

JAMAICA

BOOSTING RECOVERY AND SUSTAINABLE ECONOMIC GROWTH

SYSTEMATIC COUNTRY DIAGNOSTIC

October 2022

The World Bank Group
Country Department LCC3
Latin America and Caribbean Region



Acknowledgments

The Jamaica Systematic Country Diagnostic is a World Bank Group product prepared by a team consisting of International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC) staff, with the involvement of the Multilateral Investment Guarantee Agency (MIGA). The preparation of the SCD was led by Rohan Longmore (Senior Economist), Robert Utz (Lead Economist), and Roy Katayama (Senior Economist). The team gratefully acknowledges the guidance of Lilia Burunciuc (Country Director), Martin Spicer (Director), E. Gail Richardson (Operations Manager), Doerte Doemeland (Practice Manager), Ximena Del Carpio (Practice Manager), Judith Green (IFC Country Manager), Nataliya Mylenko (Program Leader), Timothy Johnston (Program Leader), Vickram Cuttaree (Program Leader) Karlene Francis (Senior Operations Officer), Dianna Dacosta (Consultant), Matias Arnal (Consultant), and Maria Carolina Salazar (Consultant). The table below presents the full list of input providers. Administrative support was provided by Adriane Landwehr (Program Assistant). Peer reviewers were David Knight (Lead Economist), Samuel Freije-Rodriguez (Lead Economist), and Carolina Monsalve (Lead Climate Change Specialist).

The team expresses its gratitude to the Ministry of Finance and the Public Service, as well as the Planning Institute of Jamaica (PIOJ) for organizing country consultations. We are thankful for comments received during these meetings, including from representatives of the government, the private sector, civil society, development partners, academia, think tanks, youth representatives, non-governmental organizations, and citizens. Lastly, we are also grateful to the Statistical Institute of Jamaica (STATIN) and PIOJ for providing access to the Labour Force Survey and Jamaican Survey of Living Conditions data among others.

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Abbreviations and Acronyms

AI	Artificial Intelligence
BPO	Business Processing Outsourcing
CAPRI	Caribbean Policy Research Institute
CPSD	Country Private Sector Diagnostic
CSEC	Caribbean Secondary Education Certificate
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FTC	Fair-Trading Commission
FY	Fiscal Year
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GOJ	Government of Jamaica
HCI	Human Capital Index
HLO	High Level Outcomes
IBRD	International Bank for Reconstruction and Development
ICT	Information Communication and Technology
IDB	Inter-American Development Bank
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
JAMPRO	Jamaica Promotions Corporation
JET	Jobs and Economic Transformation
JPS	Jamaica Public Service Company
JSLC	Jamaica Survey of Living Conditions
LAC	Latin America and the Caribbean
LAYS	Learning-Adjusted Years of Schooling
LFP	Labour Force Participation
LFS	Labour Force Survey
LPI	Logistic Performance Index
MOT	Ministry of Tourism
MSMEs	Micro, Small and Medium Enterprises
NCD	Non-Communicable Diseases
OECD	Organization for Economic Cooperation and Development
OSAC	U.S. Department of State's Overseas Security Advisory Council
PER	Public Expenditure Review
PIOJ	Planning Institute of Jamaica
PPP	Public-Private Partnership
R&D	Research and Development

RE	Renewable Energy
SCD	Systematic Country Diagnostic
SERNAP	National System of Natural Protected Areas-Peru
SOEs	State-Owned Enterprises
STATIN	Statistical Institute of Jamaica
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	The United States Agency for International Development
The UWI	The University of West Indies
WBG	World Bank Group
WEF	World Economic Forum
WHO	World Health Organization
WTO	World Trade Organization
WTTC	World Travel and Tourism Council

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Executive Summary

i. This first Systematic Country Diagnostic (SCD) for Jamaica comes at a pivotal time. The country is seeking a return to the pre-COVID-19 path of fiscal consolidation amid a slow COVID vaccine roll-out, high inflationary pressures, and persistent structural constraints to growth.¹ COVID-19 laid bare existing vulnerabilities, causing real Gross Domestic Product (GDP) to contract a record 10 percent in 2020, with a near closure of most tourism activities depressing incomes for more than 40 percent of the country's workers. The government deployed countercyclical fiscal measures to stem the economic downturn, while strengthening the health sector, supporting the financial sector, and mitigating the impact on poor households through further income support. Inflation had surged to 11.8 percent as of April 2022, posing a growing threat to the purchasing power of the poor in particular. The monetary authorities have been proactive, but rising interest rates could undermine the ongoing recovery. In 2020, the government committed to ambitious targets under the Paris Agreement to transform Jamaica into a low-emissions and climate-resilient economy.

ii. Persistently slow and volatile economic growth has left the country underperforming relative to its peers. Real GDP expanded by an annual average of 0.8 percent between 1990 and 2019, significantly below the average of 3.6 percent for aspirational peers and 2.7 percent for the Latin America and the Caribbean (LAC) region (see Annex 1 for a discussion on selection of peers). Financial liberalization at the start of the 1990s fueled an acceleration in growth. However, this was stymied by a domestic financial crisis in the mid-1990s that triggered a sharp contraction in economic activity and a 40-percentage point spike in public debt-to-GDP. The global financial crisis (GFC) of 2008 worsened the already weak economic performance, leading to a protracted recession between 2008 and 2013. Excluding 2020, real GDP growth has averaged 0.9 percent per year since 2013, a period that coincided with successive International Monetary Fund (IMF)-led stabilization programs. At the sectoral level, even Jamaica's best performing subsectors, such as tourism and transport, storage, and communications, grew at slow rates relative to peers over the past three decades. Weighed down by structural constraints, Jamaica's real gross domestic product (GDP) per capita fell to US\$5,065 in 2019, down from a peak of US\$5,590 in 1972.

iii. Despite slow economic growth, Jamaica has managed to significantly reduce poverty over the past three decades, but progress has been volatile since the 2008 GFC. The official poverty rate, measured using the national poverty line,² declined by 17.4 percentage points between 1990 and 2019. The largest reduction was achieved before the GFC, with poverty declining from 28.4 percent in 1990 to 9.9 percent in 2007. Sustaining this progress has been a challenge. In the aftermath of the GFC, Jamaica's poverty rate more than doubled to 24.6 percent in 2013 before declining to 11 percent in 2019 – just below the levels in 2008. More than half of the poor live in rural areas. Inequality is moderate, with the consumption-based Gini index fluctuating between 35 and 42 over the past three decades. Jamaica's progress on human capital development has been impressive with a life expectancy of 76 years, a figure above the LAC average.

iv. Sustaining poverty reduction and shared prosperity in Jamaica remains a challenge due the lack of resilience to major shocks and their impact on livelihoods. During past economic downturns, the poorest 40 percent of the population has been hit hardest in Jamaica. Between 2007 and 2013, mean per capita consumption for the bottom 40 shrank 6.1 percent per year, compared to a contraction of 3.8 percent for the overall population. In the COVID-19 pandemic's first year, the economic impacts likely

¹ The analysis presented in this report is based on the most recent data and studies, mostly through 2021.

² The national poverty line in 2018 was JM\$206,329 per adult equivalent for the Greater Kingston Metropolitan Area, JM\$ 196,640 for other urban, and JM\$183,104 for rural areas.

reversed years of poverty reduction as people lost jobs and dropped out of the labour market, with household welfare losses manifesting through reductions in labour income. In addition, the pandemic has led to significant scarring through learning losses, with implications for future productivity growth. Expansion of the existing conditional cash transfer program has helped protect the poor and vulnerable and promote their welfare. Nevertheless, accelerating and sustaining economic growth is critical to achieving lasting poverty reduction and shared prosperity in Jamaica.

Defining Features of Jamaica's Development Performance

v. Jamaica's development performance since the 1990s has been shaped by seven features that remain relevant today. First, Jamaica stands out as one of a few nations that have successfully reduced the stock of public debt by 50 percent of GDP without significant debt forgiveness in recent decades. This has been achieved through sustained containment of spending, boosting revenues, proactive liability management, and restructuring the domestic debt portfolio. Second, Jamaica has endured persistently low productivity growth due to limited innovation and a weak business environment. Third, economic activity has increasingly been concentrated in services – especially tourism, which accounts for 32 percent of GDP. The dependence increases the country's vulnerability to external shocks. Fourth, high public debt with heavy debt-servicing costs constrains the government's capacity to support growth and poverty reduction and makes the country more vulnerable to external shocks. COVID-19 and the ongoing inflationary pressures further reduced this capacity. Fifth, high and persistent crime and violence and weak government coordination weigh heavily on the cost of doing business. Sixth, despite efforts to boost adaptation and mitigation, Jamaica is highly susceptible to shocks, such as hurricanes, floods, droughts, and vector-borne diseases. Seventh, the country depends on remittances to serve as a critical safety net and prevent households from falling into poverty – but the island is vulnerable to sudden interruptions in the money flows.

vi. Structural transformation in Jamaica between 1990 and 2019 led to an increasing concentration of economic activity in services, with well-paying jobs in mining and manufacturing replaced by lower-paying jobs in tourism. The transformation has resulted in a reallocation of resources from high productivity sectors into services. It boosted employment but kept economic growth low. The services sector, largely driven by the tourism industry, accounted for 70 percent of nominal GDP in 2019, 10 percentage points more than 1990. Tourism has grown rapidly, with a near doubling in annual visitor arrivals since 2000, but earnings per visitor have fallen by nearly a quarter. Two-thirds of the workforce is employed in services, and more than half of these jobs are in tourism, a sector that traditionally favors female workers. Agriculture, livestock, and fisheries saw a recovery as a share of GDP over the past decade, reversing a decline begun after the elimination of preferential access to European markets. Although small farms dominate agriculture, it remains an important pillar of the economy, supplying 18 percent of all jobs. In recent years, industry has lost ground, with the shrinking of the mining and manufacturing. There is room to further exploit the potential for strengthening local tourism supply chains and boosting the low levels of tourism spending outside the resorts.

vii. Despite recent progress, risks to fiscal sustainability remain high, also due to the ongoing crisis. In 2013, Jamaica launched economic reforms to reduce public debt, restore macroeconomic stability and improve the investment climate (see Annex 3). This austerity program had broad public support, and progress exceeded expectations in terms of public debt reduction.³ Nonetheless, public debt remains high at 94.2 percent of GDP in 2022, and the mechanisms that generate it have not been significantly altered. Debt servicing costs remain very high, averaging approximately 50 percent of revenues between 2015 and

³ Public debt-to-GDP in Jamaica increased by 15 percentage points in 2020. This was almost completely reversed in 2021.

2020. The high share of foreign currency-denominated debt exposes the country to exchange rate risks. Fiscal risks, notably from state-owned enterprises (SOEs) and other public entities, remains significant. Recent inflationary pressures from food and fuel are leading to a worsening in Jamaica's external accounts.

viii. Crime and violence are widespread, weakening social cohesion while deterring investments as it raises the cost of doing business and undermines productivity. Jamaica has struggled with high crime and violence for decades.⁴ While the homicide rate has declined from its peak in 2009, it remains one of the world's highest, with victims concentrated among young men in poor neighborhoods. Crime and violence make Jamaica much less attractive to investors. A lot of tourism is in the form of enclave resorts to protect visitors, limiting the scope for deepening links between the industry and the wider economy. High crime also adds significantly to the cost of economic activities. Moreover, crime and violence undermine the productivity of workers and MSMEs. Workers and small entrepreneurs must adjust their behavior to limit exposure to such activity and their ability to work is reduced if they, their families, or their communities are hit by crime.

ix. Gender-based violence (GBV) is also high, and inequalities are preventing women from achieving their full potential. One in four Jamaican women reports experiencing physical violence from a male partner in their lifetime, and one in five reports sexual abuse during childhood. Gender stereotypes, especially norms about masculinity and manhood, contribute to GBV.⁵ High levels of GBV and discrimination affect the health and wellness of victims, predominantly women, minority groups, young and disabled people, and likely a major drag on economic growth.⁶

x. Climatic shocks are expected to intensify, disproportionately impacting the poor and vulnerable. About 90 percent of the country's US\$14 billion GDP is produced in coastal zones, exposing infrastructure, tourism, and agriculture assets to frequent and intense climate shocks. Critical infrastructure suffers from recurrent flooding, including roads along the main transport corridors and routes to seaports and airports. This negatively affects logistics connections, especially those supporting tourism and those moving agricultural products to ports. With more than half the population residing within a mile of the shoreline, many settlements are at risk. Poor and vulnerable populations are especially exposed because many of their dwellings are not built to required standards. More than a third of the poor and a quarter of the vulnerable live in wooden houses. Repeated bouts of vector-borne disease outbreaks are also common, and systems for preparedness and containment are limited. The poor and the vulnerable lack access to proper sanitation, making them particularly susceptible to such diseases.

xi. Remittances have helped lower poverty in the past, but their impact on poverty reduction has waned in recent years. Jamaica reduced poverty in the past without achieving growth due to a combination of factors – lower inflation and relative food prices, significant growth in remittances, and better social protection systems. More recent poverty trends track unemployment rates closely. Remittances growth has been more countercyclical, helping buffer the impact of economic slowdowns on households by supplementing incomes. A 21 percent surge in remittances in 2020, for example, provided a cushion to the pandemic's economic impacts. While remittances have kept many out of poverty, greater employment opportunities and earnings have driven the recent reduction in poverty. Substantial and sustained growth are required to support poverty reduction in the future.

⁴ See Harriot and Jones, 2016.

⁵ See, for example, IADB 2014 and Lundvall and Van Wie 2015.

⁶ *Business Insider* ranked Jamaica 10th among the 20 most dangerous places in the world in 2018. *Forbes* magazine listed Jamaica as the third most dangerous place for women travelers in 2017. Inter-American Development Bank (IDB), 2018.

xii. Leadership gaps have fueled social exclusion and crime, thought to be among the main barriers to development and improving the quality of life for all Jamaicans. Social exclusion, linked to limited state presence especially in the delivery of services, is a significant contributor to violence in Jamaica.⁷ When affected groups and individuals, including unemployed youth and unattached boys, lose trust in the institutions designed to protect them, they often turn to violence with the aim of achieving justice, security, and economic gain. The result is a vicious cycle where the socially excluded end up using violence to secure their needs. Several studies have found a relationship between class, unemployment, inadequate housing, and violence in Jamaica. The research also suggests that fostering social cohesion, forming multistakeholder coalitions, and improving public services could reduce crime and violence, improving the conditions for increasing economic growth.

Analytical Framework

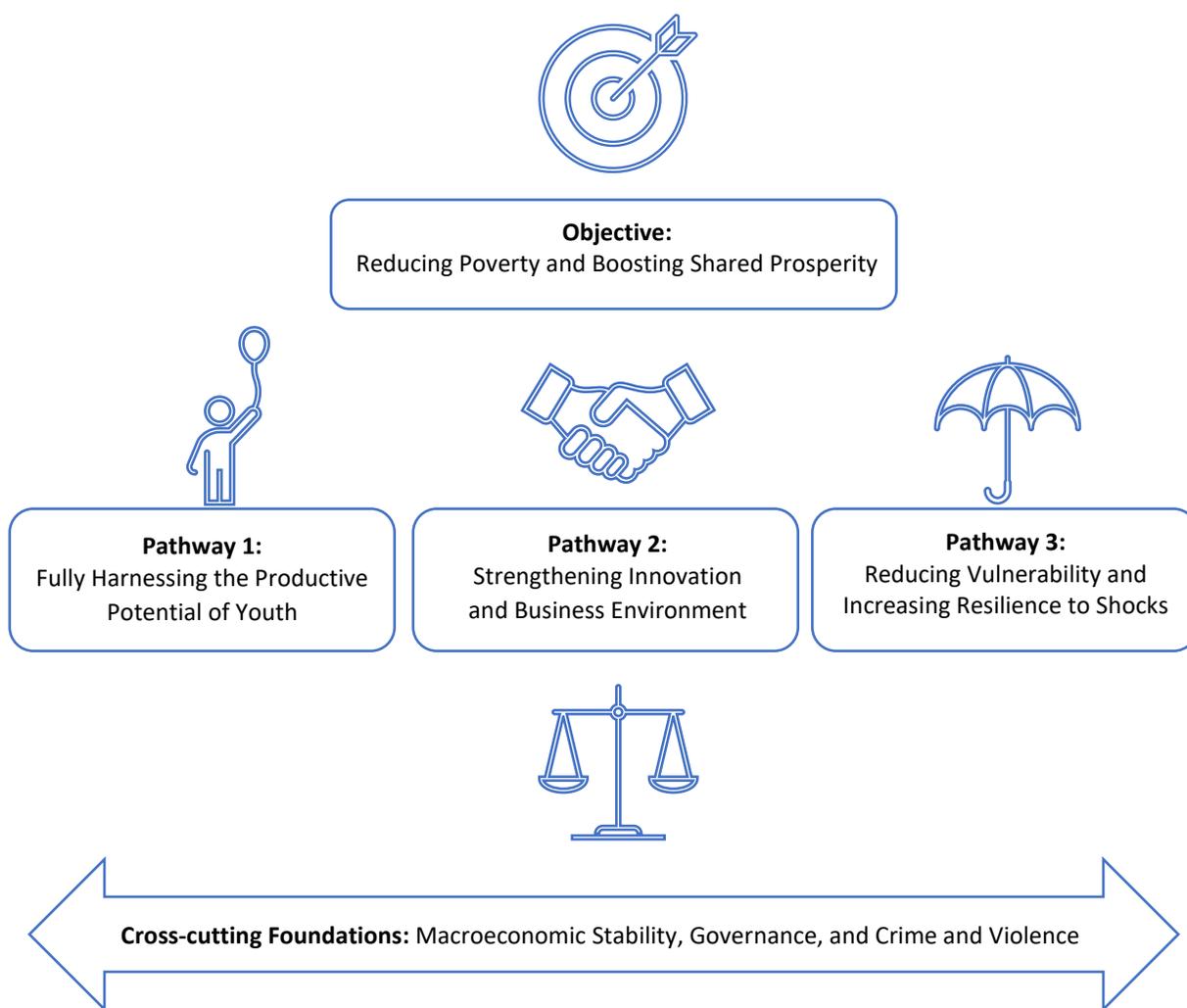
xiii. This report assesses the main opportunities and constraints for achieving poverty alleviation and shared prosperity in Jamaica. It highlights the pathways for reducing extreme poverty and raising the welfare of the poorest 40 percent of the population in a sustainable way. The diagnostic is based on a review of existing documents, analysis of available data, new knowledge where possible and extensive consultations within the Bank and in Jamaica. It is driven by evidence and benchmarks Jamaica's performance against regional, structural, and aspirational peers. The diagnostic is not limited to areas or sectors where the World Bank Group (WBG) is currently – or anticipates being – active. Rather, it focuses on the Jamaica's key development potential and the challenges to achieving the goals of reducing poverty and boosting shared posterity. It lays the ground for the program of collaboration between Jamaica and the WBG and will inform the forthcoming Country Partnership Framework.

xiv. The analytical framework for this diagnostic is organized around three broad questions regarding reducing poverty and enhancing shared prosperity in Jamaica. First, what is needed to achieve green, resilient, and inclusive progress toward the objective? Second, what are the key constraints and opportunities? Third, what are the key public policy drivers for effective action? Jamaica has been able to reduce poverty even when economic growth was largely absent. However, the factors that contributed to this past poverty reduction have waned or are no longer present. Faster economic growth will thus be essential to boost household incomes through the creation of more and better-quality jobs and more productive self-employment.

xv. The diagnostic identifies fundamental, cross-cutting constraints and three interrelated pathways to higher, inclusive, and sustainable growth along with a group of cross-cutting issues (Figure 1). The cross-cutting issues are strengthening macroeconomic management, improving governance, and addressing crime and violence. It is important to note that in addition to their impact on economic growth, many of these factors have cross-sectoral synergies that can amplify opportunities for Jamaicans, particularly the poor. The first pathway relates to fully harnessing the productive potential of youth by strengthening education and market-driven skills development, improving equitable access to quality health care, addressing gender imbalances in labour market opportunities, and preventing youth from turning to crime and violence. The second pathway relates to innovation, structural transformation, and the cost of doing business to support the private sector in taking advantage of new opportunities and diversifying the economy. The third pathway relates to reducing Jamaica's high vulnerability and enhancing resilience to external shocks and climate change.

⁷ See, for example, Baird, 2015.

Figure 1. Analytical Framework for Boosting Shared Prosperity in Jamaica



xvi. **Facilitating poverty reduction and boosting shared prosperity will require several policy responses.** For each of the broad pathways and cross-cutting issues, the diagnostic analyzed, identified, and prioritized major constraints. The exercise determined 22 areas of policy reform that address the constraints, grouped under the pathways and cross-cutting issues. From there, the focus narrowed to the 12 most impactful policy areas based on a rigorous prioritization exercise that placed heavier weight on the marginal contribution to poverty reduction relative to other criteria. Further consultations within the Bank and with Jamaican stakeholders confirmed the priority constraints.

xvii. **The analysis identified seven High Level Outcomes (HLO).** The HLOs represent targeted and measurable welfare improvements of the poorest and most vulnerable people that priority interventions under the three pathways would help to achieve. Sustainable economic growth and relieving the cross-cutting constraints are critically important to achieving the HLOs defined for each pathway. As such, no separate HLOs have been defined for them.

Shifting to Higher and Sustained Growth

xviii. Jamaica’s Vision 2030 sets out ambitious targets that will require a speedy recovery from COVID-19 and a significant economic transformation. To achieve sustainable development and shared prosperity, Jamaica must shift to a higher growth path that is green and inclusive while reducing vulnerability to shocks. The country’s development model must be modified to better exploit Jamaica’s comparative advantages, embrace innovation, and strengthen skills. These aspects are key to raising productivity and supporting the low-carbon transition⁸ with a focus on policies and targeted investments that will foster innovation and structural transformation. The need for continued fiscal consolidation limits the scope for significant increases in pro-poor and growth-enhancing expenditures. As a result, it will be of paramount importance to put greater emphasis on creating an environment, with the necessary infrastructure and regulatory support, to allow the private sector to play an even more active role in driving sustainable and inclusive economic growth in Jamaica. This should include efforts to get more out of tourism and other established enclaves while further capitalizing on opportunities in the knowledge economy. Higher and sustainable economic growth is also needed to support fiscal stabilization, which in recent years has had to rely almost exclusively on fiscal austerity and liability management.

xix. Jamaica has important assets to leverage opportunities for more sustainable and inclusive development. The country has been a beacon of political stability, liberty, and cultural influence. Political power has changed hands regularly and peacefully between the dominant political parties. Jamaica is the third largest English-speaking country in the Americas. It offers well-developed infrastructure assets – including airports, seaports, and ground transportation – coupled with digital connectivity, proximity to North America, and brand recognition in major markets. These assets should be strengthened. The country can lead the Caribbean as a regional logistics hub. It can serve as a platform for the development of its tourism, orange,⁹ and global digital and outsourcing services and serve as a base for other industries to develop. Health outcomes have been relatively good, reflecting decades of investments in early childhood development. Improved prevention and treatment of noncommunicable diseases will be needed to maintain health and productivity. Jamaica’s diaspora of about 1 million is relatively well educated, providing networks and remittances.

xx. Cross-cutting foundational reforms to safeguard macroeconomic stability, increase economic resilience, strengthen governance, and reduce crime and violence are key to realizing opportunities for boosting shared prosperity and reducing poverty. Jamaica has reduced public debt in recent years and restored macroeconomic stability, but continued fiscal austerity will weigh on the economy and entails risks that will need to be carefully managed. It will require finding the right balance between strengthening domestic revenue mobilization, expenditure restraint combined with greater allocative and operational spending efficiency, and growth-enhancing structural reforms. With expansionary fiscal policies unlikely to be available to boost economic growth, the government will have to rely on policy, regulatory, and institutional reforms to stimulate economic growth and improve public service delivery. There will also be a need to nurture private sector support for playing a more dominant role in the country’s development. In parallel, addressing coordination failures across government, focusing on efficiency and effectiveness, and closing gaps in transparency and oversight could help to boost development outcomes in a fiscally responsible way. Strengthening the oversight and accountability institutions can build trust and boost social cohesion.

⁸ Energy use accounts for more than 80 percent of Jamaica’s emissions. Industry, agriculture, and waste combine for 18 percent of total emissions.

⁹ The orange economy includes creative, cultural, and artistic activities

xxi. Fully harnessing the productive potential of Jamaica’s youth will be key to increasing the contribution of labour as well as poor households’ income generation capacity. Low educational outcomes have been made worse by extended school closures during the pandemic. According to an optimistic scenario from World Bank simulations, Jamaican youth will lose 1.3 learning adjusted years of schooling (LAYS) because of the pandemic. Their future income-earning potential could be reduced. Education’s weak link to work has combined with rising crime and violence to impede human capital accumulation and constrain economic opportunities. These factors also undermine returns to human capital, especially for women and youth. Along with the behavioral dimensions of crime and violence, these constraints trap the country in a slow-growth cycle, marked by high migration of human capital, deepening reliance on low-skill, low-productivity activities, and high incentives for crime and violence. Given the issues of human capital and crime and violence, this pathway is closely aligned with other priority areas.

xxii. Improvements to the business environment could stimulate the private sector activities and innovations needed to accelerate economic growth and diversify Jamaica’s economy. The greatest payoffs in terms of boosting inclusive growth can be achieved through improving economic and business support services, enhancing trade facilitation to boost exports, and providing better support services for the predominant micro, small, and medium enterprises (MSMEs). Most reforms require only modest additional fiscal outlays and could be implemented in the near to medium term. Jamaica’s energy costs are among the highest in the world. Reducing them will contribute to faster and more diversified economic growth – as will better regulation and complementary investments to increase the quality of power, internet, and other infrastructure.

xxiii. Given the country’s high vulnerability and low resilience to shocks, sustainable economic growth requires effective adaptation and mitigation measures. Poor and vulnerable Jamaicans face important risks, including frequent macroeconomic, disasters, and climatic shocks. All can adversely impact livelihoods. These shocks have been more severe for Jamaicans in the bottom 40 percent of the income distribution. Making households less vulnerable to shocks requires a multipronged approach centered on reforms to bolster social protection and improve access to essential services that promote the livelihoods of the poor and vulnerable. Increasing the efficiency of spending in these areas will be critical in a context of fiscal consolidation. Priority should be given to youth, women, and people with disabilities – all of whom are highly susceptible to unemployment and poverty. Looking beyond households, building resiliency will require reforms to adequately capture and deploy strategies to mitigate fiscal risks; embed hazard-risk analyses in all public sector investment projects; provide financing options for the retention and transfer of disaster related risks; and introduce reforms to further deepen the domestic insurance market for natural disasters to reduce the financing burden on the government and taxpayers. Lower debt and a more diversified economy will also improve resilience. In addition, building fiscal buffers through the country’s contingency funds will provide earmarked resources to respond to shocks. Reforming the management of natural resources is also key to a more prosperous, sustainable, and inclusive future for Jamaicans.

High Level Outcomes and Knowledge Gaps

xxiv. The HLOs derived from the prioritization of key constraints have been defined with respect to the well-being of the poorest and most vulnerable people (Table 1). This SCD stresses that achieving higher sustainable and inclusive economic growth is essential for Jamaica making headway toward eliminating extreme poverty and boosting shared prosperity. The link between priority actions, higher sustainable and inclusive economic growth, and HLOs can take several forms. Some priority actions will contribute directly to the HLOs, while other actions will directly contribute to higher growth, which in turn

is expected to help achieve the HLO. In particular, the set of foundational cross-cutting issues around macro-fiscal stability, governance, and crime and violence are essential for progress in the three pathways. However, we do not define separate HLOs for these cross-cutting issues because they would contribute to achieving the HLOs under the three pathways. Finally, higher economic growth is also essential to help generate the fiscal resources needed to implement priority actions in the SCD.

Table 1: High-level objectives and reform priorities for Jamaica

HLOs	Supporting priorities
<i>Pathway 1: Harnessing the productive potential of youth</i>	
Improved learning outcomes and marketable skills for the bottom 40/poor	<ul style="list-style-type: none"> • Improve service delivery and the human capital base • Bolster link between education and work
Levels of crime and violence – especially homicides are declining	<ul style="list-style-type: none"> • Strengthen the “soft” approach to crime and violence
<i>Pathway 2: Strengthening innovation and the business environment</i>	
Better jobs for the bottom 40/poor by making exports more competitive	<ul style="list-style-type: none"> • Enhance trade policy and facilitation • Increase investment in public goods and improve regulations to reduce the costs and increase the quality of infrastructure services, especially power and internet • Strengthen competition to lower costs
Increased integration and participation in the digital economy by the bottom 40/poor	<ul style="list-style-type: none"> • Reduce cost and increase quality of infrastructure services through better regulation
Incomes of the bottom 40/poor in the agriculture sector have increased	<ul style="list-style-type: none"> • Improve agricultural support services
<i>Pathway 3: Reducing vulnerability and enhancing resilience to shocks</i>	
Enhanced resilience of poor and vulnerable households to external shocks	<ul style="list-style-type: none"> • Increased social protection coverage
Natural wealth is preserved to safeguard livelihoods that rely on the environment	<ul style="list-style-type: none"> • Reform natural resources management

xxv. While this diagnostic has contributed to a better understanding of Jamaica’s poverty reduction and shared prosperity performance, it identified several data and knowledge gaps that would benefit from further investigation (see Chapter 5). Notably, evidence is scarce on the rural economy and firm-level information needed to drive competition and productivity analysis. There are also gaps in understanding of opportunities for fiscal savings as well as the distributional impact of the ongoing austerity program. Without detailed household income data, gaps exist in understanding the contribution of difference income sources to poverty changes, current returns to education, and labour market. Additionally, informal sector employment data would be critical to a more comprehensive understanding of the labour market.

1. **Country Context**

Located in the Caribbean Sea with proximity to North America, Jamaica faces unique development opportunities amid the constraints characteristic of tropical tourism-dependent island economies. Its geography confers advantages that make Jamaica an attractive tourism destination. Economic livelihoods are largely dependent on a few sectors, with an increasing concentration in services in recent decades. The country is also experiencing a demographic transition, with a larger share of its population of working age.

Geography

1. Jamaica is the largest English-speaking Caribbean Island, with proximity to North America. The island is 10,991 square kilometers in size and located around 145 kilometers south of Cuba and 1,300 kilometers from the United States. The landscape is defined by mountain ranges that run east to west and contribute to a tropical climate with little variation in temperatures. Natural harbors, isolated bays, reef-lined beaches, and rocky cliffs characterize the 1,022-kilometer-long coastline. Kingston, the capital and primary business and cultural center, is located on the island's southeast coast. The second largest city is Montego Bay, located on the northwest coast. Bauxite, gypsum, and limestone are Jamaica's main natural resources. The lowlands and coastal plains have fertile soils suitable for agriculture. Arable land accounts for about 11 percent of the total land area.¹⁰ The surrounding ocean has great potential, but marine resources must be better assessed and managed sustainably.

2. Jamaica is prone to tropical storms and hurricanes, making it vulnerable to natural disasters and climate change. The country's exposure to natural disasters ranks in the top 20 globally. Approximately 90 percent of Jamaica's US\$14 billion GDP is produced within coastal zones, where its tourism industry, manufacturing, and agriculture assets are exposed to more frequent and intense climate shocks (USAID 2017). Many settlements are equally at risk, with more than half the population residing within a mile of the shoreline. The government has introduced a multilayered response to disasters that includes ex-ante and ex-post response systems, financial resources to relevant agencies, and improved public financial management and coordination mechanisms among agencies.

Legacy and Governance

3. International migration linked to its colonial heritage has shaped Jamaica's identity. Between 1494 and independence in 1962, the Spanish and the British colonized the country. By the end of the 17th century, the British had established the island as a plantation economy employing enslaved people from West Africa to grow sugar, banana, cocoa, and coffee. The abolition of slavery in 1834 spawned an era of indentureship with labourers from Asia and the Middle East.

4. The number of Jamaicans living abroad is equivalent to 36 percent of the country's population, and they reside mostly in North America and the United Kingdom. According to a 2017 poll of the Jamaican diaspora, 58 percent have higher educations – 29 percent with bachelor's degrees, 23 percent with master's degrees, and 6 percent with Ph.Ds. The most common area of specialization was entrepreneurship (12 percent), followed by education (11 percent) and medicine (9 percent). The government has taken several measures to incentivize reintegration, but the domestic job market lacks the conditions and opportunities to encourage returning to the island. The diaspora has been a reliable source of remittances, which grew sharply in the pandemic, reaching 21.4 percent of GDP in 2020.

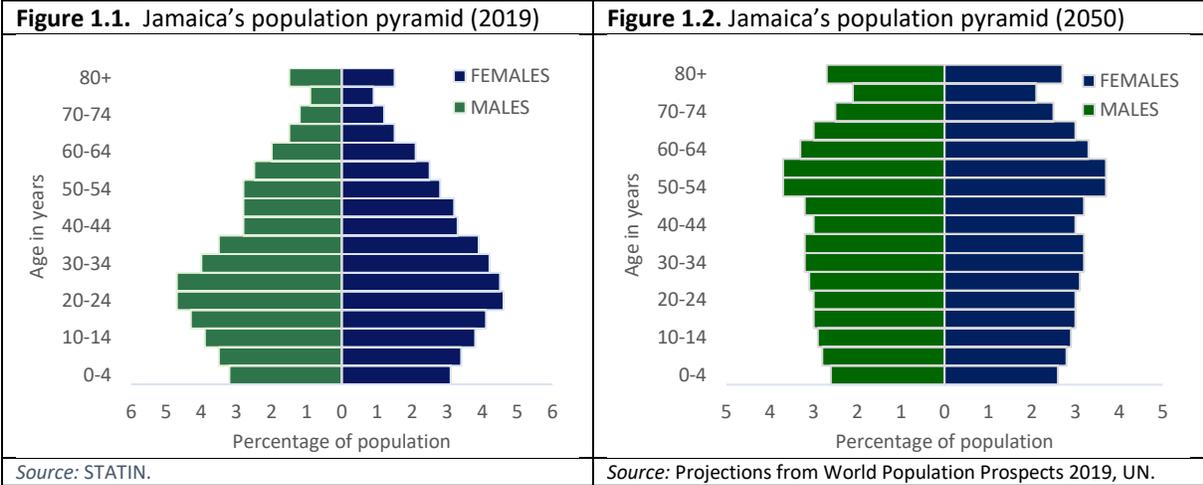
¹⁰ <https://data.worldbank.org/indicator/AG.LND.ARBL.ZS?locations=JM>.

5. Jamaica’s governance indicators have been mixed. Jamaica is a parliamentary democracy with a bicameral legislature and party system based on universal adult suffrage. Political stability is entrenched, and power has changed hands regularly and peacefully between the two-dominant political parties. General elections must be held every five years. The judiciary is separate from the executive and legislative branches, and its jurisprudence is based on English common law. Despite strong accountability and a well-established regulatory and legal framework, Jamaica has had difficulties enforcing the rule of law and controlling corruption.

Demographics

6. Jamaica has the largest population and labour force in the English-speaking Caribbean. The country’s population is approximately 2.8 million people, the largest in the English-speaking Caribbean. Jamaica's population growth rate has slowed over the past 15 years, falling to 0.26 percent in 2019. With a fertility rate of 1.9 in 2019, population growth is below the replacement rate. The 0-14 age group has been declining, and working-age people (ages 15-64) now account for 68 percent of the population. The retired population’s share has also been rising (Figures 1.1 and 1.2).^{11,12} Approximately 56 percent of Jamaicans reside in urban areas, significantly below the average of 83 percent for LAC countries.

7. Capitalizing on Jamaica’s demographic transition will require efficient investments in human capital to increase productivity. Working-age people will remain the largest share of the population up to 2050. Efficient investments in human capital are required to leverage the demographic dividend and achieve sustained productivity increases, even after the share of the working-age population begins to decline. Overall, the magnitude of the demographic dividends could be greater if Jamaica is able to achieve policy outcomes in the areas of education, savings-investment, and employment (Ahmed, Vargas Da Cruz, Quillin, & Schellekens 2016; and World Bank 2022).



8. Educational attainment of the working-age population, usually considered a driver of labour productivity, is highly correlated to the skill level of occupation in Jamaica’s labour market. From 2007 to 2020, secondary (second cycle) educational attainment grew from 50 percent to 70 percent, and post-secondary attainment rose from 6 percent to 11 percent. This trajectory makes Jamaica well-positioned

¹¹ <https://worldpopulationreview.com/countries/jamaica-population>.

¹² https://statinja.gov.jm/Demo_SocialStats/PopulationStats.aspx.

relative to peers on secondary educational attainment among the working-age population, although it still lags in post-secondary education. Jamaicans with post-secondary education are far more likely to be in high-skilled occupations. Section 4 presents these issues in more detail.

Economic Structure

9. Services have been the economy's dominant sector for decades. In 2019, services accounted for over 70 percent of GDP, up from 57 percent in 1990.¹³ Hotels and restaurants (tourism), transport, storage and communication, and commerce are the dominant subsectors. They have grown rapidly at the expense of manufacturing and agriculture.¹⁴ Tourism is Jamaica's most important sector, accounting for an estimated 32 percent of GDP in 2018 (directly and indirectly). Two-thirds of the labour force is employed in services, with tourism and related services providing 43 percent of these jobs (WTTC 2019). Agriculture contributes 7 percent of GDP and accounts for 18 percent of jobs. Industry employs 15 percent of the labour force.¹⁵

10. Jamaica's exports are concentrated in a few products and markets (Figure 1.3). Since trade liberalization reforms in the early 1990s, the country has maintained a trade openness ratio of above 95 percent, anchored in several bilateral, regional, and international agreements. Merchandise exports are concentrated in a few commodities and markets; Jamaica has the third most concentrated export basket among LAC countries, with an Herfindahl index of 34.5 percent. The concentration is even more significant when compared with high-performing manufacturing export regions (East Asia Emerging Markets, EAEM; Central America and Mexico, CAM) and countries, such as the Dominican Republic and Mauritius (IMF 2022). The high concentration index results from the weight of alumina in Jamaican exports as other traditional goods decline. In 2000, goods such as knit socks, t-shirts, and sweaters accounted for more than 14 percent of exports. Bauxite and alumina represented 49 percent, sugar 5 percent, alcohol 2.4 percent, coffee 2 percent, and bananas 1.5 percent. In 2019, aluminum and oil-related products accounted for more than 69 percent of exports and alcohol for 4.6 percent (Figure 1.4). Moreover, more than 80 percent of all exports and imports go to or come from the United States (45 percent), European Union (25 percent), and Canada (12 percent). Existing domestic interlinkages and increasing dependence on services suggest that productivity gains from trade openness could be limited because most trade spillovers occur by importing intermediate goods and not services (Fernandes, Pierola, and Farole 2018).

11. Remittances and foreign direct investment (FDI) constitute important sources of financing for the country. Remittances averaged 15 percent of GDP over the past two decades, and they are known to spike in crises, such as the ongoing pandemic. FDI has also been a major feature of Jamaica's development model, driven by attractive incentives to invest in the tourism and mining sectors. FDI averaged 5 percent of GDP for two decades. Unlike remittances, it tends to contract in periods of crisis. Canada, Cayman Islands, United Kingdom and United States supplies the bulk of remittances to Jamaica, while China, Mexico, Spain and United States are important sources of FDI inflows.

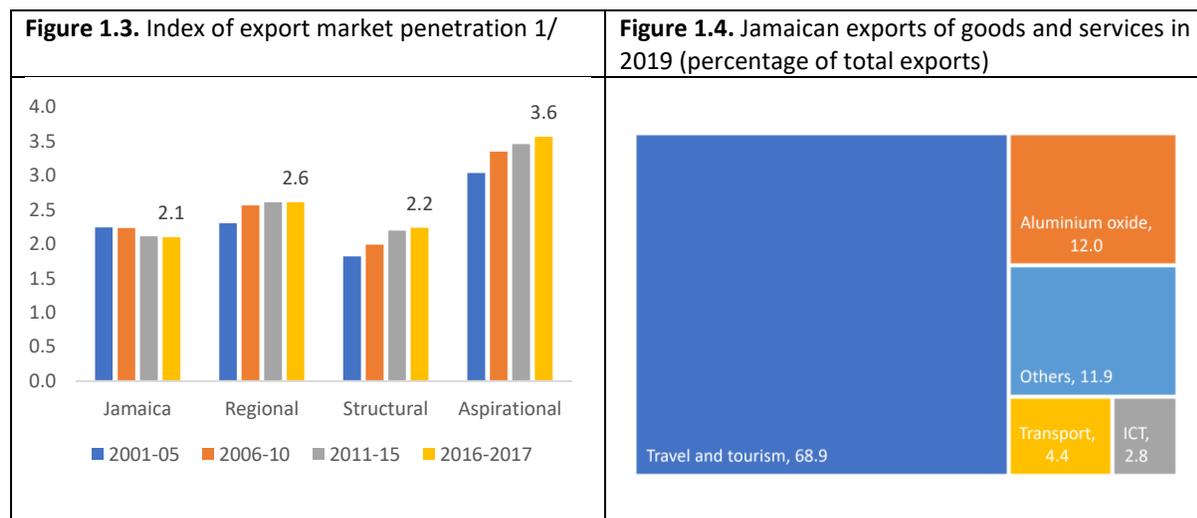
12. The country's economic structure makes it vulnerable to macroeconomic shocks, including the pandemic and the ongoing war in Ukraine. COVID-19 led to a contraction in Jamaican economic activities, with a disproportionate impact on tourism, a sector that generates a large share of direct and indirect jobs. Industry was held back by disruptions in domestic production linked to the pandemic and the temporary closure of Jamaica's largest aluminum refinery. In July 2020, unemployment reached 12.6

¹³ <https://statinja.gov.jm/NationalAccounting/Annual/NewAnnualGDP.aspx>.

¹⁴ Jamaica's tourism provides over 50 percent of total foreign exchange earnings and 19 percent of overall investment in the country.

¹⁵ <https://statinja.gov.jm/LabourForce/NewLFS.aspx>.

percent – the highest level in recent years. Joblessness hit women and young people especially hard and likely increased poverty substantially. A surge in remittances helped cushion the pandemic’s impact. Poverty has traditionally been very sensitive to changes in remittances which supplement many Jamaican households’ income. Unemployment has since fallen to record lows, but this could be short-lived with the war in Ukraine posing a challenge for the country. Two sources of vulnerability – more rapid inflation and financial market instability – are of increasing concerns (KNOMAD 2022).



Source: WITS, World Bank and Atlas of Economic Complexity 2019.

1/ Calculated as the number of countries to which the reporting countries export a particular product divided by the number of countries that report importing the product that year.

13. Jamaica’s population is larger than the average for Small Island Developing States (SIDS), but the country shares many of their defining characteristics, including limited economic diversification and susceptibility to shocks. These economies are often characterized by low institutional capacity, limited financial resources, and a high level of sensitivity to systemic shocks due to, among others, a narrow resource base. SIDS are also highly impacted by climate change. Smaller economies – including Jamaica – have had difficulties managing public debt. Size also appears to be a factor in budget management, with small economies spending significantly more as a share of GDP relative to countries in other categories. The absence of opportunities to exploit economies of scale in providing public goods also raises public spending as a share of the economy. Compared to most SIDS, Jamaica has a larger population, a bigger diaspora, and extensive unused land that can be leveraged to support the national development agenda.

2. **Past Performance**

This chapter showcases Jamaica's recent progress in reducing poverty and boosting shared prosperity. Leading up to the pandemic, economic growth was among the LAC's slowest, averaging less than 1 percent a year over the past three decades. Poverty in 2019 was substantially lower than in 1990, and the gap between rural and urban has narrowed. Nevertheless, economic, social, and environmental issues put the sustainability of Jamaica's poverty reduction at risk. On governance, while the country outperforms many of its peers along key indicators, including aspects related to the strength of its democracy, the state is markedly weak in terms of its ability to control violence and the delivery of the quality public services needed to put Jamaica on a path to high growth.

Jamaica's Economic Growth Story

14. Economic growth in Jamaica has been persistently low and per capita income has declined. Real GDP expanded at an annual average rate of 0.8 percent between 1990 and 2019, far below the average of 3.6 percent for aspirational peers and 2.7 percent LAC.¹⁶ This has led to a widening of the real GDP per capita gap with peers (Figure 2.1). Real GDP growth averaged 0.9 percent a year between 2013 and 2020, a period that coincided with successive IMF-led stabilization programs. This was not enough to stem a decline in per capita income, which fell to US\$5,065 in 2019 from its peak of US\$5,590 in 1972.

15. Liberalization at the start of the 1990s fueled a modest growth acceleration. This progress was stymied by the impacts of the North American Free Trade Agreement on key sectors, including the garment sector, along with a domestic financial crisis in the mid-1990s that triggered a sharp contraction in economic activity and a 40-percentage point spike in public debt-to-GDP. A modest recovery took place between 2001 and 2007, but the global financial crisis (GFC) of 2008 led to another recession. The crisis amplified an already weak domestic economic performance and increased debt levels.

16. Jamaica's best performing subsectors have been underperforming relative to peers. Since the 1990s, even Jamaica's best performing subsectors, such as tourism (+2.8 percent annual growth) and transport, storage, and communication (+2.6 percent annual growth) failed to match regional peers' respective averages of 7.4 percent and 7.6 percent. Mining and agriculture have made negligible contributions to growth over the past three decades (Figure 2.2). The country's growth sectors would have benefited from greater private sector participation linked to liberalization and the retreat of government from selected sectors in the 1990s. Jamaica was among the LAC's five slowest growing economies. Tourism and transport, storage, and communication were among the sectors with the sharpest contractions in 2020 due to the impacts of COVID-19.

17. High investment levels in predominantly enclave sectors have been insufficient to boost faster economic growth. Investment rates averaged more than 23 percent of GDP over the past three decades and compared favorably with regional peers, including Barbados and the Dominican Republic (Figure 2.3). Investment grew rapidly in the early 1990s, reflecting an aggressive government divestment program and robust FDI in mining and tourism as well as information, communication, and technology (ICT).¹⁷ The country's investment slowed over the past two decades, reflecting the impacts of the domestic financial crisis of the late 1990s, the GFC of 2008, and fiscal consolidation since 2010. After accounting for 7 percent

¹⁶ Economic growth in Jamaica remains significantly below the LAC average, even after controlling for the level of informality (Medina and Schneider (2019).

¹⁷ See King 2000 and World Bank 2003. Much of the investment has been directed to sectors with limited spillovers with the rest of the economy, including tourism and mining.

of GDP in the 2000s, average FDI has been 40 percent lower since the GFC. The slowdown in investment coincided with a 5-percentage point contraction in the return on investment, possibly linked with weakening external competitiveness and limited structural reforms to support productivity growth and spillovers.¹⁸ As investment slowed and tourism exports accelerated, the main drivers of economic growth shifted to net exports and consumption. Nevertheless, the overall contribution from net exports remained constrained by the country's heavy reliance on imports.

18. The level of public investment in Jamaica has been low relative to peers. Public investment has averaged less than 3 percent a year over the past 20 years, significantly below levels observed in structural, regional, and aspirational peers. Public investment has been constrained by limited fiscal space that reflects a persistent debt overhang. Still, Jamaica's infrastructure indicators are broadly on par with countries at its income level, although challenges have emerged that undermine the country's competitiveness. According to the Global Competitiveness Index for 2019, the Jamaica ranked 86th of 141 countries on infrastructure quality, exceeding the LAC average. The most critical issues included electricity supply quality (ranked 122nd), ICT adoption (103rd), and exposure to unsafe drinking water (100th).

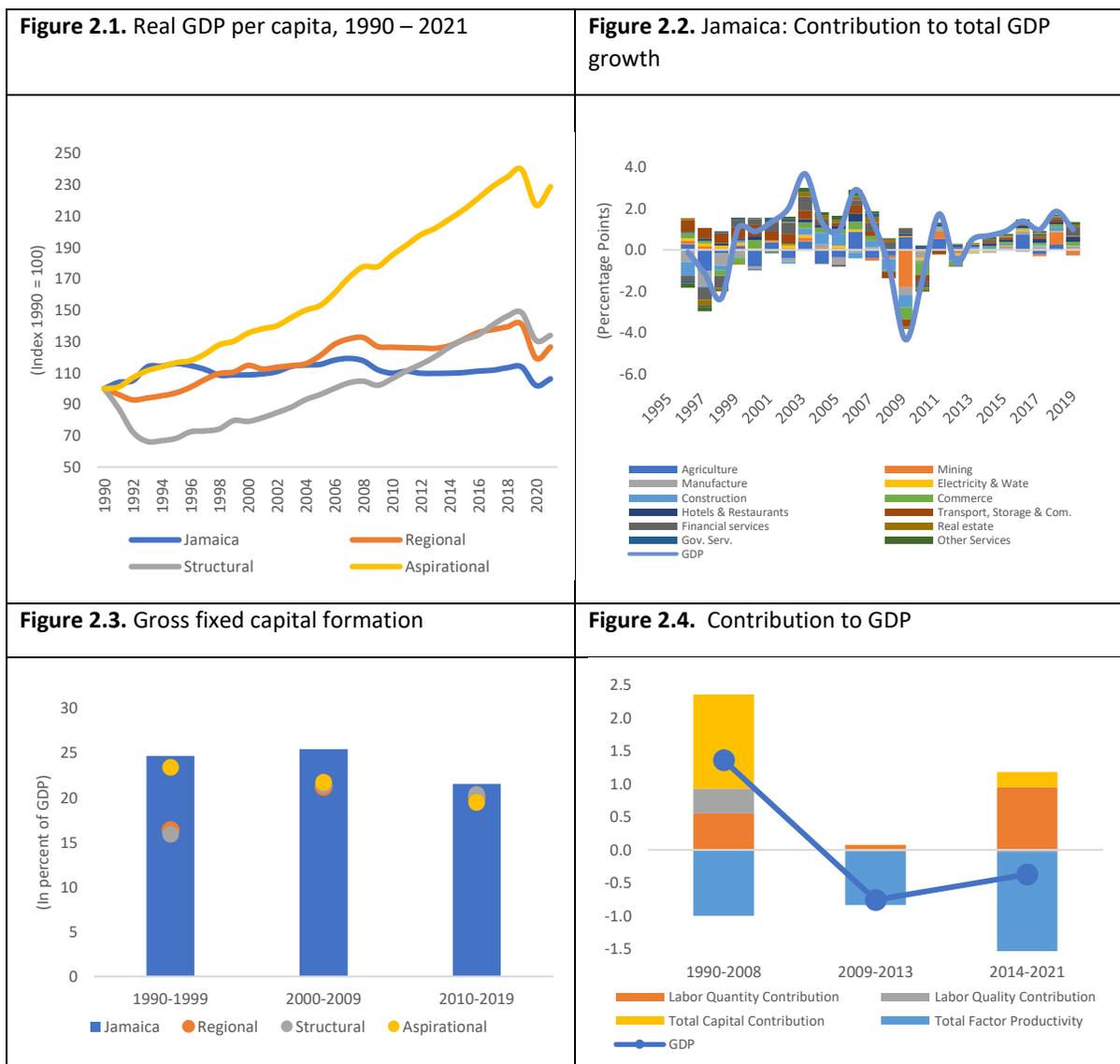
19. Demographic changes accounted for two-thirds of the observed growth since 1990 (Figure 2.4). The working-age population's share of total population increased from 58 percent in 1991 to more than 64 percent in 2021. The employment rate's contribution to growth has been negligible since 2000, but it was compensated for by the higher participation rate. The gains from demographic change, employment, and participation rates were offset by pervasively negative productivity rates.

20. Labour absorption continues to be highest in the least productive sectors. Since the GFC, the workforce has shifted markedly toward trade, hotels and restaurants and construction. These sectors, along with transport, storage, and communication, are highly interconnected with the domestic economy,¹⁹ although their productivity is low. As a result, the impact of the transformational shift in the economy on economic growth has been minuscule. More recently, jobs have been added in real estate and business activities including outsourcing services .

21. Jamaica's growth trajectory has been severely impacted by COVID-19. Real GDP contracted 10 percent in 2020, pushing per capita income to US\$4,660, the lowest since 2009. All sectors aside from government services declined, led by tourism (-65.1 percent) due to containment measures implemented domestically and internationally to contain the spread of COVID-19. In 2020, visitor arrivals plummeted to about 30 percent of 2019 levels. Agriculture and industry were held back by disruptions in domestic production linked to the pandemic, and the temporary closure of Jamaica's largest aluminum refinery. On the demand side, the GDP contraction reflected declines in investment (including FDI), net exports, and private consumption. To counter the pandemic's social and economic effects, the government temporarily reduced the fiscal balance target from +0.7 percent to -3 percent of GDP, increased spending on health and social protection, and reduced the VAT rate. The central bank injected liquidity into the economy and encouraged loan moratoriums to provide temporary support to the private sector. Growth rebounded to an estimated 4.6 percent in 2021, but economic activity is not expected to return to pre-COVID-19 levels before 2024.

18 Recent papers (Cicowiez and Ordoñez, 2021 and McFarlane et al., 2022) on Real Exchange Rate and Remittances Inflows in Jamaica and The Economic Impacts of Tourism-Related Private Investment in Jamaica, suggest that remittances and tourism led to Dutch Disease in Jamaica adversely impacted the competitiveness of Jamaican industries.

19 Total value added in Jamaica is determined mostly by domestic sectoral interlinkages rather than international interlinkages.



Sources: The Conference Board Total Economy Database, WDI, International Labour Organization (ILO), STATIN, and World Bank staff estimates and calculations.

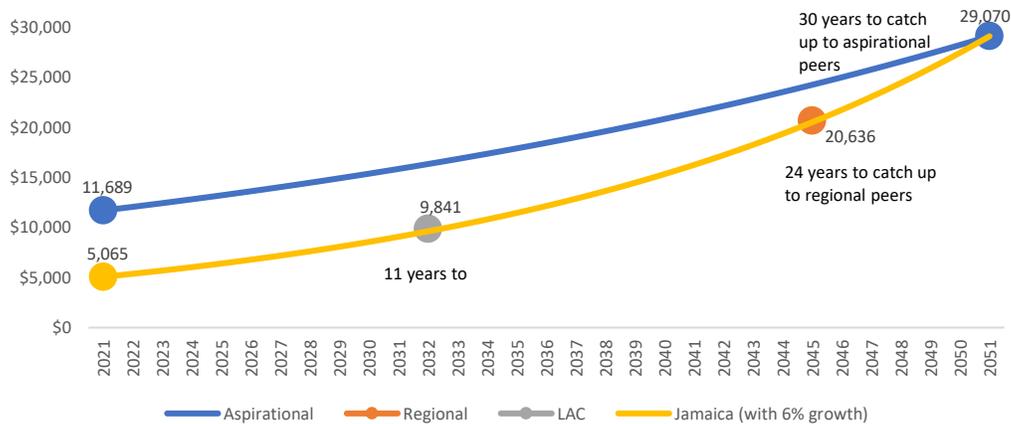
22. The economic recovery from the pandemic is being hampered by rising inflation and continued supply-chain disruptions exacerbated by the war in Ukraine. The annual inflation rate reached 11.8 percent in April 2022, significantly above the upper bound of the 4 percent to 6 percent target range. The inflation surge reflects an acceleration in energy-related prices, as well as higher costs for processed foods and services, attributed to higher international commodities prices and transportation costs. Uncertainty regarding the war in Ukraine is driving an increase in international commodity prices and inflation expectations linked to Jamaica’s dependence on imported food, fuel, and key services. The central bank has been proactive, but the pace of its monetary policy response, if not carefully managed, could derail recovery from the pandemic. Higher spending on imports has been outpacing the recovery in tourism, which is expected to lead to a deterioration in the external accounts that could erode available buffers. As of April 2022, Jamaica had US\$4.3 billion in external reserves – seven months of prospective imports of goods and services.

Box 2.1. What will it take for Jamaica to catch up?

Jamaica's has lagged its peers in economic growth, with GDP per capita declining since the mid-1970s. To catch up, Jamaica needs to implement reforms that catalyze faster, sustained growth. In 2019, Jamaica's real GDP per capita was US\$5,065, compared with US\$12,557 for regional peers, US\$8,657 for LAC countries, and US\$7,855 for aspirational peers. Hampered by negative growth in total factor productivity, Jamaica's GDP per capita has increased 0.2 percent a year, while regional peers have grown by 2.1 percent, LAC by 1.2 percent, and aspirational peers by 3.1 percent.

If Jamaica continues to grow at its historical rate, it will take more than a century to reach its peers' 2019 GDP per capita. If Jamaica's peers maintain the growth rate of the past 10 years over the next three decades, Jamaica would require 6 percent annual growth to converge with its aspirational peers by 2051. At that growth rate, Jamaica's GDP per capita would surpass the LAC countries by 2032 and regional peers by 2045.

Figure 2.5. Growth required to achieve comparable real GDP per capita levels in 2019 compared to Jamaica's 10-year historical baseline rate.



Source: WDI and World Bank staff calculations.

Poverty and Shared Prosperity

23. Despite slow economic growth, Jamaica has experienced periods of significant poverty reduction and enhanced shared prosperity over the past several decades. The official poverty rate²⁰ declined by 17.4 percentage points from 1990 to 2019, but more recently the rate exhibited significant fluctuations. Between 1990 and 2007, poverty fell from 28.4 percent to 9.9 percent (Figure 2.6). Previous analyses attributed this “poverty reduction without growth” to a combination of factors, including underestimation of output because of the economy’s increasing informality, declines in inflation and the relative price of food, rising real wages, and significant growth in remittances (WBG 2004 and 2013). Another part of the explanation could involve improvements in social protections systems (WB 2019).²¹

²⁰ The poverty indicators in this SCD are based on Jamaica’s official poverty measurement methodology and calculate the share of individuals living below the poverty line. The welfare aggregate is household consumption per adult equivalent, where the adult equivalence scales for household members are defined by age and sex. The poverty lines are defined by area – greater Kingston metropolitan area (GKMA), other urban areas, and rural areas. All three poverty lines are updated annually using the CPI, and the ratios between the area poverty lines remain constant over time. The adult equivalent poverty lines in 2018 for the GKMA are J\$565/day or US\$7.75/day (2017 PPP), for other urban areas J\$539/day or US\$7.38/day, and for rural areas J\$502/day or \$6.87/day. Corresponding per capita poverty lines would be lower than the adult-equivalent poverty lines.

²¹ In simulating the impact of social assistance, the 2019 Social Protection PER found incremental reductions in poverty as benefit sizes are increased and coverage expanded.

These analyses predicted that these factors would be unlikely to support poverty reduction in the future without substantial and sustained growth.

24. Poverty outcomes have been volatile since 2008, essentially stalling further reductions in poverty. As the economy contracted in the aftermath of the GFC, Jamaica's poverty rate more than doubled to 24.6 percent in 2013. Poverty rates have since fallen to 11 percent in 2019 – just below 2008 levels. The decline coincided with the recent revival of economic growth, job creation, and further expansion of the existing conditional cash transfer program. The more recent poverty trends track unemployment rates closely (Figure 2.7). Slightly faster growing yet low productivity sectors, such as hotels/restaurants and construction, have led job creation for the poor and bottom 40 percent of the income distribution (Figures 2.8 and 2.9). In addition, above average growth in the agriculture, forestry and fishing sectors, an important source of livelihoods for the bottom 40, contributed to improving welfare in rural areas. While remittances have kept many out of poverty, greater employment opportunities and earnings have driven the recent reduction in poverty. Decomposing recent poverty changes by income sources would provide additional insights, but gaps in detailed household income data currently preclude such analysis.

25. Sustaining poverty reduction in Jamaica remains a challenge due the lack of resilience to major shocks. In the first year of the COVID-19 pandemic, its economic impacts once again reversed years of poverty reduction. Jamaicans lost jobs and dropped out of the labour market, sustaining household welfare losses through reductions in labour income. Effective income protection mechanisms for workers are lacking. While severance payments exist in Jamaica's legal framework, the system is often ineffective, especially during crises because it is an unfunded liability for employers.²² Projections based on per capita GDP suggest the poverty rate rose to about 23 percent in 2020. Immediate negative impacts were concentrated among informal workers (35 percent of wage earners) and workers in the tourism, wholesale and retail trade, and related service sectors – taken together, 40 percent of the workforce. Unemployment rose from 7.3 percent in January 2020 to 12.6 percent in July 2020. As the economy has started to recover, the unemployment rate dropped to a recent historical low of 6.2 percent in January 2022. However, the quality of employment has been negatively impacted, with the High-Frequency Phone Survey from December 2021 indicating higher informality and fewer average hours worked relative to pre-pandemic levels.²³ The recovery has been uneven, especially for female youth, with their unemployment rate lagging at 21.8 percent in January 2022. The poverty impact of these shocks may have been more severe without government interventions.

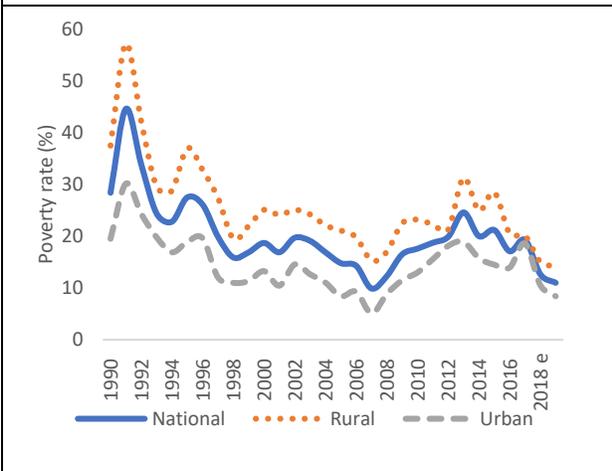
26. Deep inequities persist within the Jamaican society along different dimensions, including gender and urban-rural areas, often limiting social and economic mobility among disadvantaged groups. Inequality in Jamaica, as measured by the Gini index, has been moderate, fluctuating between 35 and 40 for most of the past 25 years (with only brief rises above 40 in 2002 and 2013). In 2018, the Gini index in Jamaica was down to 36, relatively low for the LAC region.²⁴ However, inequality of opportunities with respect to access to quality education and vital basic services can undermine the level of human capital in the country.

²² World Bank 2012.

²³ World Bank and UNDP 2022.

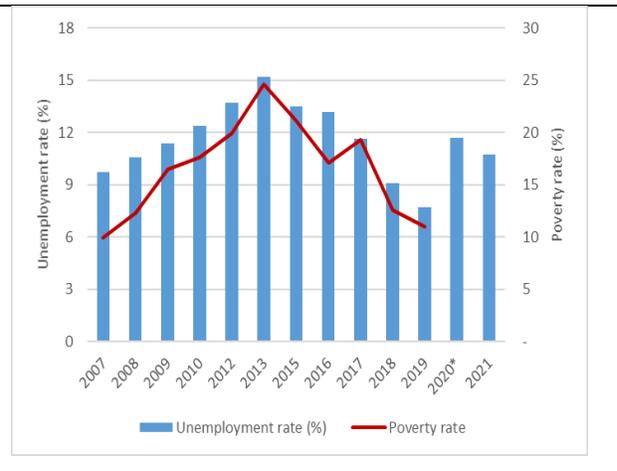
²⁴ Consumption-based measures of the Gini are typically lower than income-based measures used in most of the LAC region.

Figure 2.6. Poverty trends at national poverty line, 1990-2019



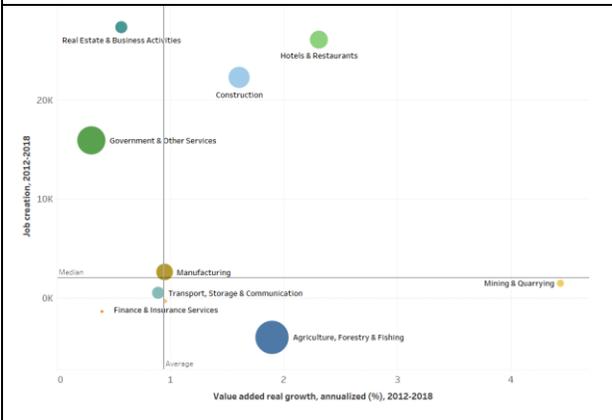
Source: PIOJ and WBG calculations using Jamaica Survey of Living Conditions (JSLC).

Figure 2.7. Unemployment and poverty trends, 2007-2019



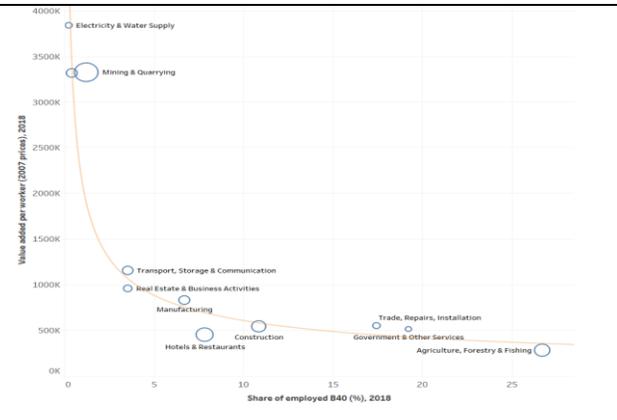
Source: PIOJ, STATIN, and WBG calculations using JSLC and Labour Force Survey (LFS). Note: 2020 value is average of July and October LFS quarters.

Figure 2.8. Job creation and growth by industry, 2012-2018



Source: WBG calculations using LFS and national accounts (STATIN). Note: Circle size represents the industry's share of the total bottom 40 employed labour force.

Figure 2.9. Employment of bottom 40 in low productivity industries, 2018



Source: WBG calculations using JSLC, LFS, and national accounts (STATIN).

Figure 2.10. Shared prosperity, circa 2013-2018

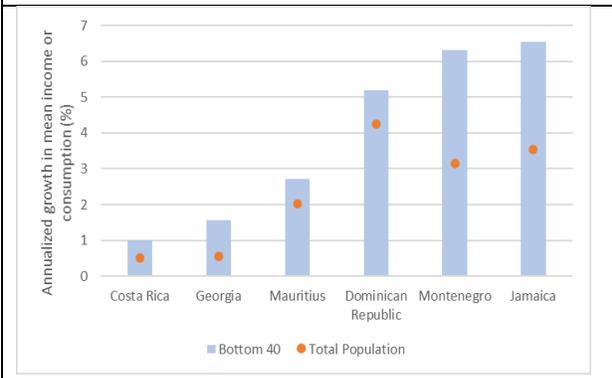
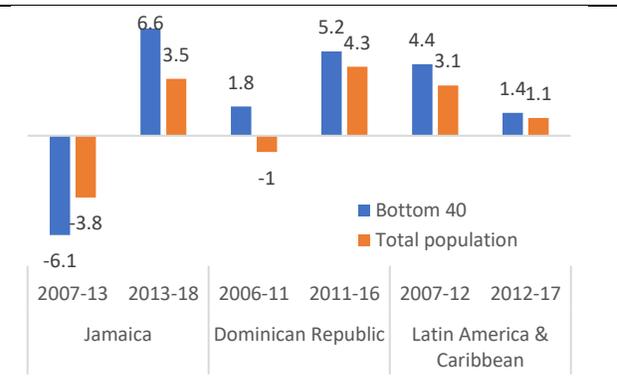


Figure 2.11. Shared Prosperity in Jamaica and in LAC



Source: JSLC and Global Database of Shared Prosperity (March 2021).

Sources: JSLC, Dominican Republic labour force survey *Encuesta Nacional de Fuerza de Trabajo*, LAC Equity Lab (CEDLAS, and the World Bank), WDI, and authors' calculations.

27. Shared prosperity in Jamaica suffered in the aftermath of the 2008 GFC but improved in the years leading up to the pandemic. Between 2007 and 2013, average per capita consumption for Jamaica's bottom 40 shrank more than 6 percent a year, while the total population's average shrank 4 percent a year. This contrasts with the regional LAC average and peers like the Dominican Republic, where the bottom 40 fared better than the overall population over a similar period (Figures 2.10 and 2.11). As the Jamaican economy started to recover between 2013 and 2017, the bottom 40 saw average consumption grow 7.1 percent a year, much faster than the average Jamaican's 2 percent and somewhat faster than the bottom 40 in peer countries (Figure 2.9) and the LAC. While the bottom 40 in Jamaica tends to benefit during good times, the segment takes a harder hit during economic downturns.

28. Achieving the World Bank's twin goals of ending extreme poverty and boosting shared prosperity is feasible but would be challenging for Jamaica. It would require an annual real GDP per capita growth rate of around 6 percent to reduce the national poverty rate to 3 percent by 2030. This may be attainable; eradicating extreme poverty will require ensuring that growth is inclusive and adequately benefits the poor.

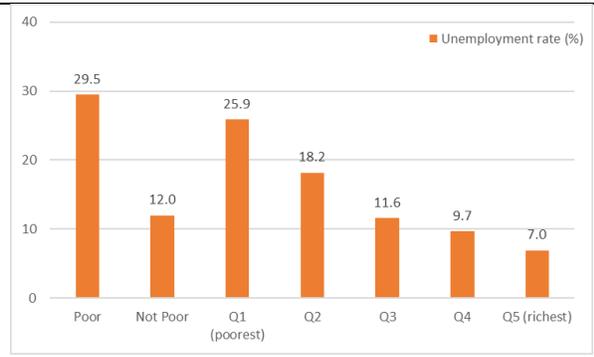
Poverty Profile

29. Poverty is still predominantly rural in Jamaica. In 2018, 15 percent of the rural population lived below the poverty line, or about 192,000 poor people and 56 percent of total poverty. Among the urban population, 10.6 percent lived in poverty, with poverty rates of 9.2 percent in the Greater Kingston Metropolitan Area (GKMA) and 12 percent in other urban areas. GKMA's 69,000 poor residents accounted for 20 percent of total poverty, and other urban areas had 84,000 poor residents, or 24 percent.

30. Unemployment is high among the poor and bottom 40, especially for Jamaica's youth. In 2018, nearly 30 percent of the poor in the labour force were unemployed, about 2.5 times greater than for the non-poor labour force ages 15 and older (Figure 2.12). The poor also remained out of the labour force at higher rates – 30.8 percent, compared to 24.8 percent for the non-poor (Figure 2.13). Among the bottom 40, the unemployment rate was 22 percent, with 30 percent out of the labour force. The unemployment rate for youth (ages 15-24) in the bottom 40 was remarkably high at 45 percent, and over half of these young people were out of the labour market (estimates based on JSLC 2018). Inequality and inadequate job opportunities are restraining the productive potential of young people.

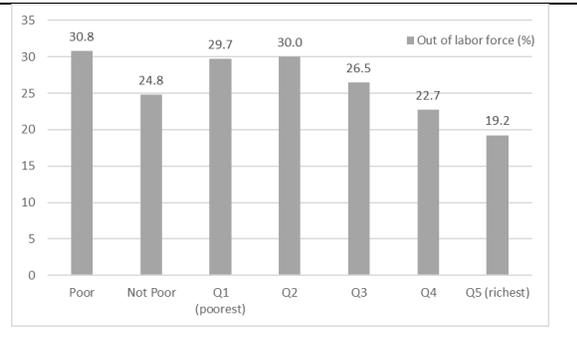
31. Education is highly correlated with welfare and poverty, and inequities persist with respect to completing secondary school and higher education. In 2018, 71 percent of the poor lived in households headed by someone who had not completed secondary education. The poverty rates were 19.6 percent for households headed by someone with only primary education and 16.8 percent for households headed by someone with incomplete secondary education. Among the bottom 40, only a third of household heads completed secondary school, attended university, or HEART vocational training (Figure 2.14). However, their children have been able to attain greater education, although inequalities persist, especially for tertiary education. Disparities across quintile groups are stark with respect to access to university education, with only 4.1 percent of those ages 20-29 in the bottom quintile having attended university, compared to 58.4 percent for the top quintile (Figure 2.15).

Figure 2.12. Unemployment rates for population ages 15+, by poverty status and quintile, 2018



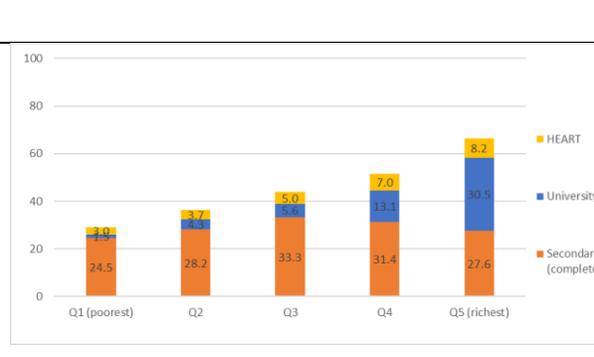
Source: WBG staff calculations based on JSLC 2018.

Figure 2.13. Population out of the labour force (ages 15-65), by poverty status and quintile, 2018



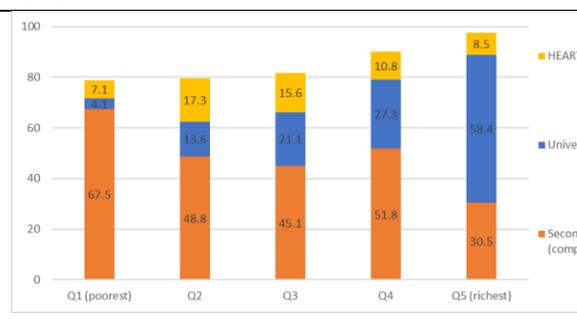
Source: WBG staff calculations based on JSLC 2018.

Figure 2.14. Educational attainment of household heads by quintile, 2018



Source: WBG staff calculations based on JSLC 2018.

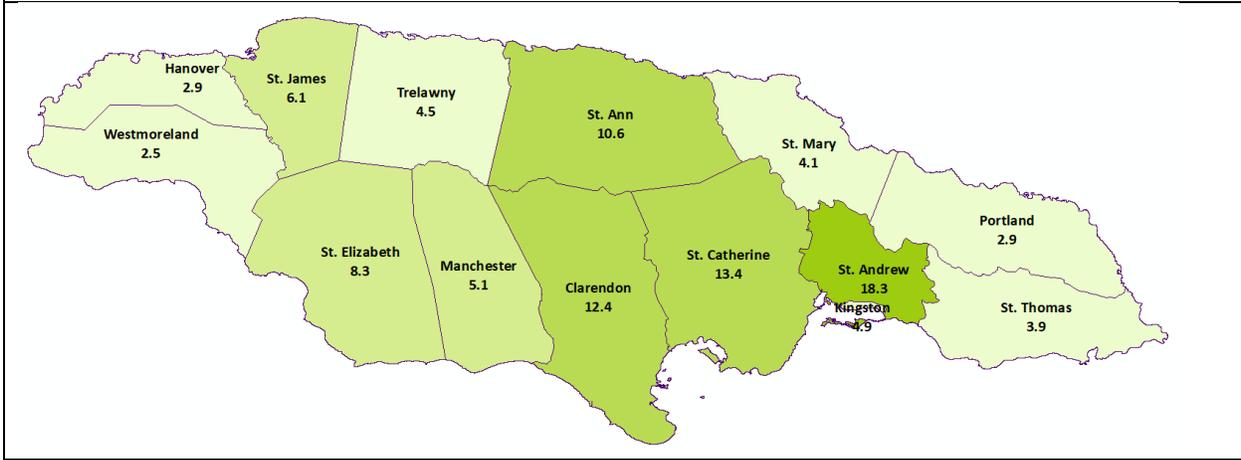
Figure 2.15. Educational attainment for children of household heads/spouse (ages 20-29) by quintile, 2018



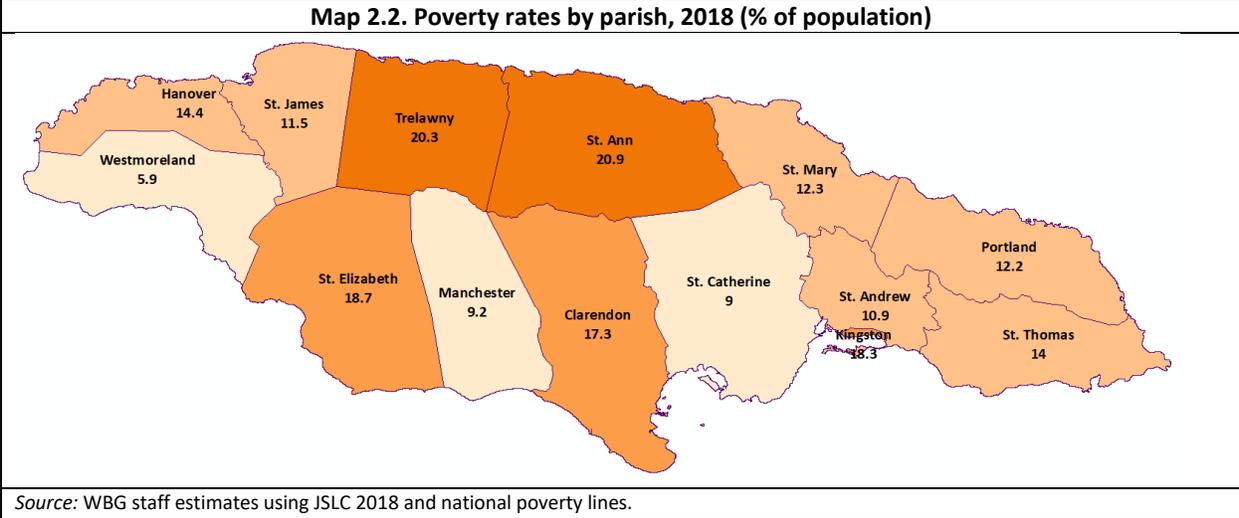
Source: WBG staff calculations based on JSLC 2018.

32. In terms of poverty distribution, the parishes neighboring Kingston account for a large share of total poverty. Nearly half of the poor resided in four parishes in 2018 – St. Andrew, St. Catherine, Clarendon, and Kingston (Map 2.1). The larger population size in St. Andrew and St. Catherine increased their contributions to poverty. Other parishes in the north had the highest poverty rates – 20.9 percent for St. Ann and 20.3 for Trelawny (Map 2.2).

Map 2.1. Contribution to poverty by parish, 2018 (% of total poor)



Source: WBG staff estimates using JSLC 2018 and national poverty lines.



Non-monetary Poverty

33. In 2020, Jamaica ranked 97th among 174 countries in the Human Capital Index (HCI). Based on an HCI of 0.53, children born in Jamaica could on average expect to reach 53 percent of their productive capacity by the age of 18 (World Bank 2020c).²⁵ To put it in Layman’s terms, the future earnings potential of children born today will be about half of what they could have achieved with complete educations and full health. Jamaica performs slightly better than its regional peer the Dominican Republic, but lower than aspirational peers Mauritius and Montenegro (Table 2.1). Jamaica compares favorably to its structural peers in expected years of schooling, and the probability of surviving to age 5 is equivalent (0.99). Nonetheless, the quality of Jamaican education remains low, which drives down the country’s HCI. Average test scores are 387, ranking second lowest to the Dominican Republic among all peers. Low test scores translate into low learning-adjusted years of schooling (LAYS), calculated as the expected years of schooling (11.4) multiplied by the ratio of the harmonized test scores (387) to the highest possible score (625). This brings Jamaica’s LAYS to 7.1, lower than the scores for structural and aspirational peers. This implies that Jamaican students receive only 7.1 years of schooling in terms of what they learn – even though they may go to school for 11.4 years (World Bank 2020c).

Table 2.1. Human Capital Index (HCI) and its components across benchmark countries, 2020

Indicator	Costa Rica	Dominican Republic	Fiji	Georgia	Jamaica	Mauritius
Component 1: Survival						
Probability of Survival to Age 5	0.99	0.97	0.97	0.99	0.99	0.98
Component 2: Schooling						
Expected Years of School	13.12	11.87	11.33	12.94	11.39	12.43
Harmonized Test Scores	428.56	345.22	383.34	399.77	387.13	472.77
Learning-Adjusted Years of School	8.99	6.56	6.95	8.27	7.06	9.41
Component 3: Health						
Fraction of Children Under 5 Not Stunted	...	0.93	0.91	...	0.94	...
Survival Rate from Age 15-60	0.92	0.84	0.78	0.85	0.86	0.86
Human Capital Index (HCI) (scale 0-1)	0.63	0.50	0.51	0.57	0.53	0.62

Source: World Bank. <https://www.worldbank.org/en/publication/human-capital>

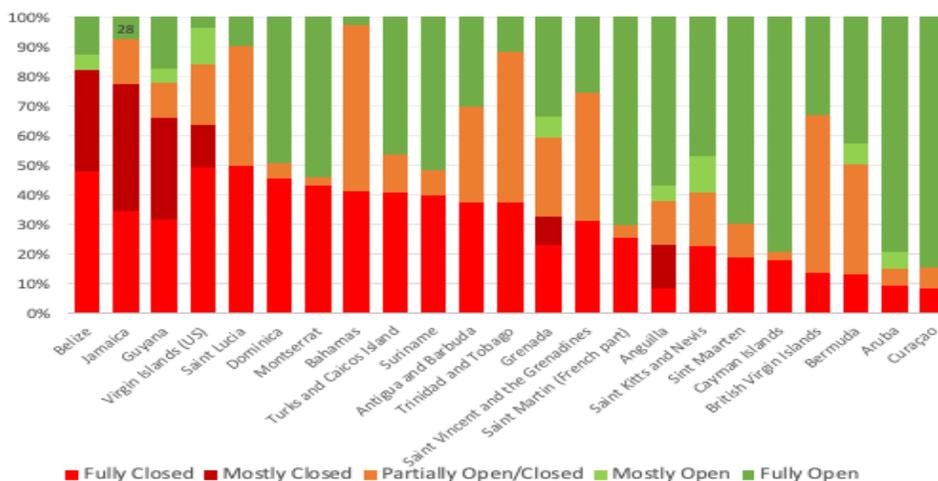
²⁵ The Human Capital Index is designed to capture the amount of human capital children born today could expect to attain by age 18, given the risks of poor health and education that prevail in the country where they live.

34. Jamaican students do not achieve minimum learning standards, especially in numeracy. Among 4th grade students, 85 percent master literacy but only 65 percent acquire foundational skills in numeracy. Results of the Caribbean Secondary Education Certificate (CSEC) in 2018 indicate that by the time they reach 11th grade, only 47 percent of students pass the mathematics assessment (grades I-III) and 68 percent pass the English Language test²⁶ (Ministry of Education 2019).

35. International assessments show that Jamaican students underperform peers in other Caribbean countries. Jamaica has not recently participated in international assessments, such as the OECD's Programme for International Student Assessment or the Trends in International Mathematics and Science Study. So, up-to-date data on learning outcomes is not available. An analysis using the World Bank's Harmonized Learning Outcomes database²⁷ (Patrinos and Angrist 2018) finds that the quality of education is an important bottleneck to building a high-skilled workforce in Jamaica. The country obtained the second lowest Harmonized Learning Outcome score among structural, aspirational, and regional peers with data, coming in behind only the Dominican Republic.

36. LAYS are expected to be further reduced by the extended school closures in Jamaica during the first two years of the COVID-19 pandemic. Before the pandemic, Jamaica had a learning gap of 4.3 years. According to an optimistic scenario in World Bank simulations, Jamaica will lose 1.3 years in LAYS because of the pandemic – going from 7.1 to 6.1 years. This entails an average annual per student earning loss of US\$1,099 (2017 PPP), which aggregates to a total lifetime learning loss of US\$5.5 billion – a third of Jamaica's annual GDP. During the pandemic, Jamaica experienced the second longest periods of school closures in the Caribbean. Between March 2020 and March 2022, Jamaican schools were fully or partially closed on 93 percent of the effective number of school days (average 359 days) (Figure 2.16). Attendance rates decreased compared to the years before the pandemic. About one in five students were not actively engaged in any learning activity by May/July 2021. Inequities in both attendance and engagement rates disproportionately affected specific groups, usually the most vulnerable populations.²⁸

Figure 2.16. School closure intensity
(Share of school weeks with schools fully or partially closed to date)



Source: World Bank calculations based on UNICEF's LAC COVID-19 Education Response Updates from March 1, 2020, to March 31, 2022.

²⁸ World Bank Staff calculations based on LAC's High Frequency Phones Surveys, Phase II, Wave 1.

37. Life expectancy and under-age 5 mortality improved over the past two decades, but maternal mortality increased (Table 2.2). In 2020, life expectancy in Jamaica was on par with peer countries, but the one-year increase over the past two decades was relatively small relative to the other countries' two- to five-year gains. Under-5 mortality rates have also improved, although they remain below some of Jamaica's aspirational peers. Between 2000 and 2017, maternal mortality increased to 80 deaths per 100,000 live births, the second highest rate among regional, structural, and aspirational peers after the Dominican Republic (95 deaths). Mortality rates are also higher than average for pre-term birth complications, diabetes, and interpersonal violence.

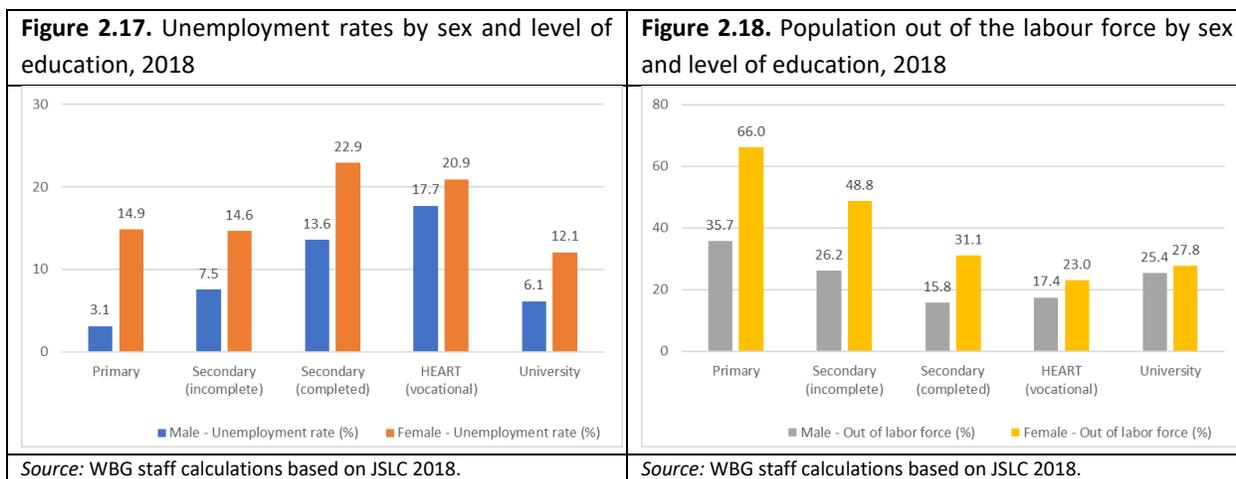
Table 2.2. Jamaica Human Development Indicators with country peers

	Life expectancy at birth, total (years)		Maternal mortality ratio (modeled, per 100,000 live births)		Under-5 mortality rate (per 1,000 live births)	
	2000	2020	2000	2017	2000	2020
Fiji	66	68	51	34	22	27
Georgia	70	74	31	25	37	9
Dominican Republic	69	74	80	95	40	34
Jamaica	74	75	77	80	22	13
Mauritius	72	75	59	61	19	17
Montenegro	73	77	12	6	14	2
Barbados	77	79	50	27	15	12
Costa Rica	77	80	40	27	13	8

Source: WDI.

38. Jamaica has made significant progress in narrowing gender gaps in health and education in recent decades. However, important challenges remain, with some gender gaps reversing. Maternal mortality rates remain high; men are significantly more likely than women to die from non-communicable diseases (NCDs), and male homicide rates are among the highest in the world, largely because of gang violence. Trends in education are also worrisome. Boys are much more prone to drop out of school and have worse learning outcomes. Teenage pregnancy also remains high. The large number of Jamaican youths who do not work or study – and the large share of women in this group – suggests that women face specific barriers in the transition to work.

39. Although Jamaican women have higher educational attainment, gender gaps in access to economic opportunities are wide. Unemployment rates are higher for women at all educational levels. Women also drop out of the labour force at higher rates and their earnings tend to be lower than men (Figures 2.17 and 2.18). These gaps appear to be explained by women's lack of opportunities, discrimination in the labour market, and women's role as the main caregivers for their families. For example, women are much more likely to work part-time due to household and childcare responsibilities. Men, on the other hand, are more likely to be in vulnerable and informal employment. Constraints in agency also prevent women from making free decisions and inhibit their investments in education and health, two essentials for ensuring equal access to economic opportunities.



40. Despite improvements, particularly in the judiciary, women remain underrepresented in decision-making structures. Moreover, nearly a quarter of Jamaican women report having experienced physical abuse, and sexual abuse is prevalent – particularly of young women. Patriarchal norms concerning the social roles of women and men help explain some of these patterns, especially among the most vulnerable populations. Jamaica has made important strides in promoting gender equality in its laws and institutions, but room for improvement remains. Promoting gender equality in practice requires strengthening Jamaica’s institutional capacity to enforce existing legislation.

Sustainability Issues

41. The World Bank defines three dimensions of sustainability – economic, environmental, and social – as essential to successful development. This section analyzes key issues and recent trends in each of these areas for Jamaica.

Macroeconomic Sustainability

42. Jamaica’s economic history is marked by periods of macroeconomic instability and crises that have undermined growth. These crises were triggered by external and domestic factors, including the oil price shocks of the 1970s, Jamaica’s domestic financial crisis in 1996, the global financial crisis of 2008, the COVID-19 pandemic that began in 2020, and periods of fiscal profligacy interspersed with frequent natural disasters.

43. Weak economic buffers and policy responses have often meant that initial adverse shocks led to drawn-out periods of instability. This includes extended periods of high inflation, with peaks in 1992 (77 percent) and 2008 (22 percent), large currency depreciations, mounting debt (which peaked at 144 percent of GDP in 2012), and volatile economic growth. The adverse impacts of macroeconomic instability on economic growth have been well documented.²⁹

44. Over the past decade, Jamaica successfully prioritized fiscal consolidation and macroeconomic reforms as the foundation for enhanced economic stability. In 2010, Jamaica embarked on a fiscal consolidation path that it maintained until COVID-19 hit. Fiscal measures included boosting revenues through increases in the general consumption tax and personal income tax for high-income earners;

²⁹ Planning Institute of Jamaica 2021 (PIOJ); see <https://www.pioj.gov.jm/insights-and-outlook/jamstats/>.

nominal freezes on wages and purchases of goods and services; and two domestic debt exchange operations and buybacks of debt owed under the Petrocaribe agreement. As a result, Jamaica was able to generate large primary surpluses and reduce public debt to 94 percent of GDP in 2019 (see Annex 3).³⁰ Fiscal consolidation increased credit to the private sector, enhanced access to international capital markets (at lower spreads), lowered domestic interest rates and inflation, fostered exchange rate stability, and accelerated growth. The austerity program also involved efforts to improve spending efficiency (including capital) and to protect and even expand social programs.³¹ Spending on education has increased to the point where Jamaica now spends more than OECD countries in selected areas.³² Social protection programs and spending on crime and violence also increased during this period. On the other hand, public investment spending declined, resulting in a weakening public infrastructure that had adverse implications for economic growth.

45. COVID-19 severely hindered these efforts, and it will be important to avoid another period of instability following this massive shock to the economy. The GDP contraction of 2020 was accompanied by a decline in government revenue equal to 1.5 percent of GDP and a public spending increase of 2.5 percent of GDP to mitigate the pandemic's health, economic, and social impacts. This resulted in a fiscal deficit of 3.1 percent in 2020. When combined with the GDP contraction, it led to an increase in the ratio of debt to GDP from 94.8 percent in FY2019/20 to 109.7 percent in FY2020/21.³³ The fiscal rule had to be suspended, and the target date for reaching a 60 percent debt-to-GDP ratio was postponed by two years to FY2027/28. With the ongoing recovery in GDP, public debt has almost fallen back to pre-COVID-19 levels (Figure 2.19).

46. Jamaica faces several risks as it resumes fiscal consolidation efforts. First, as a small island economy, the country remains highly vulnerable to external shocks. Compound risks have become common, and there are still gaps in sovereign financial risk management strategies.³⁴ Rising food and energy prices and interest rates in the wake of the COVID-19 crisis have been further fueled by the war in Ukraine, triggering adverse pressures on Jamaica's external and fiscal accounts. This could also weaken the ongoing recovery and poverty reduction efforts. Second, monetary policy has been highly accommodative during the pandemic. With inflation approaching 12 percent – twice the upper bound of the central bank's target range – monetary tightening is being deployed to avoid unmooring inflation expectations. Third, financial sector risks need to be closely monitored. Fiscal consolidation has reduced financial institutions' scope for lending to the government, including state-owned enterprises (SOEs). In response, they are refocusing on private sector lending and investment.³⁵ Nevertheless, real estate and stock prices have risen significantly in parallel with the government's fiscal consolidation efforts, with attendant risks if market sentiments change.

47. Accelerating economic growth remains fundamental for enhancing Jamaica's resilience to economic shocks. Macroeconomic instability has a negative impact on economic growth, but slow economic growth also makes countries more vulnerable to macroeconomic instability. In particular, stronger economic growth engenders positive fiscal dynamics that contribute to increased government

³⁰ IMF 2022.

³¹ The public investment management system was reformed early in the program to better align capital spending with the country's strategic priorities.

³² WBG 2022. Public Expenditure Review of the Education Sector in Jamaica.

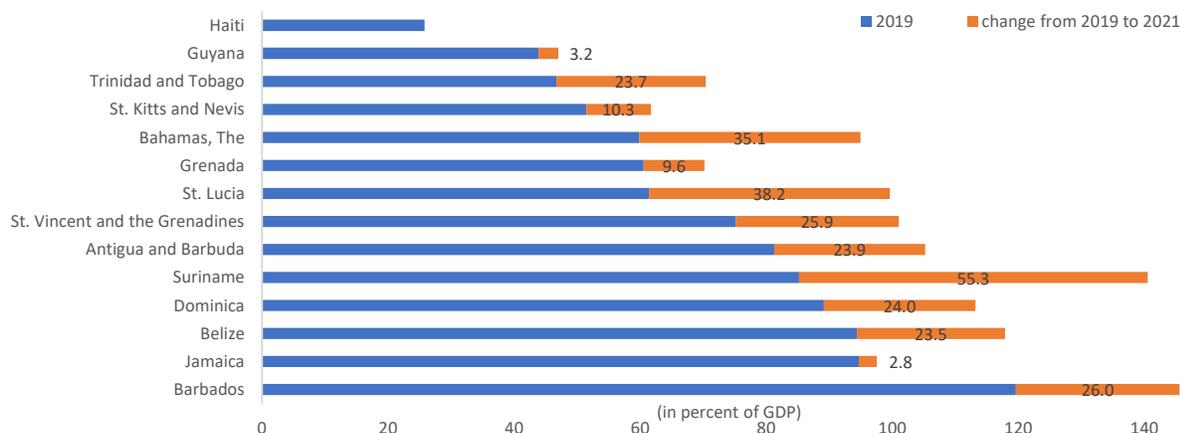
³³ IMF 2022.

³⁴ See Burns and others 2021 and Dunz and others 2022. Understanding the drivers and corresponding transmission channels is necessary for fast, environmentally, and financially sustainable recovery from shocks. This complements adaptation principles for climate change (Hallegatte and others 2020).

³⁵ Credit to the public sector has declined sharply since 2010.

revenue, reduced risk of debt distress, and greater scope for building fiscal buffers to deal with economic shocks.

Figure 2.19. Public debt in Jamaica has almost at pre-pandemic levels



Source: WEO, April 2022.

Environmental Sustainability

48. A healthy environment is crucial for Jamaica’s economy and the well-being of Jamaicans. As a small island economy heavily dependent on tourism, a healthy and sustainable land and sea environment provides the basis for Jamaica’s socioeconomic development. This is reflected in Jamaica’s National Development Plan Vision 2030, being operationalized through a series of three-year socioeconomic development frameworks. The plan’s 15 national focus areas include sustainable management and use of environmental and natural resources, hazard risk reduction and adaptation to climate change, and sustainable urban and rural development.

49. Climate change and natural disasters pose major risks to Jamaica’s environmental sustainability. Jamaica is highly vulnerable to the impacts of climate change, including more intense tropical cyclones, higher temperatures, more frequent droughts and floods, and rising sea levels. Nearly two-thirds of Jamaicans live within two kilometers of the coast. In addition, the coastal zone is home to three-quarters of the country’s industries and services sectors, and it generates about 90 percent of GDP. Recent estimates suggest that 14.5 percent of the population lives in high-risk flood zones, with about 118,000 of them likely to be poor (living on less than \$5.50 per day). Since 1985, human settlements in high-risk flood zones have expanded about 70 percent, with particularly fast growth in the 2010s. Current trends are on track to rapidly exacerbate risks. Approximately 56 percent of the island’s poor people live in rural areas, and the livelihoods of a large share of households in these areas depend on natural resources. In recent decades Jamaica has experienced an increase in the frequency of natural disasters – mainly floods, tropical depressions, tropical storms, hurricanes, droughts, and landslides. The adverse effects of hurricanes have included a decline in the health of coral reefs, loss of seagrass beds, severe beach erosion, and loss of forested areas. These disasters often impose considerable physical and economic costs, given their adverse implications for external and fiscal balances owing to post-disaster relief and recovery efforts.

50. Jamaica has made little progress on addressing its environmental challenges. The country’s natural resources have suffered declines in quantity and quality over time, reflecting heavy dependence on these resources, unsustainable cultural and traditional practices, and the many natural hazards that

have shaped the island. A global assessment of progress toward the Sustainable Development Goals (SDGs) suggests that Jamaica has achieved none of the seven goals most closely linked to environmental sustainability.³⁶ The data suggest that while challenges remain, the country is on course to meet just one of the seven environmental goals – sustainable consumption and production. Another two are moderately improving – life below water and climate action (Table 2.3). Trends are stagnating for four others – clean water and sanitation, affordable and clean energy, sustainable cities and communities, and life on land. Notably, life on land includes protecting, restoring, and promoting sustainable use of terrestrial ecosystems, sustainably managing forests, combating desertification, halting and reversing land degradation, and halting biodiversity loss.

Table 2.3. Jamaica’s progress on environment-related Sustainable Development Goals

Sustainable Development Goal	Current status	Trends
SDG6: Clean water and sanitation	Significant challenges remain	Stagnating
SDG7: Affordable and clean energy	Major challenges remain	Stagnating
SDG11: Sustainable cities and communities	Significant challenges remain	Stagnating
SDG12: Sustainable consumption and production	Challenges remain	On track or maintaining SDG achievement
SDG13: Climate action	Challenges remain	Moderately improving
SDG14: Life below water	Major challenges remain	Moderately improving
SDG15: Life on land	Major challenges remain	Stagnating

Source: Sustainable Development Report dataset. Accessed 04/17/2022 <https://dashboards.sdindex.org/profiles/jamaica>

Social Sustainability

51. Social sustainability is about inclusive, just, and resilient societies where citizens have voice and governments listen and respond. Such societies support growth and shared prosperity today and into the future. Voice and accountability are relatively high in Jamaica, according to the World Bank’s Worldwide Governance Indicators (Figures 4.8 and 4.9). The indicators also suggest significant improvements in political stability and absence of violence/terrorism over the past decade. However, weak rule of law remains a significant concern because of its potential to undermine social sustainability.

52. Inequality is challenging social stability. As previously mentioned, children born today in Jamaica will grow up with nearly half their human capital potential unfulfilled. That coincides with a growing population of at-risk youth, including the growing prevalence of boys opting out of formal education at the secondary level. Furthermore, the provision of key public services – including water, sanitation, and transportation – has a strong urban bias.

53. Inadequate leadership has fueled social exclusion and crime, which are among the main barriers to development and improving the quality of life for all Jamaicans. There is broad support in available research that social exclusion, linked to limited state presence (especially in the delivery of services), is a significant contributor to violence in Jamaica.³⁷ Affected groups and individuals who lose trust in the institutions designed to protect them often turn to violence with the aim of achieving justice, security, and economic gain. The result is a vicious cycle in which the socially excluded end up using violence to

³⁶ Sachs and others 2021.

³⁷ Baird and Rodgers 2015.

secure their needs. Several authors have investigated the relationship between social exclusion and violence in Jamaica, and they argue that a relationship exists between class, unemployment, inadequate housing, and violence.³⁸ They also suggests that strengthening social cohesion and public services will likely reduce crime and violence, helping to foster economic growth and boost human capital.

New Threats Require Adjustments to Jamaica’s Development Model

54. Several new challenges suggest Jamaica’s traditional development model no longer functions adequately and exposes the country to substantial risk. Growth in GDP per capita has stalled, and the country’s traditional drivers of growth have run out of steam. In addition, there is a mismatch between aspirations and opportunities for excluded groups. Jamaica remains on a dangerous fiscal trajectory.

55. Jamaica’s development trajectory has changed considerably over the past two decades. In the early 2000s, Jamaica had a more diversified economic structure, with manufacturing, mining, agriculture, and tourism being the main drivers of economic growth. Since then, the contributions of manufacturing, mining, and agriculture to economic growth and exports has declined because of the loss of preferential market access for manufacturing and agricultural products and declining price competitiveness. Growth in tourism has barely compensated for the decline of these sectors. Relatively well-paying jobs in manufacturing and mining have been replaced by lower-paying jobs in tourism, leading to a decline in labour productivity and stagnation in per capita incomes.

56. Not only has Jamaica’s development model been unable to deliver economic growth and better jobs, it is also highly vulnerable to a range of shocks – including climate change, pandemics, supply-chain disruptions, and changes in consumer demand. The COVID-19 pandemic and related travel restrictions brought Jamaica’s tourism to a virtual standstill in 2020 and precipitated a sharp drop in GDP, highlighting the dangers of the economy’s overdependence on a single sector. In the wake of the pandemic, fuel prices are rising, fueled by the war in Ukraine, and significant increases in the cost of air transport could further delay Jamaican tourism’s uncertain recovery. Climate change also poses a significant threat to tourism. The Jamaican industry is concentrated almost entirely in coastal areas, and climate change threatens to degrade Jamaica’s land and marine assets, such as its coral reefs and related flora and fauna. Jamaica’s tourism industry is concentrated in the sun and sand resort niche of the global tourism industry, making it highly vulnerable to changes in consumer demand.

57. Achieving higher, sustainable, and inclusive growth will require a new, more diversified development model that takes advantages of new opportunities and reduces vulnerability to threats. Tourism will likely remain Jamaica’s most important driver of economic growth for the foreseeable future, but the industry’s health will depend on the sector’s capacity to respond to changing tourist preferences, enhance its sustainability, and better integrate with the broader domestic economy. Although Jamaica has succeeded in steadily increasing tourist arrivals to maintain its market share in the Caribbean, stagnant or even declining yields per arrival have limited tourism’s impact on overall economic growth. Going forward, the sector may also need to adapt its products to the possible long-term impacts of COVID-19 on tourist preferences and demand, including greener and more environmentally friendly options. Efforts to strengthen links to the domestic economy – including music, culture, and goods – through greater local inputs and enhanced spending by tourists outside hotels face challenges in terms of the capacity of local suppliers to consistently satisfy quality and quantity requirements.

³⁸ Clarke 2006; Moser and others 1997; Levy 2001.

58. Addressing crime and violence could help open the door for a more sustainable, inclusive tourism sector. It could allow local communities and excluded groups to participate in the sector.³⁸ The improving prospects for niche tourism, such as health and wellness and luxury, and the rise of the online marketplaces provide new possibilities for digital services and tourism development, increasing value for both industries.

59. Jamaica will have to find ways to enter new, higher-value industries that generate higher-paying jobs. The country has some capacity to produce complex exports, such as medicaments, perfumes, medical equipment, electrical equipment, and metal structures; however, its exports of such products are much lower than those of other island economies, such as the Dominican Republic and Mauritius.³⁹ The biggest constraints to export development are Jamaica's weak infrastructure (notably its expensive energy), relatively high import barriers, educational quality, strong competition from nearby countries with free trade agreements with the largest economies of the region, and high homicide and remittance inflows. If those constraints are addressed, there would be significant potential for boosting investments (including FDI), and production and export of more complex products.

60. Accelerated digitization could be transformative for Jamaica's public sector and economy – in particular, for the business process outsourcing (BPO) sector. Jamaica already hosts a burgeoning BPO industry, but as digitization advances and more households and businesses gain access to affordable high-speed internet, the range of opportunities will widen to include ecommerce (online business transactions), online offshoring and outsourcing (including freelancing), application-based activities (such as shared economy transactions), and financial technology (fintech). Increasing access to high-quality internet services and reducing its cost are critical for, among other things, further expansion of the BPO and creative sectors and support for ongoing and new modalities of telework and distance learning, especially in the context of the pandemic. The limited supply of digital financing solutions and know your customer requirements – though necessary – imposes costs on MSMEs. An ecosystem that incentivizes the use of digital financial services, with broad reach, is needed to accelerate the financial inclusion of such enterprises and maximize the outcomes of social protection programs – all while enabling the shift toward e-commerce and away from in-person, cash-based transactions. This needs to be complemented by demand-side measures, such as e-governance initiatives, revisions of laws and regulations to support the digital economy, and a strengthening of digital literacy and skills. Digitization of logistics services could help reduce trade costs and informality while increasing the traceability of cross-border activities.

61. Jamaica is well positioned to draw greater benefits from the development of its orange and blue economy.⁴⁰ Cultural and creative sectors are among the fastest growing in the global economy. In many countries, the orange economy is a major source of income and employment, especially for youth and women. Jamaica is well positioned to take advantage of these trends because it has made outstanding contributions in creative, cultural, and artistic activities and sports.³⁹ As an island economy, Jamaica controls important ocean resources that are already an important basis for its tourism and fishery industries.⁴⁰ Sustainable management of Jamaica's ocean resources is essential and could provide the basis for emerging activities, such as offshore renewable energy, aquaculture, and marine biotechnology and bioprospecting.⁴¹

³⁹ IMF 2022.

⁴⁰ The orange economy (or creative economy) is made up of sectors involved in the creation or reproduction, promotion, dissemination, and/or marketing of cultural, artistic, or patrimonial activities. The blue economy refers to the sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystem.

62. Greater innovation is needed in agriculture and fisheries to boost yields while safeguarding the environment. Agriculture is a prioritized sector in Jamaica’s long-term development strategy, but its productivity has been low. The sector also suffers from weak compliance with modern food safety and quality standards. Increasing productivity, adopting new technologies, accessing financing and markets face challenges: the small size of the predominantly nature-based smallholder farms; terrain; the absence of cooperatives, refrigeration, and storage; poor regulatory framework; and inefficient product registration procedures. Risk-based financing for the sector is almost nonexistent. Agricultural activities are also constrained by poor water management and limited integration of climate-smart technologies, making the sector highly vulnerable to climate change. In addition, widespread use of chemicals threatens the sustainability of segments in the sector, including fisheries.⁴² Production losses are nearly 40 percent due to weather, diseases, spoilage, and praedial larceny.⁴¹ As a result, yields remain low, and the sector cannot adequately respond to rapidly growing demand for high-standard products from the tourism, processing, and retailing sectors. Similarly, export opportunities are limited because of high regulatory bottlenecks and infrastructure constraints.

63. Moving to a greener, low-carbon economy could bring significant benefits. Jamaica is the third-largest island in the Caribbean, and it has a much larger capacity for electricity generation than most of its neighbors. Non-renewable energy accounts for 81 percent of total energy consumption. For 2016, Jamaica's total greenhouse gas (GHG) emissions were 10.9 million tons of carbon dioxide equivalents (CO₂e), with electricity generation, manufacturing and construction, and transportation being the major contributors. Most electricity comes from heavy fuel oil and automotive diesel oil. Renewables account for just 19 percent of total generation. In submitting its revised nationally determined contributions (NDCs) in June 2020, Jamaica committed to more stringent targets and obligations to shift toward a low-emission, climate-resilient economy. The revised NDCs identify opportunities in the energy sector, the source for about 80 percent of GHGs. They also include mitigation policies in the forestry, reflecting the sector’s importance to Jamaica and the country’s efforts to preserve and enhance its forest cover. The revised NDCs do not specifically mention the use of climate finance or carbon markets, but they pledge emissions reductions relative to the baseline. The proposed reductions are both unconditional (25.4 percent) and conditional (28.5 percent), implying the higher ambition depends on international support, including through carbon markets. Several innovative approaches are available to mobilize private capital for green, climate-friendly investments, but they will require proactive engagement by the government.

⁴¹ JAMPRO 2018.

3. Opportunities for Boosting Shared Prosperity

This chapter focuses on emerging opportunities and pathways for Jamaica to grow faster and become more inclusive while strengthening livelihoods for the bottom 40 percent of the population. Four areas are identified as opportunities for boosting shared prosperity: diversifying tourism and making it more inclusive; expanding high-value agriculture; deepening outsourcing services; and getting more out of migration and remittances. These opportunities will support the prioritization of constraints included in Chapters 4 and 5.

64. Jamaica’s National Development Plan Vision 2030 identifies 15 national outcomes grouped under four goals. The goals are geared toward: strengthening human capital to ensure that Jamaicans are empowered to reach their fullest potential; addressing security, justice, and social cohesion; fostering a stable macroeconomy; and securing the resilience of the natural environment. The plan is operationalized through three-year Medium Term Socio-Economic Frameworks and Medium-Term Fiscal Frameworks. Monitoring and evaluation are based on established targets for 60 indicators aligned with the 15 outcomes. Annual progress reports are submitted to Parliament.

65. The analyses done for this diagnostic and the recently completed Country Private Sector Diagnostic suggest that the nationally defined outcomes capture the key issues required for faster economic growth and boosting shared prosperity. Four key opportunities to stimulate faster economic growth that will benefit the bottom 40 percent in Jamaica include: promoting diversified, more inclusive tourism; boosting high-value agriculture both for domestic consumption and export; broadening outsourcing services; and getting more out of migration and remittances. Addressing the constraints identified in Chapter 4 could unearth other opportunities.

Diversified, More Inclusive Tourism

66. Tourism plays a central role in Jamaica’s economy and offers significant opportunities to enhance its position as an engine of growth and employment. The sector contributes approximately a third of GDP and employs a similar share of the country’s workforce (Figure 3.1). Providing a large number of moderately skilled jobs accessible by men and women, it supports inclusive growth. Enhancing the sector’s environmental sustainability, integrating it better with other parts of the economy (agriculture as well as Jamaica’s blue and orange economies), and diversifying offerings hold considerable potential to enhance tourism’s role as Jamaica’s main source of sustainable inclusive growth.

67. Jamaica has a mature tourism market heavily reliant on its all-inclusive product. Tourist arrivals to Jamaica increased 51 percent between 2009 and 2019, exceeding the 40 percent average for the Caribbean.⁴² In 2019, about 90 percent of room nights sold were at all-inclusive properties, and occupancy rates were twice as high for all-inclusive (74 percent) relative to non-inclusive (37 percent). In 2009, 84 percent of room nights sold were all-inclusive properties, while occupancy rates were 65 percent for all inclusive and 40 percent for non-inclusive. There has also been a notable decline in the average length of stay – from an average of 9.2 nights in 2009 to 7.9 nights in 2019.

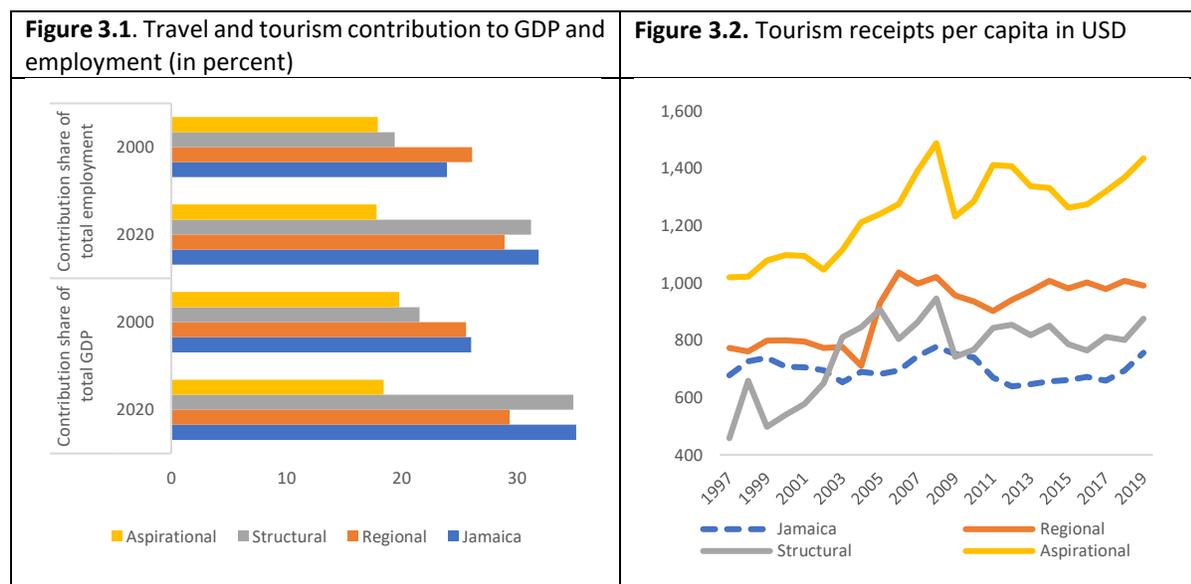
68. Yields per tourist increased recently but remain below rates achieved a decade ago. Visitors to Jamaica spent on average of US\$113 a day (US\$895 per arrival) in 2019, down from US\$140 (US\$1,300 per arrival) in 2009 (Figure 3.2). Yield per tourist fell as low as US\$91 a day in 2017, suggesting a considerable decline in Jamaica’s ability to extract value from its tourists. The increase in yields since 2017

⁴² UNWTO, Compendium of Tourism Statistics, 2009-2019.

coincides with a surge of new and upgraded accommodations, mostly upmarket and including four- and five-star and luxury hotels.⁴³

69. Jamaican tourism is underperforming the region in attracting visitors from non-traditional markets. Jamaica’s source markets for tourists are relatively undiversified with Canada, the United Kingdom, and the United States accounting for more than 90 percent stopover arrivals. The U.S. market, representing almost 70 percent of visitors in 2019, is the only source market that is still growing. Both Canada and the U.K. remain important but have been losing market share to the U.S. Although Jamaica is outperforming the Caribbean for arrivals from all three countries, it is lagging in attracting tourists from Argentina, Russia, Spain, and other emerging sources for tourism.

70. The recovery of Jamaican tourism from COVID-19 is lagging key competitors in the region.⁴⁴ COVID-19 has had devastating effects on tourism across the Caribbean, with an almost uniform 70 percent drop in stopover arrivals and the closure of the cruise subsector in 2020.⁴⁵ Job losses were also significant, reaching about 100,000 in Jamaica.⁴⁶ Nevertheless, Jamaica’s stopover arrivals rebounded to 131,700 by January 2022, a 200 percent increase from the previous year. Although an impressive recovery, it is still about 40 percent lower than in 2020. At 21,110, cruise arrivals are still 90 percent less than they were in 2020. Destinations such as the Dominican Republic have shown faster rebounds. In January 2022, the Dominican Republic’s stopover arrivals were only 4 percent below 2020, and they rose above 2020 levels by February. Jamaica reacted to the pandemic quickly – it was one of the first destinations to approve the WTTC Health Protocols – and it has been unable to keep pace with the Dominican Republic (Box 3.1). Only in April 2022 did Jamaica lift all requirements for travelers and end indoor mask requirements.



Source: World Travel & Tourism Council, 2019, 2020 and 2021.

⁴³ Hotel Management. 2017. *Through foreign investment, Jamaica ramps up hotel development*. Retrieved from: <https://www.hotelmanagement.net/development/foreign-support-jamaica-ramps-up-hotel-development> and JAMPRO, *Shovel Ready Tourism Investment Opportunities*. Retrieved from: <https://dobusinessjamaica.com/wp-content/uploads/UploadJamPro/Shovel%20Ready%20Tourism%202018.pdf>.

⁴⁴ Jamaica Tourism Board, *Monthly Arrivals: January 2022* and Sistema de Inteligencia Turistica de la Republica Dominicana, *Llegadas Aereas por Nacionalidad, Enero-Febrero 2022*. Retrieved from: <https://web.one.gob.do/datos-y-estadisticas/temas/estadisticas-economicas/estadisticas-sectoriales/turismo/>.

⁴⁵ Caribbean Tourism Analytics. Retrieved from: <https://tourismanalytics.com/caribbean.html>; Jamaica Tourism Board, *Annual Travel Statistics 2020*.

⁴⁶ Ibid.

Box 3.1. COVID-19 recovery in the Dominican Republic

Dominican Republic tourism has quickly rebounded due to targeted measures in local tourism hubs and a relaxation of entry restrictions. Lockdown measures and the halt of tourist arrivals hit the sector hard in 2020. But in early 2021, the government vaccinated most hotel workers to make the country safer for tourists and attract foreign visitors.

According to the Ministry of Tourism, nearly all tourism workers were vaccinated by late 2021. The government also lifted travel restrictions for visitors and offered free medical insurance for tourists staying at certain hotels and introduced a robust testing policy.

These measures have allowed the country to remain one of the Caribbean's most attractive destinations as travel restrictions eased and vaccination rates increased in major source markets. However, they have also drawn criticism domestically as more stringent testing and vaccination rules are in place for residents.

Source: IFC, Dominican Republic Country Private Sector Diagnostic.

71. By capitalizing on new industry trends, Jamaica could improve yields while strengthening the sustainability and resilience of its tourism industry. The pandemic coincided with a growing trend toward greater sustainability, with nature-based and community inclusion in tourism.⁴⁷ A 2021 survey of industry leaders ranked the need to prioritize sustainability in destinations above financial and other measures.⁴⁸ Environmental sustainability and regenerative practices in all-inclusive resorts can offer economic gains while reducing a destination's carbon footprint. Many luxury resorts that have pursued sustainability practices have focused on energy- and waste-saving measures, including recycling water, installing solar panels, low flow toilets, and using wastewater in gardens and outdoor spaces as cost-saving measures. Conscious of the premium that travelers now attach to sustainability practices and their potential for cutting operating costs, resorts are increasingly pursuing certifications, either internal or by such third parties as Bureau Veritas and EarthCheck. By joining this trend, Jamaica could capture more value while fostering sustainability across the industry. Industry-specific efforts, such as working with private sector and international certification bodies (e.g., the Global Sustainable Tourism Council) to establish minimum sustainability criteria for accommodations could be a starting point. But destinations are also taking a more holistic approach to sustainability (Box 3.2).

72. Jamaica could boost arrivals from traditional and other markets that supply the Caribbean by focusing on air access, promotion, and capacity building. International experiences and Jamaica's recent past show that increasing air access can significantly boost arrivals. Jamaica did not have direct flights to and from Moscow before 2017, and annual arrivals from Russia stagnated at around 1,000 visitors a year. Then Nordwind Airlines established a charter connection. Russian arrivals tripled in 2018 and doubled in 2019, reaching 6,415. Similarly, direct charter connections with Portugal were established in 2017, and arrivals increased from 468 to 3,667, a 684 percent jump. The potential source markets that are interested in the Caribbean Sun and Sea product include Argentina, France, and Spain, which currently represent a small share of arrivals to Jamaica but are much more relevant to the Caribbean overall (Table 3.1). To increase arrivals from these markets, direct air access should be improved. Examples from other destinations show the development of new routes have been advanced by targeted incentives, regulatory reform, and institutional capacity building for agencies dedicated to attracting airlines and international tour operators (like an Air Service Development Committee). Familiarization trips for international tour operators and promotional activities can also help showcase destinations. Creating air connectivity and understanding a target market's expectations and needs are prerequisites for success in such efforts.

⁴⁷ This will require addressing crime and violence, discussed in Chapter 4 and Annex 2.

⁴⁸ World Travel and Tourism Council & World Bank Group, WTTC Member Pulse Survey 1. January 15, 2021.

Table 3.1. Source markets share comparison

	Share of arrivals to Jamaica	Share of arrivals to the region
United States	65.42%	63.51%
Canada	16.63%	11.37%
United Kingdom	9.01%	5.13%
Germany	1.10%	1.66%
Italy	0.54%	0.84%
France	0.30%	4.11%
Spain	0.22%	1.13%
Argentina	0.21%	1.23%
Russian Federation	0.11%	1.32%

Source: UNWTO, Arrivals of non-resident tourists at national borders, by country of residence.

Box 3.2. Holistic sustainability practices at a destination: Peru’s Machu Picchu

In September 2021, Machu Picchu became Peru’s first carbon neutral destination thanks to collaboration between the municipality of Cusco, the National System of Natural Protected Areas (SERNAP), the hotel group Inkaterra – the world’s first “climate positive” hotel brand – and AJE Group, a multinational beverage manufacturer. The effort combined a series of actions: the donation of a plastic compacting plant, installation of an organic waste treatment plant that transforms garbage into natural coal, and reforestation of 1 million trees for the Historic Sanctuary of Machu Picchu (directed by the SERNAP).

This example presents a potential pathway for Jamaica to create a more sustainable, resilient tourism industry and support goals related to land use. Given the environmental impact of resort construction and development in marine-protected areas and coastal zones, the Machu Picchu partnership could be explored in Jamaica by leveraging the commitment of existing hotel brands (such as Iberostar) to environmental sustainability. To do so, a series of coordinated actions should be implemented

To mobilize the private sector, collaboration between stakeholders is key to deepening the benefits of this approach. To overcome barriers to decarbonization, efforts should be made to increase the sense of urgency through public awareness campaigns that promote sustainability efforts among firms and destinations, foster knowledge sharing and good practices from other destinations and private sector operators, and develop financial products targeted to promote investments in decarbonization (i.e., offering more attractive financial structures or devising financial incentives).

Source: IFC’s Peru Country Private Sector Diagnostics.

73. The all-inclusive model will remain important for Jamaica, but the growth of socially conscious travelers offers the potential to increase local economic inclusion. All-inclusive sun, sand, and sea tourism will remain a critical market for the foreseeable future, globally and for Jamaica. Before the pandemic, all-inclusive resorts were the fastest-growing market in the accommodation sector, generating US\$7.9 billion in sales through the first six months of 2019, 20 percent more than five years earlier.⁴⁹ Even with the pandemic hit, this segment’s outlook remains positive. All-inclusive tourism is becoming more popular: in January 2022, 13 percent of U.S. trips were to such resorts, up from 6 percent in January 2020.⁵⁰ Despite a positive impact in job creation, the economic impact on local communities has been limited by the insular nature of all-inclusive resorts, multinational ownership, limited availability of managerial positions for locals, and (usually) weak local linkages. The increased segmentation of all-

⁴⁹ Bloomberg, *Marriott Jumps Into All-Inclusive Resorts with Ritz-Carlton Deal*, August 5, 2019. Retrieved from: <https://www.bloomberg.com/news/articles/2019-08-05/marriott-jumps-into-all-inclusive-resorts-with-ritz-carlton-deal?sref=xmjisioj>.

⁵⁰ Skift Research, *Share of Vacation Rental and All-Inclusive Resort Stays for personal Travel, Jan.2021-2022*. Retrieved from: <https://skift.com/2022/03/03/short-term-rental-and-resort-stays-pick-up-momentum-new-skift-travel-tracker/>.

inclusive markets, with luxury and boutique resorts attracting growing attention, could buttress the transition to a more sustainable model. Tourists are also placing more importance on ensuring that the economic benefits of tourism reach local communities. For example, 58 percent of travelers consider it important that their trips benefit communities, 68 percent want the money they spend to go back to local communities, and 73 percent want to have authentic experiences representative of local culture.⁵¹ These attitudes provide an opportunity and business case for hotels and resorts to support programs that enhance the economic gains of local communities.⁵²

74. Strengthening domestic linkages could boost tourism’s contribution to economic growth. Since 1996, Jamaica has undertaken several initiatives to that end, including the creation of the Tourism Linkages Council in 2015. Since 2016, the Ministry of Tourism’s Speed Networking Event has generated more than US\$4.5 million in business between local small and medium enterprises. Leakage is still an issue, although its degree varies depending on the kind of product or service as well as the type of accommodations. A 2015 study in Jamaica estimated that around 26 percent of agricultural goods and 33 percent of manufactured goods were purchased from abroad by hotels, with important differences depending on the product.⁵³ It could be mutually beneficial, especially in the context of continued appreciation of the real effective exchange rate, to encourage local food producers to match quantity and quality through targeted capacity building and aggregation for producers. These efforts could be bolstered by strengthening information systems to collect, analyze, and disseminate sourcing data and introducing incentives for investors to use local content. Increasing tourists’ exposure to local cuisine through promotion campaigns, crafted menus, and the establishment of in-hotel markets for local produce could boost visitors’ demand for local content. To ensure the proper handling and distribution of produce, the facilitation of investment in agriculture-related infrastructure and technology, like cold storage facilities, might be necessary. Aggregation or clustering of smaller producers could also help overcome some existing hurdles.

75. Jamaica should also aim to increase yields from cruise visitors by greater reliance on market intelligence.⁵⁴ Jamaica’s yield per cruise visitor fell 32 percent in the decade leading up to the pandemic, reflecting both the limited impact of cruise visitors on the local economy and the inability of Jamaica to boost yields. Improved port infrastructure, accessibility, and availability of quality products centered on culture, history, and entertainment could boost spending. However, the available research is inconclusive on how these factors influence onshore spending,⁵⁵ suggesting that Jamaica needs to first develop a stronger understanding of the determinants of spending by cruise visitors. With that in mind, the country should ramp up efforts to boost primary data collection from passengers, adopt *new* research methods (i.e., using the global positioning system), and enhance its ability to analyze and disseminate cruise-related statistics. Specific activities, stakeholder coordination mechanisms, or improvements aimed at exploiting

⁵¹ Booking.com, *Key industry takeaways from Booking.com 2022 Travel predictions*. Retrieved from: <https://partner.booking.com/en-gb/click-magazine/key-industry-takeaways-bookingcoms-2022-travel-predictions>.

⁵² Mtapuri, & Dłużewska 2021 discusses the arguments in favor of community based tourism.

⁵³ Jamaica Social Investment Fund, 2015. *Tourism Demand Study*, Retrieved from: https://www.mot.gov.jm/sites/default/files/public/tourism_demand_study.pdf. The small sample source (20 properties) and type (the majority were not all-inclusive resorts) could point to a higher rate of leakage in line with previous studies.

⁵⁴ While in 2021 the global cruise industry experienced a 96 year-on-year increase of passengers, reaching 13.9 million, it still lags the 29.7 million passengers in of 2019. Cruise Market Watch. Retrieved from: <https://cruisemarketwatch.com/statistics/>.

⁵⁵ Domènech, A., Gutiérrez, A. and Anton Clavé, S. (2019b), *Built environment and urban cruise tourists’ mobility*, Annals of Tourism Research. And Crouch, G.I. (2011), *Destination competitiveness: an analysis of determinant attributes*, Journal of Travel Research, Vol. 50 No. 1, pp. 27-45. Activities could include excursions, museums and cultural events, arts and crafts, shopping, restaurants, and bars.

a stronger understanding of spending drivers could be put in place later. Better coordination between governments, port authorities, and cruise lines could have substantial benefits for the local economy.⁵⁶

76. In addition to expanding its customer base in existing segments, Jamaica should focus on product diversification to attract higher spenders. Dependence on cruise and all-inclusive resorts needs to be reconsidered in the medium term. Where the island has strong assets and synergies with current products, Jamaica should aim to develop high value products like long-stay digital nomads and adventure, wellness, or food tourism. Health and wellness – spas, fitness centers, beauty salons, rehab clinics, outdoor tours – was an estimated US\$436 billion global market in 2020, one expected to grow to US\$1.1 trillion by 2025.⁵⁷ This market offers great potential, and it is being actively prioritized and promoted by the Jamaican government and private sector. Health and wellness could be further explored through the strong alignments among Jamaica’s existing assets (weather, beaches, food, thermal/mineral springs), demand (key visitor segments searching for these experiences), and consumer trends (such as the push for health and wellness).⁵⁸ Most Jamaican wellness services and activities require upgrades and expansion because they are geared toward the local market.⁵⁹

77. The global value of adventure tourism is estimated to be at least US\$420 billion, or about 30 percent of the US\$1.4 trillion global outbound travel value.⁶⁰ Such tourism also provides higher yields per tourist. Generating US\$10,000 in a local economy takes about 96 cruise tourists, nine package tourists, or four nature tourists. Adventure travelers tend to be more interested in experiencing the authentic destination, and they spend more locally (on accommodations, dining, attractions, and businesses). As a result, the impact is much larger than traditional tourism. Biodiversity and security issues limit Jamaica’s potential in this segment, although strong nature-tourism digital demand and the attractiveness of natural assets could be leveraged to attract adventure tourists focused on water activities.⁶¹ The adoption of digital tools could increase demand for tourism, create jobs, and increase diversification and benefit sharing while providing the tools for digital nomads to establish themselves in the destination. But Jamaica’s internet use – including overall access and links through B2B channels – is relatively low. Deficiencies in the foundational element of the digital economy represents a serious constraint.⁶² Addressing these areas by, for example fostering product development and investment promotion would provide opportunities to increase economic impacts, local links, and jobs in areas away from the main landing ports.

⁵⁶ Santos, M., Radicchi, E., Zagnoli, P. Port’s Role as a Determinant of Cruise Destination Socio-Economic Sustainability, Sustainability. MDPI, Basel. Retrieved from: <https://www.mdpi.com/2071-1050/11/17/4542>.

⁵⁷ Global Wellness Summit, *Global Wellness Trends 2021*. Retrieved from: <https://www.globalwellnesssummit.com/trends-2021/>.

⁵⁸ Global Wellness Institute, *Global Wellness Tourism Economy 2018*. November 2018. GWI. Retrieved from: https://globalwellnessinstitute.org/wp-content/uploads/2018/11/GWI_GlobalWellnessTourismEconomyReport.pdf.

⁵⁹ Travel Agents Selling the Caribbean August 2020, *Wellness Tourism: Balancing Safety Protocols and Guest Expectations Amid the Impact of COVID-19 Webinar*. Retrieved from: <https://sfcnc.com/wellness-tourism-balancing-safety-protocols-and-guest-expectations-amid-the-impact-of-covid-19/> and JAMPRO., 2015, *Health and Wellness Tourism: Opportunities for development of the health and wellness tourism sector in Jamaica*. Retrieved from: <https://dobusinessjamaica.com/wp-content/uploads/2019/11/Health-and-Wellness-Tourism.pdf>.

⁶⁰ <https://www.adventuretravel.biz/research/adventure-travel-overview-and-market-sizing>.

⁶¹ World Economic Forum, *Travel and Tourism Competitive Report*.

⁶² Lopez Cordova, E. 2020, *Digital Platforms and the Demand for International Tourism Services*. World Bank Group. Retrieved from: <http://documents1.worldbank.org/curated/en/724941581621885483/pdf/Digital-Platforms-and-the-Demand-for-International-Tourism-Services.pdf> and WEF. 2019, *Travel and Tourism Competitiveness Index – Jamaica*. Retrieved from: <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/#economy=JAM>.

High Value Agriculture

78. Agriculture is important for employment and economic growth and contributes to food security.⁶³ Jamaican agriculture has grown by an annual average of 2.8 percent over the past decade – more than triple the growth rate in overall GDP – and its contribution to the economy has risen to 7 percent of GDP. The sector provides close to a fifth of all jobs and is the main source of employment in rural Jamaica. The sector is predominantly based on subsistence farming, although a few large farms are geared toward the domestic market. Exports of agricultural produce are low, and the country dedicates about 20 percent of its import bill to food. However, available data show that more than a third of agricultural lands remain idle or underused, suggesting there may be scope to increase local content in domestic food supply and boost exports.

79. Capitalizing on favorable conditions could increase high-value agricultural produce to meet local demand and for exports. World Bank research suggests that many agricultural crops with high global demand can be grown in Jamaica, including strawberries, pineapples, avocados, mangoes, citrus, specialty vegetables, peppers, and ginger.⁶⁴ These high-nutrition, perishable crops are labour-intensive and could generate three times more jobs in the fields than cash crops, plus additional work in both upstream and downstream sectors. They are also well suited for Jamaica’s predominantly subsistent farming structures. Furthermore, Jamaica receives higher prices per metric ton than regional and global competitors for top agri-food exports, reflecting the quality of such exports. For example, Jamaica’s Blue Mountain coffee is one of the world’s most expensive.

80. There may be scope for strengthening links between tourism and agriculture. Capitalizing on existing initiatives to boost links between tourism and domestic produce (including processing and manufacturing) could reduce leakages in the form of agricultural imports by the tourism sector, estimated at US\$10–30 million a year.⁶⁵ Many global examples exist for local content being promoted as a strategic pillar of the development of leading sectors. Doing so could create incentives for greater formalization of Jamaica’s agriculture sector and boost efforts geared toward addressing issues related to the scale, quality, and consistency of supply. Imports by hotels that could be replaced by local production of horticulture crops may be worth an estimated US\$15.8 million a year (IFC 2020).⁶⁶

81. Expanding and modernizing agricultural production could generate substantial economic benefits. Jamaica could increase employment and value added from agricultural production by integrating idle agricultural lands and increasing adoption of modern technology. World Bank estimates suggest that production from idle lands and focusing on crops with higher earnings per hectare (such as fruits, vegetables, and spices) could generate an additional US\$0.6 billion a year and more than 100,000 jobs.⁶⁷ Such efforts would also broaden opportunities for women, who are more active in this segment of the sector. Jamaican yields currently stand at 76 percent of the Central American average; if the country were able to improve production methods to the Central American standard, it could further increase value added by US\$338 million.

⁶³ The recently published Country Private Sector Diagnostic includes a deep dive on the agriculture sector in Jamaica.

⁶⁴ World Bank Group 2022a.

⁶⁵ Center for Leadership and Governance 2019.

⁶⁶ IFC 2020.

⁶⁷ Assumptions are based on the use of 84,000 hectares of idle land, with 50 percent of it used for vegetables and roots at \$18,654 per hectare (2015–19 average), 40 percent for fruits at \$8,997 a hectare, and 10 percent for spices at \$37,895 a hectare, and calculating that 44.5 percent of the used land will be harvested (current percentage).

82. Strengthening agricultural extension services can boost growth. Countries that have done well in raising agriculture’s contribution have often addressed deficiencies in extension services as a crucial step in upgrading products and making the sector more competitive. Warehousing facilities are needed, especially temperature-controlled ones for perishable goods. The right types and sizes of refrigerated trucking and support systems can make pathways to accreditation less onerous. Government support for general agricultural services, done through the Rural Agricultural Development Authority (RADA) – such as knowledge generation and transfer, research and development (R&D), and product safety and control – could be prioritized and boosted to drive structural change in the sector. Digitization of border processes should also lower costs, a major deterrent to small exporters.

83. To boost production, innovative approaches are needed within the government and between the public and private sectors. Strengthening market intelligence through educational campaigns, fairs, and agriculture shows could help producers and exporters better understand destination market demands, as well as links between actors in agriculture value chains. Similarly, public-private partnerships could be explored to upgrade post-harvest food-quality and safety infrastructure. This will require modernizing food-safety legislation and public investment with private management options for post-harvest infrastructure that meets safety and quality standards required by national and international markets (including cold storage facilities). Agricultural success requires raising awareness of food-safety requirements and certifications through training and investing in digital infrastructure to support traceability systems. Accelerating ongoing reforms to increase access to titles would allow more farmers to use property as collateral, which could increase access to financing to expand activities.

84. Education and innovation are needed to sustain agricultural growth. A framework must be developed that enables and promotes agricultural R&D, education, and innovation – including efforts to support the development of better varieties, introduction of recent technology, water management, and regulation of agrochemicals to safeguard the environment.⁶⁸ Urgent actions include broadening post-harvest facilities to promote aggregation, expanding food-quality and safety infrastructure and extension services, and using technology and financial products to mitigate vulnerabilities linked to climate change. Other measures include adopting and introducing standards for climate-smart agriculture practices, such as greenhouses, drip irrigation, and more resilient seed varieties. Investment in climate-related data systems could help boost yields through data-driven analysis. In addition, achieving better yields reinforces the need to tackle crime and violence, including widespread praedial larceny, and shore up weaknesses in both human capital and infrastructure.

⁶⁸ World Bank 2022.

Box 3.3: Whither the future of mining in Jamaica?

Jamaica has a history of mining bauxite and manufacturing alumina. During the 1970s, alumina exports grew sharply as new plants came into operation. This surge was rapidly reversed in the next decade. Output fell by half between 1980 and 1985 as half of the six North American companies ceased production or left the country, moves that coincided with fall in global prices of bauxite and alumina because of oversupply. Nevertheless, Jamaica's proven bauxite reserves remain among the world's largest (United States Geological Survey 2018).

There has been an increase in FDI in the sector in recent years but its contribution to the economy has remained relatively subdued. Investment in the sector was historically driven by North American companies. The government acquired a portion of the assets in the 1980s, and key plants have since been taken over by Russian and Chinese companies. Notwithstanding these changes, information from STATIN shows the mining accounted for only 2.2 percent of Jamaican GDP as of 2019 – less than half the contribution in the 1990s – and provided 6,000 jobs. Several factors influenced the GDP contribution's falloff, including fuel and commodity prices and rising production costs due to the age of the refineries and the quality and size of current bauxite ore bodies.

Global demand for aluminum is projected to grow considerably due to its use in clean technologies, offering Jamaica opportunities to become a major supplier of alumina and bauxite. The role of mining in Jamaica could increase in the future, assuming enough efforts are undertaken to improve governance and attract investments. Recent experience in countries like Guinea illustrates the magnitude of the potential changes and the need for public services and investment (transport and energy) to accompany private sector development to maximize the sector's benefits. Within the Caribbean, only Guyana has been able to maintain a vibrant bauxite industry.

More research is needed to determine the potential of the extractives sector in Jamaica. In addition to bauxite and alumina, Jamaica has small deposits of base and precious metals, such as gold, silver, and copper. The country is also noted as having rare earth metals in the bauxite waste arising from alumina processing operations. Research and consultations will be needed to better understand the potential role of Jamaica's mining sector in a low-carbon future and the conditions for mining to stimulate growth and prosperity in the country.

Source: Jamaica Bauxite Institute, United States Geological Survey, STATIN.

Outsourcing Services

85. Outsourcing has emerged as an important source of employment and growth in Jamaica.⁶⁹ Outsourcing entails the provision of business services by a third party or from a different location, and it involves leveraging information and communications technology (ICT) to lower costs and benefit from other technical and business advantages. While the sector was traditionally categorized into information technology outsourcing (ITO) and business process outsourcing (BPO), the emergence of digital technologies has given rise to an entirely new category: digital services.⁷⁰ Jamaica operates mainly in contact center for BPO-type activities. Revenues and employment in the sector have grown sharply. Between 2016 and 2021, estimated revenues from Jamaica's BPO activities nearly doubled, to US\$780 million.⁷¹ The sector's employment expanded from 17,000 to 44,000 employees, most of whom are women (Figure 3.6).

86. Domestic and international factors have fed growth in outsourcing services in Jamaica. The LAC region, including Jamaica, is rapidly becoming one of the most competitive outsourcing regions in the

⁶⁹ The recently published Country Private Sector Diagnostic includes a deep dive on the outsourcing sector in Jamaica.

⁷⁰ Digital technologies – such as automation/process automation, robotics process automation (RPA), artificial intelligence (AI), cloud computing, the internet of things (IoT), machine learning (ML), blockchain, big data, and 5G – have significantly altered traditional outsourcing service and delivery models.

⁷¹ World Bank 2022.

world. Several factors have contributed to the shift, including proximity to North American markets, scalable English-speaking workforces, fast-growing domestic markets, rising digital SME segment in most locations, and lower wages compared to mature destinations. Leading global companies have invested in contact centers, offshore delivery centers, BPO, and shared service centers in Jamaica. While the sector continues to be dominated by multinational companies, a few domestic companies have grown to serve large global clients. The total number of firms operating in the BPO sector is nearing 100, a fivefold increase since 2016.

87. Outsourcing development coincides with a stronger strategic focus by the government.

Outsourcing in Jamaica is guided by a five-year strategy adopted in 2015, which focuses strongly on improving policies and incentives to attract global players.⁷² The effort includes comprehensive incentives for outsourcing companies. Under the 2015 Special Economic Zones Act, incentives include discounted corporate income taxes, asset tax relief, employment tax credits, and exemptions from income tax on dividends and capital allowances. The 2013 Fiscal Incentives Act provides employment tax credits and exemption from income tax on capital allowances.⁷³ The strategy also includes as a central pillar enhancing capabilities of the labour market, developing infrastructure for lease, and increasing market penetration through promotion activities.

88. The recently completed Country Private Sector Diagnostic for Jamaica points to continued growth over the medium term in the outsourcing market segment where Jamaica is situated.⁷⁴

Jamaica is classified as a low- to medium-complexity destination for global outsourcing services. On cost competitiveness, Jamaica performs better than regional peers, such as Belize and Trinidad and Tobago. Nevertheless, it lags in complexity and value relative to regional and aspirational peers like Costa Rica and the Dominican Republic. Cost advantages will increasingly see diminishing returns as the global industry moves toward a value-based model. With appropriate investments, Jamaica could position itself as a location with strong digital capacity development initiatives to enhance its competitiveness with new technologies and locations.

89. Jamaica's outsourcing sector could evolve to higher-value services with larger yields and revenue per employee – but it must overcome deficits in skills and technology.

Higher-value knowledge and technology services require workers with high cognitive, technical, and sector-specific skills. Mature outsourcing locations such as Colombia, Costa Rica, and Guatemala focus on higher-value digital and knowledge process outsourcing services. Some of the higher-value outsourcing services with the greatest potential for Jamaica include market, business, and financial research, omnichannel customer services, and mobile and web development services.⁷⁵ There is also scope for Jamaica to provide legal process outsourcing and medical BPO. To achieve the scale required to compete in these segments, Jamaica will need to expand training on digital skills for its workers (Figure 3.7).

⁷² Including developing data protection legislation, establishing access to working capital, and finalizing eligibility requirements for the Income Tax Relief Act.

⁷³ Firms can only benefit from one of the two acts.

⁷⁴https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/cpsd-jamaica.

⁷⁵ Services in animation, gaming, advertising, and design could be pursued in the long term (World Bank 2022).

Figure 3.6. Employment and growth in Jamaica’s contact center and business process outsourcing, 2015–2021

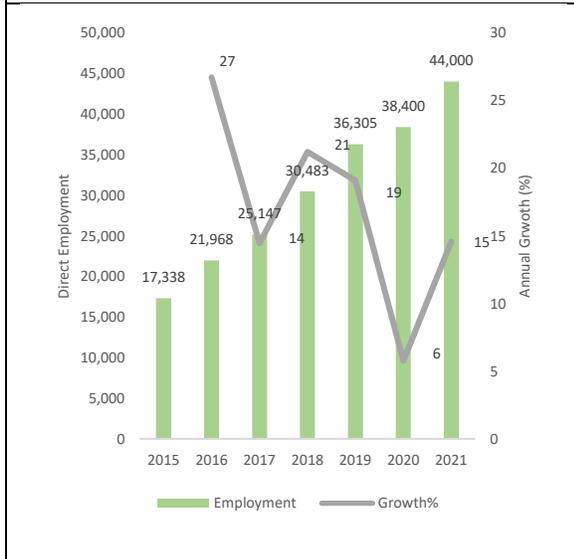
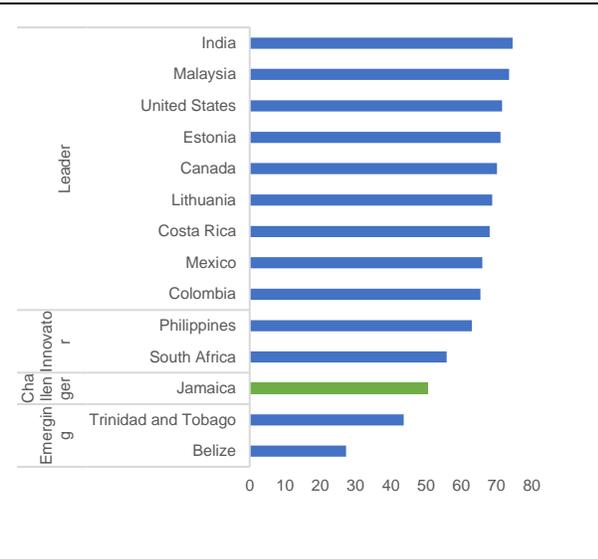


Figure 3.7 Digital Competitiveness Index 2021



Source: Industry data collated from information provided by the Office of the Prime Minister.

90. Jamaica will need some adjustments to facilitate continued growth in outsourcing. The concept of ICT parks has become more complex and now encompasses universities, higher educational institutions, R&D sites, companies, support services, government services, and financial institutions. Public and private Jamaican developers should focus on a pathway development approach that accommodates all segments and sizes of operations. These facilities should provide real estate, connectivity, and other related infrastructure support, training and mentorship, and business management services. Making the telecom sector more competitive on cost and quality will determine the industry’s future. Furthermore, upgrades in the policy framework and regulatory environment will be essential for the industry's growth. The effort should include labour market regulations that reflect the changing nature of work and remove obstacles to attracting and retaining talent, including from abroad.

Getting More out of Migration and Remittances

91. Human mobility is critical for economic development and growth. Jamaica has seen a steady increase in the number of nationals living abroad, from 900,000 in 2000 to 1.1 million in 2020.⁷⁶ That means 36 percent of the country’s population lives abroad, creating opportunities to strengthen links with recipient countries and markets. The United States accounted for 70 percent of international Jamaican migrants in 2020, followed by Canada and the United Kingdom. U.S. census data show that individuals ages 25-45 and college graduates have a higher propensity for migrating. Jamaica migrants tend to work in health, entertainment, and accommodations.

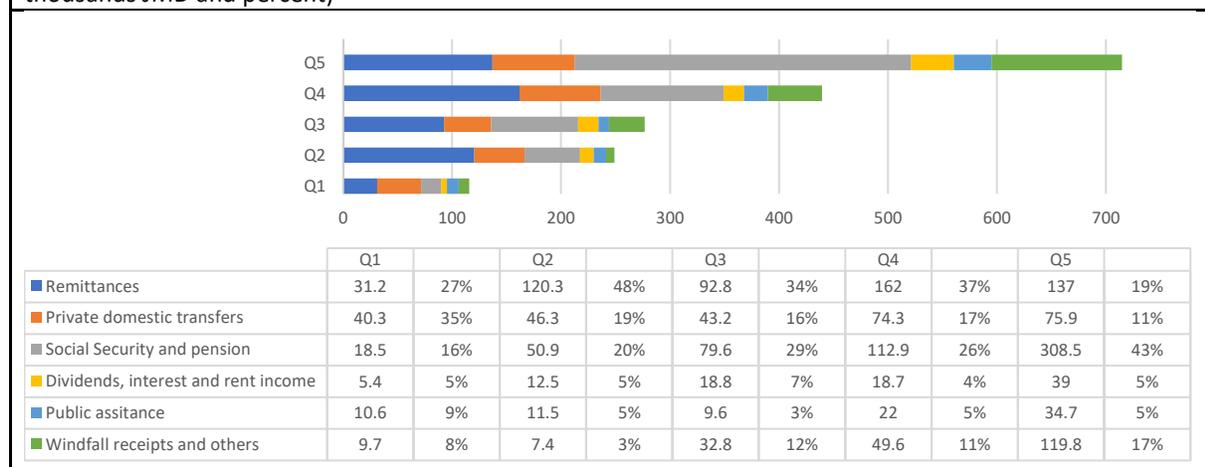
92. Migration flows are expected to increase in the coming years, driven by income and demographic imbalances. Labour market imbalances and mounting fiscal pressures in high-income countries present opportunities for developing countries with growing working-age populations and high migration rates. During 2013-2017, the average income in high-income OECD countries was US\$43,083, compared with US\$795 in low-income countries – a ratio of 54 to 1. By 2030, Germany, Italy, and Japan will have three seniors (65+) in for every young person (15–24 years old). By comparison, Jamaica will

⁷⁶ United Nations Department of Economic and Social Affairs database.

have a 1:7 ratio of old to young in in 2030. For countries like Jamaica, migration offers the prospect of higher incomes and a reprieve from high crime and violence.⁷⁷

93. Jamaican migrants provide significant remittances, which have been important for growth and welfare. Gross remittances to Jamaica were 21 percent of GDP In 2020, making it the world’s eighth largest recipient and the third largest in the LAC region (after El Salvador and Honduras). The 2020 increase was 19 percent, and it coincided with the fallout in economic activity due to the pandemic and associated economic stimulus packages in source countries.⁷⁸ Remittances are also countercyclical, buffering household consumption during economic downturns (Figure 3.8).

Figure 3.8. Transfers received by households in 2018, by quintile and type (average amounts per capita in thousands JMD and percent)



Source: World Bank estimates based on JSLC 2018.

94. There may be scope for Jamaica to increase migration’s benefits, but that will require a strategic shift that includes deeper bilateral relationships with recipient countries. Opportunities to strengthen migration’s development impact will increase if Jamaica approaches migration as a tool for strengthening human capital, deepening market penetration in recipient countries, and supporting the local development agenda. The recently developed National Policy on International Migration and Development and the Diaspora National Policy sought to capitalize on the growing external demand for the skills of Jamaica’s working-age population and engage with the diaspora. Jamaicans already benefit from seasonal migrant labour programs, but most are at the lower tiers of employment in Canada and the United States. Stronger bilateral labour mobility arrangements – including partnerships in training and certification as well as support for the portability of social benefits – could be explored to place migrants in more competitive jobs.⁷⁹ These initiatives could also reduce the strain on fiscal resources for training and raise domestic standards in many industries, providing a path to productivity gains. Investing in data to guide training and meet labour market needs could reduce the transaction costs of finding jobs abroad.

⁷⁷ KNOMAD 2021.

⁷⁸ World Bank 2021.

⁷⁹ The Pacific islands have coined the term “migration with dignity” which is centered on boosting education standards so that migrants can compete in the international labour markets and on strengthening networks with the diaspora in the region to create new opportunities and support new arrivals. In the Republic of Moldova, external donors funded numerous pre-departure training initiatives for potential migrants (UNESCO 2019).

95. Leveraging the diaspora for development could help reduce skills deficits in the labour market and boost investments.⁸⁰ The diaspora can be used to fund investments for growth, and several global examples could be useful for Jamaica. India and Israel are perhaps the most successful countries in reaping benefits from diaspora bonds, with both countries raising billions of dollars over the decades. India has also offered differential and tax-free interest rates on nonresident Indians' fixed deposits in Indian banks. A diaspora strategy focused on strengthening participation and opportunities for the return of highly skilled personnel could facilitate technological transfers and reduce the skills mismatches identified by businesses. Securing remittances and mobilizing diaspora resources for development can be achieved by supporting investment promotion agencies and foreign consulates, generating knowledge for policymaking, and supporting global partnerships.

96. Efforts to reduce the cost of transfers could increase formalization and benefits from remittances. Sending money across international borders remains costly, averaging 6.4 percent of the amount transferred in 2021 – more than twice the Sustainable Development Goal target of 3 percent. The cost of remittances to Jamaica remained at around 6 percent, lower than in Sub-Saharan Africa (around 8 percent) but higher than in South Asia (4.6 percent).⁸¹ The spike in remittances to many countries during the pandemic has been partly attributed to growing use of digital and formal channels. Expanding money transfer operators and adopting digital financial services could lower remittance costs and improve data quality for policy interventions.

97. Migration from Jamaica could be slowed by creating better, sustainable jobs and addressing crime and violence. Migration is often an opportunity for citizens to escape poverty and unemployment. Key reasons for it are the widening income gaps between Jamaica and the United States and Canada, along with better-paying job opportunities and crime and violence. Domestically, Jamaica has seen a rural-urban drift as people move to cities to find jobs. With this in mind, there is great value in pursuing a Jobs and Economic Transformation (JET) agenda that would deliver more and better jobs in a sustainable way. This agenda centers on developing a strong and competitive private sector, leveraging the diaspora, and facilitating development and connectivity to global markets – especially in agriculture, outsourcing, and the orange economy.

⁸⁰ World Bank Board Paper on leveraging migration for development (2019).

⁸¹ OIM (2016). Remittance costs tend to be higher when done through banks than through digital channels or through money transmitters offering cash-to-cash services.

4. Key Constraints

This chapter sets out the key constraints limiting Jamaica's progress toward reducing poverty and boosting shared prosperity. The analytical framework delineates three critical clusters and a group of cross-cutting issues holding back efforts to achieve faster economic growth and boost shared prosperity: unfulfilled productive potential of youth; weak innovation and business environment; high vulnerability and low resilience to shocks; and sustaining macroeconomic stability, governance, and reducing crime and violence. Addressing many of these constraints will be necessary to allow Jamaica to adequately capitalize on the opportunities discussed in the previous chapter.

Analytical Framework

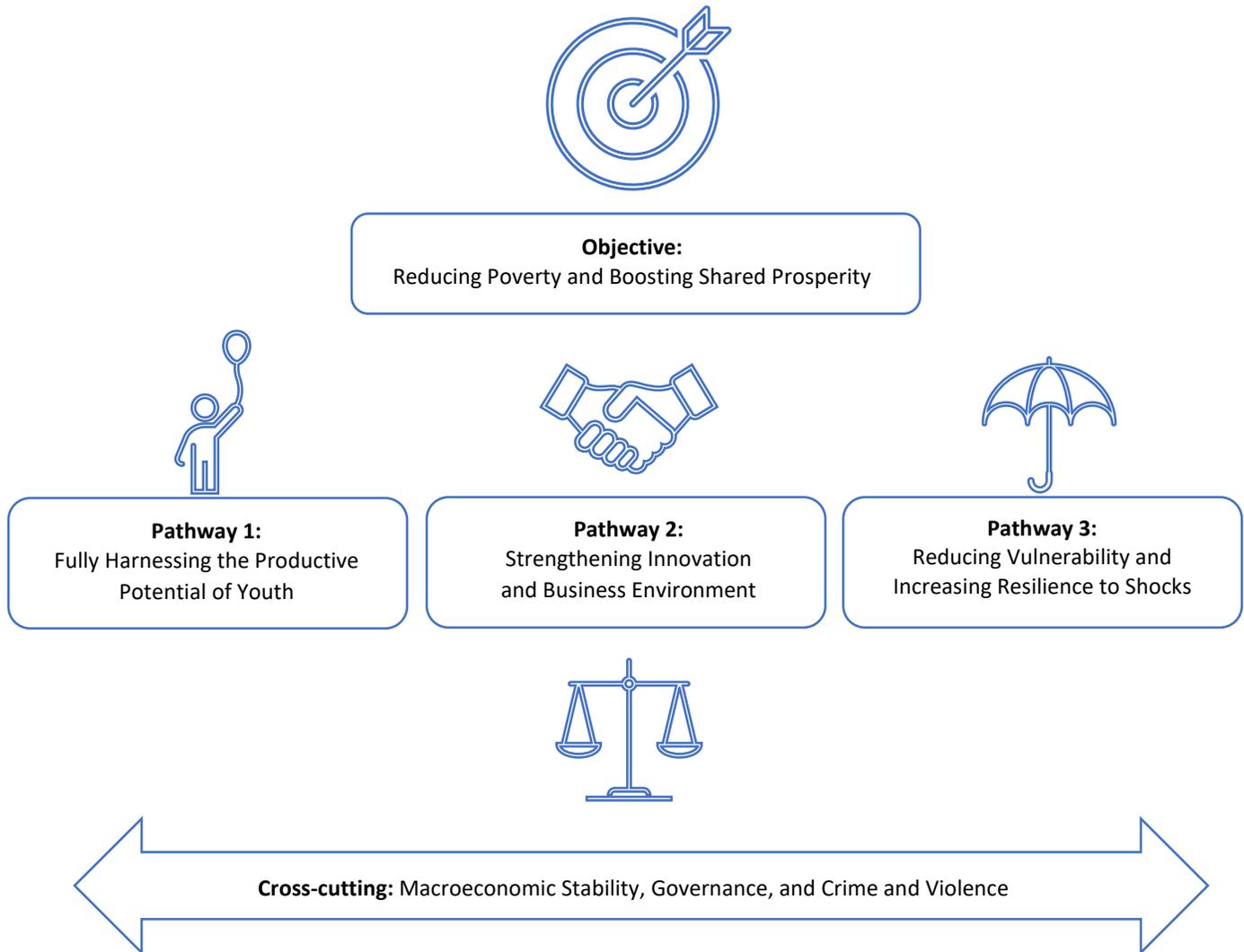
98. The key pathways for realizing Jamaica's potential were assessed using an analytical framework that identifies and prioritizes policy options with greater impact on reducing poverty and boosting shared prosperity. The pathways have been derived from a review of previous work in Jamaica, consultations within the Bank and with Jamaican stakeholders, and data analysis of recent drivers of poverty reduction, shared prosperity, and economic growth. The pathways provide a framework for the SCD, which combines with a detailed diagnostic to help develop a set of prioritized policy options. The pathways are formulated to respond to three questions regarding reducing poverty and enhancing shared prosperity in Jamaica: (1) what is needed to achieve green, resilient, and inclusive progress toward the objective? (2) what are the key constraints and opportunities? and (3) what are the critical public policy drivers for effective action?

99. For sustainable development and greater shared prosperity, Jamaica must shift to a higher growth path that is both greener and more inclusive while also reducing vulnerability to shocks. In a stagnant economy subject to frequent external shocks, past poverty reduction was driven by an expansion of insecure and low productivity jobs. The need for continued fiscal consolidation also limits the scope for significant increases in pro-poor expenditure programs, making it critical to improve targeting and allocative and operational efficiency. In this context, the private sector will need to play an even more active role in driving Jamaica's economic growth and poverty reduction. This will require prioritizing policy options that promote linkages of established enclaves, such as tourism and mining, with the rest of the economy; as well as investments in necessary public goods and promoting the development nascent economic activities, including outsourcing and horticulture. Higher and sustainable economic growth is also necessary to support fiscal stabilization, which had to rely almost exclusively on expenditure adjustments in recent years. The country's commitment to a low carbon transition also provides space in its development plans to mainstream green initiatives.

100. The SCD identifies three interrelated pathways along with cross-cutting issues to boost higher, inclusive, and sustainable growth while lowering vulnerability to shocks (Figure 4.1). The first area relates to fully harnessing the productive potential of youth by strengthening education and market-driven skills development, reducing non-communicable disease incidence and gender imbalances in labour market opportunities, and preventing youth from turning to crime and violence. The second area relates to innovation, structural transformation, and the cost of doing business to support Jamaica's private sector in taking advantage of new opportunities. The third set of factors constraining economic growth and poverty reduction relates to Jamaica's high vulnerability and limited resilience to external shocks and climate change. It is important to note that in addition to their impact on economic growth, many of these factors have cross-sectoral synergies that can amplify implications for the livelihoods in

Jamaica, particularly among the poor. The cross-cutting areas focus on sustaining macroeconomic stability while strengthening the government’s service delivery focus and tackling crime.

Figure 4.1: Analytical Framework for boosting shared prosperity in Jamaica



Macroeconomic Stability, Governance, and Crime and Violence

101. Intricately linked to fiscal management and controlling public debt, macroeconomic stability remains fragile in Jamaica. Notwithstanding the temporary increase during the pandemic, Jamaica’s public debt-to-GDP ratio has been on a downward trajectory since 2013, achieving a central pillar of restoring macroeconomic stability. The return to macroeconomic stability – realized through a mix of strong government ownership, social consensus, and well-coordinated support from international financial institutions – provides a strong basis for growth and long-term investments in private sector activities. Notwithstanding these developments, debt remains very high and represents a risk to growth and poverty reduction. As in most small open economies, the exchange rate is a key price affecting Jamaica’s tourism sector and export competitiveness. Large remittance inflows and foreign investments

in the tourism sector exert downward pressures on the exchange rate, creating the potential for Dutch disease effects with adverse impacts on tourism competitiveness and export growth and diversification.⁸² However, Jamaica maintains a floating exchange rate regime. The IMF assessments are that the Bank of Jamaica allows the exchange rate to adjust flexibly to the COVID-19 shock and that the exchange rate is broadly in line with fundamentals.⁸³ Nonetheless, vulnerability to the Dutch disease effects of remittance inflows should be considered in the design of monetary and fiscal policies. In making strategic plans for the economy, the vulnerability reinforces the urgency of structural reforms to enhance competitiveness and support diversification. Government effectiveness has been waning and issues of corruption have been rising – both of which undermine social cohesion and drive crime. Georgia provides a good example of how macroeconomic stability, reforms to the business environment, and improved governance can boost economic growth (Box 4.1).

Box 4.1. Georgia: From reformer to performer

The post-independence transition in Georgia was marked by conflict and upheaval. At the time of independence in 1991, the country faced disarray, chaos, and conflict. Civil strife, tensions with the Russian Federation, and political unrest all exacerbated economic difficulties. Following the Rose Revolution in 2003, new presidential and parliamentary elections were held, with the United National Movement (UNM) emerging as the dominant ruling party. The UNM administration inherited a failing economy, an empty treasury, and an ineffective administration. Georgia's real per capita GDP had fallen from US\$2,778 to US\$1,984 since independence. The country underwent significant governance reforms in the years that followed.

The UNM administration began by focusing on tax collections, improving public service delivery, and prosecuting high-profile corruption. The new administration introduced reforms to improve public service delivery, including the then-ambitious goal of providing a continuous power supply to all. Public registries, business regulations, customs, traffic police, and entrance examinations for higher education and local governments were also introduced.

Progress on some key issues fueled higher growth. Georgia's real per capita GDP has increased 5.2 percent a year – from \$1,984 in 2003 to \$4,927 in 2021. Tax collections also increased from 12 percent of GDP in 2003 to 25 percent of GDP by 2010. Reforms included: firing corrupt officials, eliminating tax arrears, reducing the number of taxes and tax rates, simplifying the tax code, and implementing e-filing tax returns. Similar reforms were implemented in other areas, such as starting a business and customs. Georgia's standing in international rankings has skyrocketed. These far-reaching pro-market and governance reforms elevated the country to the forefront of the post-Soviet business environment.

Source: World Bank Georgia SCD.

High Public Debt and Limited Fiscal Space

102. Poor fiscal management and high debt have undermined macroeconomic stability in Jamaica for decades and limited opportunities to use fiscal policy for growth. Jamaica's stock of public debt peaked at over 200 percent of GDP in the 1980s, and it has been above or close to 100 percent of GDP ever since. The high debt has been attributed to a history of weak fiscal management – reflected in chronic public deficits, weak budget coverage, and contingent liabilities arising from many weakly regulated public bodies – as well as the impact of the mid-1990s financial crisis. Between 1990 and 1996, the debt burden was lowered by 66.5 percentage points to 72.3 percent of GDP with the implementation of an IMF-supported fiscal austerity program which yielded annual fiscal surpluses exceeding 10 percent of GDP in five consecutive years. By 2000, the debt burden reached 91.8 percent of GDP, reflecting the impact of

⁸² Cicowiez M. and R. Ordoñez. 2021. The economic impacts of tourism-related private investment in Jamaica. CEPAL Review No. 135, December 2021. McFarlane A., L. Brown, and A. Das. 2022. Real exchange rates and remittance inflows in Jamaica, The Journal of International Trade & Economic Development, DOI: 10.1080/09638199.2022.2072938.

⁸³ IMF 2022. Staff Report for the 2021 Article IV Consultation. January 25, 2022.

the financial crisis and the government’s decision to bail out all depositors. For the next decade, public debt averaged 123.6 percent of GDP. Prior to 2010, debt service as percent of revenues averaged above 100 percent, limiting the government’s capacity to provide necessary public goods. The use of public-private partnerships (PPPs) in the deployment of services remains limited.

Figure 4.2. Public debt remains high (in percent of GDP), 2021

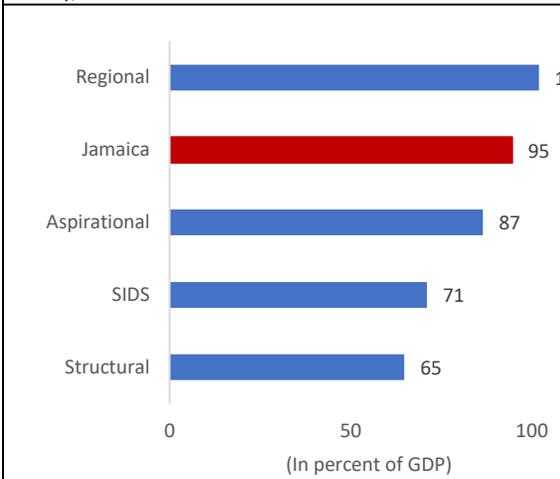


Figure 4.3. Debt Service to Revenues

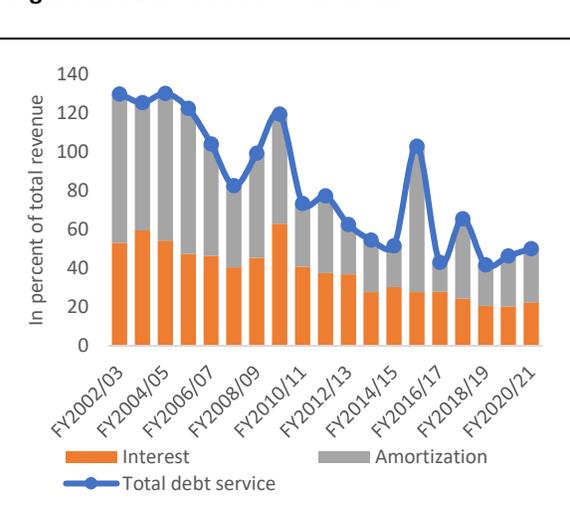


Figure 4.4. Jamaica’s debt-creating flows (in percent of GDP)

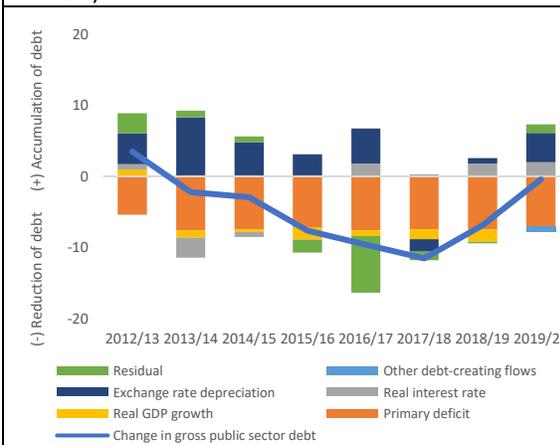
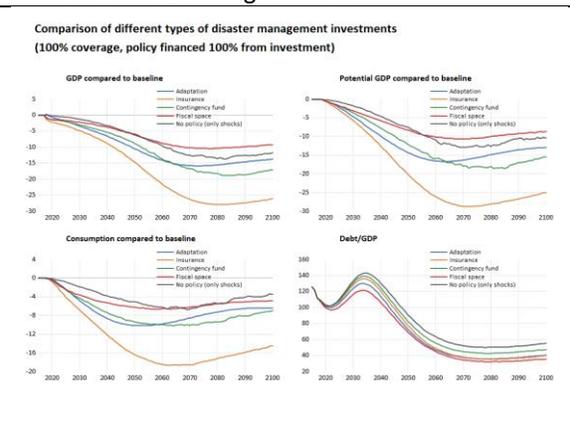


Figure 4.5. Comparison of the median values from different risk-financing scenarios



Sources: WEO, IMF, Jamaica’s Minister of Finance and the Public Service, Burns et al. 2021 and World Bank Staff calculations.

103. Fiscal management has improved in the past decade, allowing for a reduction in public debt – but fiscal space remains limited. Jamaica has succeeded in setting its public debt-to-GDP ratio on a downward trajectory by maintaining large primary fiscal surpluses upwards of 6.5 percent of GDP since 2013. Nevertheless, at 96 percent of GDP in 2022, the stock of debt remains elevated and subject to significant risks (Figure 4.4). Debt service is still high, consuming 50 percent of available government resources. The existing fiscal responsibility law requires that the debt to GDP ratio be at or below 60 percent of GDP by FY2028. This suggests that fiscal space will be limited for the foreseeable future, restricting government’s ability to use traditional fiscal policy to drive its development program (Figure 4.5). Measures to contain contingent liability risks, endogenizing macroeconomic oversight and transparency potentially through a fiscal council are under implementation but will take time to yield results.

104. Risks to debt sustainability remain significant. The relatively high share of foreign currency denominated debt in the country’s portfolio exposes Jamaica to volatile foreign-exchange markets. A 25 percent one-time depreciation of the local currency against the U.S. dollar would increase the debt trajectory by about 12 percentage points of GDP. The Government’s exposure to financial risks arising from state-owned enterprises and other public entities also remains significant. The debt trajectory is also very susceptible to GDP shocks. Notably, a GDP growth of 1.5 percentage points lower than 2022 baseline would push the debt-to-GDP ratio at least 5 percentage points higher than the baseline. Debt sustainability simulations suggested that a natural disaster could increase the debt to GDP ratio by as much as 12 percentage points above the baseline. Furthermore, the broader impact on the economy will be contingent on the available disaster management option chosen which could include debt, drawing on different contingencies or a mix of both (Figure 4.5).⁸⁴

105. Further fiscal austerity will weigh on the economy and entails a range of risks that will need to be carefully managed. First is the impact of reduced government borrowing on financial and asset markets in Jamaica, where stock and real estate prices have increased rapidly in parallel to Government’s fiscal consolidation. Second, while fiscal consolidation has thus far been grounded in a strong social consensus, this may weaken unless tangible improvements in livelihoods materialize. Third, ensuring that fiscal austerity does not result in a degradation of public sector physical and human assets is critical.

Weak Public Sector Performance

106. Progress on green, resilient, and inclusive development in Jamaica is likely to be heavily dependent on effective public action to adopt and implement policies for poverty reduction and shared prosperity. In addition to sustainable fiscal policies that support macroeconomic stability, economic growth in Jamaica is contingent on improving the capabilities of a state that has impeded adoption and implementation of pro-poor policies. Cross-sectoral initiatives among ministries, departments, and agencies often fail due to the lack of a whole of government approach, clear prioritization, and persistence in implementation. This situation has undermined the completion and impact of reforms. It has also allowed for elements of state capture.

Insufficient Delivery of Reform

107. Limited commitment to completion of reforms has stifled Jamaica’s development progress. Many of the issues that constrain Jamaican economic growth and the actions needed to address them are well known and documented in various reports over the past decades. Although the country has made efforts to reform, many of the problems stubbornly persist. Furthermore, available evidence suggests that the key problem is not a lack of appropriate institutions, laws, and regulations; rather, there are fundamental problems in the credible and effective implementation of programs. For example, the country has spent more than half of the years since independence in IMF programs, but most of those initiatives ended prematurely. A combination of vested interests and weak capacity are likely to be at the source of these problems. An interesting aspect of Jamaica’s political economy is that it seems to lead to selective rather than comprehensive government failure. While some parts of the public sector seem to function reasonably well (e.g., the delivery of educational services),⁸⁵ other parts seem to be highly ineffective (e.g., the delivery of security services or implementation of competition policies). The recent

⁸⁴ See Burns et al. 2021 for a discussion on the impacts of accessing different risk financing options for Jamaica.

⁸⁵ These are becoming increasingly inequitable, and public services are suffering from the combined effects of fiscal austerity and the absence of reforms to improve efficiency – leading better off Jamaicans to “exit” the public sector and seek private health and education services. Lower-income groups face deteriorating quality and access.

macroeconomic consolidation efforts and reduction in public debt, grounded in broad social and political consensus, is an example of Jamaica's ability to overcome deep-seated problems.

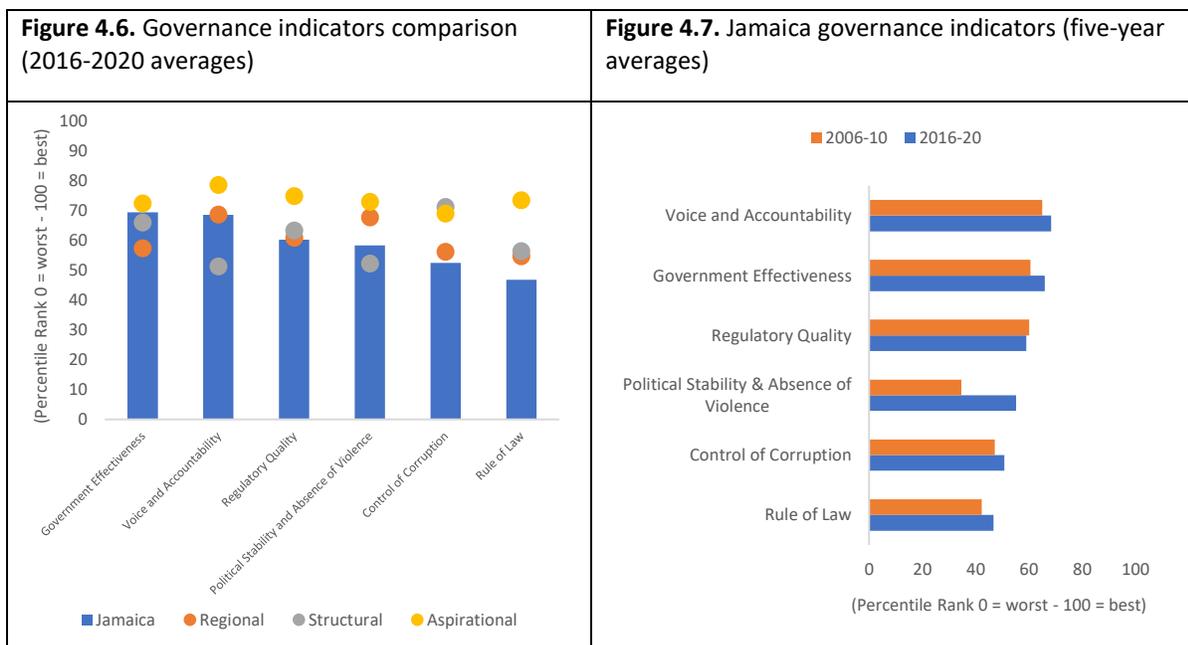
108. Jamaica is beset by inefficiencies and low accountability for results at all levels of government; shortcomings that affect competitiveness and private sector development. The public sector is characterized by overly manual and antiquated government norms and procedures organized around processes instead of results. When combined with coordination failures, this raises the cost of doing business in Jamaica. Government limitations impact most sectors because of the pervasive reach of the state in society. Examples include cumbersome processes for trading across borders, high transaction times for interfacing with tax authorities, limited adoption of digital technologies, and indifference to quality and timely delivery of government services. Furthermore, strategic guidance remains limited on integrating MSMEs into key growth sectors, such as tourism and knowledge services. This is compounded by the inability of civil society interest groups to adequately represent the interests of the domestic private sector and influence decision-makers. The use of statistics in designing, monitoring, and evaluating the quality of government services is weak. The judicial system, though largely independent, suffers from lengthy processes, high costs, and skill shortages, which delay trials for many years and undermine its effectiveness for resolving disputes.

Governance Challenges

109. Jamaica consistently underperforms its peers on several dimensions of governance. Jamaica scores lower than peers on indicators that relate to the rule of law, regulatory quality, and control of corruption – all of which undermine the country's competitiveness (Figure 4.6). While the country has strengthened its legal framework to boost transparency, aspects of public procurement and public finances remain opaque (Figure 4.7). On the Open Budget Survey for 2019, Jamaica scored 42 out of 100 on budget transparency. Concerns have also been raised about implementation of large-scale projects without competitive public tenders, using an exception in the Procurement Act of 2015. There is also limited effort to embed participatory practices in the auditing and budgeting of municipal government funds, such as the Constituency Development Fund. Reform could help rebuild trust at the local level.

110. Trust in government has been waning, representing a threat to social cohesion. High profile corruption scandals, including some in large public bodies, have coincided with a sustained loss of trust in government and rising dissatisfaction with democracy. A score of 44 on the 2020 Transparency International Corruption Perception Index puts Jamaica in the bottom half of the global list ranking countries on corruption. Perceptions that sufficient efforts are being taken to control corruption have been falling (Worldwide Governance Indicators). Government officials' compliance on disclosure requirements remains modest, contributing to distrust in the state. Jamaica has the LAC's lowest percentage of people satisfied with democracy, down from 44 percent in 2010 to 32 percent in 2018/19. The country also has the lowest level of trust in its political parties. In a context where citizens have lost respect for government, widespread theft from the state has emerged, reflected in the theft of public utilities such as electricity and water.

111. Corruption and clientelist behavior are undermining state capacity. Jamaica scores in the moderate range of the V-Dems Clientelism Index – on par with the Caribbean and LAC averages but significantly below the performance of regional and aspirational peers. Jamaica scores higher than the Caribbean and LAC averages on an indicator of election vote buying – it tracks the distribution of money or gifts to individuals, families, or small groups to influence their decision to vote/not vote or for whom to vote. Academics classify Jamaica's democracy as patronage-based because citizens, especially those in lower-income groups, are integrated into politics through clientelist relationships with political parties.



Source: World Governance Indicators.

Fully Harnessing the Productive Potential of Youth

112. Well-educated, healthy, and productive citizens with skills aligned with the economy’s needs are essential for achieving faster economic growth and reducing poverty in Jamaica. These attributes are in themselves important dimensions of human wellbeing. Unfortunately, significant weaknesses keep Jamaica from maximizing the productive potential of its youth. These include: educational system deficiencies that prevent many youths from acquiring adequate skills; gender imbalances in market opportunities, where females’ better educational outcomes do not translate into improved labour market opportunities; and increased prevalence of noncommunicable diseases, where unhealthy habits in youth reduce productivity in adulthood. In addition, a significant number of youths drift into crime and violence further harming productivity. Human capital has become more critical with structural transformations in the economy and the changing nature of work. As Jamaica undergoes a rapid demographic transition with a shrinking share of youth, harnessing these people’s productive potential becomes even more important.

Preventing Youth from Turning to Crime and Violence

113. Jamaica has struggled with high violent crime rates for decades (Harriot and Jones 2016).⁸⁶ In 2020 and 2021, Jamaica registered the second highest homicide rate in the LAC region, with 47 homicides per 100,000 inhabitants (Figure 4.8). This rate is eight times the global average estimated by the United Nations. Globally, Jamaica has consistently held a position in the top 10 highest murder rates. Homicidal violence has remained somewhat stable for the past 20 years, with an average increase of 2 percent since 2001. The country ranks 135th among 141 countries in organized crime and 140th among 141 countries in homicide rate (WEF 2019a). According to the World Economic Forum’s (WEF) Executive Opinion Survey, respondents mentioned crime and theft as the most problematic factor for doing business in Jamaica (Figure 4.9). Widespread crime and violence reduce Jamaica’s attractiveness for investments, erode productivity, and add significantly to the cost of businesses (through additional private investments in

⁸⁶ Jamaica’s high crime rates are often traced to the proxy war in the 1970s in which parallel state actors emerged in the form of political bosses (“dons”) who controlled communities known as “garrisons” through intimidation tactics and rent-seeking behavior.

security and losses due to crime) (WBG 2011; Jaitman 2017; OSAC 2020). Workers must adjust behavior to limit exposure to crime and violence, and their ability to work is reduced if they, their families, or their communities are hit by crime. The lawlessness also limits the scope for deepening linkages of the tourism sector to the broader economy. Crime also distorts incentives for workers and job seekers if joining gangs is seen as a viable alternative to a formal job.

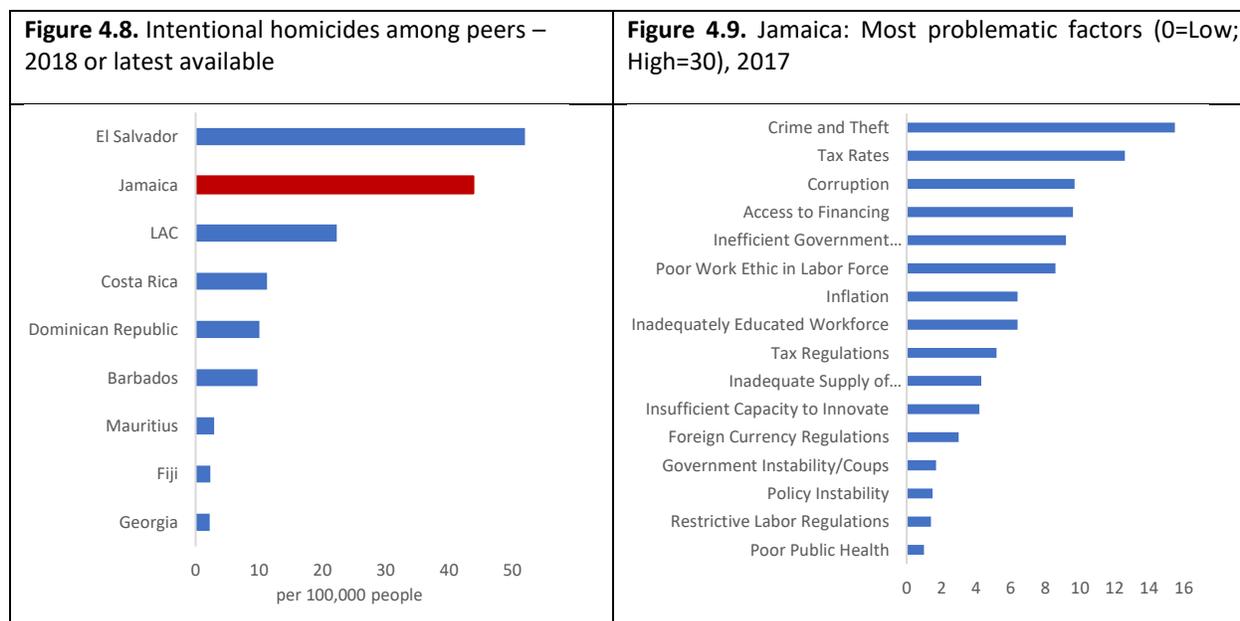
114. The tangible and intangible costs of crime and violence represent a crippling tax, hindering aspects of social and economic growth in Jamaica. Crime and violence cost Jamaica an estimated 4 percent of GDP annually (Jaitman 2017; OSAC 2020). The high levels of violence redirect public resources away from areas of human development, such as education and health. A World Health Organization (WHO) study found that the cost of medical care for violence-related injuries at public hospitals was approximately 12 percent of Jamaica's total health budget in 2006. In 2014, the total costs for treating violence victims across 22 hospitals in Jamaica was J\$3.68 billion (approximately US\$25 million) (Campbell 2018). The number of people treated for intentional acts of violence in Jamaica is extremely high, taking away significant resources from other health areas.

115. Organized criminal groups, comprising predominantly of young males, are considered the main criminal actors in Jamaica. Over the past decade, gang violence accounted for more than half of the country's homicides (CAPRI 2020). Gangs also commit more than half of the assaults and robberies (Jackson 2016). Consistent with global trends, most perpetrators and victims of homicide in Jamaica are under or even uneducated, young, male, and poor. Over 90 percent of homicide victims and perpetrators are male and 35 years old or less (Harriott and Jones 2016). Data from the Ministry of National Security in 2015 showed that boys were five times more likely to be involved in a violent incident, nine times more likely to join a gang, and five to six times more likely to have mental health challenges (Palmer 2015).⁸⁷

116. High rates of crime and violence in Jamaica are attributed to risk factors at the individual, relationship, community, and societal levels. Jamaica's crime patterns are similar to other countries, where murder rates are higher in poorer communities. High exposure to intra-family violence (Gentle-Genitty 2017), the influence of gangs on family, peer delinquency and clout, and limited parental supervision are other contributing factors to increased gang membership (Jackson 2016; Leslie 2010). Limited opportunities, a weak social contract, and slow legal and judicial reforms to the criminal justice system have perpetuated crime and violence in Jamaica. Further, the judicial system suffers from lengthy processes, high costs, and skill shortages, undermining its effectiveness in resolving disputes peacefully.

117. There is a strong correlation between educational quality, the physical environment, and crime and violence. Low academic levels increase the likelihood of being a victim or perpetrator of crime and violence. Poor urban and rural communities with high levels of violence feature high youth unemployment and low educational levels (USAID 2019). In 2013, more than half of the murder victims were between 15 and 24 years old and either unemployed or unskilled labourers. Given societal constraints and a lack of worthwhile employment opportunities in inner cities, people resort to gangs to earn a living from criminal activities. Furthermore, those victimized by violent crime, either directly or indirectly, lived in neighborhoods with higher physical disorder (graffiti, trash, abandoned buildings) and lowered social cohesion than non-victims (Sutton 2017). The physical environment can either provide increased opportunities for crimes to occur or serve as a deterrent when they are well-organized and offer such features as good lighting or open spaces.

⁸⁷ Homicides disproportionately affect youth, but there is significant variation among under age 35 groups. The 15-24 age group is equivalent to 19.5 percent of the population and accounts for 20.4 percent of homicides. The under 35 age group represents 59.4 percent of the population and accounts for 51 percent of homicides. However, the 26-35 age group represents 5.8 percent of the population but accounts for 27 percent of homicides (Harriott and Jones 2016).



Source: World Bank, WDI and WFI - GCI Most Problematic Factors.

118. Gender-based violence is also high and a growing concern. Jamaica continues to be one of the LAC’s most restrictive countries toward sex and gender minorities. Gender stereotypes, especially norms about masculinity and manhood, contribute to the “gang culture” and gender-based violence (IDB 2014; Lundvall and Van Wie 2015). High levels of gender-based violence and discrimination that affects women’s participation in public policy decisions are likely to be a significant drag on economic growth. Business Insider ranked Jamaica 10th among the 20 most dangerous places in the world in 2018. Forbes magazine listed Jamaica as the third most dangerous place for women travelers in 2017, affecting the country’s image among tourists.

Improving Educational Outcomes

119. Learning outcomes have been problematic for human capital development in Jamaica. Jamaica’s HCI (53) is higher than the Dominican Republic’s (50 percent) but lower than aspirational peers, including Costa Rica (63 percent). Children who start school at age 4 in Jamaica can expect to complete 11.4 years of schooling by their 18th birthdays, but this represents the equivalent of only 7.1 LAYS (World Bank 2020c). The LAYS for Jamaica and other Caribbean states score very close to countries with similar levels of development. Nevertheless, Jamaica’s LAYS are below the average of countries with similar expenditure levels (Figure 4.10).⁸⁸ When the level of development, educational expenditures, and population size are jointly considered, LAYS in Jamaica are 10 percent below expected levels (Figure 4.11).

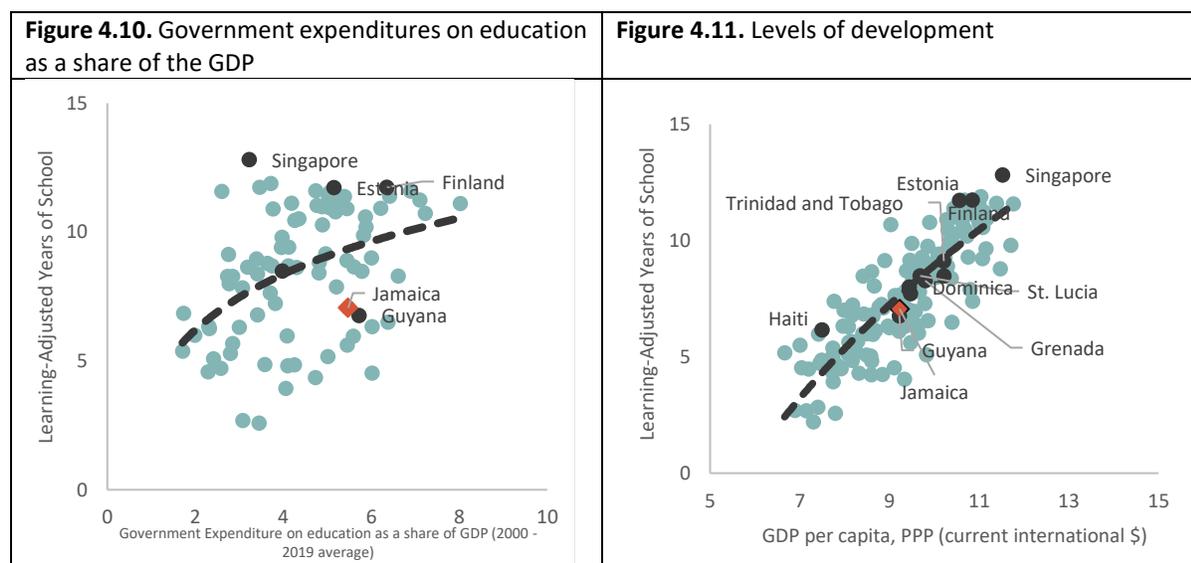
120. Low learning outcomes persist despite near-universal attendance up to age 16. The survey of living conditions (2017) confirms that school attendance rates are close to 100 percent up to age 16. Nevertheless, a considerable proportion of students do not achieve minimum learning standards, a shortcoming known to start from elementary school. Among fourth-grade students, 85 percent achieved mastery of literacy in 2018 but only 65 percent mastered foundational skills in numeracy. Learning

⁸⁸ Jamaica is doing very well in early childhood development and has almost universal elementary education. However, it is underspending on this category relative to public subsidies for tertiary education, which disproportionately benefit the better off (World Bank, 2021). Enrollment rates for secondary and tertiary education are below those of other Caribbean nations.

outcomes deteriorate as students advance to secondary school, with only 47 percent of applicants passing mathematics in the 2018 Caribbean Secondary Education Certificate (CSEC) examinations and 68 percent passing English language. According to the World Bank Harmonized Learning Outcomes score, Jamaican students perform below their peers in other Caribbean countries. Contributing factors to low learning outcomes include: (i) uneven distribution between schools in the number and qualifications of teachers; (ii) ineffective pre-service teacher education; (iii) inefficient use of classroom time; and (iv) migration of qualified teachers out of Jamaica (World Bank 2022). The COVID-19 pandemic has exacerbated the pre-existing learning crisis and triggered some reversal in recent socioeconomic progress.

121. Completion of secondary education and attendance at the tertiary level remains a challenge.

About 90 percent of the school-age population completes secondary education on a national level. However, only 85 percent of students from the lowest socioeconomic quintile do so, compared to 98 percent from the highest socioeconomic quintile. Uneven access to education continues at the tertiary level, where male, rural, and socioeconomically disadvantaged populations are less likely to attend. Tertiary enrollment is also low overall at 27 percent. There are also significant equity gaps in educational access and quality, with low-income students and students from disadvantaged communities or broken homes having higher dropout rates and lower learning outcomes (World Bank 2022).



Source: World Bank based on WBG 2020 and UNESCO UIS, 2020; WBG 2021.
 Note: Learning adjusted years of school (educational outcomes) compared to the level of development and expenditures on education. The right panel includes only countries with at least 12 data points in educational expenditures between 2000 and 2019.

Enhancing Marketable Skills

122. While some of Jamaica’s labour market outcomes were improving prior to the COVID-19 crisis, outcomes for vulnerable groups still lagged peer countries. Jamaica’s labour force participation (LFP) increased from 67.4 percent in 2012 to 71.4 percent in 2019, reversing more than a decade of decreasing LFP. The unemployment rate fell from 16 percent in 2013 to 6 percent in 2022, faster than in most peer countries. The unemployment rate for vulnerable groups, such as youth and women, was significantly reduced, yet it remained higher than in peer countries. While agriculture and trade are still the largest employment sectors, the business and real estate sector (including BPO) contributed the most to job creation over the past decade. Jamaican labour force surveys show that approximately 1 percent of (formal) workers suffer job termination in any given month, a trend exacerbated during crises. For

instance, about 17 percent of those reported working prior to the COVID-19 outbreak no longer hold jobs (Romero et al. 2022, 2022a). Job losses during crises tend to disproportionately affect women, youth, and low-skill low-wage workers.

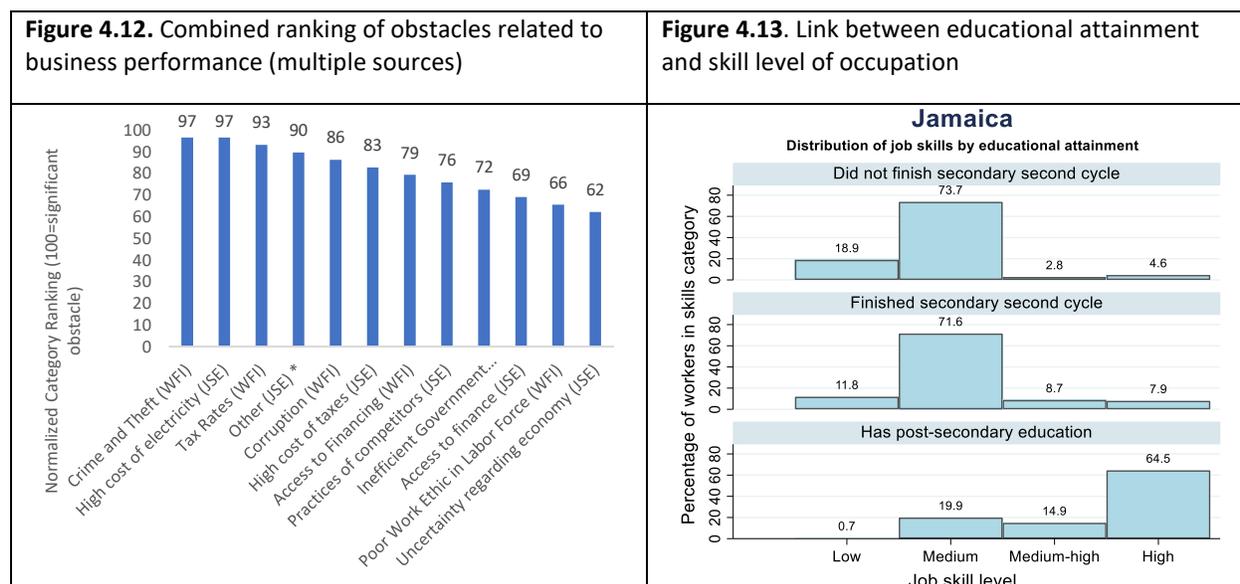
123. Weak linkages between education and work and discriminatory social norms limit business growth. In a 2018 survey, 84 percent of employers said that recruiting appropriately skilled persons was a significant challenge (STATIN 2018). The main problem is the limited number of candidates with occupation-specific skills and soft skills. Despite Jamaica ranking above regional peers in the skills of the current workforce (60th of 141 countries) and the skills of the future workforce (74th of 141 countries), high-growth sectors such as BPO face recruiting difficulties (WEF 2019a). Employers during consultation cited the recruitment of appropriately skilled persons as a significant challenge due to the limited number of candidates with occupation-specific and soft skills. Information on skills and occupations in demand is mostly missing, hindering the ability to improve labour market relevance of human capital development programs and support workers in finding adequate job matches. Furthermore, discriminatory social norms at the household level hamper a greater involvement of women in augmenting skills supply. While women have higher levels of educational achievement in Jamaica, the labour market continues to show high levels of sex segregation, with lower levels of labour force participation and higher rates of unemployment for women. Men continue to dominate the labour market's technical areas and women are primarily found in the professional and senior official, clerical, and service worker segments of the market (WEF 2020). Women earn on average 62 percent of the salary of their male counterparts (PIOJ 2018).

124. More specialized, tertiary-educated workers are needed to develop higher-value services. Jamaica's tertiary education institutions produced 17,551 graduates in 2018. Of these, 42 percent received degrees in business/management and accounting – and just 4 percent in computer science/programming and 2 percent in engineering, two disciplines in great demand for higher-value outsourcing services (WBG 2022). While leading firms are internalizing training costs to create their labour pools, spending on worker training is low. In 2011, only 26 percent of Jamaican firms offered training, compared with an average of 51 percent across the LAC region (World Bank 2011a). There is scope to better matching tertiary diploma and degree programs with the private sector demand. A global general equilibrium model suggests that increasing educational attainment could boost GDP, with overall progressive distributional consequences (Ahmed et al. 2017). Given the relatively low female labour force participation despite higher average educational attainment, promoting women-owned businesses through better support services has the potential to create additional jobs in higher value services. The distributional aspects would depend on who can access the upper secondary and tertiary education systems. While positive in the aggregate, the overall effects can still be less advantageous for the poor.

125. Labour supply factors weigh heavily on labour market outcomes. Individuals with better educational attainment show greater LFP, lower unemployment, and tend to be employed in higher-skilled jobs. However, these individuals are also more likely to migrate. In turn, remittances also affect labour supply, most likely by increasing the reservation wage (Romero et al. 2022).⁸⁹ Individuals that reside in remittances-receiving households have significantly lower LFP rates – 56.3 percent, compared to 63.3 percent in households not reporting remittances. There may be scope to reintegrate the diaspora, but the domestic job market does not offer the conditions and opportunities to incentivize their return. Jamaican migration policies do not fully embrace the triple-win benefits of migration for individuals, source countries, and destination countries – which are significant for many island economies. Migration policies can more effectively exploit opportunities for the domestic economy by using remittances to

⁸⁹ McFarlane et al. (2022) found that the Dutch disease effect exists in Jamaica. A 1 percent increase in remittances leads to a 0.53 percent appreciation of the real exchange rate in the long run.

finance the development agenda, accessing diaspora networks, and ensuring the domestic economy is not hampered by brain drain.



Notes: Based on the average of responses from the WEF 2018 Executive Opinion Survey and the Jamaican Establishment Survey for 2018. Others include bad roads, attendance/employee work ethic, attracting and retaining qualified staff, access to raw materials, bad debt, inadequate shop and parking space, high cost of water, lack of water and time restrictions based on Zones of Special Operations, as well as the State of Emergency in some areas. For High (level 1), the second or first stage of tertiary education; for Medium-high (level 3), the first stage of tertiary education; For post-secondary, non-tertiary upper secondary, or lower secondary education at the medium (level 2) level. A primary level of education is required for Low (level 1).

Strengthening Health Systems

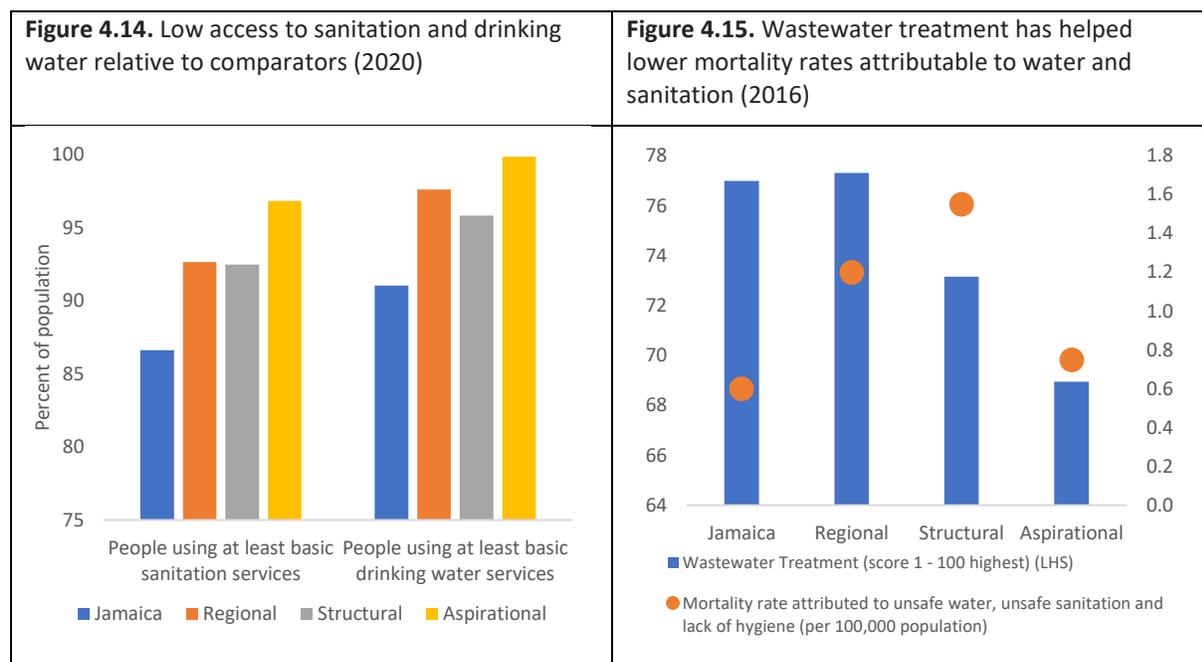
126. Jamaica's health system was under significant strain even before the pandemic, with rising non-communicable diseases (NCDs). High rates of adult mortality and a growing burden of non-communicable diseases in an aging population pose significant challenges to poverty, growth, and fiscal sustainability. NCDs represent the leading cause of morbidity and mortality in Jamaica, with the top three causes of death being stroke, diabetes, and ischemic heart disease in 2019. This coincided with high and rising obesity among the adult population, 55.5 percent of which were considered overweight and obese in 2016.⁹⁰ Obesity increases the likelihood of diabetes, hypertension, heart disease, stroke, certain cancers, and other NCDs. Deficient quality of care also constitutes a rising concern despite available programs covering the cost of pharmaceuticals for specific populations, such as the elderly (Jamaica Drug for the Elderly Program) and those with selected chronic diseases (National Health Fund). Childhood obesity is also growing, and there are signs of increasing mental health issues among the adolescent population. For instance, the 2017 Global School Health Survey found that 25 percent of Jamaican adolescents (13 to 17 years old) considered suicide and 18 percent attempted suicide. This is substantially higher than the regional average of 6.3 percent (WBG 2020; WBG 2019).

127. The capacity to undertake early detection, assessment, and response to significant diseases is a challenge. While the government is trying to contain the spread of the COVID-19 pandemic, outbreaks of such vector-borne diseases as dengue and zika have become commonplace in Jamaica – with negative implications for productivity. Environmental management strategies to reduce/eliminate vector breeding sites and improved personal prevention strategies can help significantly reduce the transmission of these

⁹⁰ 2019 – Preventing Childhood Obesity in the Caribbean, Healthy Caribbean Coalition Country Obesity Fact Sheet: <https://www.healthycaribbean.org/wp-content/uploads/2019/12/HCC-COP-Fact-Sheet-Jamaica-Dec-2019.pdf>.

infections (Alobuia et al. 2016). The country's limited capacity is being stretched to further strengthen the public health system, including vaccinations (and overcoming vaccine hesitancy), while retaining the ability to identify new outbreaks and respond with targeted measures. Public health expenditures have lagged peer countries by almost every measure and remain below levels recommended to achieve universal health coverage (World Bank, 2017).

128. The current state of sanitation and wastewater management poses a threat to the country's environment, human capital, and economic development despite performing better than peers in select areas. According to the Joint Monitoring Programme (JMP-WHO/UNICEF), access to “at least basic sanitation” stood at just 86.6 percent in 2020 (Figure 4.14). Coverage is higher in rural areas – at 91 percent, compared to 83.2 percent in urban areas. Only 33 percent of the urban population and 10 percent of the rural population are connected to national sewage systems. Although performing above peers with respect to wastewater treatment (Figure 4.15), the issue of sanitation is becoming a challenge to the blue economy, with rising pollution levels impacting coastal areas and bays close to urban centers. According to testing done by Central Wastewater Treatment Limited and monitored by the National Environment and Planning Agency, samples of treated effluent taken from the Soapberry Sewage Treatment Plant between January 2019 and March 2021 complied with only three of five quality indicators, failing on the fecal coliform and total nitrogen tests.⁹¹ High levels of pathogens in the water pose significant hazards to the health of local people and visitors. Moreover, sewage pollution poses severe threats to marine biodiversity, particularly coral reef ecosystems. Jamaica ranks only 121st among 136 countries on the “enforcement of environmental regulations” in the Travel & Tourism Competitiveness Index and compares poorly relative to peers.



Source: World Bank, WDI and Yale Environmental Performance Index.

Strengthening Innovation and the Business Environment

⁹¹ Jamaica Observer November 26, 2021.

129. Enhancing Jamaica’s economic competitiveness is vital to achieving higher economic growth and greater diversification of the economy. This will require removing human capital and infrastructure bottlenecks and reducing the cost of doing business to encourage innovation, structural transformation, and greater integration into global value chains (GVC), especially for the country's large number of MSMEs. Jamaica's economy has become less diverse, with greater reliance on tourism and a decline in manufacturing and mining activities. The loss of diversification reflects changes in the international trade environment, which saw the rise of solid competitors and reduced the value of preferential trading agreements. Jamaica’s growth is concentrated in low-skill sectors, especially services that employ individuals with limited education. A sustained private sector-led growth acceleration that is green, resilient, and inclusive will likely have to come from economic activities that require a more innovation and a more sophisticated and skilled workforce.

130. Jamaica's infrastructure indicators are broadly on par with those of other countries at its income level, although many challenges that undermine its competitiveness are emerging. Among 141 countries, the World Economic Forum’s 2019 Global Competitiveness Index ranked Jamaica 83rd on innovation capacity and 93rd on ICT adoption (WEF 2019a). Addressing these issues require strategic engagement with the private sector to allow more significant infrastructure development and maintenance. Businesses regularly highlight the high cost of electricity as a key constraint to expansion and growth. High prices for ICT services, low reliability, and limited infrastructure in rural areas pose difficulties, especially to growing sectors such as BPO and logistics. Addressing possible barriers to more significant private sector ICT investment and renewable energy generation can reduce business operational costs and positively impact the economy. Insufficient funding for maintenance risks a rapid deterioration of infrastructure. The quality of trade and transport-related infrastructure has been in decline. Public sector modernization has been slow. Weak planning and coordination constrain the state's ability to efficiently deliver infrastructure – including roads, energy, water and sanitation, and ICT. Building modern, sustainable, and reliable infrastructure is critical for boosting economic growth.

Improving the Business Environment

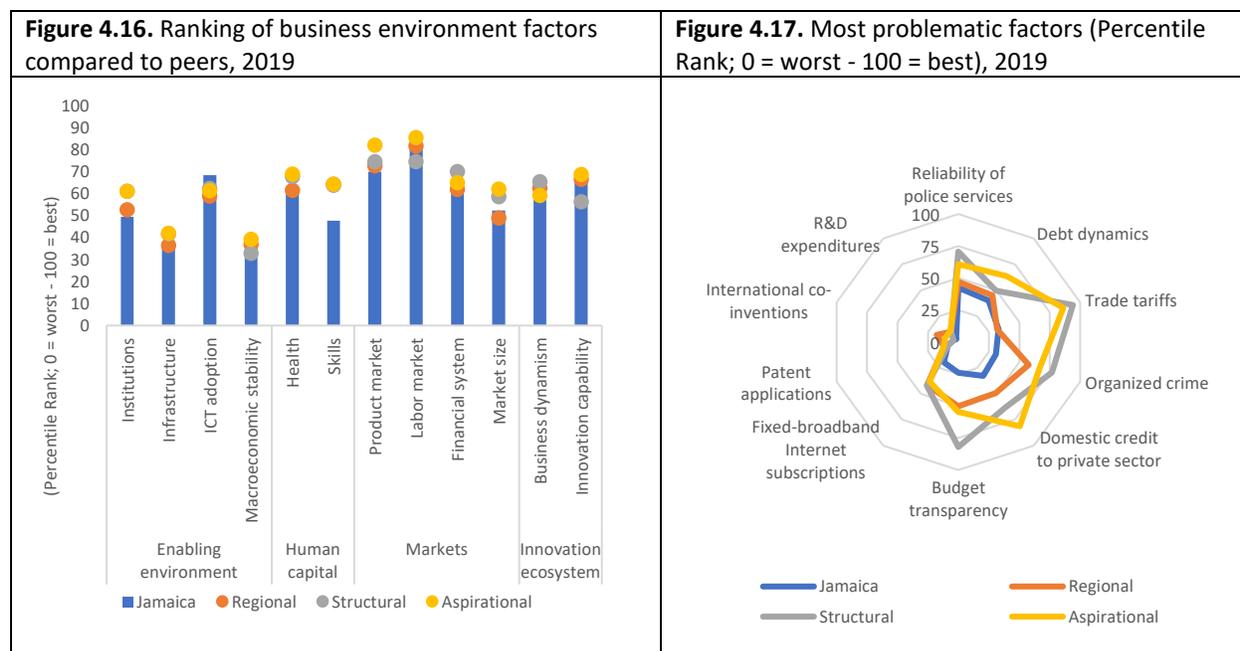
131. Jamaica's development has followed an “enclave” model that has limited productivity spillovers and hindered inclusive growth. Taken together, the mining and tourism sectors account for over 70 percent of Jamaica's foreign exchange earnings and directly contribute around 35 percent of GDP. Both sectors, directly and indirectly, provide approximately 36 percent of available jobs. However, the increasing concentration of activities in these activities has not resulted in significant linkages with local businesses. For example, the tourism sector imports significant share of its food from abroad, limiting a potentially important source of growth for domestic manufacturing and agriculture businesses⁹² (Ministry of Tourism 2015). The perverse incentives that do not actively promote backward linkages exist in other industries and is attributed to several factors, including high informality and unreliable local supplies. The prevailing business environment has also limited Jamaican firms, many of them informal and operating in wholesale or retail trade, from being included in job-generating productive supply chains. Jamaica's informal sector accounts for approximately 35 to 44 percent of the country's total GDP (Shik et al. 2017).⁹³

132. The economy’s structural transformation is being held back by uncompetitive practices and the presence of the state in critical sectors. Limited competition is known to constrain the innovation necessary for growth. In Jamaica, uncompetitive practices persist because of weak regulatory oversight in

⁹² Faber and Gaubert (2022) found that tourism can generate large and significant local economic gains relative to less touristic regions that are in part driven by significant positive spillovers on manufacturing.

⁹³ Information from STATIN suggest that retail and wholesale account for approximately 60 percent of the informal workforce. People in rural areas are more likely than those in urban areas to be in informal employment.

enabling sectors and the significant presence of the state in various sectors of the economy, including utilities, housing, mining, transport, trade, tourism, and agriculture. Regulatory and institutional shortcomings that limit competition exist, including at the Fair-Trading Commission (FTC) – the agency responsible for monitoring competition (World Bank 2022). Prevailing FTC statutes do not provide sufficient powers to sanction practices harmful to competition.⁹⁴ Improvements are also needed in other areas of intellectual property (including in the creative industry), research and development, business regulation, such as taxes and land titling. Some progress has been made in addressing distortions linked to the tax regime, but the system remains complicated with relatively high rates and numerous exemptions and waivers.



Source: World Economic Forum Global Competitiveness Index.

133. Innovation in the Jamaican financial sector has been slow and hinders access to finance. One in every four Jamaican businesses holds a bank loan or line of credit, a rate significantly lower than the LAC average. The low take-up of credit is primarily attributed to the sector's heavy reliance on traditional forms of collateral, low appetite for risk, and limited innovation in lending to serve the predominant MSMEs. Some progress has been made in recent years to strengthen the legislative underpinnings for micro-lending, but significant gaps remain in such areas as: (1) policies to attract investments in financial technologies; (2) policies to close payment infrastructure gaps to allow a fast-payment system and to enhance the interoperability of transaction accounts; and (3) policies on digital financial services, including digitization of large-volume and recurrent payments. There are also opportunities to improve regulatory clarity to implement open banking and increase the use of application programming interfaces. In this context, the use of alternative sources of financing, including leasing, factoring, and venture capital, remains limited, and MSMEs have limited or no access to the kinds of digital financial services that could cut costs and facilitate access to credit and digital payments. The survey by Gonzales (2020) of existing and potential women entrepreneurs found collateral requirements represent a key constraint for women in starting businesses in Jamaica. According to FINDEX 2014 data, only 5 percent of women in Jamaica were able to borrow to start, operate, or expand a business in the previous year; 8 percent of men did.

⁹⁴ The Ministry of Industry, Investment & Commerce (MIIC) has broad powers to influence the FTC's activities, such as requesting the start of investigations in a sector or giving general directions based on public interest considerations (see Articles 5b and 9 of the Fair Competition Act).

Measures to enhance women entrepreneurs' access to finance include uncollateralized loans (e.g., cash-flow loans, loans using psychometrics), credit guarantee schemes with women-specific windows, and widening the scope of collateral women can provide by encouraging use of the Jamaican National Personal Property Registry (NIISP).

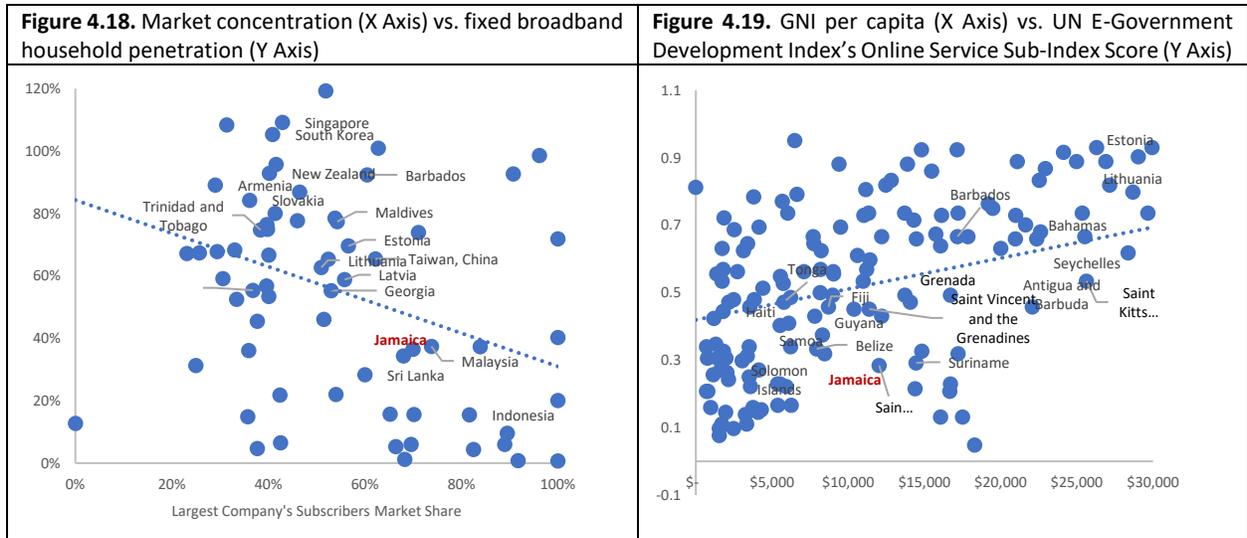
Fostering Greater ICT Adoption

134. Adoption of digital services is limited and expensive. While Jamaica enjoys near universal 4G network coverage and hosts a burgeoning BPO industry, mobile and unique mobile internet penetration remain low relative to peer countries. At 36 percent, adoption of fixed broadband services is less than half the level on neighboring islands and significantly below the peers. Low connectivity rates inhibit a range of opportunities, including e-commerce (online business transactions), online offshoring and outsourcing (including freelancing), application-based activities (for example, shared economy transactions), and financial technologies (fintech). Limited ICT adoption reflects high costs and poor service quality. An entry-level mobile broadband plan costs approximately 4.7 percent of GNI per capita, and an equivalent fixed broadband subscription costs roughly 6.5 percent of GNI per capita, almost 30 percent above regional averages, excluding Haiti (WBG 2020b).⁹⁵ The cost of connectivity is well above the 2 percent of GNI per capita affordability benchmark adopted by the United Nations Broadband Commission for Sustainable Development (ITU 2019). The high cost of service is attributed to limited competitive pressures in retail and wholesale connectivity markets (Figure 4.18).

135. Investments in connectivity infrastructure have been slow and biased toward urban centers. Telecom operators' recent investments have resulted in an increase in fiber-optic network deployments and available download speeds. However, that growth only affects the 13.5 percent of households connected to fiber-optic, cable-based internet services – around 30 percent of all fixed broadband customers. Average download speeds on Jamaica's mobile and fixed broadband connections is approximately 30 Mbps, higher than most regional peers, but there is scope for significant improvement through additional investments in upgrading infrastructure and migrating to modern technologies to avoid the urban bias. Rural populations tend to receive poorer quality services for the same price as their urban counterparts – in effect paying more per unit (price per Mbps). Better ICT infrastructure and services are critical for, among other things, further expansion of the BPO and creative sectors, including the orange economy and to support ongoing and new modalities of telework and distance learning, especially in the context of the pandemic.

136. Limited use of digital technology reflects a relatively underdeveloped e-government ecosystem. International experiences suggest that adopting digital government services helps to build familiarity and trust with internet-based transactions and drives digital adoption. Jamaica has an underdeveloped digital government ecosystem and ranks 114th among 193 countries on the UN E-Government Development Index (Figure 4.19). The impact of this is reflected in the limited use of digital services. While 55 percent of the population uses the internet, only 11 percent of adults over age 15 made utility payments online in 2019 (ITU 2020 and WBG 20178). Limited infrastructure sharing, discriminatory access to upstream connectivity, and limited commercialization of digital infrastructure owned by non-ICT sector stakeholders represent critical barriers to broadband market development. Infrastructure sharing among telecommunication companies has seen recent acceptance. However, a holistic framework for sharing telecom-ready infrastructure (such as poles, ducts, rights of ways, and excess fiber-optic capacity) across linear infrastructure sectors, including transport, energy, and other utilities, is not in place.

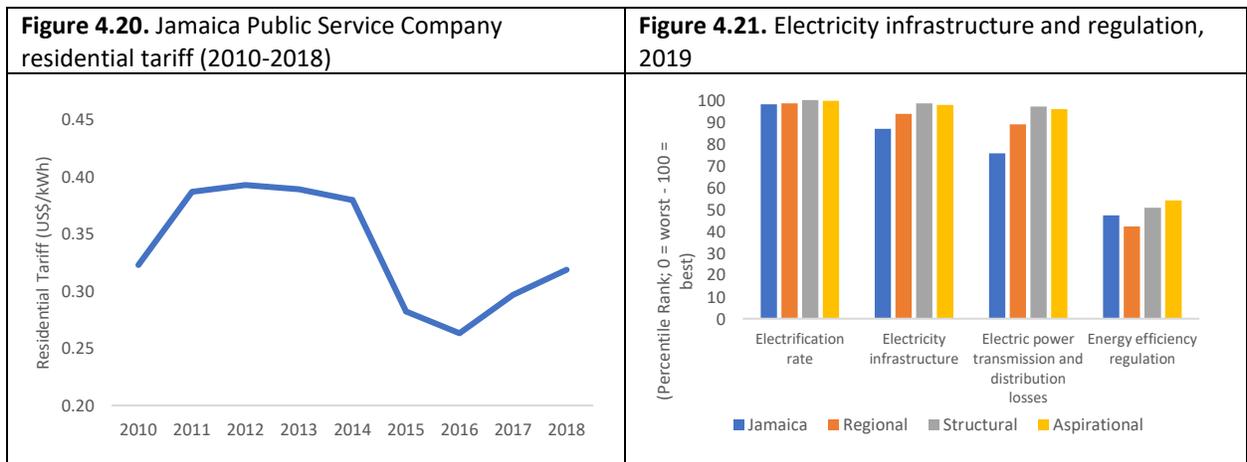
⁹⁵ For service with a minimum of 500 MB of data offered. In this analysis, the "low usage voice and data (70 mins +20 SMS + 500 MB data)" basket from the ITU Price Basket was used for mobile plans, and the "fixed broadband basket (5GB)" was used for fixed broadband.



Source: WDI and UNCTAD B2C E-Commerce Index

Reducing Energy Costs

137. Jamaica’s energy costs are among the world’s highest. As of 2020, Jamaica's energy sector had an installed capacity of 1,340 MW, with 1,086 MW (81 percent) from fossil fuels and the remainder from renewable sources. Energy production is highly inefficient and expensive. Electricity tariffs in Jamaica averaged between US\$0.26/kWh and US\$0.39/kWh over the past decade, significantly above the average for LAC countries and selected peers (Figure 4.20). Jamaica ranks 142nd among 146 countries with the highest charges (Global Petrol Prices 2021).⁹⁶ High energy costs are primarily attributed to reliance on expensive imported oil, higher than average generation and distribution losses, and limited competition to drive efficiency. Approximately 26 percent of the electricity never reaches customers, with 8 percent lost to technical losses in transmission and distribution and 18 percent lost to non-technical factors such as theft (Figure 4.21). Electricity system losses in Jamaica are among the highest globally.



Source: EU. Energy Report Card 2017 and World Economic Forum Global Competitiveness Index.

138. High electricity tariffs adversely affect households and undermine the business sector’s competitiveness. Energy services consume from 13.8 percent of disposable income in the poorest

⁹⁶ The four countries where electricity is higher than in Jamaica are Belgium, Denmark, Bermuda, and Germany.

households and 11.3 percent in the richest. The peer country and regional averages range from 7 percent to 9 percent (IDB 2020). The heavy energy burden limits the resilience of households to withstand shocks. Jamaica's commercial and industrial sector (i.e., non-residential consumers) consumes 67 percent of the electricity produced, led by such energy-intensive industries as agriculture, extractives, and manufacturing. Higher electricity tariffs increase the overall cost of production and reduce the competitiveness of export products. Evidence suggests that higher tariffs adversely affect the country's local business environment and its ability to attract foreign investment. Higher tariffs are also correlated with job losses.⁹⁷ For example, a study in the United States showed that a 10 percent increase in electricity prices could lead to an annual job loss of 900,000 across all industries as employers offset higher electricity prices by reducing employment.

139. Diversification and greening of the power generation mix to reduce macroeconomic vulnerability and promote economic competitiveness has been slow and limited. Jamaica relies heavily on imported fuel to generate electricity, making the country vulnerable to global oil price fluctuations. For example, the change in oil prices in 2018 led to a 12.8 percent year-over-year increase in the utility's cost of sales and resulted in higher tariffs for customers.⁹⁸ Progress toward the renewable energy (RE) target has been slow. The 2015 RE generation target of 12.5 percent, set under the National Energy Policy of 2009, was not met until 2019. Existing efforts to support RE scale-up and crowd-in investment can be bolstered by updating RE resource assessments for solar, wind, and hydropower and conducting feasibility studies to better inform investment opportunities.

Enhancing Transportation and Trade Connectivity

140. Jamaica's transport and logistics system is beset by significant challenges despite its importance for economic development. Two of Jamaica's largest economic sectors — tourism and the transport of goods — rely on an inefficient and often dangerous road network. The condition of the aging network of often too narrow and misaligned roads has led to increased traffic congestion, accidents, and rising travel costs. Jamaica's Vision 2030 recognizes that a well-organized and accessible transportation sector, capable of moving people and goods efficiently, safely, and affordably, is indispensable, especially for the most vulnerable and excluded populations. Among the country's strategies to achieve the national outcome of "Strong Economic Infrastructure," five out of seven focus on transportation. The country's transport system contains one of the world's densest road networks, three international airports, and 14 seaports. This provides a platform for the tourism industry and allows the country to serve as regional trade hub. Nevertheless, 48 percent of the main road network is classified as being in "bad" condition; airports and seaports are vulnerable to climate hazards. Poor roads, especially in rural areas, increase transaction costs and make agriculture less competitive (USAID 2018). The World Economic Forum ranks the quality of Jamaica's road infrastructure 74th among 141 countries and its road connectivity 108th among 141 countries (Figure 4.23; WEF 2019a). Trade and transport-related infrastructure is integral to being a logistic hub, and the quality of Jamaica's assets have declined since 2014. In 2018, Jamaica had a Logistic Performance Index (LPI) score of 2.52, ranking the country 113th in a sample of 160 countries. Only seven LAC countries had lower LPI scores.

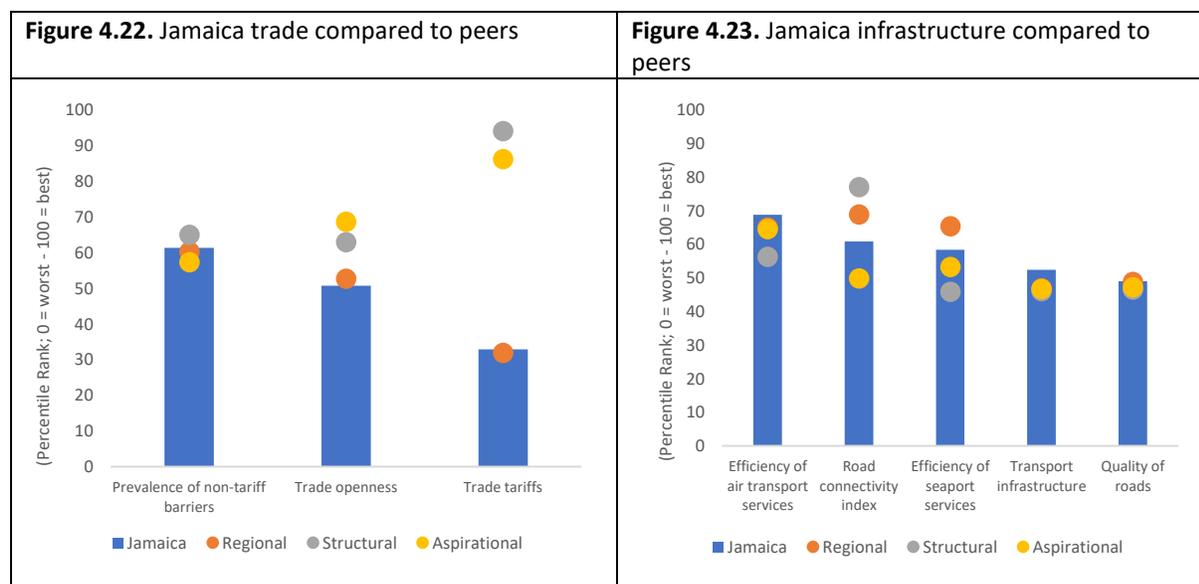
141. The cost of trading across borders is high compared with neighboring countries. Before the pandemic, Jamaica had the third-highest export compliance costs and the fourth-highest import compliance costs in Central America and the Caribbean. Jamaica's relatively high trade costs are

⁹⁷ A 10 percent increase in electricity prices leads to a decrease of 0.33-0.4 percentage point in net FDI inflows as a share of GDP (Barteková et al. 2019).

⁹⁸ In 2018, the average closing price of crude oil was US\$64.9, an increase of about 28 percent from the previous year (Macrotrends WTI Crude Oil Prices. JPS Annual Report 2018).

associated with, among other things, limited digitalization of logistics services to help with traceability of cross-border activities; high levels of physical inspections; multiple taxes, fees, and licenses; and limited coordination among border agencies.⁹⁹ The additional time and expense incurred due to these issues ultimately impact the cost and quality competitiveness of most products or sectors. Technical and non-technical barriers to trade and lengthy procedures more adversely affect smaller firms and new market entrants. Jamaica ranks 101st among 141 countries in border clearance efficiency, below regional peers like the Dominican Republic (WEF 2019a).

142. Jamaica enjoys preferential market access to its larger trade partners. Access to the United States market is secured under the Caribbean Basin Initiative and the Caribbean Basin Trade Partnership Act. Jamaica’s import tariffs have been managed in a discretionary manner, limiting potential to integrate into GVCs global value chains (GVCs) and creating distortions in the local market. While Jamaica's applied tariffs are relatively low, a significant binding overhang exists since WTO commitments are much higher than applied rates. This may lead to policy unpredictability as tariffs may be raised and lowered on a discretionary basis, limiting the ability to integrate into long-term GVC commitments.



Source: World Economic Forum Global Competitiveness Index.

Reducing Vulnerability and Enhancing Resilience to Shocks

143. Jamaica’s location and economic structure expose the country to myriad shocks that constrain economic growth and shared prosperity. Lying along the Atlantic hurricane belt, Jamaica is highly exposed to recurrent extreme weather and climatic events that threaten the viability of its key infrastructure assets and industries, particularly tourism. The poor and vulnerable are more exposed because many rely on agriculture and live in dwellings not built to the required standards. Repeated bouts of vector-borne disease outbreaks are also common, and existing systems for preparedness and containment, including financial and human capital, are limited. Moreover, management is weak for natural resources that provide a range of ecosystem functions critical to Jamaica's efforts to reduce

⁹⁹ The government has been improving coordination among border agencies, including the gradual roll-out of a single window for trade and the migration from paper-based to digitalized processing for transactions.

disaster risks and adapt to mounting climate change risks. This poses additional challenges in coping with increasing climate change impacts.¹⁰⁰

144. The concentration of economic activities in a few sectors, destinations, and markets increases susceptibility to shocks. Jamaica's dependence on the US and Canada exposes the country to economic shocks originating in these economies, such as sudden stops in visitor arrivals, remittances, and FDI. Heavy reliance on imported fossil fuels also limits opportunities to manage the environment, and the existing fuel tax has not resulted in a meaningful shift to greener technologies (OECD 2021).¹⁰¹

Adapting to climate change

145. Climate change risks can significantly derail both growth and social equality objectives (Burns et al. 2021 and Acevedo 2016). Jamaica's exposure to natural disasters ranks in the top 20 globally. Recent estimates suggest that 14.5 percent of the population lives in high-risk flood zones – not only coastal floods but also fluvial and pluvial flooding. About 118,000 flood-exposed people are estimated to be poor (living on less than \$5.50 per day). Another analysis shows that since 1985, human settlements in high-risk flood zones have expanded about 70 percent, with particularly fast growth in the 2010s. Current trends are on track to rapidly exacerbate risks. The estimated annual cost to cover the impact of damages from hurricanes and natural disasters is approximately 1 percent of GDP (WBG 2018).¹⁰² The figure would be significantly higher for more extreme events. For example, a disaster of similar magnitude to Hurricane Gilbert (1988) or Hurricane Ivan (2004) would significantly alter Jamaica's growth and public debt trajectory (Figure 4.24). The estimated magnitudes: GDP growth of 2.5 percentage points lower in the year of the disaster and 0.5 percentage points lower the following year. The long-term public debt trajectory would increase by 7 percent of GDP.¹⁰³ Repeated shocks undermine potential output and degrade the households' resilience to recover, particularly among the poor.

146. Adaptation to climate change, including strengthening building practices, is crucial for higher sustainable economic growth. Adaptation represents an important cross-cutting element for all sectors. A shift to cleaner energy will reduce local air pollution and reduce pressure on water resources. The preservation of the forest cover will improve water, soil, and air quality and reduce soil erosion. Against this background, it would be useful to highlight the role of boosting energy efficiency through retrofitting buildings and using water more wisely. In addition, the transition to a low-carbon economy will also reduce Jamaica's dependence on fossil fuel imports and strengthen its current account position. So far, efforts to boost climate mitigation and Jamaica's transition to a low-carbon economy remain slow, delaying significant benefits for Jamaicans in terms of employment, improved environmental quality, and the attractiveness of country's tourism product.¹⁰⁴

147. Climate shocks disproportionately affect female-headed households and children. Women are more vulnerable to climate shocks because of their lower average earnings and reduced employment opportunities. Children also face heightened risks when shocks interrupt their educations or cognitive development, impacting long-term growth. Due to their acute exposure to shocks, disadvantaged groups benefit more from actions that mitigate disaster risks and promote a rapid emergency response. Available

¹⁰⁰ Marine Pollution in the Caribbean: Not a Minute to Waste (WB et al. 2021). <https://documents1.worldbank.org/curated/en/482391554225185720/pdf/Marine-Pollution-in-the-Caribbean-Not-a-Minute-to-Waste.pdf>.

¹⁰¹ Energy taxes are the fourth most significant source of tax revenues in Jamaica – after general taxes on goods and services, personal income, and business taxes and ahead of customs and import duties.

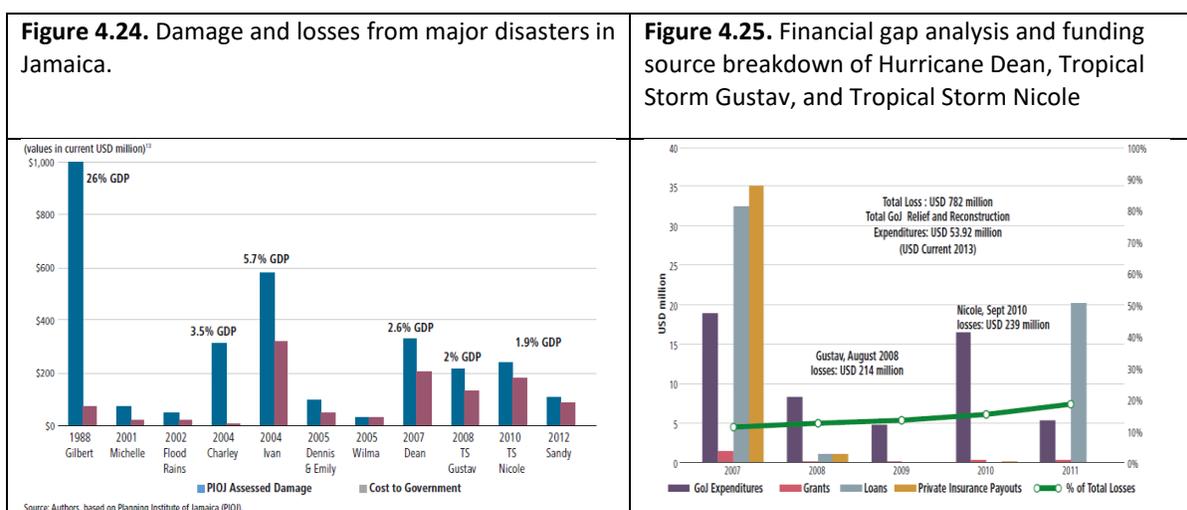
¹⁰² World Bank 2018. Advancing Disaster Risk Finance in Jamaica.

¹⁰³ IMF 2018. Article IV Report (April).

¹⁰⁴ Miria A. Pigato, Editor. 2019. Fiscal Policies for Development and Climate Action. International Development in Focus. Washington, DC: World Bank.

mechanisms to identify and respond to these shocks are being strengthened but targeting remains a challenge. Systematic risk-informed urban planning and investments in infrastructure and urban resilience are crucial to reducing existing risks and halting the build-up of new ones.

148. The nexus between disaster shocks and poverty is strong, particularly in rural Jamaica. Large swings in poverty are likely to accompany major shocks, especially in rural areas, reflecting weaker infrastructure and a dependence on nature-based agriculture for livelihoods. Available evidence also shows that climatic events have tended to increase informality in Jamaica’s labour market.¹⁰⁵ Mitigation efforts are compromised by limited enforcement of environmental rules and weak rural planning and development. Furthermore, recovery is stymied by limited availability of insurance due to costs and limited awareness and understanding of the insurance market’s different products. At the national level, Jamaica has been improving its financial protection – for example, successfully placing the region’s first catastrophe bonds. However, existing financial instruments are insufficient, leaving the country exposed to losses from natural disasters and income shocks that can have long-term and irreversible impacts on the poor (Figure 4.25).¹⁰⁶ There is also insufficient reliance on data and models to assist governments in balancing the trade-offs between benefits of resilience building and increased debt vulnerabilities.



Source: WBG (2018): Advancing Disaster Risk Finance in Jamaica.

Reducing Economic Volatility

149. Jamaica is predisposed to numerous external and natural shocks. The country imports most of its food and fuels from the United States, exposing the country to adverse terms of trade movements and supply-chain disruptions.¹⁰⁷ Jamaica’s narrow economic base and its concentration in few export products and markets increase growth volatility because shocks in main trading partners’ economies – the United States, Canada and the United Kingdom – are easily transmitted to Jamaica (Figure 4.26). Sudden stops in financial flows, including remittances and FDI, tend to trigger or occur around crisis episodes, with deleterious effects on economic performance (Becker and Mauro 2006; Cerra and Saxena 2009). With FDI during the COVID-19 pandemic, sudden stops reinforced the downturn in local economic activities.

150. Jamaica's financial sector is highly interconnected, raising risks to financial stability and economic growth. The sector is dominated by a few prominent, interconnected players that operate

¹⁰⁵ Garzón C. 2017.

¹⁰⁶ World Bank 2021.

¹⁰⁷ The use of subsidies is not widespread, limiting the fiscal accounts' impact.

primarily at the regional level. While the system remains well-capitalized, with low levels of non-performing loans, the joint IMF-WBG 2018 Financial Sector Stability Assessment suggested that the level of interconnectedness exposes the system to significant risks of contagion. Furthermore, the system is susceptible to disasters shocks, changes in global financial conditions, and fiscal policy reversals.

151. Insufficient environmental protection threatens the preservation of Jamaica's natural capital, the base of its agriculture and tourism sectors. Jamaica ranks 121st among 136 countries on the “enforcement of environmental regulations” in the Travel & Tourism Competitiveness Index and compares poorly relative to peer countries. Significant threats to the quality of the country's natural environment emerge from poor protection of marine biodiversity, limited water quantity and quality, weak management of solid waste, limited enforcement of environmental and building regulations, and pollution from the bauxite sector and other sources. These issues are relevant for Jamaica because the health of the tourism industry largely depends on the country's natural environment. Despite considerable progress in defining the legal framework and drafting environmental action plans, enforcement of regulations remains inadequate.

Enhancing Household Resilience Against Shocks

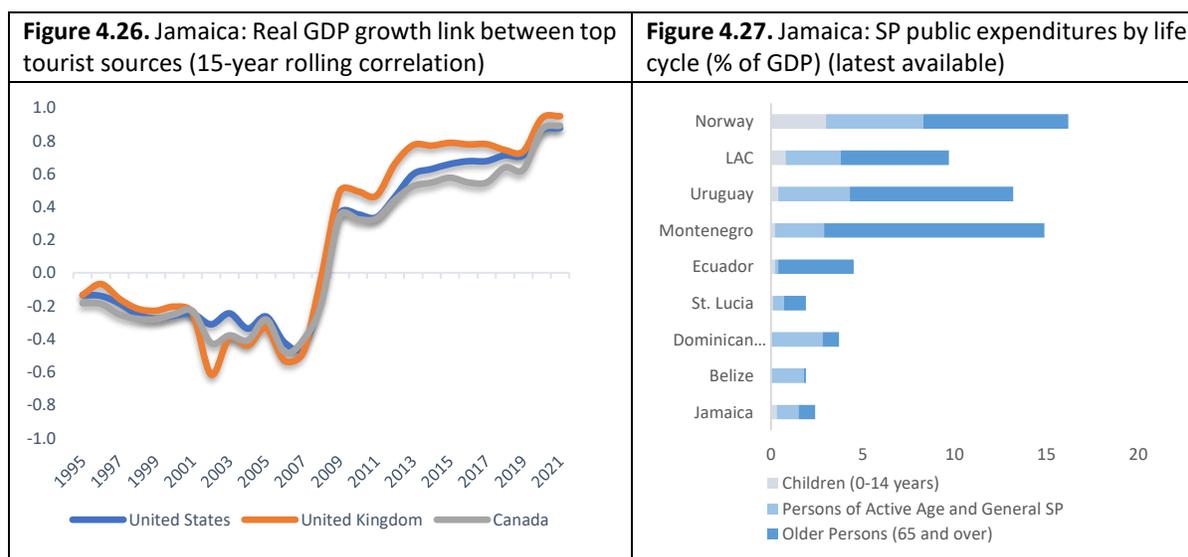
152. Women and children are disproportionately affected by shocks. Lower average earnings and reduced employment opportunities leave women more vulnerable to climate shocks. Children also face heightened risks from shocks – for example, the COVID-19 pandemic, which will have long-term growth impacts through lower educational attainment. Some progress has been made on mechanisms to identify and respond to various types of shocks, but significant gaps remain in Jamaica's social protection (SP) system (Figure 4.27). Many of the poor and vulnerable remain uncovered by social assistance (Table 4.2). Average benefits for social transfers are also relatively low. This is compounded because funding for social protection programs – including the national insurance system – is unsustainable without adjustments (World Bank 2022).

153. Of equal concern are poor and excluded groups – including women, boys, and rural communities – that lack access to productive assets and are affected by poor coordination of production and weak logistical and marketing arrangements. Limited economic opportunities, a blighted physical environment, and social disorder have increased vulnerability among the poor in pockets of society. For youth, persistent joblessness has already increased vulnerability to victimization or gang membership – and, more broadly, discouraged investment through lower productivity, higher security costs, and reduced competitiveness (World Bank 2011a). An IDB study on the Caribbean found crime victims in Jamaica, either directly or indirectly, lived in neighborhoods with higher physical disorder (graffiti, trash, abandoned buildings) and lower social cohesion, compared to non-victims (Sutton 2017).

154. Jamaica, like most countries, mandates severance payments (i.e., redundancy payments), which provide a lump sum¹⁰⁸ to formal workers who separate from their employers. However, the system has proven an ineffective income protection mechanism, especially during crises. This is mainly because the redundancy payments represent an unfunded liability for firms. For MSMEs, the situation worsens during crises, when firms are usually facing liquidity constraints. Moreover, the payments are not linked to support in finding employment for dismissed workers. Some studies have shown that severance payments are ineffective in smoothing consumption and can disincentivize searching for employment. Unemployment benefit schemes have limitations in that they usually cover only formal workers, but the

¹⁰⁸ The amount of the payment is based on worker's earnings and length of service preceding the dismissal.

new benefit itself would make formal jobs more attractive to current informal workers, especially to low-wage workers who tend to use these types of benefits more often.



Source: WEF; International Labour Office (2017, pages 18, 85, 137, 138, 165 and Table B.17). World Bank 2021; WEO, International Monetary Fund.

Note: Information for Jamaica is for 2011. Other countries most recent year available.

Table 4.2. Shares of population covered by social protection floors/systems, 2020

(In percent)							
Indicator	Jamaica	Barbados	Dominican Republic	Fiji	Georgia	Costa Rica	Mauritius
Population covered by at least one social protection benefit	31	55	54	59	97	58	...
Persons above retirement age receiving a pension	40	64	11	92	91	56	100
Persons with severe disabilities collecting disability social protection benefits	31	46	10	20	100	80	...
Children/households receiving child/family cash benefits	27	...	62	2.6	48	39	...
Poor persons covered by social protection systems	58	...	100	75	...
Vulnerable persons covered by social assistance	14	10	42	28	93	30	...

Source: ILO Social Security Inquiry Database.

5. Prioritization and Progress Toward the Twin Goals

This concluding chapter summarizes mitigating policy reforms for the constraints just presented. Three connected pathways of binding constraints and a group of cross-cutting issues were identified.¹⁰⁹ These constraints reflect the context where the conditions for accelerated economic growth and boosting shared prosperity are inadequate, trapping Jamaica in a vicious cycle of high public debt and slow economic growth. Among the main priority areas in mitigating the binding constraints are urgent needs to improve service delivery and the human capital base, address crime and violence, further strengthen fiscal management, boost fiscal and financial resilience, reduce household vulnerability to shocks, raise agricultural productivity, and strengthen market support services. Tackling these constraints will require sustaining macroeconomic stability through cost effective initiatives and confronting poor government coordination. The chapter also links the priorities identified with several HLOs. The chapter closes with a presentation of key knowledge gaps.

Prioritization of Development Constraints under Fiscal Austerity

155. This chapter consolidates Jamaica’s main development challenges under three broad interconnected categories of binding constraints and a group of cross-cutting issues and recommends mitigating policy actions. The evidence in the preceding chapters suggests that Jamaica’s quest to boost economic growth and shared prosperity will require: (1) harnessing the unfulfilled productive potential of youth; (2) strengthening innovation and the business environment; (3) reducing vulnerability and enhancing resilience to shocks; and (4) addressing issues related to macroeconomic stability, governance, and crime and violence. These constraints have persisted for decades, pushing public debt up, keeping economic growth low, and undermining sustained poverty reduction. Many of the actions advanced in this section target breaking this vicious cycle by reinforcing macroeconomic stability, strengthening skills, creating an environment conducive to investment, innovation and private sector growth, addressing the causes of crime and violence, boosting resilience and creating opportunities for shared prosperity.

156. Several policy interventions have been identified through the prioritization of the identified constraints, although challenges exist on the feasibility of their adoption and implementation. Across all pathways of constraints, the diagnostics and consultations suggest that the policy actions being advanced would reduce poverty. For many of the reforms, adoption and success require overcoming some barriers associated with limited fiscal space and poor coordination in society. As a result, some actions that may likely reduce poverty rank low in terms of feasibility. In fact, many of the actions that require fiscal outlays score poorly on feasibility because of Jamaica’s limited fiscal space and the importance of sustained macroeconomic stability. Other reforms linked to crime and violence also suffer from low feasibility despite having significant positive spillover effects on other constraints.

157. In keeping with Jamaica’s recent efforts to achieve macroeconomic stability and reduce public debt, this report argues for a mix of strategies that should not come with significant costs. The recommendations combine institutional and regulatory reforms, more government transparency and accountability, increased public sector efficiency, and reforms that facilitate greater private sector participation. In driving growth, it may not be realistic or even effective to explicitly push for larger fiscal outlays – beyond strengthening necessary public goods, including outlays for driving the planned low carbon transition. New spending could exacerbate rather than ease fiscal risks. Furthermore, empowering the poor through better skills, jobs, and more effective service delivery could be a major catalyst for strengthening institutions and addressing behavioral norms in the public and political spheres.

¹⁰⁹ The presentation order of the constraints should not be taken as an indicator of importance.

Prioritization Process

158. This diagnostic uses an iterative process to identify pathways out of poverty and a set of prioritized binding constraints. The first step draws on the main findings from the analysis and involves mapping the main challenges to poverty reduction and shared prosperity. This part of the analysis revealed that the foundations for robust, green, resilient, and inclusive development require significant changes that were not in place or require reinforcement. The main challenges identified were grouped along pathways of connected areas of binding constraints along with cross-cutting issues: (1) unfulfilled productive potential of youth; (2) weak innovation and business environment; (3) high vulnerability and low resilience to shocks; and (4) macroeconomic stability, governance and crime and violence.

159. Policy interventions to address the constraints identified above were developed drawing on available evidence. To develop the pathway of each policy action, the team considered the results chain with the central goals of spurring economic growth and reducing poverty grounding the actions in the context of Jamaica's commitment to fiscal austerity. This process helped identify the most relevant priorities. To complement the prioritization process, an extensive benchmarking analysis was conducted, ranking Jamaica's performance against its structural, regional and aspirational peers. The core team then identified a long list of 22 policy areas that reflect Jamaica's needs and context. Efforts to ensure that the policy options were mutually exclusive proved difficult given the multiple feedback loops across and within the core constraints.

160. The second step in the prioritization process consisted of consultations with the country team on the identified constraints. In coordination with World Bank experts working on Jamaica, the core team ranked the identified mitigating policy actions, taking into account four key issues. First, contribution to faster economic growth and poverty reduction – i.e., the degree to which addressing a binding constraint is likely to boost growth and reduce poverty. Second, feasibility – a consideration of fiscal, institutional capacity, and priority issues as well as political economy aspects. Third, synergies across the diagnostic's three pillars – the degree to which addressing a binding constraint identified in one pillar may have positive impacts on other pillars. Fourth, certainty of impact – the probability the mitigating action will deliver results in the short-to-medium-term, based on the underlying empirical evidence in the analysis. In line with the Bank's two goals, this document considers growth and poverty reduction the priorities for Jamaica. Feasibility is considered independently of what the Bank is or could be doing in the country. The results were pooled, averaged, and standardized on a scale of 1 to 10 to ensure comparability and a clear ranking between options. The priorities are then subjected to another screening based on compatibility with preserving fiscal sustainability to arrive at the top three priority policy areas in each core pathway of binding constraints.

161. The final step in the prioritization process consisted of in-country consultations. Several rounds of consultations were held with stakeholders in Jamaica, including representatives of the government, private sector, civil society, youth, and other development partners. It culminated in an in-country discussion of the priorities in May 2022. This final round served as a consistency check of both the identified binding constraints and the suggested mitigating policy actions, as well as a validation of the mitigation actions with the high-level country goals. There was broad support for the framework, evidence, constraint areas, and mitigating policy actions.

Binding Constraints and Prioritized Policy Actions

162. Jamaica has three pathways and a set of cross-cutting issues to reducing poverty and advancing shared growth. These areas follow from the analytical model and existing evidence. The constraints suggest that some key elements needed for well-being and economic progress are inadequate. Although inequality has declined, economic growth – a key factor in poverty reduction -- has been unsatisfactorily low, constricting the country's development progress. A myriad of priority reforms exists for facilitating a pivot from fiscal sustainability to poverty reduction and shared prosperity. Many of the solutions are well known but prioritization has often been a challenge.

Cross-cutting Foundation: Macroeconomic Stability, Governance and Crime and Violence

163. Progress toward green, resilient, and inclusive development in Jamaica is likely to be heavily dependent on effective public action to adopt and implement policies for poverty reduction and shared prosperity. Throughout this SCD, three sets of cross-cutting issues appear repeatedly: (1) sustaining macroeconomic stability; (2) improving state capabilities to drive adoption and implementation of pro-poor policies; and (3) reducing crime and violence. As progress in these areas is the foundation for successfully addressing other constraints and priorities highlighted in the three pathways, persistent efforts to make headway in these three areas are the overarching priority (Figure 5.1).

164. The first issue is the need for sustainable fiscal policies that act as the basis for macroeconomic stability, with expenditures and revenue systems aligned with economic growth and pro-poor objectives. Prior to the COVID-19 pandemic, Jamaica had already made significant progress in reducing its debt to GDP ratio by running large primary deficits. This commitment to macroeconomic stability already showed payoffs in the form of accelerating economic growth as the private sector gained confidence to invest in longer-term business ventures and the banking sector scaled up efforts to lend to the private sector as the public sector's credit demand declined. While the COVID-19 pandemic and the war in Ukraine represent significant setbacks for macroeconomic stability, a continued commitment to the goal will be critical for efforts to achieve higher sustainable and inclusive economic growth.

165. The second issue relates to weak state capabilities that impede adoption and implementation of pro-poor policies. Although Jamaica has successfully reduced debt and restored macroeconomic stability in recent years, further fiscal austerity will weigh on the economy and entails a range of risks that will need to be carefully managed. Many of the constraints on economic growth and shared prosperity and the actions needed to address them are well known in Jamaica. Nevertheless, the constraints stubbornly persist despite attempts at reform. Analysis done for the SCD suggests fundamental problems in the credible and effective implementation of programs. Furthermore, gaps in leadership have fueled social exclusion and crime, which are among the main barriers to development and improving the quality of life for all. Results from the benchmarking analysis show that Jamaica ranks poorly with respect to peer countries on many governance dimensions.

166. The third issue is high levels of crime and violence, which affect all aspects of Jamaican life and stand as one of the key constraints to achieving higher and more diversified economic growth. Crime and violence are a key constraint to faster economic growth and diversification because they significantly add to the cost of doing business in Jamaica and shape the types of private sector activities that are feasible and profitable in the country. The poor and MSMEs are particularly vulnerable because they lack the means to effectively shield themselves. As previously mentioned, high levels of crime and violence are closely linked to weaknesses in governance, including the failure to sustain implementation of a well-coordinated multi-sectoral approach to fight crime and violence. Widespread corruption also undermines

efforts to fight crime and violence. Effective action requires an approach that combines law and order interventions with actions that reduce the attractiveness of joining gangs for young Jamaicans (see Annex 2 for crime and violence prevention interventions that were effective in other countries). This SCD highlights these “soft approaches” together with a strengthening of the justice system under the pathway of “harnessing the productive potential of youth.”

167. The top priority among these cross-cutting issues is to further strengthen fiscal management as a necessary anchor for macroeconomic stability. In an environment where expansionary fiscal policies are unlikely to be available for boosting economic growth, regulatory and institutional reforms will be the key drivers of economic growth and poverty reduction in the short to medium term. This will require greater emphasis on improving efficiency in many areas of public spending, including education, health, social protection, and prevention of crime and violence. Introducing equity considerations in select spending may boost outcomes, including in education.¹¹⁰ Prioritization and targeting of public spending, as well as a continued rationalization of public sector’s involvement in commercial activities, can also contribute to releasing resources to support poverty reduction and shared prosperity.¹¹¹ These steps could create space for necessary and complimentary investments in infrastructure services and other public goods. Efforts to further boost revenues through both administrative adjustments and tax policy reforms will also be important to offset recessionary pressures that may arise because of fiscal austerity. Integration of the informal sector also offers opportunities to boost revenues. There may also be scope to introduce new carbon initiatives, debt for nature swaps, and other instruments to help on fiscal and climate objectives. PPPs can also play an important role in reducing public sector financing requirements while boosting necessary infrastructure development.

168. Addressing capacity, policy coordination, and implementation issues is critical to the government delivering on its development objectives. Many factors – external migration, for one – may have contributed over the years to leaving the workforce with a limited cadre of personnel who can perform the high-level analytical work that the government increasingly needs.¹¹² Furthermore, government systems have not been sufficiently modernized to accelerate productivity gains and improve service delivery. There continues to be heavy reliance on manual processes and information systems that do not adequately communicate with each other. The focus of workforce planning needs to shift toward what functions should increase/decrease over time and the skill profiles required to deliver services with a more citizen-centered orientation in the future. Introducing reforms to address selective coordination failures and the effectiveness of implementation of programs. An interesting aspect of Jamaica’s political economy is that it seems to lead to selective rather than comprehensive government failure. While some parts of the public sector seem to function reasonably well (e.g., the delivery of health and education services),¹¹³ other parts seem to be highly ineffective (e.g., the delivery of security services or implementation of competition policies). National development plans and sector strategies require intense levels of coordination, measurable objectives, and consistent resource planning. There is value in changing incentives for ministries, agencies, and departments to better collaborate to enhance Jamaica’s development outcomes.

¹¹⁰ See, for example, the WBG 2022 Education Public Expenditure Review.

¹¹¹ See the 2022 Country Private Sector Diagnostic.

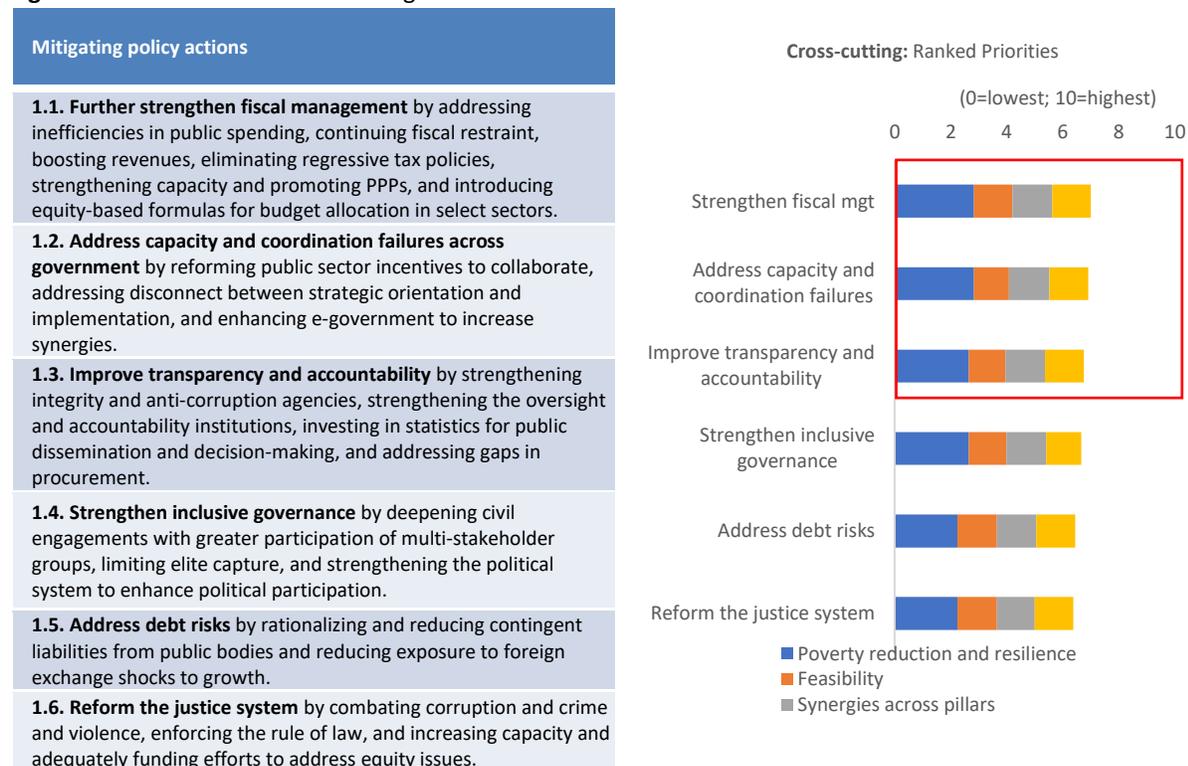
¹¹² Insufficient capacity exists at various levels of government. For example, the annual legislation program proposes to pass an average of 50 laws, many of critical importance relating to national security, justice, the rule of law, and the economy. The gap between program and performance is recurrently excessive. In the past three parliamentary years, an average of 21 acts have been passed – less than 50 percent of what was programmed. A contributing factor is undoubtedly the shortage of legal draughtsman, a circumstance experienced by Parliaments in many countries.

¹¹³ These are becoming increasingly inequitable, and public services are suffering from combined effects of fiscal austerity and the absence of reforms to improve efficiency, leading the better off to “exit” the public sector and seek private health and education services. Lower-income groups face deteriorating and/or access quality.

169. Improving transparency and boosting accountability are central in overcoming Jamaica’s development challenges and building trust in government. Public perceptions of government corruption are high in Jamaica, and the distrust is widely attributed to limited adherence, implementation, and enforcement of existing rules. Breaches remain commonplace despite significant efforts in recent years to strengthen the public procurement act and establish specialized units in each ministry. For example, an Auditor General’s Department review of road contracts found only 9 percent were awarded through competitive tenders, although evidence shows this method produces the greatest value-for-money. Reforms in this area are likely to have significant spillovers to other pathways with a high degree of feasibility. Key mitigating policy reforms include addressing gaps in procurement and the oversight of public bodies through the existing legislative framework. There is scope to strengthen regulations on conflict of interest for those participating in public procurement; compliance with income and asset disclosure rules for those in key positions; the duties of oversight bodies; and timely reporting of information for decision-making. Strengthening the whistle-blower act would help enhance the procurement process’ integrity.

170. Other mitigating actions not ranked in the top three actions are still relevant and will be addressed, even if indirectly, through other prioritized actions. The issues of risks to public debt, participation and inclusion, and justice system reforms have been discussed through other mitigating actions, ensuring they are tackled through other pathways. While tackling justice system reforms to address issues of the rule of law, advancing governance reforms to further strengthen participation and inclusion remains a pressing need. Efforts to control the process generating public debt is also central to fiscal sustainability. The justice sector also needs strengthening to improve access and equity and develop effective conflict resolution systems that address favoritism and corruption.

Figure 5.1. Prioritization cross-cutting foundations



Note: The weighted geometric mean puts the contribution of poverty reduction and shared prosperity at 50 percent and feasibility, synergies across pillars, and degree of certainty at 17 percent each.

Pathway 1: Harnessing the Productive Potential of Youth

171. Faster economic growth could significantly raise Jamaicans' living standards. The country has been successful in reducing poverty and inequality despite being among the LAC's slowest growing economies. Nevertheless, several obstacles will likely impede faster growth and further reductions in poverty and inequality. The quality of human capital, limitations on necessary support services, and widespread crime and violence limit labour's contribution as well as the income generating capacity of poor households. Low educational outcomes, weak skills development with poor links between education and work, and rising crime and violence impede human capital accumulation and constrain economic opportunities. These factors also serve to undermine returns on human capital, especially for women and youth. These constraints, including those related to the behavioral dimensions of crime and violence, trap Jamaica in a slow-growth cycle that results in high emigration of skilled workers, increased reliance on low-skill and low-productivity activities, and strong incentives for crime and violence. Given the issues of human capital and crime and violence, this pathway of constraints is closely aligned with the other prioritization areas (Figure 5.2).

172. The top policy priority for addressing weak human capital and high crime and violence is strengthening service delivery and human capital through targeted actions to transform educational outcomes and skills. Interventions in this area have the largest poverty impact, are feasible, and have strong spillover effects for the other pathways. In targeting service delivery and human capital, education and to a lesser extent health are the main services that need urgent attention over the short to medium-term, including the need to address further challenges in the context of the pandemic. Among the key priorities are to: (i) mitigate learning losses due to the COVID-19 pandemic;¹¹⁴ (ii) increase equity in access to quality education, especially at the tertiary level that now favors the wealthiest; (iii) improve teacher training to boost quality and adaptability to changes; and (iv) enhance the education system's management and financing to incorporate equity and efficiency as well as evidence-based decision-making throughout the system. These efforts should be complemented by initiatives in the health sector. Beyond responding to the pandemic, there is an urgent need to prioritize and strengthen primary health care to address chronic diseases (including NCDs and HIV/AIDS) and reduce the high attrition rate among skilled personnel. Delayed investment in managing NCDs pose a threat to human capital, mainly through impacts on adult survival and productivity. There is also a need to introduce a system of accountability across the sector to raise standards of care.

173. Strengthening the link between education and work is essential for Jamaica's transition to more productive activities. Addressing skills mismatches requires expanding the use of multitier virtual and in-person training tailored to the needs of companies and improving pre-service and in-service teacher training to boost educational quality. Partnerships between companies and educational institutes should be encouraged to develop specialized training and apprenticeships and a culture of research and development. In addition, digital skills development should be broadened by offering intensive training in areas such as programming, cybersecurity, data analytics, machine learning, and blockchain development. In the short run, there is scope to increase women's participation in the workforce, including through adjustments to labour market regulations to foster work-from-home arrangements. Such efforts could also open the door for Jamaica to tap international talent – including the diaspora – to close skills gaps.

¹¹⁴ The 2021 World Bank Public Expenditure Review of the Education Sector outlined a list of measures that could be deployed over the short run.

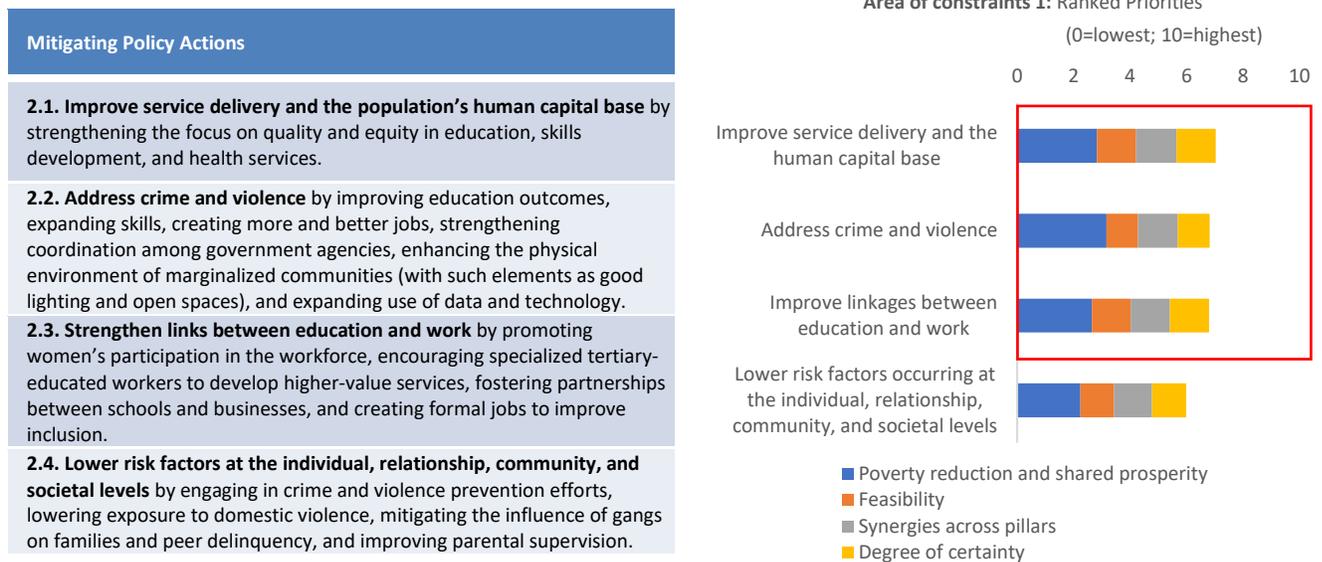
174. Crime and violence are core constraints to reducing poverty and boosting shared prosperity in Jamaica. Recent estimates show that Jamaica’s GDP per capita would have been significantly higher had it not been for pervasive crime and violence. Pathways to lower crime and violence in the Jamaica include: (i) Promoting interventions that help the state deliver services to marginalized communities and at-risk youth. The lack of state presence in many communities creates conditions for criminal governance, but interventions to deliver basic services, healthcare, and education to communities could build trust in the state. Along with expanded economic opportunities, that could prevent people from resorting to gangs for livelihoods. (ii) Improving the physical environment, especially in inner-city communities, with elements such as open and well-lit avenues, monitored recreational spaces, and rehabilitated parks.¹¹⁵ Better physical spaces can boost residents’ sense of belonging, place attachment, and community participation, increasing social cohesion and community efficacy; (iii) Using emergency response investments, like disaster response, to build community resilience to crime. Crime and violence can be fought through effective communication strategies, stronger support networks, emergency funding mechanisms, and an increased perception that people, together as a community, can overcome challenges; and (iv) Reforming correctional services. Among the proposed reforms are modernizing jails, offering alternatives to incarceration, providing risk management and sociopsychological assessment tools for offenders as they enter the system, updating rehabilitation programs, and improving training for staff.

175. Boosting investment in data collection and use could help fight crime and violence in Jamaica. A centralized government database of social intervention programs is needed to enhance coordination and determine successful approaches. Upgrading and expanding community data could improve the targeting and impact of existing actions and programs. At the same time, new programs should be introduced and evaluated. Jamaica has implemented innovative policing programs to curb violence, include “hot spot” policing. However, data and analysis on this approach are lacking – even though they could help in the design of police interventions. Building police intelligence on gang activity should also be prioritized. The Jamaica Constabulary Force maintains databases of gang information, but the tracking of differences in urban gang metrics could be improved.

176. Other mitigating actions discussed by the team, but not ranked among the top priorities, offer potential over the medium to long term. Strengthening early childhood education would yield numerous desirable outcomes. In addition, providing training on parenting could improve parent-child relationships and reduce the impact of peer pressure during the vulnerable years of adolescence. Jamaica’s complex family and community structures serve to undermine many income-generating opportunities for households – one reason this mitigating action earned low poverty reduction and feasibility scores. This mitigating action has strong complementarities with others, and part of it will be addressed indirectly while remaining relevant for country’s long-term development.

¹¹⁵ See Branas et al. 2017.

Figure 5.2. Prioritization Pathway 1: Harnessing the productive potential of youth



Note: The weighted geometric mean puts the contribution of poverty reduction and shared prosperity at 50 percent and feasibility, synergies across pillars, and degree of certainty at 17 percent each.

Pathway 2: Strengthening Innovation and the Business Environment

177. Private sector activities and innovation are central to accelerating Jamaica’s economic growth and diversifying its economy. The prioritization exercise suggests that strengthening agricultural support services, improving economic and business support services, and enhancing trade facilitation would have the highest payoffs for boosting inclusive economic growth (Figure 5.3). Such efforts would require relatively modest additional fiscal outlays and could be implemented over the short to medium term.

178. Reforms and investments that address constraints to agricultural production and exports could raise the incomes of the bottom 40 percent and reduce poverty, especially since rural areas are home to more than half of Jamaica’s poor people. Agriculture offers considerable potential for scaling-up production of specialized horticultural exports and catering to the tourism industry and domestic consumption. Needed reforms include adapting to climate change, enhancing access to land, and strengthening research and development and extension services, logistics, postharvest infrastructure (such as cold storage and warehousing), food safety, access to finance, and links to markets.¹¹⁶

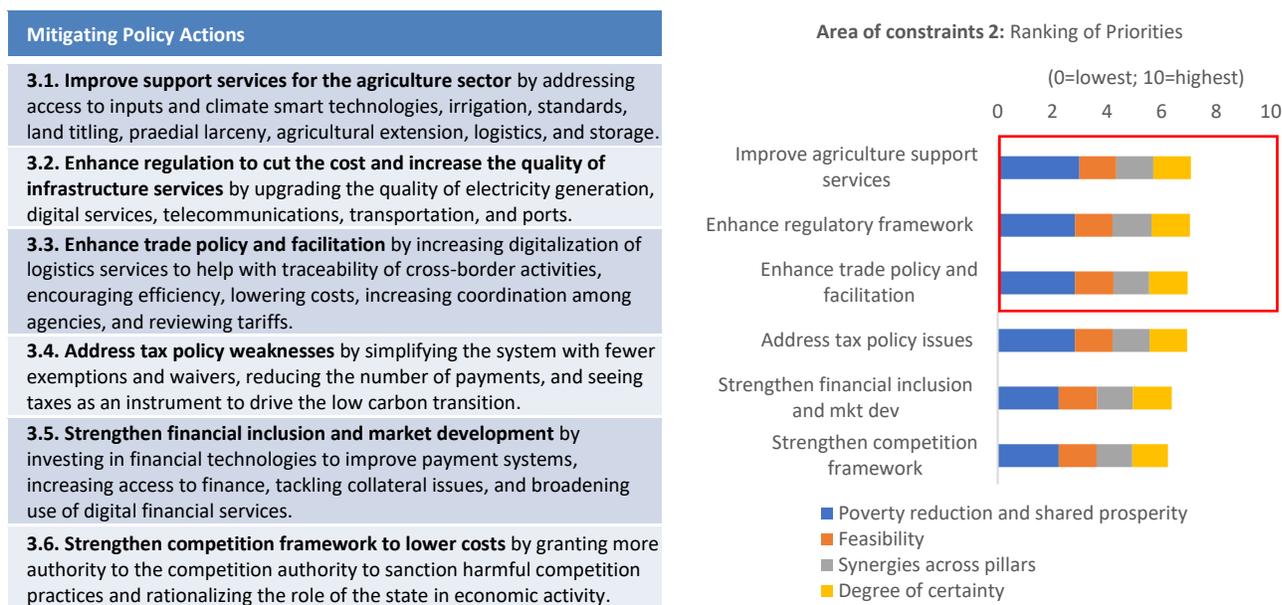
179. Reforms to reduce the cost and enhance the quality of infrastructure services – especially electricity, transportation, and ICT services – would make Jamaican businesses more competitive and facilitate transformational change. Together with investments in skills (under Pathway 1), this would facilitate growth and movement toward higher value services in the well-established outsourcing sector. It would also help individuals and MSMEs embrace new opportunities created by the digital economy. The focus would be on regulatory reforms that would help to foster competition and, where necessary, investing in critical public goods as a platform to crowd-in private sector investments. For ICT services, it will be critical to address data protection, privacy, and cybersecurity issues as key enablers and safeguards to drive innovation and digital adoption across the country.

¹¹⁶ World Bank 2022.

180. Enhancing trade policy and facilitation would help to diversify Jamaica’s exports, now dominated by tourism. For a small island economy, export performance is a key driver of economic growth and prosperity. Together with reforms to bolster skills and reduce the cost of infrastructure services, trade reforms can play an important role in growing and diversifying exports. Key reforms would include a review of tariffs; increased digitization of logistics services to boost efficiency, lower costs, and help with the traceability of cross-border activities; and improved coordination among agencies.

181. Reforms are also needed to develop more growth-friendly tax policies, strengthen financial inclusion and markets, and level the playing field for businesses. Such reforms could be particularly helpful in fostering the growth of MSMEs and formalizing activities now in the informal economy.

Figure 5.3. Prioritization Pathway 2



Note: The weighted geometric mean puts the contribution of poverty reduction and shared prosperity at 50 percent, and feasibility, synergies across pillars, and degree of certainty at 17 percent each.

Pathway 3: Reducing Vulnerability and Enhancing Resilience to Shocks

182. While faster economic growth is essential to boosting shared prosperity in Jamaica, the country’s high vulnerability and low resilience to shocks puts its sustainability at risk. Analysis done for this report confirms that poor and vulnerable Jamaicans face significant risks, including frequent macroeconomic shocks, disasters, and climatic shocks. These events hit the bottom 40 percent of the income distribution hardest, especially in terms of income. Although Jamaica has made notable progress in developing and deploying fiscal, financial, and social initiatives to mitigate the impact of shocks on the poor, important gaps remain.

183. Reducing household vulnerability to shocks is the top policy priority in addressing the poverty impact of shocks in Jamaica. The high vulnerability of the poor presents an opportunity for the government to revisit its Social Protection strategy, including reforms to address the solvency of key programs (including the National Insurance Scheme). There is a need to streamline programs to eliminate duplications and create space to expand coverage for the most vulnerable. Before COVID-19, social assistance benefits through the cash transfer program were inadequate and accounted for just 13 percent

of the poverty line. There is scope for efficiency gains from better targeting and greater use of technology in social assistance programs.¹¹⁷ Priority should be given to groups most susceptible to unemployment and poverty – youth, women, and persons with disabilities. Given the multiplicity of shocks, one improvement would be establishing an unemployment benefit scheme that replaces wages for workers who have lost their jobs and helps them find employment. This mechanism would also serve as an automatic stabilizer of aggregate demand in times of crisis and would reduce pressure on public finances during shocks. Unemployment benefits have limitations – for example, they usually cover only formal workers. However, they also make formal jobs more attractive to informal workers – especially the low-wage earners who are more likely to use the benefits. Beyond social protection, there is a need to broaden the availability and use of climate-smart technology in agriculture as well as promote the development of insurance products for the sector.

184. Efforts to enhance Jamaica’s fiscal and financial resilience to natural disasters have gained significant momentum in recent years, but instruments remain insufficient to address the country’s disaster risk profile. The country’s disaster financing policy is well-developed and mitigating policy actions will have a pronounced impact on the poor and vulnerable. There is need for, among other things, adequately capturing and deploying strategies to mitigate fiscal risks (including from PPPs or hybrid structures); embedding hazard risk analyses in all public investment projects prior to approval to ensure sustainability; providing financing options for the retention and transfer of disaster related risks; and introducing reforms to further deepen the local insurance market for natural disaster events and reduce the burden of financing on the government and taxpayers. Building fiscal buffers through various contingency funds will also provide earmarked resources to respond to shocks (Figure 5.4).

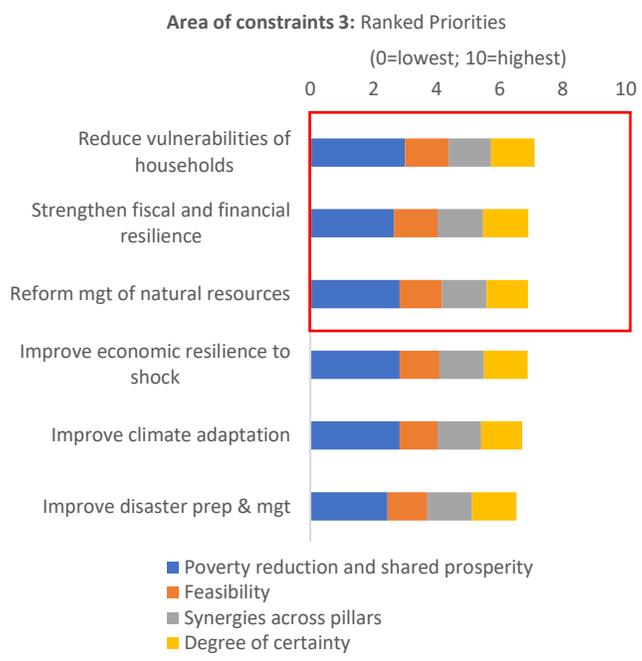
185. Reforming the management of natural resources is key to a more prosperous, sustainable, and inclusive future for Jamaicans. The country depends heavily on its environment for livelihoods, giving urgency to actions that address near to long-term issues in this area. This mitigating action includes reforms to strengthen and enforce measures to protect marine biodiversity and eco-systems. On land, there are concerns with water quantity and quality and weak management of solid waste. There is scope to enhance enforcement of environmental and building regulations. Pollution from the mining sector and other sources poses a significant threat to the quality of the country’s natural environment. As Jamaica transitions to a low-carbon economy in coming years, policies and investments geared toward harnessing the value of a nature-based economy will be important.

186. The prioritization process for this pathway yielded three clear top choices, but other mitigating actions will also help shape the development agenda moving forward. These other areas remain important for reducing vulnerability and resilience to shocks. Greater economic diversification – through products and source markets as well as creating an environment for local firms to integrate in global value chains – is central to mitigating economic shocks. Faster integration of renewable energy could also limit exposure to terms-of-trade shocks linked fossil fuels. When it comes to climatic shocks, efforts to strengthen adaption and mitigation should also help insulate the country from the economic volatility associated with these events. While these mitigating actions have lower poverty rankings, they remain important and highlight issues still to be addressed in Jamaica.

Figure 5.4. Prioritization Pathway 3

¹¹⁷ See World Bank 2021 Social Protection PER.

Mitigating Policy Actions	
4.1. Reduce vulnerability of households to shocks	by strengthening social safety nets and by improving targeting mechanisms and the government's capacity to respond, expanding use of technology for payments, increasing focus on adaptation strategies (e.g., climate smart technology in agriculture and access to insurance).
4.2. Strengthen fiscal and financial resilience	by building fiscal buffers, strengthening fiscal institutions, and limiting exposure to fiscal risks.
4.3. Reform the management of natural resources	by preserving the country's natural wealth for current and future generations through enforcement of environmental standards and addressing gaps in environmental regulations and management of natural resources – ocean, forest, etc.
4.4. Improve economic resilience to shocks	by broadening product offerings and capitalizing on emerging tourist markets, deepening integration in global value chain in key sectors, expanding use of renewables as a sustainable alternative to fossil fuels, and engaging in proactive economic management.
4.5. Improve climate adaptation	by investing in climate smart practices, resilient infrastructure, enforcing building codes, and water harvesting.
4.6. Improve disaster preparedness and management	by strengthening PFM capacity to respond to shocks, bolstering the capacity response to major diseases, including detection, assessment, and response (including pandemics and vector borne), and encouraging development of local insurance markets, including for agriculture products.



Note: The weighted geometric mean puts the contribution of poverty reduction and shared prosperity at 50 percent, and feasibility, synergies across pillars, and degree of certainty at 17 percent each.

High Level Outcomes

187. This section presents HLOs identified as part of the SCD prioritization process. HLOs are defined as a sustained improvement in the well-being of the poorest and most vulnerable people – for example, their health, security, mobility, opportunity, livelihood, or standard of living. These are primarily drawn from a client country's own development strategy and are aligned with the SDGs. These HLOs are essential for achieving higher sustainable and inclusive economic growth, reducing poverty, and boosting shared prosperity. They help to establish a direct line of sight between priorities for policy action and the twin goals by illustrating how actions contribute to high level outcome and how these, in turn, are essential for progress toward the twin goals.

188. As argued throughout this SCD, achieving higher sustainable and inclusive economic growth is essential for Jamaica to make headway toward the twin goals. The links between priority actions, higher sustainable and inclusive economic growth, and HLOs can take several forms. Some priority actions will contribute directly to the HLOs (e.g., *improving service delivery and the human capital base* is expected to result in the HLO of *improved learning outcomes and marketable skills for the bottom 40 percent/poor*, which in turn will contribute toward higher growth). Other actions will directly contribute to the higher growth that is expected to help achieve the HLO (e.g., *reducing the cost and increasing the quality of infrastructure services, especially power and internet through better regulation* is expected to contribute to higher and more diverse economic growth, which in turn would contribute to the HLO of *better jobs for the bottom 40 percent/poor*). Finally, higher economic growth is also essential to help generate the fiscal resources that are needed to implement priority actions in the SCD.

189. The team identify seven HLOs to which the identified priorities contribute (Table 5.1). A number of priority interventions contribute to several HLOs. In particular, the cross-cutting issues of macroeconomic stability, improved governance, and reduced crime and violence contribute to all HLOs.

With that in mind, we have not defined specific HLOs related to the cross-cutting issues, knowing they contribute to the HLOs defined for each of the three pathways in this SCD.

190. The HLOs are mapped to the relevant outcomes under Jamaica’s National Development Plan Vision 2030, which identifies 15 national outcomes grouped under four goals. Jamaica’s National Development plan is operationalized through three-year Medium Term Socio-Economic Frameworks and Medium-Term Fiscal Frameworks. Monitoring and evaluation are based on targets established for a set of 60 indicators aligned with the 15 outcomes. These in turn are linked to the SDGs. Annual Progress Reports are submitted to Parliament.

Table 5.1. High-level objectives

HLOs	Supporting priorities	Related Vision 2030 goals and outcomes
Pathway 1: Harnessing the productive potential of youth		
Improved learning outcomes and marketable skills for the bottom 40/poor	<ul style="list-style-type: none"> • Improve service delivery and the human capital base • Bolster links between education and work 	World-Class Education and Training
Levels of crime and violence – especially homicides – are declining	<ul style="list-style-type: none"> • Strengthen the “soft” approach to crime and violence • Lower risk factors occurring at the individual, relationship, community, and societal levels • Reform the justice system 	Security and Safety
Pathway 2: Strengthening innovation and the business environment		
Better jobs for the bottom 40/poor by making exports more competitive	<ul style="list-style-type: none"> • Enhance trade policy and facilitation 	An Enabling Business Environment
	<ul style="list-style-type: none"> • Increase investment in public goods and improve regulations to reduce the costs and increase the quality of infrastructure services, especially power and internet • Strengthen competition framework to lower costs 	Energy Security and Efficiency Strong Economic Infrastructure
Increased integration and participation in the digital economy for the bottom 40/poor	<ul style="list-style-type: none"> • Increase investment in public goods and improve regulations to reduce the costs and increase the quality of infrastructure services 	A Technology-Enabled Society
Incomes of the bottom 40/poor in the agriculture sector have increased	<ul style="list-style-type: none"> • Improve agricultural support services • Strengthen financial inclusion and market development 	
Pathway 3: Reducing vulnerability and enhancing resilience to shocks		
Enhanced resilience of poor and vulnerable households to external shocks	<ul style="list-style-type: none"> • Increased social protection coverage of the bottom 40/poor 	Effective Social Protection
Natural wealth is preserved to safeguard livelihoods that rely on the environment	<ul style="list-style-type: none"> • Reform natural resources management • Improve climate adaptation • Improve disaster preparedness and management 	Sustainable Management and Use of Environmental and Natural Resources

Source: Authors discussions, Planning Institute of Jamaica. 2009. Vision 2030 Jamaica – National Development Plan.

Note: Bold – key priorities.

Key Knowledge Gaps

191. This SCD has relied on available studies, primary data analysis, expert interviews, and stakeholder consultations. The main country sources of information for this diagnostic were data from the national accounts, household surveys, labour force surveys, and other macroeconomic, social, and environmental indicators from government and secondary sources. While they provided a wealth of information, several data gaps have been identified.

192. Income data: STATIN produces a robust set of household-level data that enable monitoring and analysis of a range of social and economic indicators, programs, and policies. These sources include the Jamaica Survey of Living Conditions on an annual basis and the Labour Force Survey (LFS) on a quarterly basis. Although income data are collected in the LFS, the data have not been released in recent years due to concerns about the accuracy of reporting by survey respondents. Detailed income data are needed to complement consumption data and to conduct further analysis including of the labour market, returns to education, and decomposition of poverty changes by income source. This is particularly relevant in assessing the extent to which remittances supplement earned income for poorer households.

193. Informal sector: Statistics on informal employment provide valuable information on the quality of employment, and they are crucial to a comprehensive understanding of the labour market. It can also help estimate informal output, workers without pensions, and the potential of additional tax collections. Jamaica will benefit from an informal sector dataset that would help the government understand informality's drivers and how the sector might develop in the medium to long term.

194. Limited knowledge of rural economy: Given the high volatility of rural poverty, a priority should be put on understanding what causes vulnerability in rural areas, where most of the poor live, and what economic activities might be able to drive resilient jobs and incomes in rural areas. Jamaica has potential to grow agribusiness through exporting agri-food and supplying the domestic market, including the tourism sector. As part of the strategy to boost agricultural, it is necessary to strengthen the rural population and gather additional economic information. Standard information on sectoral and crop production currently exists. It can be complemented with data on rural household-level production, asset availability (irrigation, production facilities, R&D centers or universities, land), and supply and destination market behavior (domestic and international). Better information about the rural economy could help improve policy measures and investments to yield higher returns in the short and medium-term.

195. Limited availability of firm-level data: The latest Enterprise Survey for Jamaica was conducted in 2011. Firm-level data is relevant to understanding firm characteristics and needs and providing information to design targeted interventions to improve productivity and competitiveness. This information is also relevant to analyzing specific segments based on such metrics as age, size, and economic activity. It also makes it possible to compare firm characteristics and needs with those in other countries. Updating the Enterprise Survey is especially relevant after the pandemic, where firms were forced to make substantial changes in their operations. In addition, firm-level data could advance the strategies to boost high-potential sectors, such as agri-food and outsourcing services. Sex-disaggregated indicators are needed to monitor the large gender disparities in the labour market.

196. Limited assessment of the distributional impacts of fiscal policy: Commitment to Equity (CEQ) analysis uses fiscal incidence analysis to determine the extent to which fiscal policy reduces inequality and poverty in a country. Understanding these aspects is key to defining fiscal reforms that can lead to a greater poverty impact. Given the existing fiscal responsibility law targeting a debt to GDP ratio below 60 percent of GDP, fiscal space will be limited for the foreseeable future. To ensure the poor and bottom 40 benefit from government expenditures and services (e.g., health, education, labour market, and social protection), spending and taxation will have to become more efficient and equitable.

197. Opportunities to boost revenues and improve efficiency of fiscal spending: Raising revenues while pushing for spending efficiency are key to the government's confined fiscal program. Finding and

capitalizing on opportunities will require additional assessments on the revenue and spending sides as well as on public financial management systems. Notably, there have been sectoral public expenditure reviews (PERs) in recent years, but a general government PER has not been done by the Bank since 2004.

198. Better understanding of the drivers of success and failure in the implementation of government reform programs. With Jamaica's heterogeneous implementation record, this would generate important lessons on how to improve implementation performance in key areas such as crime and violence or digitization of the economy. More in-depth work on issues such as corruption, state capture, or procurement practices could lay the foundation for governance reforms. Some of Jamaica's success stories in generating political and social consensus on key reforms, such as fiscal consolidation, would also be of interest for other countries.

199. Diaspora, remittances, and potential Dutch disease effects: Jamaicans living abroad represent an opportunity to create more and stronger linkages with external markets, transfer knowledge and skills, and leverage remittances for development. Despite having a National Diaspora Policy, Jamaica still has only limited information on the diaspora. Periodical and detailed information about their occupations, skills, living conditions abroad, and intentions to return would be relevant to policy. This information could be used to leverage their links in recipient countries and strengthen their links with their country of origin. The diaspora is an important and increasing source of financing for Jamaican households. Better data on the profile of remitters will help establish effective mechanisms to leverage remittances for development initiatives. In addition, there is a need to study potential Dutch disease effects from remittance flows which could lead to a decline in labour supply and an increase in consumption demand biased toward non-tradable goods (Acosta et al. 2009). Research is also needed to determine which policy approaches are likely to be most effective at mitigating the negative impacts of remittances (Lopez et al. 2007).

200. Sectorial competition dynamics: Limited competition negatively impacts innovation and affects the prices, reliability, and penetration of enabling sectors, such as transport, telecom, and energy. Despite having competition enforcement responsibilities, the Fair-Trading Commission – the agency responsible for monitoring competition – does not have the resources or mandate to formally gather and produce ex ante and on-time information on anti-competitive practices in key enabling sectors, including the presence of SOEs. This undermines the FTC's capacity to comply with its enforcement duties. Strengthening information and knowledge on anti-competitive practices will support competition authorities in designing and implementing more effective measures.

201. Tourism potential: Jamaica has been positioned as a top-of-mind destination for cruise and all-inclusive tourists. Based on recent sectoral trends, however, it will be fundamental to reposition its value proposition to grow and maintain relevance globally, especially after COVID. The sector is currently facing many changes, and trends are leading countries and tourism companies to offer more diverse, locally sourced and indulged, and environmentally friendly experiences. Additional information is needed, to define a strategy focused on the segments with the highest growth potential, learning from such competitors as Costa Rica and the Dominican Republic. This strategy could also benefit from changes in the job market, with work-from-home arrangements and digital nomads growing in relevance. To do so, Jamaica needs, among other things, to improve primary data collection from passengers, adopt new research methodologies (e.g., use of GPS), and enhance the ability to analyze and disseminate cruise-related statistics.

202. National income: The issue of GDP measurement came up repeatedly during consultations in the context of Jamaica's experience of poverty reduction – the paradox of high investment rates and low economic growth. STATIN routinely provides quarterly and annual GDP estimates at current and constant 2007 prices. Details on investments, updating supply and use tables, as well as rebasing GDP estimates could help to improve the reliability of the data.

203. Mining: There is a need to explore the potential of the mining sector to contribute to faster economic growth in Jamaica.

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Annex 1: Definition of Peer Countries

The Jamaica SCD features a systematic benchmarking exercise using a pre-identified list of structural and aspirational peer countries. In addition to structural and aspirational peers, the SCD compares Jamaica's performance with regional peers, the average for upper middle-income countries, and where possible, select advanced developed island states. The peers were selected using the MTI's Find Friends toolkit as follows:

Structural Peers

Countries selected meet the following criteria:

- Having a population of up to 15 million people.
- Being an upper middle-income country.
- Having international tourism receipts as a percentage of total exports greater than 30 percent.
- Having agriculture employment as a percent of total employment greater than or equal to 15.0 percent.
- Having a Country Policy and Institutional Assessment (CPIA) score greater than or equal to 3.30. (1=low; 6=high).

Aspirational Peers

Countries selected meet the following criteria:

- Having a population up to 15 million people.
- Being an upper middle-income to high-income country.
- Having international tourism receipts as a percentage of total exports greater than 15 percent.
- Having general government gross debt less than 80 percent of nominal GDP.
- Having a CPIA score greater than 3.60. (1=low; 6=high).

Table 1. Structural and aspirational peers for Jamaica

Country	Income level	Region	Population, 2020 (million)	Tourism receipts as % of total exports (latest)	General government gross debt as % of GDP, 2016-20	CPIA (latest)	GNI per capita (current US\$), 2016-20	Human Capital Index (HCI), 2020 (from 0 to 1)	Standard & Poor's credit rating (latest)
Jamaica	Upper middle income	LAC	2.7	53.4	102.2	3.68	4,856	0.53	B+
Regional peers									
Barbados	High income	LAC	0.3	42.8	143.0	...	16,084	...	B-
Dominican Republic	Upper middle income	LAC	10.5	37.4	54.2	3.48	7,418	0.50	BB-
Structural peers									
Fiji	Upper middle income	EAP	0.9	51.3	51.0	3.32	5,450	0.51	B-
Georgia	Upper middle income	ECA	3.7	39.5	43.8	4.44	4,308	0.57	BB
Aspirational peers									
Costa Rica	Upper middle income	LAC	5.1	19.4	53.4	4.01	11,638	0.63	B
Mauritius	Upper middle income	SSA	1.3	38.9	75.4	4.60	11,402	0.62	...

Sources: MFM Find My Friends Toolkit, World Development Indicators, and World Economic Outlook.

Annex 2: What Works in Crime and Violence Prevention?

Risk factors can be understood as personal characteristics and environmental conditions that place individuals at risk of engaging in violent behavior. They have been broadly used to understand crime and violence.¹¹⁸ These should not be understood as the causes of violence, however, because it is very difficult to find causality between single risk factors and a criminal or violent event. Instead, these events can be better understood as the result of a combination of two or more risk factors. From a human ecology¹¹⁹ standpoint, these risk factors occur at the individual (behavioral, cognitive, and biological traits), relationship (family, friends, partners, and peers), community (schools, workplaces, neighborhoods, etc.), and societal (economic interests, social norms, laws and policies, institutional practices, etc.) levels. On the other hand, there are protective factors—those characteristics and conditions that reduce the likelihood of individuals engaging in criminal or violent behaviors. Table B.1 presents some risk factors at the four different levels.

Table 1. Risk factors (Hoffman, Knox and Cohen, 2010; USAID, 2015).

Level	Risk factors		
Individual	<ul style="list-style-type: none"> • Gender • Age • Family environment 	<ul style="list-style-type: none"> • Biological and psychological characteristics <ul style="list-style-type: none"> ○ Brain abnormalities ○ Neurological dysfunction 	<ul style="list-style-type: none"> ○ Prenatal and perinatal complications ○ Head injuries ○ Antisocial Attitudes ○ Learning disabilities ○ Early exposure to neurotoxicants
Relationship	<ul style="list-style-type: none"> • Poor monitoring and supervision of children by parents • Poor attachment between parents and children • Household size and density 	<ul style="list-style-type: none"> • Large number of children in the family • Mother who had first child at an early age • History of family violence • Beliefs supporting the use of violence in relationships 	<ul style="list-style-type: none"> • Low levels of family cohesion • Weak social ties to conventional peers • Antisocial or delinquent friends • Membership in a gang • Use of harsh, physical punishment to discipline children
Community	<ul style="list-style-type: none"> • Urban area (vs. rural) • Presence of gangs • Presence of guns 	<ul style="list-style-type: none"> • Illicit markets • Low levels of community integration • Access to drugs 	<ul style="list-style-type: none"> • Narcotics trafficking • Access to firearms • Low social capital
Societal	<ul style="list-style-type: none"> • Economic and social policies that create or maintain gaps and tensions between and among groups of people 	<ul style="list-style-type: none"> • High income inequality • Media violence • Lack of access to employment, education, health, and basic physical infrastructure • War and militarism 	<ul style="list-style-type: none"> • Poor governance • Lack of trust in the police • Cultural norms and gender socialization • Weak laws and policies related to violence • All forms of exploitation

Crime and violence prevention is a promising strategy. It has the potential of reducing crime and violence if implemented in a comprehensive and coordinated manner that involves all relevant actors at the national and local levels, focusing on reducing risk factors and expanding protective factors through primary, secondary, and tertiary violence prevention interventions in specific settings. This approach to classifying prevention interventions is known as the public health model¹²⁰ and treats violence as a disease that, if left untreated, can spread. It proposes interventions to prevent the disease from spreading (primary prevention), treat (intervene/interdict) those who carry the disease (secondary preventions), and create the conditions required for a full recovery after the disease

¹¹⁸ Hoffman, Knox, and Cohen (2010).

¹¹⁹ The ecological model of human development was first used to understand factors that lead to child abuse, and it was later adopted for other fields of violence research.

¹²⁰ It is also known as the epidemiological approach.

has been treated (tertiary preventions).¹²¹ This model has been implemented with successful results in such cities as Glasgow, where violent crimes decreased by 37 percent,¹²² and Los Angeles, where gang-related crimes decreased by 33 percent in intervention areas.¹²³ It is important to carry out primary, secondary, and tertiary violence prevention interventions concurrently to address the full spectrum of potential and actual offenders and victims.

a. Primary preventions: These interventions target the entire population. They aim to reduce community risk factors and increase protective factors for community members and groups. Their inclusive approach prevents stigmatization of specific groups or communities. Primary prevention strategies mitigate violence before people or groups become at risk, usually through programs that address basic human needs.¹²⁴ Strategies under primary prevention may include improved access to health and education, positive youth development activities, and campaigns to change social norms and behaviors that accept of violence.

b. Secondary preventions: These interventions target the individuals who are at the greatest risk of engaging in violence. Secondary interventions are more narrowly focused than primary ones and reach fewer people.¹²⁵ Their impacts, however, are larger because they target those who may have been at the brink of engaging in violence or joining a violent or criminal group, such as a gang. Participants in these programs are usually identified through school or community referrals, and the most sophisticated programs include assessment tools to evaluate participants and provide them with targeted activities and services to modify their behaviors. Secondary prevention activities include parenting programs, family therapy and counseling, and interpersonal skills training.

c. Tertiary preventions: These interventions target individuals who have already had conflicts with the law or been members of a criminal or violent group, such as a gang. These interventions aim to reduce recidivism by rehabilitating and reinserting individuals into society. Of the three violence prevention levels, tertiary prevention interventions reach the fewest people and include the most targeted strategies. These strategies include cognitive behavioral therapy, violence interruption, and social learning.

Successful and promising interventions

Table B.2 Crime and violence prevention interventions (Hoffman, Knox & Cohen, 2011; USAID 2015)

Prevention type Risk level	Primary	Secondary	Tertiary
Individual	<ul style="list-style-type: none"> School-based violence prevention programs (afterschool, arts, gender-based violence prevention, and gang violence prevention programs) School-based programs that help 	<ul style="list-style-type: none"> Incentive programs to complete secondary education Academic enrichment programs Comprehensive job training combined with internships 	<ul style="list-style-type: none"> Aggression replacement training (ART) Drug courts Comprehensive job training programs Incentive programs to complete secondary education

¹²¹ Krug, E.G.; Dahlberg, L.L.; Mercy, J.A.; Zwi, A.B.; & Lozano, R. (2002). World report on violence and health. World Health Organization; Abizanda, B., Hoffman, J., Marmolejo, L., & Duryea, S. (2012). Citizen Security: Conceptual Framework and Empirical Evidence. Inter-American Development Bank; Abizanda Hoffman, Knox, & Cohen (2010).

¹²² Bergeron, J. & Mills, S. (2019). Treating violence like a disease: Could the Glasgow model work here? CBC. Retrieved from <https://www.cbc.ca/news/canada/ottawa/glasgow-violence-crime-ottawa-police-1.5338102>.

¹²³ This data is for the Saturday Night Lights program. Abt, T; Winship, C. (2016). What Works in Reducing Community Violence: A Meta-Review and Field Study for the Northern Triangle. USAID; Rice, C. (2012). Gang programs: L.A. anti-gang efforts are working. Los Angeles Times. Retrieved from <https://www.latimes.com/opinion/la-xpm-2012-apr-05-la-ol-rice-gang-reduction-blowback-20120405-story.html>.

¹²⁴ Challgren, J., Kenyon, T., Kervick, L., Scudder, S., Walters, M., & Whitehead. (2016). Countering Violence Extremism: Applying the Public Health Model. Georgetown University Center for Security Studies, National Security Critical Issues Task Force. Retrieved from <https://georgetownsecuritystudiesreview.org/wp-content/uploads/2016/10/NSCITF-Report-on-Countering-Violent-Extremism.pdf>.

¹²⁵ USAID, 2015.

	<p>students develop social, emotional, and behavioral skills to build positive relationships</p> <ul style="list-style-type: none"> • Life skills training • Early child development programs. • Comprehensive job training combined with internships 	<ul style="list-style-type: none"> • School-based violence prevention programs (afterschool, arts, gender-based violence prevention, and gang violence prevention programs) • Life skills training • Violence interruption • Equivalency education and diploma programs • Hospital-based violence intervention programs • Cognitive behavioral therapy (CBT) • Providing incentives to pursue courses in higher education 	<ul style="list-style-type: none"> • Life skills training • Violence interruption • Focused deterrence • Equivalency education and diploma programs. • Cognitive behavioral therapy (CBT)
Relationship	<ul style="list-style-type: none"> • Parenting programs • Incentives to mothers to keep children in school • Family therapy • Mentoring programs that pair youth with caring adults • Home-school partnerships programs to increase parental involvement 	<ul style="list-style-type: none"> • Court protection orders for intimate partner violence victims • Parenting programs. • Mentoring programs for at-risk youth • Violence interruption • Family therapy and counseling • Early child development programs with emphasis of parental training 	<ul style="list-style-type: none"> • Shelters for victims of domestic violence • Modeling and social learning • Family therapy
Community	<ul style="list-style-type: none"> • Positive youth development programs • Limits on alcohol sales • Mentoring programs for at-risk youth • Community mobilization • Improving school quality and settings, including teacher practices, school policies, and security • Creating safe routes for children on their way to and from school or other community activities • Extra-curricular activities • Quality reproductive health services • Increasing the availability of childcare facilities and programs 	<ul style="list-style-type: none"> • Providing equivalency education programs • Directed patrols • Alternative dispute resolution (ADR) • Community mobilization. • Improving emergency response, trauma care, and access to health services. • Quality reproductive health services • Training health care workers to identify and refer youth at high risk of violence • Increasing access to prenatal and postnatal care • Increasing the availability of childcare facilities and programs 	<ul style="list-style-type: none"> • Prison-based drug rehabilitation programs • Prison farms • Alternative dispute resolution (ADR) • Increased access to quality health services

<p>Societal</p>	<ul style="list-style-type: none"> • De-concentration of poverty • Reducing income inequality • Media campaigns • Enforcing laws prohibiting illegal transfer of guns to youth. 	<ul style="list-style-type: none"> • Legislation restricting concealed carrying of firearms • Laws reducing children’s access to firearms • Regulating alcohol sales • Raising alcohol prices 	<ul style="list-style-type: none"> • Restorative justice • Trauma systems for rapid response and rehabilitation • Mandatory reporting laws for child and elderly abuse • Laws with procedures to handle sexual violence • Disarmament and demobilization (DDR) programs
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Annex 3: Reducing Public Debt through Fiscal Consolidation

Following decades of slow growth and weak fiscal management, the stock of public debt in Jamaica peaked at around 147 percent of GDP in 2013, raising concerns about the government's solvency. A high public sector wage bill, weak budget controls leading to chronic deficits, and contingent liabilities arising from many poorly regulated public bodies were all factors in the country's history of high debt. Debt service had grown rapidly since the domestic financial crisis of the mid-1990s, which added 40 percentage points to total debt-to-GDP, and by 2002 it accounted for 130 percent of total revenues. The high borrowing requirements to finance public debt led to financial repression, which crowded out private sector credit and investment in necessary public goods.

Prompted by difficulties in raising financing to service maturing obligations, Jamaica undertook a restructuring of its debt portfolio in 2010. The objectives of the Jamaica Debt Exchange (JDX) were: (i) to improve the maturity profile of domestic debt, with 40 percent due in less than 24 months; (ii) to reduce interest expenses, which at the end of 2009 represented 15.9 percent of GDP and accounted for an average of 60 percent of government revenues; (iii) to reduce the variable-rate portion of domestic debt; and (iv) to help with re-establishing macroeconomic credibility. The JDX successfully consolidated 345 securities into 25 new benchmark bonds with longer maturities and lower coupons. It had a 99 percent participation rate and reduced the net present value of debt by an estimated 20 percent. The multilateral agencies, including the IMF, IADB, CDB, and World Bank, broadly supported the JDX and committed US\$2.4 billion to the government's reform program. The support was provided in the context of Jamaica entering a Stand-By Arrangement (SBA) with the IMF. The program was signed in February 2010 but abandoned by 2012, pushing Jamaica toward an economic crisis.

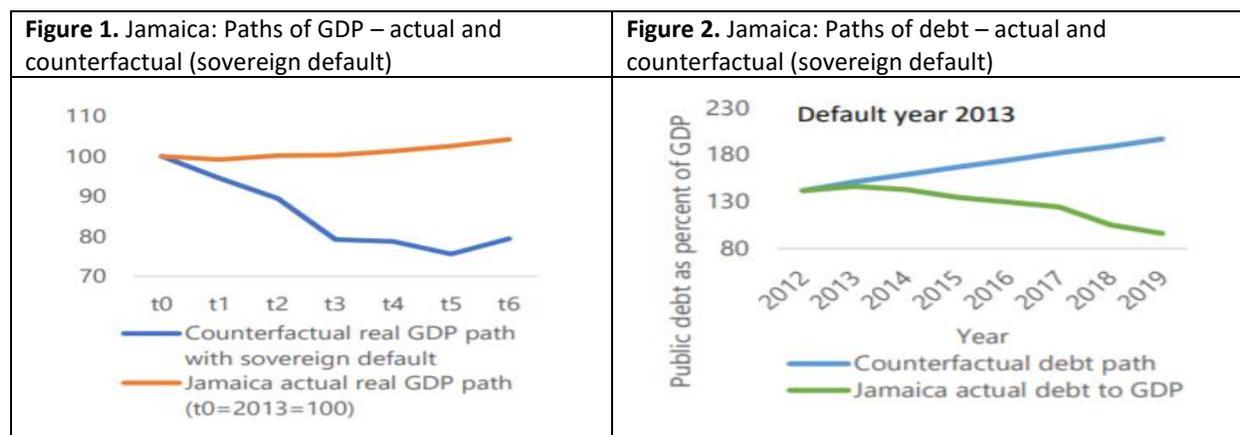
With the international capital market closed to Jamaica, the authorities re-engaged with the IMF, reaching a four-year Extended Financing Facility (EFF) in February 2013. Another debt restructuring was required as a precondition, which further reduced coupons and smoothed and elongated the maturity profile of the debt portfolio. The primary budget surplus target was set at 7.5 percent of GDP over the life of the program, up from an annual average of 3.2 percent of GDP. The target was premised on: (i) strengthening public finances through comprehensive tax reform, expenditure rationalization, and improved management of public debt and public finances; (ii) enhancing the resilience of the financial sector through strengthened supervisory, regulatory, and crisis management frameworks; (iii) improving growth-generating efficiency through enhancements to the business environment, increased competitiveness, and strengthened institutional capacity and governance; and (iv) protecting the most vulnerable and promoting economic self-reliance through establishment of a social spending floor and expansion of re-certification and the Steps-to-Work program. Several reforms were introduced to ensure fiscal sustainability, including the amendments to the fiscal responsibility law in 2014 to introduce fiscal rules and limits on tax expenditures. Prudent liability management, including the buyback of the PetroCaribe debts to Venezuela at a significant discount, also helped assuage pressures on the budget. This one transaction saved the government close to 10 percent of GDP in debt payments. Following the success of the 2013 EFF, a US\$1.64 billion precautionary three-year SBA was signed in November 2016 to allow Jamaica to continue with its economic reform agenda. During this SBA, Jamaica sustained policy discipline and institutionalized the gains achieved under the successive IMF-supported programs. Jamaican authorities viewed the program as precautionary for the entire 36 months. The successes of the reforms led to drastic changes in the paths of GDP and debt in Jamaica, measured using counterfactuals (Figures 1 and 2).

The government was successful in improving Jamaica's debt dynamics, restoring investor confidence, and laying the groundwork for a gradual recovery of growth. By early 2020, the stock of public debt was down to about 94 percent of GDP, a decline of over 50 percent of GDP. The primary balance accounted for more than 55 percent of the change since 2013. Debt service obligations, although still high relative to many countries, had fallen to 50 percent of total revenues. Credit growth, investment (domestic and foreign), and overall economic activity had begun to accelerate. Fitch raised Jamaica's sovereign credit rating from B to B+, the highest in more than a decade, while sovereign bond spreads in Jamaica were at historic lows, outperforming emerging market averages. Furthermore, capital spending, including infrastructure and social spending, had increased since 2014. Jamaica's external position had improved with a current account deficit at 0.3 percent of GDP and international reserves around US\$3.9 billion (8 months of total imports). Jamaica's impressive macroeconomic turnaround, achieved through a domestically owned reform program, has established a solid foundation for further structural

transformation, poverty reduction, and economic growth. Jamaica's debt-reduction experience compares favorably with those of Grenada, Iceland, Ireland, and Nauru, all of which successfully reduced their debt stock by an average of 50 percentage points of GDP between 2013 and 2020.

The government's successful effort to consolidate its fiscal balances spanned three political administrations, and it was anchored in a social partnership (Economic Programme Oversight Committee, or EPOC) involving stakeholders from public, private, and civil society. EPOC was established in 2013 to monitor and report to the public on the implementation economic reform measures under the agreement with the IMF. The committee, serving as the de facto fiscal council, received information from the government to assess the country's fiscal performance relative to targets. In February 2021, Jamaica's Senate established the Independent Fiscal Commission (IFC). The decision to create the institution, formerly referred to as the Fiscal Council, was consistent with the government's policy commitments to institutionalize fiscal transparency and strengthen Jamaica's fiscal accountability framework.

Although Jamaica has been successful in reducing debt in recent years, the stock of debt remains high and subject to significant risks. In addition, the existing fiscal responsibility law requires that the debt to GDP ratio be 60 percent of GDP or less by 2028. This suggests that fiscal space will be limited for the foreseeable future, restricting government's ability to use fiscal policy to drive its development program. Reforms to improve efficiency in public spending and to broaden the use of public private partnerships will be crucial.



Sources: Jamaica's Ministry of Finance and the Public Service, IMF, and World Bank Staff. World Bank: IEG (2019).

Note: (2b): This comparison suggests that without the stabilization and reform program, Jamaica would have likely experienced a severe and long recession and a massive buildup of debt with significant social impact.

Annex 4: Benchmarking

Constraints	Sub-constraint	Evidence
1) Unfulfilled Productive Potential of Youth	Low educational outcomes	<p><i>Benchmarking:</i> According to the World Bank's 2020 Human Capital Index, Jamaica lags aspirational peers in expected years of school, harmonized test scores, and learning-adjusted years of school.</p> <p><i>Other evidence:</i> Jamaica's pupil-to-teacher ratio in primary education scores lowest among peers in the 2020-21 WEF Competitiveness report. Jamaica's tertiary school enrollment is lowest among peers, according to WDI.</p>
	Insufficient skills	<p><i>Benchmarking:</i> Jamaica scores lower than aspirational peers in digital skills, extent of staff training, and graduate skill set in the 2020-21 WEF Competitiveness report. The share of firms stating that an insufficiently educated workforce is a major constraint is higher in Jamaica than in aspirational peers. The country is a long way from the frontier of educational efficiency.</p>
	High crime and violence and youth unemployment	<p><i>Benchmarking:</i> According to the WDI, Jamaica has the highest rates of youth unemployment (percentage of labour force ages 15-24). The WDI also shows that Jamaica has the highest mortality rate (per 1,000) among adolescents ages 15-19 and the second highest mortality rate (per 1,000) among youth ages 20-24 years.</p> <p><i>Other evidence:</i> According to WDI data, Jamaica has the highest rate of intentional homicides (per 100,000 people) among peers.</p>
	Lower risk factors occurring at the individual, relationship, community, and societal levels	<p><i>Benchmarking:</i> According to the Bertelsmann Transformation Index, Jamaica scores low compared to aspirational peers in welfare regime and civil rights.</p>
2) Weak Innovation and Business Environment	Weak infrastructure	<p><i>Benchmarking:</i> Jamaica scores lowest among its peers in fixed-broadband internet subscriptions and energy infrastructure, according to the 2020 WEF Competitiveness Report and scores behind aspirational peers on the road connectivity index.</p> <p><i>Other evidence:</i> According to the 2021 Global Innovation Index, Jamaica ranks last among peers in terms of government online services and e-participation as well as general infrastructure, such as electricity output, GWh/million population, and logistics performance. Jamaica scores lowest relative to peers in infrastructure under WBG's Logistics Performance Index.</p>

	Insufficient trade facilitation	<p><i>Benchmarking:</i> According to the 2020 WEF Competitiveness Report, Jamaica scores lowest among peers in trade tariffs. According to the 2021 Global Innovation Index, Jamaica scores lowest relative to peers in trade, diversification, and market scale. According to the WBG Logistics Performance Index, Jamaica ranks last in such key areas as customs, international shipment timeliness, and shipment tracking and tracing.</p> <p><i>Other evidence:</i> In the WBG-WITS database, Jamaica ranks last in Index of Export Market Penetration compared to peers and scores lower than aspirational peers in the Hirschman-Herfindahl Index.</p>
	Limited agriculture support services	<p><i>Benchmarking:</i> According to FAO's AQUASTAT database, Jamaica has the second lowest percent among peers for agricultural GVA produced by irrigated agriculture.</p> <p><i>Other evidence:</i> According to the WDI database, Jamaica has the second highest employment in agriculture (% of total employment) among peer countries.</p>
	Address weaknesses in tax policy	<p><i>Benchmarking:</i> In the 2017 WFI-GCI Most Problematic Factors database and the 2018 Jamaica Survey of Establishments (JSE), high taxes rank as one of the most problematic factors.</p> <p><i>Other evidence:</i> According to December 2021 data collected from respective country tax administrations, Jamaica has the highest personal income, corporate, and sales tax rates among all peers.</p>
3) High Vulnerability and Low Resilience to Shocks	Inadequate fiscal and financial buffers	<p><i>Benchmarking:</i> Debt-to-GDP ratio is higher than peers.</p> <p><i>Other evidence:</i> Jamaica scores lowest in debt dynamics compared to peers in the 2020 WEF Competitiveness Report.</p>
	Insufficient protection from shocks	<p><i>Benchmarking:</i> In the ILO Social Security Inquiry Database, Jamaica is at the bottom of most indicators of share of population covered by social protection floors/systems in 2020. According to the Global Climate Risk Index, Jamaica scores the lowest in losses per unit of GDP and second lowest in deaths per 100,000 inhabitants during the period of 1998-2017.</p> <p><i>Other evidence:</i> According to the Bertelsmann Transformation Index, Jamaica scores low among peers in social safety nets.</p>
	Insufficient management of natural resources	<p><i>Benchmarking:</i> Jamaica lags aspirational and regional peers in the 2022 Yale Environmental Performance Index</p> <p><i>Other evidence:</i> According to the Bertelsmann Transformation Index, Jamaica scores low among peers in environmental policy.</p>

	Improve economic resilience to shocks	<i>Benchmarking:</i> According to the Public Expenditure Financial Accountability (PEFA) database, Jamaica scores lower than its peers in public asset management, public investment management, and transfers to subnational governments.
Cross-Cutting: Macroeconomic Stability, Governance, and Crime and Violence	Limited transparency and accountability	<i>Benchmarking:</i> According to World Governance Indicator data, Jamaica scores lowest among peers on rule of law and control of corruption. In the 2017 WFI-GCI Most Problematic Factors database and the 2018 Jamaica Survey of Establishments (JSE), corruption ranks as one of the most problematic factors. <i>Other evidence:</i> According to the Bertelsmann Transformation Index, Jamaica scores low among peers in terms of anticorruption policy and prosecution of abuse of public office.
	Insufficient Policy Coordination	<i>Benchmarking:</i> According to the Bertelsmann Transformation Index, Jamaica ranks last among peers in efficient use of assets, policy coordination, and resource efficiency, and scores lower than aspirational peers in consensus on goals. <i>Other evidence:</i> According to World Governance Indicator data, Jamaica scores lower than aspirational peers in government effectiveness.
	Fiscal management	<i>Benchmarking:</i> According to the Public Expenditure Financial Accountability (PEFA) database, Jamaica scores lower compared to peers in medium-term perspective in expenditure budgeting, performance information for service delivery, predictability of in-year resource allocation, and public access to information. <i>Other evidence:</i> In the 2020 World Economic Forum Competitiveness Report, Jamaica scores below all peers in budget transparency. In WEF's Global Competitiveness Index, Jamaica scores lowest in wastefulness of government spending for 2016-17.
	Strengthen inclusive governance	<i>Benchmarking:</i> According to the Bertelsmann Transformation Index, Jamaica scores low compared to aspirational peers in civil society participation, interest groups, and international cooperation.