane Melissa and higher-than-anticipated refund payments. Up to September 2025, there was a \$1.6 billion shortfall relative to budget. Refunds totalled \$832 million over April to December 2025, comprising \$630 million for April to September 2025	Explanation is inadequate. No information was provided on the amount budgeted for refund to compare it with actual

					<i>versus</i> \$68 million in October, \$92 million in November and \$42 million in December 2025.	refund payouts.
Tax on Interest	29,239.2	25,666.7	3,572.5	13.9	Tax on Interest benefitted from an increase in total deposits held (April – November) by 10.5 percent, with time deposits and savings deposits increasing by 16.1 percent and 10.1 percent, respectively.	Explanation is reasonable.
<i>Production and Consumption</i>	206,275.3	200,512.8	5,762.5	2.9		
SCT (Local)	18,983.6	16,743.9	2,239.7	13.4	The over-performance of SCT (local) was consequent on higher production of petroleum-related products at <i>Petrojam</i> . Production volume across all petroleum-related products increased by 19.9 percent year-over-year (FY 2024/25 to December 2024, 4.02mn barrels; FY 2025/26 to December 2025, 4.82mn barrels).	Explanation is reasonable.
Other Licences	2,023.4	1,375.9	647.5	47.1	The over-performance of Other Licences partly reflects the payment of arrears by the Spectrum Management Authority in December 2025 (\$1.3bn collected in December 2025, relative to Original Budget of \$70.3mn.	Explanation is partly reasonable, as absent the excess receipts from the Spectrum Management Authority, there would be

						an unexplained shortfall.
Quarry Tax	125.1	215.8	-90.7	-42.0	Quarry Tax collections were adversely impacted by the contraction in nominal value added for the Mining and Quarrying sector (contracted by 5.0 percent during the April to September 2025 period, with further deterioration expected in the third quarter due to Hurricane Melissa).	Explanation is reasonable.
Stamp Duty (Local)	6,863.9	4,569.8	2,294.1	50.2	The over-performance reflects higher volume and value of transactions that stamp duty is applicable, including a combined growth in mortgage and vehicle loan transactions.	Explanation is inadequate as no information was provided to validate the claim of higher volume and value of transactions
International Trade	233,606.9	241,190.7	-7,583.8	-3.1		
SCT (Imports)	52,655.5	55,582.9	-2,927.4	-5.3	The under-performance was mainly attributable to lower importation of finished petroleum products as well as lower cost, insurance and freight (C.I.F.) values.	Explanation is reasonable.
Non-Tax Revenue	156,127.2	109,448.1	46,679.0	42.6	The over-performance relative to budget was mainly attributable to inflows associated with the pay-outs from the disaster risk financing instruments that	Explanation is partly reasonable as a portion of the

					<p>were triggered following the passage of Hurricane Melissa as well as higher-than-projected inflows from the securitisation of revenue due to the GOJ from the Sangster International Airport (SIA).</p> <p>Approximately J\$14.3 billion or US\$88.8 million was generated from CCRIF policies, Cat Bond US\$156.7 million (or J\$24.1 billion) and from the Catastrophe Deferred Drawdown Option (Cat DDO), US\$41.8 million (J\$6.7 billion). Government is also expected to draw down by March 2026 another US\$42 million from the World Bank's CAT DDO plus US\$300 million from the Contingent Credit Facility with the IDB. Additionally, post-Melissa, Jamaica drew down (in January 2026) some US\$417.7 million from the Rapid Financing Instrument (RFI) from the IMF. It is important to note that excess inflows from the securitization of Sangster Int'l Airport was roughly J\$9.7 billion.</p>	<p>deviation remains unexplained Inflows from CCRIF Policies (J\$14.3 billion), Cat Bond (J\$24.1 billion), Catastrophe Deferred Drawdown Option (J\$6.7 billion) and excess inflows from securitisation of SIA (J\$9.7 billion) sum to J\$54.8 billion leaving a material deviation of J\$8.1 billion.</p>
Grants	2,433.6	4,583.5	-2,149.9	-46.9	Grants were below due to lower disbursements associated with slower-than-planned project execution.	Explanation is reasonable.

Source: Compiled by IFC based on data in the Ministry's FPP 2026/2027 (Part 3, Pages 8 and 9).

EXPENDITURE						
Expenditure Item	J\$ Million			Difference (%)	MoFPS' Explanation for Deviation	IFC Comments
	Provisional	Original Budget	Difference			
Recurrent Expenditure	799,888.8	777,043.4	22,845.4	2.9		
Programmes	294,154.1	275,693.9	18,460.2	6.7	Higher programmes spending partly reflected Hurricane Melissa-related expenditure. Roughly J\$5.8 billion was spent on Melissa-related expenditure, for example. Relative to the Original Budget there were also some additional payments relating to Social Assistance Expenditure, including PATH.	Explanation is partly reasonable.
Wages & Salaries	355,321.5	349,525.7	5,795.8	1.7	Higher Wages and Salaries reflect higher payments relating to the execution of advancements along the substantive salary bands for eligible Central Government employees as well as higher payments relating to Extra Hours Worked.	Explanation is reasonable.
Employers' Contribution	25,840.0	24,119.2	1,720.8	7.1	Higher Wages and Salaries reflect higher payments relating to the execution of advancements along the substantive salary bands for eligible Central Government employees as well as higher payments relating to Extra Hours Worked.	Explanation is reasonable.
Interest	124,573.2	127,704.5	-3,131.3	-2.5		

Domestic	56,765.8	47,378.9	9,386.9	19.8	Domestic Interest payments exceeded budget primarily due to a higher stock of outstanding domestic debt arising from higher-than-planned borrowing during the last quarter of FY 2024/25 as well as during FY 2025/26.	Explanation is reasonable.
External	67,807.3	80,325.6	-12,518.2	-15.6	External Interest payments were below budget, largely due to lower-than-projected exchange rates and the partial use of contingency provisions that were allocated to accommodate potential new international financing agreements.	Explanation is reasonable.
<i>Capital Expenditure</i>	<i>31,163.8</i>	<i>49,632.2</i>	<i>-18,468.4</i>	<i>-37.2</i>	Capital spending fell short of budget due to the slower-than-programmed pace of execution of several planned public investment projects.	Explanation is inadequate bearing in mind the well-documented procurement challenges and capacity constraints.

4.5 Analysis of Macro-Fiscal Assumptions and Outlook

4.5.1 Macroeconomic Assumptions

In accordance with its statutory mandate to assess the **credibility and consistency** of the Government’s macroeconomic and fiscal projections, the IFC reviewed Jamaica’s **Medium-Term Macroeconomic Profile** as presented in Table 2G of the *Fiscal Policy Paper (FPP) FY2026/27*. This review examined the underlying macroeconomic assumptions, the internal coherence of the projections, and the extent to which the medium-term targets align with current economic conditions and historical performance (**Table 4**).

Box 2: Expected Macroeconomic Effects of Hurricane Melissa on Jamaica

Insights from the IMF Working Paper Understanding the Macroeconomic Effects of Natural Disasters (Nguyen, Feng & Garcia-Escribano, 2025) indicate that small-island emerging market and developing economies (SI-EMDEs)—such as Jamaica—experience deeper and more persistent economic impacts following natural disasters than larger or more diversified economies. Jamaica’s structural characteristics, including its reliance on tourism, Bauxite & Alumina, Agriculture, and climate-sensitive infrastructure, make these findings particularly relevant.

Macroeconomic Pattern Expected After Hurricane Melissa

- **Sharp but temporary decline in GDP growth.**
- **Partial rebound the following year, but not enough to restore the pre-disaster trend.**
- **Permanent output level Loss**
- **Deterioration in net exports.**
- **Larger output losses where fiscal response is delayed or limited.**
- **Slower recovery relative to advanced economies.**

Factors Supporting a Stronger Recovery in Jamaica

Despite its vulnerabilities, Jamaica has institutional and financial mechanisms that can mitigate the medium-term effects of Hurricane Melissa:

1. Fiscal Responsibility Framework (FRF) with an Escape Clause

- Allows temporary deviation from fiscal rules following severe natural disasters.
- Enables **timely and larger-scale government expenditure**, which the IMF study links directly to smaller output losses.

2. Disaster Risk Financing Framework (DRFF)

- Provides **up to US\$1.0 billion** in immediate liquidity through layered disaster-risk instruments.
- Can be supplemented by **up to US\$5.7 billion** in contingent financing from International Development Partners (IDPs).

- These resources reduce the need for abrupt fiscal adjustments and support faster reconstruction—key determinants of post-disaster macroeconomic performance.

3. Establishment of the National Reconstruction & Resilience Authority (NaRRA) to coordinate and, fast track the post-disaster reconstruction and resilience activities.

The IFC undertook the assessment against significant caveats. Of note, only **preliminary and incomplete post-disaster assessments** were available, limiting the precision with which medium-term impacts can be evaluated. In addition, there is **insufficient information on the operations, expenditure plans, and implementation capacity of the National Reconstruction & Resilience Authority (NaRRA)**—the primary institution designated to lead the Government’s reconstruction and resilience programme.

Given these data limitations, the IFC considers the estimates presented in Table 2G within the *FPP* (see **Table 4** for reference) to be **preliminary** and subject to revision as more comprehensive sector-specific damage assessments, recovery needs, and updated fiscal cost estimates become available.

Table 4: Medium-Term Macroeconomic Profile						
Macroeconomic Variables	FY	FY	FY	FY	FY	FY
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual	Est.	Proj.	Proj.	Proj.	Proj.
Nominal GDP (J\$ bn)	3,496.0	3,532.2	3,857.0	4,193.4	4,515.5	4,788.5
Nominal GDP growth rate (%)	4.7	1.0	9.2	8.7	7.7	6.0
Real GDP growth rate (%)	-0.5	-4.5	-0.5	3.3	2.6	1.0
Inflation: Annual Pt-to-Pt (%)	5.0	10.0	5.1	5.0	5.0	5.0
Interest Rates:						
180-day Treasury Bill (end-period)	5.7	market sensitive				
90-day Treasury Bill (end-period)	5.7	Market sensitive				
Average Selling Exchange Rate (J\$=US\$1)	157.6	Market sensitive				
NIR (US\$ mn)	5,785.5	6,079.1	5,157.5	5,201.9	5,487.4	5,654.3
Current Account (%GDP)	3.0	-0.1	-6.8	-6.5	-2.2	-0.4
Oil Prices (WTI) (Average US\$/barrel)	74.4	62.2	60.0	60.0	62.5	65.0

Source: Fiscal Policy Paper FY 2026/27.

As outlined in the *Economic & Fiscal Assessment Report* based on the *Interim Fiscal Policy Paper FY 2025/26* (IFC, 2026), the IFC assessed the macro-fiscal outlook within the context presented in **Table 5**:

1. Impact: The scale and distributional effects of Hurricane Melissa;
2. Response: The actual and expected actions by public and private sector stakeholders; and
3. The absorptive capacity of the Jamaican economy (**Appendix I**).

Table 5: Impact and Expected Response from Hurricane Melissa				
Detail	Households	Private Sector	Public Sector	International Development Partners
Impact:	<ul style="list-style-type: none"> • Damage to housing stock & contents (US\$3.7 billion) • Job losses from firm closure (especially within Tourism and Agriculture) 	<ul style="list-style-type: none"> • GDP Contraction: Destruction of capital stock (US\$1.8 billion) and lower capacity utilization due to infrastructure disruption. • Damage to businesses, especially agriculture, fisheries, retail and associated loss in income • Price pressure from agricultural losses and supply bottlenecks 	<ul style="list-style-type: none"> • Damage to Public capital stock (US\$2.9 billion) • Reduced Tax Revenue due to lower GDP • Delays in capital project execution • Lower grant inflows tied to postponed projects • Non-Tax Revenue gain: Disaster risk financing pay-out (e.g. Catastrophe Bond: US\$150.0 million) 	
Responses	<ul style="list-style-type: none"> • Increase household expenditure 	<ol style="list-style-type: none"> 1. Increase business expenditure 	<ul style="list-style-type: none"> • Higher Government Expenditure on 	<ul style="list-style-type: none"> • Immediate humanitarian support

	<p>on repairs (Construction industry – import intensive). Supported by diaspora remittances</p> <ul style="list-style-type: none"> • Reduced demand for non-essential goods and services due to loss income 	<p>on repairs (Construction industry – intensive)</p>	<p>welfare, reconstruction, and mitigation of long-term economic scarring</p> <ul style="list-style-type: none"> • Temporary suspension of fiscal rules to allow higher deficits and debt-to-GDP ratio in the short-run • Import Policy adjustment: Temporarily reduce duties on essential supplies and food • Institutional response: proposed establishment of the National Reconstruction & Resilience Authority (NaRRA) to lead, oversee and fast track the country’s reconstruction plan in order to build back better 	<ul style="list-style-type: none"> • Technical support for preliminary estimate of damage • Scaling up Grant flows • Technical assistance for recovery planning • Provision of concessionary financing
Constraints	<p>Cross cutting constraints: Recovery pace limited by reduce productive capacity and implementation bottlenecks, leading to delays and increased reliance on imports.</p>			

The IFC considers the **Medium-Term Macroeconomic Profile** presented in the *FPP* to be **mixed/inconclusive**. Projections appeared to have been prepared **without the benefit of the detailed Damage and Loss Assessment (DaLA)** and **without the operational or expenditure plans of the National Reconstruction & Resilience Authority (NaRRA)**—the entity expected to lead reconstruction, rehabilitation, and resilience activities following Hurricane Melissa. Given that NaRRA is still in the early stages of being operationalised, substantial uncertainty remains around the **timing, scale, and composition of reconstruction spending**, and consequently around medium-term macroeconomic outcomes.

The IFC is specifically concerned about the **Nominal GDP growth projection of 9.2 percent for FY2026/27**. This projection is predicated on a **real GDP decline of 0.5 percent**, implying a **GDP deflator increase of approximately 9.7 percent**. Such a sharp rise in the GDP deflator is inconsistent **with current inflation trends**, including the **3.9 percent 12-month point-to-point inflation rate as at end-January 2026**. Moreover, it does not reflect the typical price behaviour observed in the aftermath of natural disasters where reconstruction activity is delayed or staggered.

Given (i) the time required for NaRRA to become operational effective, (ii) Jamaica's historical challenges in executing the Specified Public Sector's capital budget, and (iii) subdued inflation (below the target band) heading into FY2026/27, the IFC considers a nearly **10 percent increase in the GDP deflator to be implausible**. Over-estimating nominal GDP and have **material adverse implications for fiscal planning**, not least of which is the likelihood of **over-projecting revenue and understating the debt and other key fiscal ratios**.

In light of the foregoing, the IFC will update its assessment once the DaLA and NaRRA's implementation framework become available, enabling a more comprehensive evaluation of reconstruction-driven economic activity and its impact on the macro-fiscal outlook.

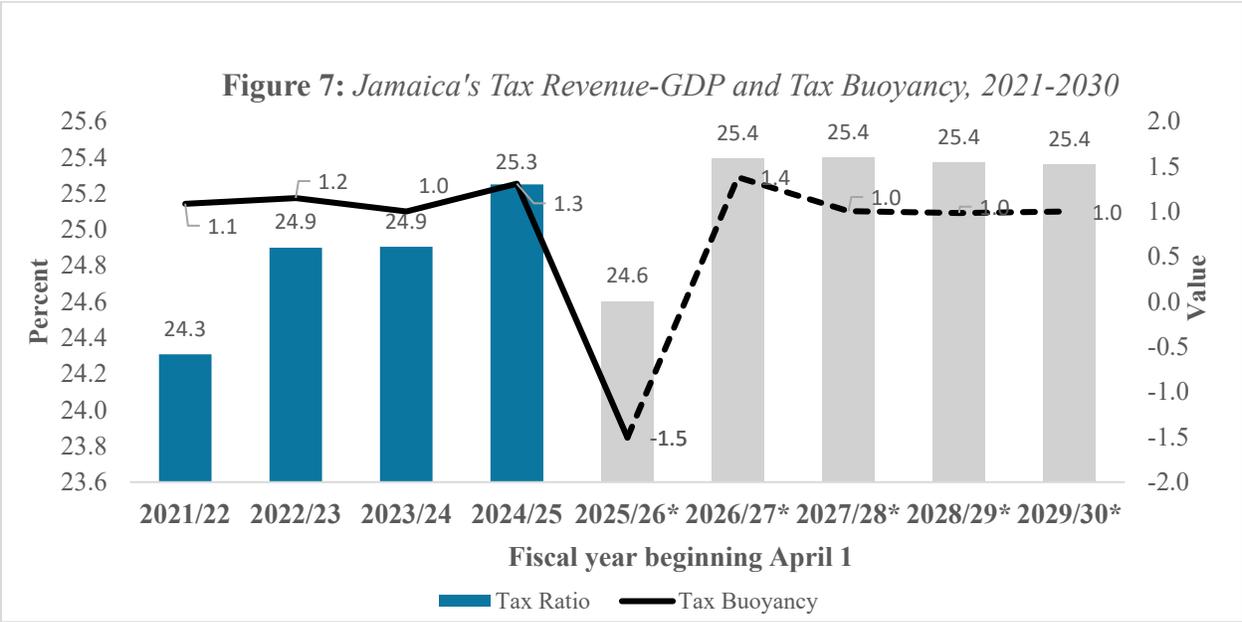
4.5.2 Fiscal Assumptions and Outlook

The fiscal rules were suspended in December 2025 through the end of March 2027 occasioned by the devastating effects of Hurricane Melissa. Notwithstanding, achieving a public debt-to-GDP ratio of 60.0 percent remains a crucial GOJ objective in its pursuit of fiscal and debt sustainability. In this vein, the IFC independently estimated that a fiscal deficit for the Specified Public Sector of 2.2 percent of GDP is consistent with meeting the legislative 60.0 percent debt-to-GDP target by the end of 2029/2030. This calculation is in line with the Ministry's estimated 2.1 percent deficit.

Specifically, for FY 2026/27, the GOJ has programmed a Central Government fiscal deficit of \$190.7 billion (4.9 percent of GDP), followed by deficits of 3.3 percent, 2.3 percent and 1.8 percent of GDP in FYs 2027/28, 2028/29 and 2029/30, respectively. To ascertain the credibility of these estimates, the IFC probed the revenue and expenditure profile presented in the FPP (Table 3G).

The tax/GDP ratio is projected to decline to 24.6 percent at end-FY2025/26, reflecting, inter alia, the adverse effects of Hurricane Melissa, the *Revenue Measures* introduced in March 2025 with estimated revenue forgone of approximately \$9.2 billion, and the shift in filing of returns and payment of Corporate Income Tax from March to April. The GOJ projects the tax ratio to recover in FY2026/27 and then remain stable; averaging 25.4 percent over the medium term (**Figure 7**).

The *tax buoyancy* (i.e. essentially the total response of tax revenue to changes in national income over time and changes in tax laws or administration) profile is consistent with the movement in the tax ratio (**Figure 7**). Buoyancy is projected to be negative in FY2025/26; reflecting a decline in tax revenue despite modest nominal GDP growth due in part to the shift in due date for filing and paying Corporate Income Tax and the Asset Tax. Based on the GOJ’s projections, buoyancy rebounds in FY2026/27 and converges around unity over the medium term, meaning that a 1.0 percent increase in nominal GDP is associated with a 1.0 percent increase in total tax revenue.



Note: * means Projected for that fiscal year.

Source: Compiled by the Independent Fiscal Commission using data from the MoFPS.

The IFC's deeper examination of the budgeted tax revenue has revealed the following issues with the forecast:

(i) The *FPP*'s over-estimation of inflation and the related GDP deflator would lead to an overstating of the revenue for FY 2026/27 and beyond

(ii) The flatline Tax/GDP ratio at 25.4 percent from FY 2026/27 - FY 2029/30 suggests that the Ministry did not incorporate the estimated \$15.6 B (0.4 percent of GDP) for FY 2027/28 from new tax measures into the projections.

(iii) After carefully examining the potential revenue impacts from the tax measures, the individual estimates are **in general, consistent with the Commission's independent computations. Consequently, the IFC opines that the overall estimated additional tax revenue of \$18.0 billion in 2026/2027 appears to be achievable and credible, once implemented as announced.** (The **Appendix** provides further details of the IFC's assessment).

In light of the foregoing, the IFC urges the Ministry to update its revenue profile drawing on update macroeconomic variables and all the known tax policy and administrative measures.

Regarding *Expenditure*, the IFC paid particular attention to Wages & Salaries and Capital Programmes and notes the following concerns:

Wages & Salaries: The IFC does not have sufficient information to determine credibility of the projections. For instance, while the GOJ has made an offer of 2.5 percent per annum over the 4-year period starting April 2025, it is unclear whether the Contingency Allocation in the FY 2026/27 Budget of \$42.8B includes full settlement and payments for all groups.

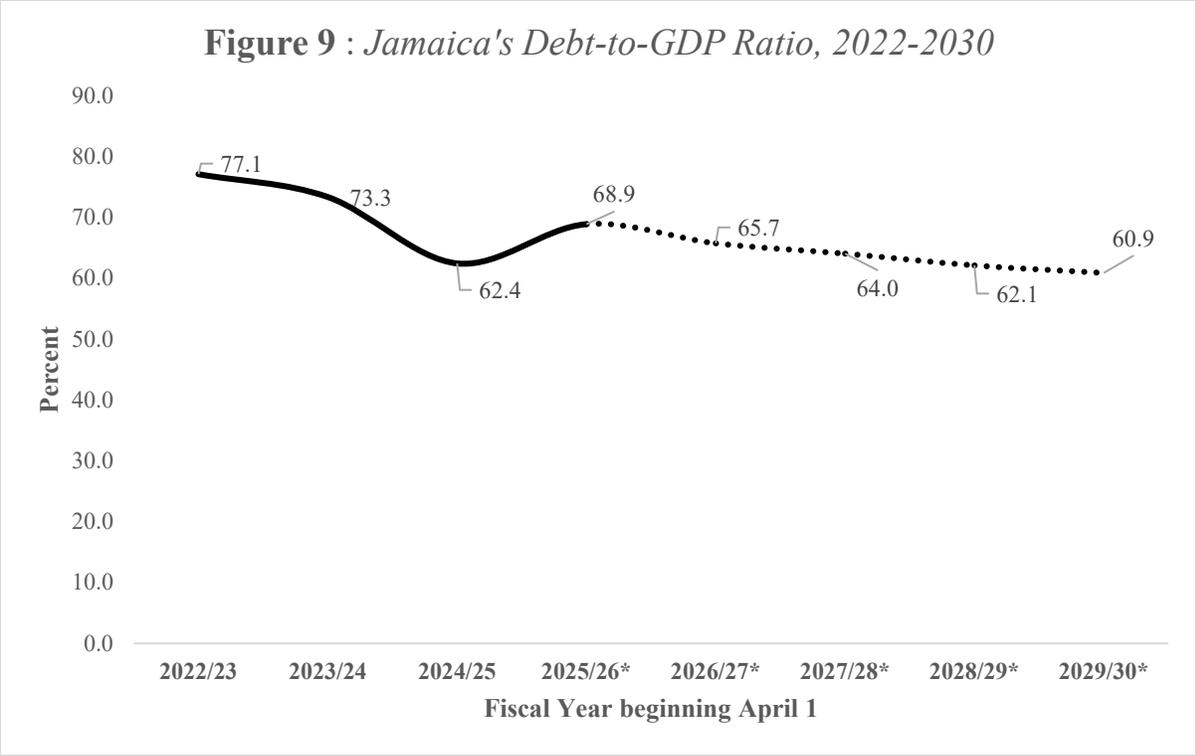
Capital Expenditure: The customary detailed Public Sector Investment Programme (PSIP) was not presented in the FPP. That said, the IFC notes a provision of \$30B for Melissa-related expenditure. However, it remains unclear how much is allocated over the medium term for recovery and rehabilitation projects related to Melissa. This information is vital to comprehensively assess fiscal and debt sustainability and whether the fiscal balances presented in the FPP are realistic.

On the other hand, the \$99B provisioned for the Central Government, represents a near doubling *vis-à-vis* the expected spending in FY 2025/26. Moreover, for the SPS, the budgeted Capital Expenditure for FY 2026/27 shows an increase from the Fourth Supplementary Estimates of \$135.4 B to \$205.3B (51 percent, and even higher given the likely under-execution in FY 2025/26).

Public Debt

Prudent management of the public debt stock is critical to achieving the legislated debt-to-GDP target of 60.0 percent by end-FY 2029/30. At end-FY 2025/26, the debt-to-GDP ratio is estimated to increase to 68.9 percent, before declining to 65.7 percent in FY 2026/27 and continuing to fall over the medium term, however, the legislated target of 60.0 percent is not expected to be achieved in FY 2029/30.

The Government has indicated that, over the medium term, its debt management strategy will continue to focus on realigning the debt portfolio in favour of local currency debt, thereby further mitigating foreign currency risk. The evolution of the debt-to-GDP ratio over time is indicative of the broad effectiveness of the Government's debt management strategy. In FY 2009/10, the debt-to-GDP ratio stood at 131.6 percent and will move to an estimated 68.9 percent at the end of 2025/26, notwithstanding the economic disruption associated with the COVID-19 pandemic and the impact of a Category 5 hurricane (**Figure 9**).



Notes: Latest projected Debt-to-GDP ratio values were revised after Hurricane Melissa in October 2025. *Means projected for that fiscal year.

Source: IFC Compilation based on data extracted from the *Fiscal Policy Paper 2026/27* (Part 1, Page 4).

4.6 Assessment of Macro-Fiscal Risks

The interconnectedness between macroeconomic variables, notably GDP growth, inflation rate, interest rates, exchange rates and external conditions - many of which are outside the GOJ’s control - suggests that macroeconomic shocks can derail fiscal plans. Against this backdrop, the IFC will discuss some key macroeconomic and fiscal risks affecting Jamaica, most of which have been *elevated* by the passage of Hurricane Melissa.

4.6.1 Macroeconomic Risk

Between FY 2020/21 and FY 2025/26, macroeconomic projections required repeated adjustments as the country absorbed successive climate-related shocks, global supply-chain disruptions, and domestic production challenges. The most consequential shocks were the COVID-19 Pandemic and Hurricane Melissa, both of which led to a sharp fallout in economic activity, which adversely

impacted government revenue and necessitated emergency expenditure and temporary suspension of Jamaica’s fiscal rules (**Table 6**).

Table 6: Select Shocks Impacting Macroeconomic Projections (FY 2020/21 – FY 2025/26)	
Fiscal Year	Shock
FY 2020/21	1) COVID-19 Pandemic (global health and economic shock), 2) Tropical Storms Eta and Zeta (heavy rainfall and infrastructure damage, estimated at \$6.7 billion);
FY 2021/22	1) Fire at JAMALCO alumina refinery (disrupted mining sector - negatively impacting GDP and Goods Exports); 2) Tropical Storm Elsa and Grace (estimate \$0.2 billion in damage); 3) Onset of Russia-Ukraine war (global supply-chain disruptions and inflationary pressures on fuel and food).
FY 2022/23	1) Inflation Shock (Elevated prices for oil and other commodities,
FY 2023/24	1) Drought Conditions (Impacted agricultural output and prices)
FY 2024/25	1) Hurricane Beryl (Category 4 Hurricane causing significant agricultural and infrastructural losses - resulting in an estimated \$56,704.4 million or 1.7 percent of 2023 GDP), (2) Tropical Storm Raphael – infrastructure damage
FY 2025/26	1) Hurricane Melissa (Catastrophe Category 5 Hurricane causing a preliminary estimated (1,451.6 billion or 42.2 percent of 2024 GDP); and 2) Increase global uncertainty associated with changes in US Trade policy
Source: FPPs from FY 2020/21 to FY 2025/26 and PIOJ Damage and Loss Assessment Reports	

Jamaica’s geographic location heightens its exposure to hydrological shocks (e.g. flood, drought, Hurricane), while structural characteristics—such as food accounting for 35.8 percent of the Consumer Price Index basket, an aged public capital stock, highly open economy with total trade exceeding 80 percent of GDP, and a limited export base concentrated in tourism and bauxite/alumina—amplify the impact of these shocks on the macroeconomic environment. **Table 7** represents an updated Macroeconomic Risk (see IFC, 2026, page 31).

Table 7: Macroeconomic Risks (Updated)

Macroeconomic Risk	Source	Transmission to Macro-Fiscal	Likelihood/Impact
Lower than expected Economic Growth	<ol style="list-style-type: none"> 1. Slower than expected recovery by the private and public sectors following Hurricane Melissa. 2. Supply side shocks from: a) natural hazard disrupting production; b) plant downtime from aging equipment (especially in the Mining & Quarrying industry); c) supply chain constraints limiting production and investment. 3. Higher than anticipated increase in imports for reconstruction due to loss of productive capacity. 4. Lower than expected external demand as a result of slower growth in Jamaica's main trading partners amid geopolitical uncertainty. 5. Lower Domestic Demand due to a) slower employment growth; b) lower than expected private investment amid uncertainty; c) higher than expected interest rates which discourage investment and consumption; d) slower than anticipated implementation of public investment projects. 	<ul style="list-style-type: none"> • Slower Tax revenue growth, • Pressure on Higher spending • slower debt reduction • Higher debt-to-GDP ratio 	<ul style="list-style-type: none"> • Likelihood: Medium • Impact: High
Higher than expected Inflation	<ol style="list-style-type: none"> 1. Higher than expected commodity prices (e.g. fuel and food) 2. Larger than expected depreciation of the Jamaica dollar. 	<ul style="list-style-type: none"> • Upward pressure on nominal interest rate • Higher Revenue 	<ul style="list-style-type: none"> • Likelihood: Medium • Impact: Medium

	<ol style="list-style-type: none"> 3. Natural Hazards (e.g. drought and flooding) increasing food prices. 4. Limited Labour supply which places upward pressures on wages and prices 	<ul style="list-style-type: none"> • Higher government expenditure 	
Higher than expected Depreciation	<ol style="list-style-type: none"> 1. Higher than expected local inflation. 2. Increased demand for foreign exchange given geopolitical uncertainty and higher than expected import demand for reconstruction. 3. Lower than expected foreign exchange inflows, as a result of lower receipts from remittances and tourism 4. Higher than expected foreign interest rates 	<ul style="list-style-type: none"> • Higher Debt Servicing cost • Imported inflation • Higher tax revenue on imports 	<ul style="list-style-type: none"> • Likelihood: Medium • Impact: High
Higher Interest Rates	<ol style="list-style-type: none"> 1. Higher domestic inflation. 2. Elevated interest rates in main trading partners that constrain the pace of monetary easing locally. 3. Larger than expected depreciation of the Jamaica dollar. 	<ul style="list-style-type: none"> • Higher interest cost; • Crowding out of private investment. • Slower debt reduction 	<ul style="list-style-type: none"> • Likelihood: Medium. • Impact: Medium

Risk Mitigation and Management

Fiscal Responsibility Framework

Jamaica’s Fiscal Responsibility Framework (FRF) mitigates macro-fiscal risk through (i) **numerical rules**: debt-to-GDP targets and corresponding fiscal balance requirements to ensure fiscal sustainability (ii) **procedural rules**: the conditions, processes, and timelines for **suspending** and **correcting** deviations from targets when severe shocks occur.

Escape Clause

Section 48C of the *FAA Act*, empowers the Minister responsible for Finance to suspend compliance with the fiscal balance and debt targets in the event of a **public disaster, severe economic contraction, financial sector crisis, or public emergency**, subject to validation of the fiscal impact being at least 1.5 percent of GDP by the Fiscal Commissioner (FC), and for a period limited to the financial year following the event, **extendable by one additional year if the Fiscal Commissioner validates that the residual impact of the eventuality is justified and reasonable given the remaining economic circumstances**. Once validation is completed, the Minister may then make an order, subject to affirmative resolution by Parliament.

Think of Jamaica's fiscal rules as the safety valves on a steam engine. In normal times, they keep the pressure (our debt) contained so the engine runs efficiently. However, Hurricane Melissa was a massive external shock—like a sudden surge in heat. The framework did not 'break'; instead, the '**Escape Clause**' acted as a safety valve. It allowed the government to intentionally release pressure (suspend the rules) so they could redirect energy (funding) to save lives and rebuild, preventing the whole engine from exploding.

Automatic Correction

Once the period of suspension (and any extension) ends, the Minister is required to table a report in Parliament recommending a recalibration of the fiscal targets to ensure the country returns to its debt sustainability path. The primary goal of recalibration is to reset the minimum fiscal balance required to achieve the debt target of 60 percent of GDP or less by the legislated deadline and maintaining it thereafter.

The IFC is the **institutional guardian of Jamaica's Automatic Correction Mechanism**, which activates when cumulative deviations from the legislated fiscal balance targets reach the thresholds defined in law. Under its statutory mandate, the Commission must independently determine whether the corrective measures proposed by the Minister in the Fiscal Policy Paper are **sufficient to restore compliance with the fiscal rules**. If the IFC concludes that the Government's plan is inadequate, it is legally required to specify the **additional fiscal effort** needed to return Jamaica to its legislated fiscal path.

Disaster Risk Financing Framework

The Government of Jamaica’s Disaster Risk Financing Framework (DRFF) is a key component of its broader fiscal risk management strategy. The framework employs a multi-layered approach that aligns financing instruments with the frequency and severity of natural disasters, thereby ensuring timely and cost-effective response capabilities.

As at end-January 2026, the DRFF provided access to approximately US\$1.0 billion in disaster-response financing (**Table 8**), which may be supplemented by up to US\$5.7 billion in additional contingency support from International Development Partners (IDPs). These resources collectively strengthen Jamaica’s ability to absorb the fiscal shock associated with severe weather events, such as Hurricanes Beryl and Melissa, and help mitigate the need for unplanned budget reallocations or increased borrowing in the aftermath of major disasters.

Table 8: Disaster Risk Financing Framework	
Caribbean Catastrophe Risk Insurance Facility (CCRIF)	88.9
World Bank Group (WBG) Catastrophe Bond	150
World Bank Group (WBG) Catastrophe Bond (Refund)	6.7
Inter-American Development Bank (IDB) Contingent Credit Facility (CCF)	300
World Bank Group Catastrophe Deferred Drawdown Option	41.8
IMF: Rapid Financing Instrument’s	417.8
Total	1,005.2

Source: MoFPS

4.6.2 Fiscal Risks

Numerous factors in the Jamaican context can cause actual deviations from the fiscal outcomes projected at the time of budget formulation. Such risks include, *inter alia*, revenues falling below fiscal year projections, increased reliance on one-off non-tax revenue, under-execution of capital expenditure to achieve fiscal targets, upward pressure from wage negotiations and hydrological shocks.

The impact of Hurricane Melissa not only caused a dramatic rise in projected expenditure (required to assist the relief, recovery, restoration, and rehabilitation efforts) coupled with a marked estimated overall reduction in tax revenue for fiscal year 2025/2026. **As such, the IFC reiterates that similar climate-related events of such intensity can reoccur, and Government may have to partly rely on future drawdowns from disaster-risk instruments.** In other words, **rebuilding of disaster risk financing buffers** should be vital in managing Jamaica's hydrological fiscal risks.

A second key source of fiscal risk to monitor is the protracted public sector wage negotiations. The *FPP* reported (see **Appendix III, Part 3**) that one of the priority areas for 2026/2027 is to conclude the negotiations with key trade unions by the end of March 2027. The IFC opines that this time period appears protracted. A key concern here is that by extending the wage negotiations period for too long, the fiscal risk will be greater as the magnitude of the costs relating to the wage settlement is unknown and therefore can lead to higher than programmed Compensation of Employees' expenditure in the next annual budget.

5.0 Public Financial Management Principles and the Fiscal Responsibility Framework

Robust fiscal policy actions have prudently contributed to Jamaica's public debt on an overall downward trajectory for many years. In the aftermath of the catastrophic weather-related shock in October 2025, the public debt ratio, which, up until that point, was on track and ahead of schedule to meet the legislated target, will temporarily *rise* at the end of 2025/2026. As a result, shrewd steps should be taken to ensure that the Jamaican economy not only recovers strongly (and quickly) but also remain resilient, going forward.

Adherence to fiscal responsibility, transparency and accountability alongside prudent management of macroeconomic and fiscal risks are vital to pivot back to the desired debt reduction path. In this

regard, the fiscal ecosystem would benefit from further strengthening by considering some suggestions that the Commission reiterates below.

The IFC welcomes the GOJ's steps to comply with the requirements of the Fiscal Responsibility Framework, and in the process reducing fiscal risks and enhancing the fiscal ecosystem. These include the simultaneous tabling of revenue measures with the suite of budget documents, as well as shifting the due date for filing and payment of Corporate Income Tax and Asset Tax.

That said, the IFC *reiterates* **that the Government should give due consideration to improve reporting on the Specified Public Sector in the *Fiscal Policy Paper*, beyond presentation on the total debt.** Furthermore, **Section 48H** of the *FAA Act* provides for Government to develop *Compensation/Negotiation* cycles for the public sector to allow for the completion of all wage negotiations and settlements in time for the tabling of the annual Budget. **After the current rounds of negotiations, the Government should endeavour to complete wage settlements in time for future budget preparation.** Such a move would not only bring greater certainty to the budget structure, reduce the fiscal risk (associated with under budgeting and deviations in the fiscal accounts), support local industrial harmony but will also result in further compliance with the *FAA Act*.

6.0 Update on IFC’s Considerations to Strengthen Fiscal Sustainability/Resilience

In its inaugural Economic and Fiscal Assessment Report (EFAR) (IFC, 2025a), the IFC suggested that the GOJ consider several measures (outlined in Table 5 of the report) to reduce fiscal risks and strengthen fiscal resilience. Table 9 provides an update on the progress made in implementing these measures.

Table 9: Fiscal Commission’s Issues for Considerations to Strengthen Fiscal Resilience/Sustainability: An Update				
Issue	Considerations	Expected Impact(s)	Desired Timeline	Status
Jamaica is among a group of countries that is still using the 1993 <i>System of National Accounts</i> (SNA) and not the 2008 SNA (latest SNA). The 2008 SNA has further specification of scope of transactions including the production boundary.	Update the Systems of National Accounts (SNA) to the 2008 SNA.	1. Improved alignment with other official statistics to inform policy making	Short-Term	Completed in July 2025. The upward revision in nominal GDP led to: (a) decline in the: (i) debt-to-GDP ratio to 62.4 percent at the end of FY 2024/25 — down from the previous reported 68.9 percent and (ii) Wage/GDP ratio of 12.1 percent, down from the previous reported 13.3 percent; (b) Increased fiscal space
Relatively high informality has constrained revenue growth and therefore GOJ ability to provide public goods and services to support economic growth.	Implement measures to reduce informality.	1. Higher Tax Revenue 2. Improved Fiscal Balance Lower Borrowing and Public Debt	Medium to Long- Term.	Ongoing: Initiatives include: 1) Establishment of the National Identification and Registration Authority (NIRA), which is responsible for administering the

				<p>National Identification System 2) Digital modernization of the Revenue Administration Information System (RAiS) – new functionalities will include e-Services Assistant Chat Bot and an integrated Client Relationship Management System.</p> <p>3) Capturing the Digital Economy – Starting in the fourth quarter of FY 2026/27, GCT will be applied to digital services provided by non-resident suppliers and consumed in Jamaica</p>
<p>Fiscal uncertainty associated with annual income tax returns due in the last month of the fiscal year.</p>	<p>Shift the due date for annual income tax return from March to the first quarter of the fiscal year to reduce fiscal uncertainty towards the end of the fiscal year.</p>	<p>Reduce Tax revenue risk</p>	<p>Medium-Term</p>	<p>Completed: Parliament has approved amendments to the <i>Income Tax Act and the Assets Tax (Specified Bodies) Act</i>, which, among other changes, shift the deadline for corporate tax and asset tax returns from March</p>

				15 (end of fiscal year) to April 15 (start of fiscal year), effective 2026.
Climate risk challenges that have negatively impacted macroeconomic and fiscal outcomes.	Build resilience in the natural and built environment.	<ol style="list-style-type: none"> 1. Lower the impact of natural disaster on economic growth 2. Improve resilience and productivity in Agriculture industry <p style="text-align: center;">Reduce the risk of higher headline inflation by stabilizing the supply chain.</p>	Medium to Long Term	<p>Ongoing: The Government of Jamaica continues to make progress in address climate risk, with support from its development partners. Key initiatives include:</p> <ul style="list-style-type: none"> • The Proposed establishment of the National Reconstruction & Resilience Authority (NaRRA) to oversee post-disaster reconstruction starting in FY 2026/27, with the key objective of “Building Back Better” • Planned introduction of climate budget tagging in budget preparation and reporting.

				<ul style="list-style-type: none"> • Building capacity of MDAs on climate-aware planning. • ongoing effort to establish the Climate Finance Unit within the MOFP • Western Parishes Water Supply and Resilience Improvement Programme
<p>Jamaica has challenges with project design and implementation, which have led to inefficiencies in converting public funds into public goods and services and hinder productivity.</p>	<p>Address gaps in project management across Ministries, Departments & Agencies.</p>	<ol style="list-style-type: none"> 1. Increase the efficiency of converting public funds into public goods and services (reduce expenditure – less wastage) 2. Increase the productivity of public goods and services on economic growth 3. Higher productivity 4. Higher revenue 5. Improved fiscal Balance Lower borrowing and Public Debt 	<p>Medium to Long- Term</p>	<ul style="list-style-type: none"> • Ongoing: The Proposed establishment of the National Reconstruction & Resilience Authority (NaRRA) to oversee post-disaster reconstruction starting in FY 2026/27, with the key objective of “Building Back Better” is expected to increase the efficiency of converting public funds into public goods and services.

Revenue measures announced after (rather than simultaneously) the tabling of the primary budgetary documents and following Parliament’s approval of budgeted expenditures.	Table the Ministry Paper relating specifically to Revenue Measures simultaneously with the other budget documents and incorporate the measures in the <i>FPP</i> . To fulfil the requirements of <i>Third Schedule, Section 48B, Part B (2)(b) of the FAA Act</i> .	<ol style="list-style-type: none"> 1. Brings more order to the budget process. 2. Better projections of revenue and expenditure over the medium-term. 3. Fulsome assessment of the Budget in a timely manner when new revenue policies are presented alongside rather than weeks after the other budget documents 	Short-Term	Completed: The Revenue Measures for FY 2026/27 were tabled alongside the suite of budget documents, including the <i>Fiscal Policy Paper</i> on February 12.
Wage & Salary negotiations in the public sector are usually protracted and increase fiscal uncertainty.	Introduce a public sector wage negotiation cycle that is aligned with the budget process, in accordance with Section 48H (2) the <i>FAA Act</i> .	Increase predictability in public sector wages and fiscal operations and therefore improve allocation of public expenditure	Medium-Term	No commitment given: IFC maintains that GOJ ought to comply with the <i>FAA Act</i> .

Present a fiscal profile for the Specified Public Sector with focus on <i>inter alia</i> Revenue, Expenditure, Fiscal Balance, Primary Balance and Public Debt. ³	Incorporate medium term budgetary analysis of the Specified Public Sector in the <i>Fiscal Policy Paper, in accordance with Third Schedule, Section 48B, Part B of the FAA Act.</i>	<ol style="list-style-type: none"> 1. Brings more order to the budget process. 2. Improved planning and resources allocation 3. Facilitates a more rigorous analysis of Jamaica’s fiscal position. 	Short-Term	No commitment given. IFC maintains that GOJ ought to comply with the <i>FAA Act</i> .
Wages & Salaries crowding out spending in other critical area.	Reintroduce an expenditure rule for Wages & Salaries to, <i>inter alia</i> limit crowding	<ol style="list-style-type: none"> 1. Align Wages & Salaries increases to labour productivity 2. Strengthen spending on critical growth 	Medium-Term	No commitment given.: Wages & Salaries have been consuming a growing share of Tax Revenue:

³ This last consideration was excluded from the original table entitled “**Table 5: Fiscal Commission’s Issues for Consideration to Strengthen Fiscal Resilience/Sustainability**” in the *Economic and Fiscal Assessment Report* (<<https://ifc.gov.jm/assets/files/Economic-FiscalAssessmentReportWebsite.pdf>>). However, it was added since it was included in Section 4 (The Fiscal Commissioner’s Opinion) that outlined weaknesses in the local budget process.

	out of spending in other critical areas.	enhancing area (e.g. infrastructure, human capital, etc.).		<ul style="list-style-type: none"> • FY 2021/22: 36.1 percent, • FY 2024/25: 47.9 percent, • FY 2025/26: 56.0 percent (projected) and FY 2029/30: 51.3 percent (projected)
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8.2 Appendix II: Assessment of Revenue Measures

After independently assessing the potential revenue effects relating to the major discretionary tax policy measures, the IFC concludes that the Ministry's computations were broadly in line with its own independent calculations. Nonetheless, the IFC will make some pertinent remarks on some of the proposed revenue measures.

Firstly, the IFC examined the proposed application of the 15.0 percent standard rate of GCT on *Digital Services and Intangibles* supplied from abroad and consumed locally. After successful implementation, this measure will result in a further broadening of the overall GCT base and consequently, will *reduce* the extent of potential GCT revenue that is uncollected locally.

Despite the fact that this new forthcoming measure appears to be a work-in-progress, the IFC probed for further preliminary details in order to better understand what “*digital services*” exactly mean. According to the Ministry, digital services essentially relate to “*digital content, subscription-based services, software and digital services & telecommunications, broadcasting and digital intermediation services delivered by companies via electronic/online media*”. The tax is scheduled for implementation during the fourth quarter of 2026/2027 i.e. January to March 2027. The Commission expects the Ministry to provide further information on the detailed design and implementation framework.

Secondly, the IFC notes the three SCT revenue measures relating to Non-Alcoholic ready-to-consume “*Sweetened Drinks*” (since *not all* of these products are sweetened with sugar), **alcoholic beverages** and **tobacco products (including cigarettes)**. The newly proposed *Specific* SCT on Non-Alcoholic sweetened drinks will also result in a widening of the overall SCT base. Moreover, the IFC is mindful that the demand for sweetened drinks especially by poorer consumers and the youth in particular, could decline due to their limited income. In other words, the sweetened drinks tax is *regressive* because lower income households will pay a higher portion of their income, as the sweetened drink tax. Despite concerns that the proposed tax is *regressive*, the consensus from empirical research is that similar taxes are actually *progressive* from a health perspective since health and economic burdens (such as health care costs from treating non-communicable diseases (NCDs)), lost productivity and poverty) from consuming such products *disproportionately* affects poor households (Laxminarayan and Parry, 2017, p. 45). As such, the sweetened drinks tax will have both strengths and weaknesses.

Based on a recent IFC “*mystery shopper*” price survey, the imposition of the new *Specific* SCT on sweetened drinks would increase the *on-shelf* price of a 600 ml bottle and 2 litre container of the *most popular brand* of carbonated beverage by \$12 (8.7 percent) and 13.3 percent, respectively. Since the proposed tax is new, the IFC explored seminal empirical research to adopt an estimate of the average *own-price elasticity* of demand for sweetened drinks globally (see for example, Powell et al., 2013, p. 21). Using the –1.21 point estimate, the IFC imputed that an *8.7 percent rise in the price of the most favoured brand of locally consumed sweetened drinks could lead to a 10.5 percent decline in consumption, all other things being equal*. Moreover, this worst-case behavioural response in the Jamaican context is based on another **assumption that the sweetened drinks tax would be fully passed on to retail prices** (rather than absorbed by the importers or manufacturers). On the other hand, any reduction in consumption of sweetened drinks could actually be beneficial to the importers and manufacturers of other products (such as bottled unsweetened water) that will not attract the sweetened drinks tax and as result, could profit from a rise in consumer demand.

It should be noted that the increase in the *Specific* SCT rate on *Cigarettes* to \$20 per stick **also** applies to other tobacco substitutes (that are currently subject to the \$17 per stick *Specific* SCT) including *Cigars*, *Cheroots* and *Cigarillos*). The Commission confirmed that the Ministry’s potential revenue estimate for the SCT on ‘Cigarettes’ was roughly in line with the IFC’s independent estimate and captured all the relevant targeted categories. Similar to the case of alcoholic beverages, the *Specific* SCT rate has not been adjusted since March 2017.

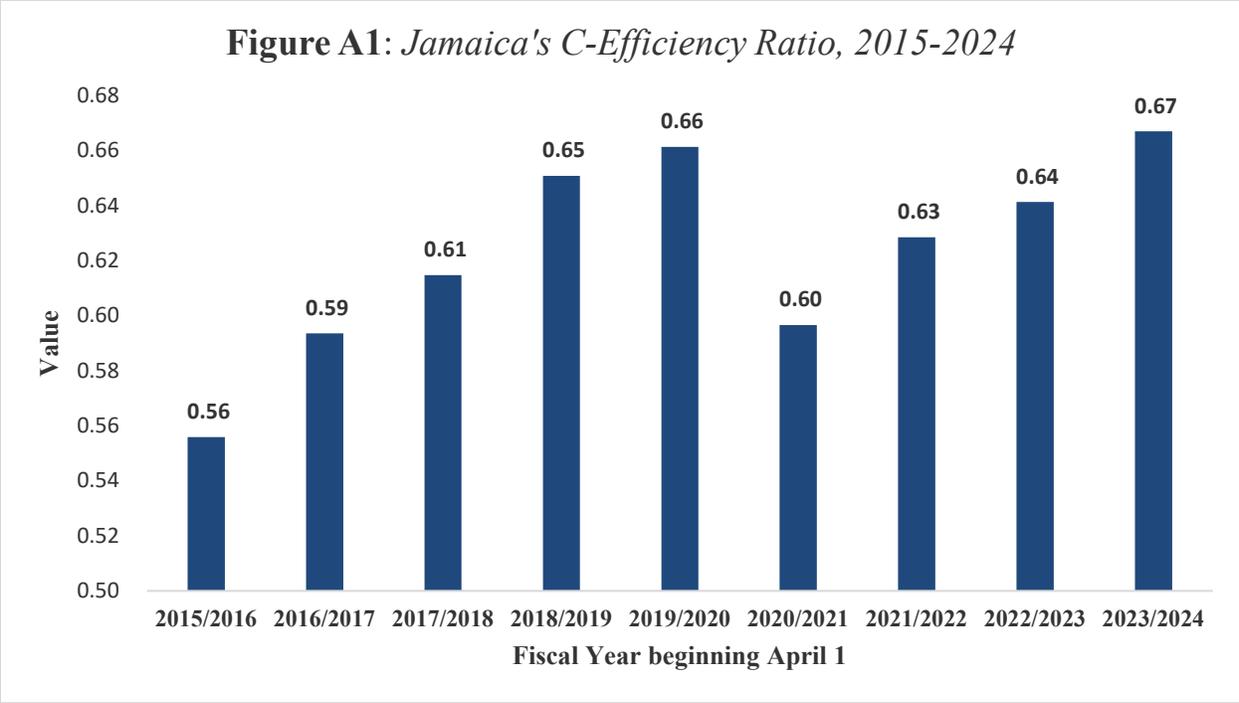
The *Ministry Paper* pointed out for example, that the increase in the *Specific* SCT on alcoholic beverages (the demand for which is *inelastic*) is an attempt to preserve the real value of the tax and the resulting revenue. This is a valid point as over time, specific (unit based) tax rates will be eroded by inflation unless periodically adjusted. *All other things being equal*, it **appeared** theoretically that nominal increases in the *Specific* SCT on alcoholic beverages and ‘Cigarettes’ of \$702 per Litre of Pure Alcohol (L.P.A.) and \$11 per stick, respectively (instead of the proposed respective increases of \$110 per L.P.A. and \$3 per stick, respective) would fully preserve the real value of the tax rates. The Ministry is nonetheless aware that raising tax rates beyond a *certain point* could actually lead to a reduction in additional revenue despite the relatively *inelastic* nature **of these two products alcoholic beverages and tobacco products.**

The increase in 10.0 percent GCT rate on Tourism Activities to the standard 15.0 percent GCT rate (when eventually implemented in FY 2027/28) will not only potentially reduce the extent of general consumption “**tax expenditures**” (i.e. *essentially provisions that result in a reduction of tax for a specific type of taxpayer or activity*) in line with Government objectives (see MOFPS, 2026e) but will also reduce the number of non-standard GCT rates that currently exist (such as the 25.0 percent rate levied on telephone calls, cards and instruments). **A reduction in the number of non-standard GCT rates will reduce complications in the administration of the general consumption tax system and that would be a step in the right direction.**

Lastly, the 2026/2027 *Revenue Measures* also include a material revenue enhancement policy change that will see a large increase in the 0.5 percent Environmental Levy rate simultaneously with a base broadening on the local side. This rise could adversely affect collections of the Levy especially on the local side and as a result, the **IFC notes tax compliance efforts should be ramped up in order to collect the desired additional revenue.** Nevertheless, based on the Ministry’s reiteration that the majority of the collection from the Environmental Levy emanates from the ports, the corresponding domestic revenue fall-out is unlikely to be substantial.

8.3 Appendix III: General Consumption Tax Collection-Efficiency

Based on the earlier discussion on the medium-term trajectory for the tax ratio, the IFC re-examined the performance of the country’s major tax type, General Consumption Tax (GCT); the value added tax (VAT), which is the major single source of revenue (accounting for 33.2 percent of total tax revenue at the end of 2024/2025). Government reported that as part of the medium-term fiscal programme, Tax Administration Jamaica will *inter alia* continue to focus on improving voluntary tax compliance. Consequently, the IFC found it instrumental to estimate Jamaica’s VAT C-Efficiency ratio (using the revised GDP numbers) over an extended period.



Note: Due to STATIN’s upward revision of its GDP figures, the GCT C-Efficiency ratio values up to the end of 2019/2020, are lower than those first reported in IFC (2025a).

Source: IFC estimation.

Jamaica’s GCT C-Efficiency ratio of 0.67 at the end of fiscal year 2023/2024 meant that “roughly 33.0 percent of Jamaica’s theoretical VAT revenue was uncollected due to GCT exemptions and reduced GCT rates as well as shortcomings in tax compliance and tax administration”. Overall, the IFC’s revised findings are encouraging as there was a noticeable improvement in the GCT collection-efficiency over the many years of Government administering the value added tax. For the entire period 2015-2024, Jamaica’s GCT C-Efficiency ratio improved overall (after recovering from the COVID-19 pandemic); climbing to 0.67 in 2023/2024, up from 0.56 in 2015/2016 (Figure A1). Computation of the GCT C-Efficiency ratio for a time horizon after 2023/2024 was not possible due to a lack of more recent data on final consumption expenditure. Consequently, the IFC would welcome provision of the necessary resources to enable the Statistical Institute of Jamaica to quickly extend the time period coverage (to beyond calendar year 2023) of the various indicators outlined in its recently released National Income and Product (NIP) estimates.

8.4 Appendix IV: Glossary of Key Terms

<i>Fiscal Balance</i>	Difference between Government's total revenue (including proceeds from asset sales) and its total expenditure.
<i>Fiscal Risk</i>	Possibility that Government's fiscal outcomes deviate from what was projected at the time of budget formulation.
<i>Fiscal Rule</i>	A long-lasting constraint on fiscal policy that sets numerical limits on government spending, debt or revenue.
<i>Medium Term</i>	One fiscal year ahead <i>plus</i> three subsequent fiscal years.
<i>Primary Balance</i>	Difference between Government's total revenue (including proceeds from asset sales) and its total expenditure <i>excluding</i> interest payments on debt.
<i>Public Debt</i>	All financial liabilities created as a result of borrowing or guarantees by Government (including Government Securities).
<i>Specified Public Sector</i>	Central Government–financed Ministries, Agencies and Departments as well as the Self-Financed Public Bodies with the exception of public bodies currently exempt from the fiscal rules (i.e. the Jamaica Mortgage Bank and the Bank of Jamaica).
<i>Tax Buoyancy</i>	A measure of the responsiveness of a change in tax revenue to a movement in GDP and discretionary changes in tax laws or administration.
<i>Tax Ratio</i>	Tax revenue expressed as a percentage of GDP.