May 2024 I R2403

CAPRI

BUDGET BREAKDOWN 2024

An Analysis of the Government's Proposed Revenue and Expenditure

Budget Breakdown 2024

An Analysis of the Government's Proposed Revenue and Expenditure

Caribbean Policy Research Institute (CAPRI)
Kingston, Jamaica

Lead Researcher: Priya Alexander
Research Supervisor: Dr. Damien King

Table of CONTENTS

Figures

Acronyms

CCL	Contingency Line of Credit
CCRIF-SPC	Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company
CORE	Community Action for Rewarding Engagement programme
FAA	Financial Administration and Audit Act
GCT	General Consumption Tax
GDP	Gross Domestic Product
GOJ	Government of Jamaica
HEART TRUST	Human Employment and Resource Training Trust
IMF	International Monetary Fund
JDF	Jamaica Defence Force
MAAC	Maritime, Air, and Cyber Command
MOFPS	Ministry of Finance and the Public Service
NHT	National Housing Trust
NIR	Net International Reserves
NNDRF	National Natural Disaster Reserve Fund
NNDRFP	National Natural Disaster Risk Financing Policy
OECD	Organization for Economic Co-operation and Development
PATH	Programme of Advancement through Health and Education
PAYE	Pay As You Earn
PIOJ	Planning Institute of Jamaica
PLL	Precautionary and Liquidity Line
PPE	Purchasing Power Equivalent
PSIP	Primary and Secondary School Infrastructure Programme
RSF	Resilience and Sustainability Facility
TOOL	Tradesperson Ownership Opportunity Loan
UIS	Unemployment Insurance Scheme
VAT	Value Added Tax

Executive Summary

The increasing reliance on direct taxes has implications for equity and efficiency.

Fiscal accounts reflect a government's priorities and their shifts, with each new budget typically serving as the first indicator of the government's changing focus. Most often, though, the shifting priorities and other important trends are only implicit, overwhelmed by the volume of data, buried beneath aggregations, and obscured by the constantly decreasing value of money. This report unearths the key trends and exposes them to scrutiny.

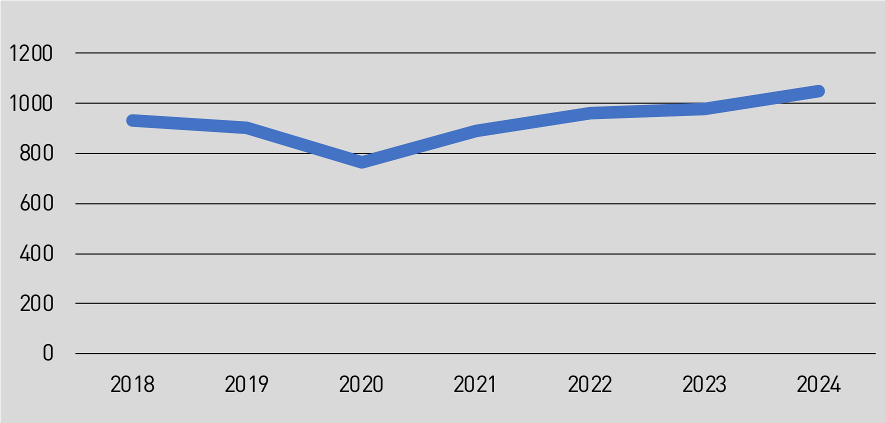
The 2024 budget is credible and sustainable, with revenue projections grounded in reasonable forecasts of GDP growth, of 1.8 percent, and inflation, of 5.8 percent, along with the expectation of a positive current account balance (the difference between foreign exchange earnings and expenditures on international trade in goods, services, and factors). These figures, aligning with external assessments, suggest a reliable fiscal outlook.

A key aspect of this and recent budgets is the continued decline in the government's debt-to-GDP ratio. This trend supports the overarching goal of enhancing the country's resilience to economic shocks and natural disasters.

The most important takeaway from this budget is the continuation of the rise in tax revenue observed in recent years. At 32 percent Jamaica's tax/GDP ratio is at an all-time high, and up to levels achieved mostly by OECD countries. (Figure 5 in the report, reproduced here.)

Even adjusted for inflation, government revenue has been surging.

5 Revenue, Adjusted for Inflation (PPE$b)



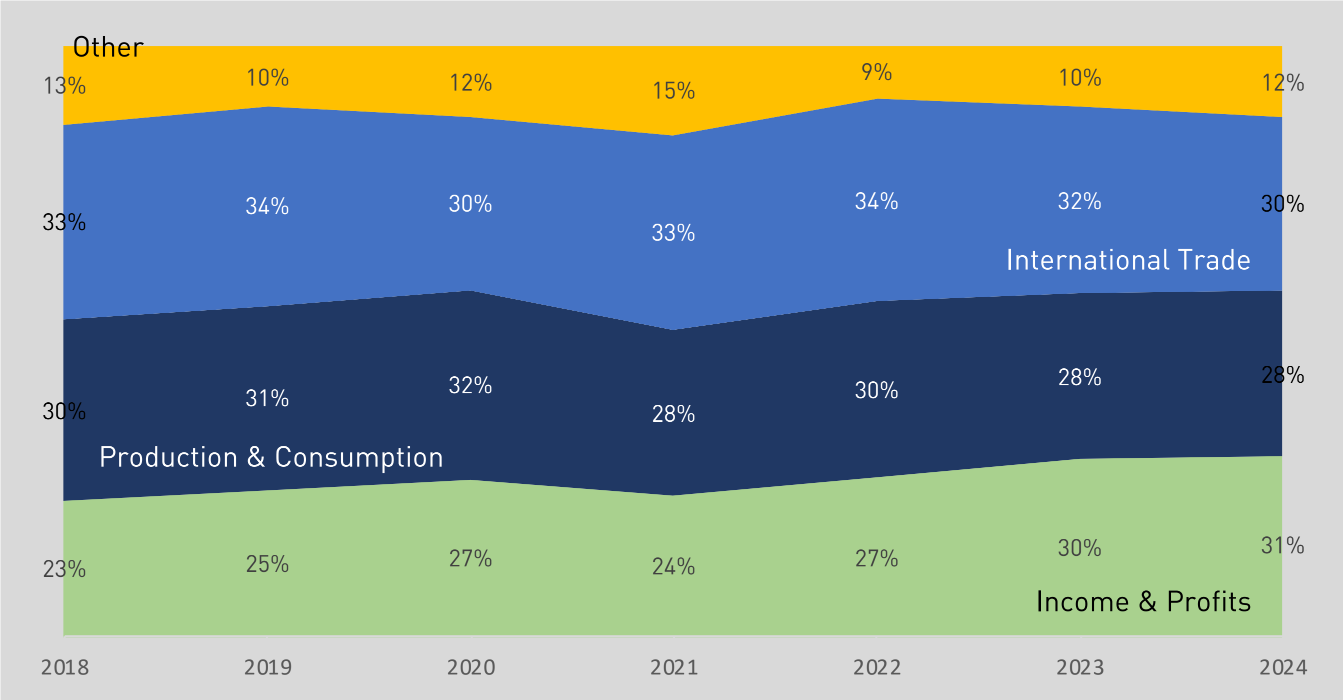
Source: Ministry of Finance and the Public Service, various years.

In the new budget, the expected increase in revenue along with resources freed from reductions in the allocations to security, social services, and the economy, have been allocated towards reducing debt and funding the public sector compensation increases.

Adjacent to this is an ongoing shift in the composition of revenue, with an increasing portion deriving from taxes on individual and corporate income ("direct taxes") as opposed to taxes on production, consumption, and international trade. (Figure 6 in the report, reproduced here.) countries.

The share of revenue from personal and corporate income taxes continues to increase.

6 Share of Revenue by Source



Source: Ministry of Finance and the Public Service, various years.

The important takeaway from this budget is the continuation of the rise in tax revenue observed in recent years. At 32 percent Jamaica's tax/GDP ratio is at an all-time high, and up to levels achieved mostly by OECD countries. (Figure A)

Even adjusted for inflation, government revenue has been rising.

The 2024 budget is credible and sustainable, with revenue projections grounded in reasonable forecasts of GDP growth, of 1.8 percent, and inflation, of 5.8 percent, along with the expectation of a positive current account balance (the difference between foreign exchange earnings and expenditures on international trade in goods, services, and factors). These figures, aligning with external assessments, suggest a reliable fiscal outlook.

A key aspect of this and recent budgets is the continued decline in the government's debt-to-GDP ratio. This trend supports the overarching goal of enhancing the country's resilience to economic shocks and natural disasters.

The most important takeaway from this budget is the continuation of the rise in tax revenue observed in recent years. At 32 percent Jamaica's tax/GDP ratio is at an all-time high, and up to levels achieved mostly by OECD countries. (Figure 5 in The important takeaway from this budget is the continuation of the rise in tax revenue observed in recent years. At 32 percent Jamaica's tax/GDP ratio is at an all-time high, and up to levels achieved mostly by OECD countries. (Figure A)

Even adjusted for inflation, government revenue has been rising.The increasing reliance on direct taxes has implications for equity and efficiency. Income tax becomes iniquitous since persons outside the formal employment system easily evade income taxes. Because of the ease of evasion, the trend towards more reliance on direct taxes reduces the efficiency of the tax regime. Indirect taxes raise more revenue per percentage point of taxation.

In the new budget, the expected increase in revenue along with resources freed from reductions in the allocations to security, social services, and the economy, have been allocated towards reducing debt and funding the public sector compensation increases.

New policy initiatives are also highlighted. The Jamaica 60 HOPE Trust Fund is a well-targeted programme for vulnerable children which aims to combat intergenerational poverty. The other initiatives announced include the expansion of solar installation loans via the National Housing Trust, subsidies for training unemployed youth, the inclusion of energy-efficient upgrades in the NHT Home


09.03.19
65.98%
Q3
Operating Cost:
Making Department
Film Departmeent
Post Department
Compare
Jul 2019

Recommendations

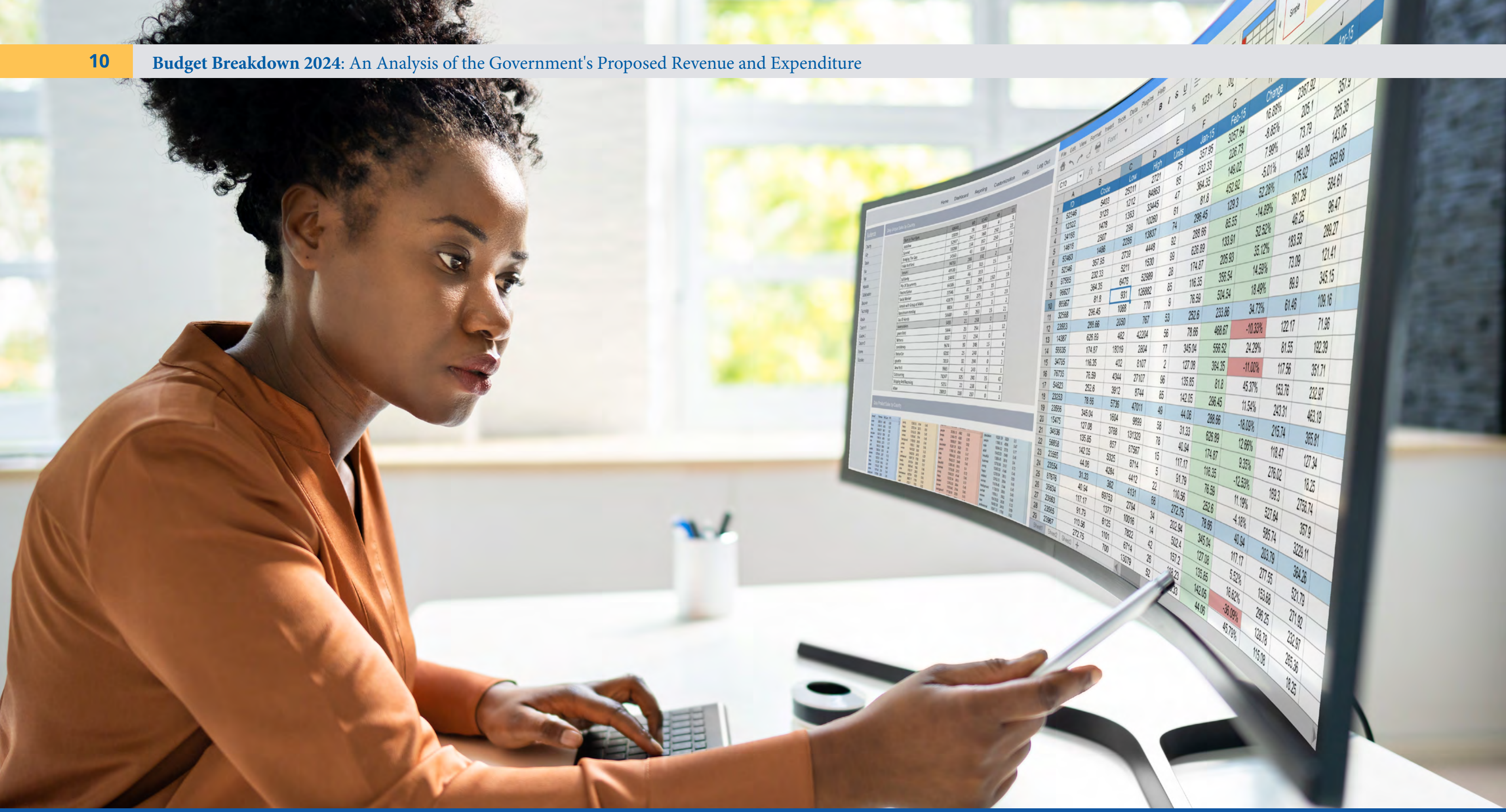
The drift towards increasing reliance on direct taxes, that is, those on personal and corporate income, as has been argued above, is inimical to the desire to shift the economy towards formal employment and to have a more efficient and effective tax regime. We recommend reversing that trend. One way to do so is to raise the income tax threshold that has become eroded by inflation over the last several years. The announcement in this budget exercise to raise by only 13 percent to $1.7 million is insufficient since the direct tax share of total revenue will continue to rise. Therefore, we repeat our recommendation made last year for a more substantial increase in the income tax threshold.

Beyond raising the threshold, but related to it, is the question of equity in the tax structure. Equity, though, should be viewed in the context of the entire budget rather than just in the tax structure, much less on the basis of individual taxes. The vertical iniquity in reducing income taxes can be balanced by improving equity on the expenditure side of the budget. Specifically, since shifting from income taxes to indirect taxes is more efficient and therefore would raise more revenue, that extra revenue could be devoted to higher levels of social expenditure, particularly on the social safety net.

With the trend of increasing tax revenue expected to continue as the public debt continues to fall and the economy improves, the most important fiscal question facing the country is how to allocate that "debt reduction" dividend. We have seen that, so far, all functional categories have shared in some of the increased resources.

The current economic programme is based on improving the broad economic climate on the basis of low inflation, a stable exchange rate, improved infrastructure, low fiscal risks, and economic resilience. That it has begun to yield at least a modest return is evident from the reduction in unemployment and the increases in construction and investment. However, the political sustainability of this programme will depend on economic gains being seen and felt by those in the lowest income groups. This consideration would demand that some of the rising revenue be devoted to welfare redistribution, not thru piecemeal programmes like most of the new policy initiatives discussed above but instead in a comprehensive and transparent way, such as through the PATH programme and in improved public health facilities and public transportation, to highlight a few examples. That is our recommendation.


MINISTRY OF
FOREIGN AFFAIRS
AND FOREIGN TRADE
NISSAN



1 Introduction

The budget is prepared by the Ministry of Finance and the Public Service and ostensibly reflects the government's development policies and priorities.

CAPRI's Budget Breakdown provides an informed analysis and perspective on the Jamaican government's budget for the new fiscal year. The national budget comprises the government's expenditure estimates (projections of the amount of money that the government intends to spend throughout the course of the upcoming fiscal year) and revenue estimates (predictions about the amount of money that will be raised during the fiscal year). It is presented for parliamentary approval at the start of each fiscal year (April 1 to March 31). The budget is prepared by the Ministry of Finance and the Public Service and ostensibly reflects the government's development policies and priorities.

This report analyses Jamaica's budget for the fiscal year April 2024 to March 2025, aiming to uncover the development policies and priorities implicit within the financial figures. It achieves this by going beyond the headline numbers to explain the underlying trends and shifts in priorities. The objective is to distill the key takeaways and significant trends of the current budget, thereby enhancing public understanding of how their tax dollars are managed by the government. With greater public insight and involvement, the government is better positioned to make a budget that truly reflects the wants and needs of those who finance it.

The first of the two adjustments made to identify and understand the significant trends within the new budget, is an adjustment for inflation. The value of money changes over time due to inflation, which affects its purchasing power. To account for this, dollar amounts from previous years are adjusted upwards to reflect what they would be worth in today's dollars. This process ensures that comparisons of budgetary figures across different years are made using amounts that can purchase the same volume of goods and services, despite the year they were reported. These adjusted amounts are known as "purchasing power equivalent" (PPE) dollars. By using PPE dollars, we can compare the actual volume of goods and services procured in different years on a like-for-like basis. This adjustment allows for a clearer understanding of changes in budget allocations and spending power beyond mere numerical value changes due to inflation. The second adjustment involves amortization, which is the repayment of debt principal. Similar to how loan receipts are not considered "revenue," repayments of loan principal are also not counted as "expenditure." This approach prevents double-counting of spending: it ensures that money is not recorded both in the year it is expended or received and again in the year it is financed or repaid. This adjustment keeps the assessment of revenues and expenditures clear and accurate.

Having made these necessary adjustments, the report will assess the credibility and sustainability of the budget, review major trends and shifts, and evaluate the new policy proposals. We now take these in turn.

With greater public insight and involvement, the government is better positioned to make a budget that truly reflects the wants and needs of those who finance it.

2 Credibility and Sustainability

The 2024 budget is explicitly premised on economic growth of 1.8%, inflation of 5.8%, and a current account balance of 1%

A credible budget is one where the projected revenues and expenditures are likely to be realised. If a budget lacks credibility, evaluating its revenue proposals is not practical, as they are unlikely to materialise. Once a budget's credibility is confirmed, it is useful to explore the implications of proposed expenditures beyond the current budget cycle to understand their potential long-term effects. Sustainability of the budget refers to the long-term viability of its revenue and expenditure plans, including their impacts on public debt and overall macroeconomic performance, extending past the immediate fiscal period. Here we assess both the credibility and the sustainability of the budget for the current fiscal year.

Credibility

The government's estimates in the budget are predicated on assumptions regarding GDP growth, inflation, and current account balance (the difference between the value of exports plus net remittances and imports plus other recurrent payments). The 2024 budget is explicitly premised on economic growth of 1.8 percent, inflation of 5.8 percent, and a current account balance of 1 percent.

The government's estimates in the budget are based on assumptions regarding GDP growth, inflation, and current account balance (the difference between the value of exports plus net remittances and imports plus other recurrent payments). The 2024 budget is explicitly premised on economic growth of 1.8 percent, inflation of 5.8 percent, and a current account balance of 1 percent.[1] The economic growth over the medium term, that is forecasted to grow within the range of 1.5 percent to 2 percent, is expected to be driven primarily by the Mining & Quarrying, Hotels & Restaurants, and Transport & Storage. Inflation is projected to stabilize at 5 percent over the medium term, while the current account balance as a percentage of GDP is expected to average a surplus of 1 percent over the medium term. This is predicated on continuous improvement in Jamaica's trade balance, with continuous growth in exports. Commodity prices, including fuel of which Jamaica is a net importer, are projected to decline over the medium term.[2]

One indicator of a budget's credibility is whether the government's expectations are consistent with those of independent evaluators. The macroeconomic projections set out by the government align well with forecasts from other authoritative sources. The Planning Institute of Jamaica (PIOJ) anticipates a GDP growth of 1.9 percent, driven by increased employment (which prompted firms to expand operations to meet rising demand), enhanced productive capacity in the Mining & Quarrying Industry (leading to higher alumina production), and growing consumer confidence linked to favourable job market prospects.[3] The International Monetary Fund (IMF) and the World Bank, independent of each other, both forecast a GDP growth of around 2 percent for 2024. They also expect inflation to stabilise within the Bank of Jamaica's target range of 4-6 percent.[4] This consensus among trusted authorities provides a positive yet cautious economic outlook and serves as a strong indicator of the government's projections being reasonable and reliable, thereby supporting the budget's credibility.

Fiscal outcomes are influenced by a variety of risks, notably those associated with economic growth and natural disasters, which could impact the economy. Key risks to Jamaica's economic growth include the potential for a deeper-than-expected slowdown in the global economy, which could, in turn, affect Jamaica due to spill-over effects.[5] As the United States is Jamaica's principal trading partner and is expected to see its growth rate decrease from 2.5 percent in 2023 to 2.1 percent in 2024, this slowdown could pose a risk to Jamaica's economic performance.[6] Given the dependence on the economic health of its main trading partners, it is crucial for the Jamaican government to continuously monitor global economic developments. This vigilance is key for timely assessing and mitigating potential risks that could derail Jamaica's fiscal stability.

Inflation is projected to stabilize at 5% over the medium term, while the current account balance as a percentage of GDP is expected to average a surplus of 1 percent over the medium term.

Jamaica is vulnerable to a range of natural and climate-related hazards, including geological and hydrometeorological events such as earthquakes and hurricanes. These disasters pose threats to the livelihoods of Jamaicans and have implications for the country's economic and fiscal stability.[7] Natural disasters have historically caused extensive economic damage in Jamaica. Between 2001 and 2010, disasters cost Jamaica an estimated US$1.2 billion, approximately 9 percent of its GDP. Hurricane Ivan alone (2004) resulted in damages exceeding US$350 million, around 3 percent of GDP.[8] This susceptibility underscores the importance of robust disaster preparedness and response strategies to mitigate the impact of such events on Jamaica's fiscal health and economic trajectory.

The government has been implementing strategies to reduce and manage the fiscal risks associated with climate change.[9] It has also carried out reforms that strengthen the country's physical and fiscal resilience against natural disasters. These include a range of natural disaster risk financing policies and funds, lines of credit, catastrophe bonds, liquidity lines, and facilities.[10]

The National Natural Disaster Risk Financing Policy (NNDRFP) was established in the fiscal year 2023/24. This policy proposes a risk-layered approach to disaster risk financing in order to mitigate the fiscal impacts of natural disasters. Risk layering involves establishing adequate funds and reserves to retain the costs associated with high frequency, low severity events such as floods or heavy rainfall, and transferring risks related to low frequency, high severity events such as major hurricanes and earthquakes, through insurance facilities.[11]

There are three pools of funds that the country can access in the event of a disaster of a specified magnitude. These are the National Disaster Fund, which capitalized at J$500 million at December 2023; the Contingency Fund, which amounted to $5.1 billion at the same time; and the IDB Contingent Line of Credit (CCL), which amounts to US$385 million.[12] Altogether, that represents a fiscal cushion of approximately 6 percent of the budget.

Natural disasters have historically caused extensive economic damage in Jamaica. Between 2001 and 2010, disasters cost Jamaica an estimated US$1.2 billion, approximately 9% of its GDP. Hurricane Ivan alone (2004) resulted in damages exceeding US$350 million, around 3 percent of GDP

Existing catastrophe bonds and insurance facilities will be renewed. In 2021, Jamaica became the first island in the Caribbean to independently purchase a catastrophe (CAT) bond, with US$185 million of insurance cover for eligible named storm events from July 2021 to December 2023. For the current fiscal year, 2024, the government is actively pursuing the issuance of a new CAT bond. The instrument will provide financial protection against financial losses associated with hurricanes. Pay-outs to Jamaica will be triggered if a named storm event meets the criteria for location and severity in accordance with the terms of the bond. For FY 2024/25, the government intends to renew the existing insurance policy with the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF-SPC). The policy provides financial protection against hurricane, earthquake, and excess rainfall events.[13]

The existing portfolio of risk financing instruments is to be supplemented by a to-be-established National Natural Disaster Reserve Fund (NNDRF). This fund will provide financial resources for the relief, recovery and reconstruction costs associated with a natural disaster (with origins that can be geological, hydrometeorological, or biological). Capitalization of the NNDRF will entail annual budget allocations. The NNDRF will also house receipts/pay-outs from other disaster risk transfer instruments (such as the CCRIF, CAT bond, and IDB CCL).[14]

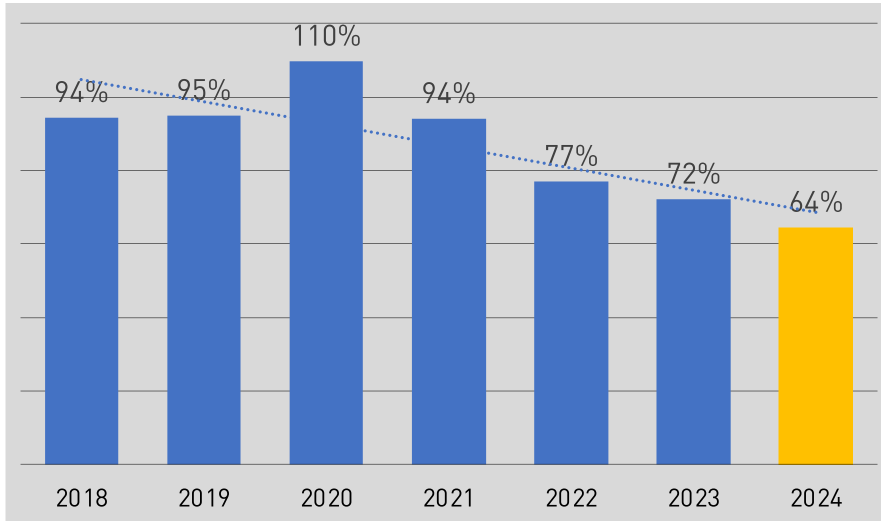
The government's arrangement with the IMF under the Precautionary and Liquidity Line (PLL) and Resilience and Sustainability Facility (RSF) provides access to US$1.7 billion. The PLL gives Jamaica access to approximately US$963.0 million in the event of balance of payment shocks, while the RSF provides insurance against weather-related shocks and is structured to facilitate the implementation of further initiatives that increase resilience to climate change risks. However, the RSF is concerned with investing in long term macro-economic resilience (including climate and pandemic risks), and not with natural disaster recovery.[15]

The net international reserves (NIR) and the debt to GDP ratio allow room for the government to borrow if the need arises. The NIR (the foreign exchange reserves of the central bank) are projected to be US$4.8 billion by the 2024 fiscal year's end, equivalent to at least five months of import cover.[16] Jamaica's ratio of government debt to total annual production in the economy (debt to GDP ratio) also stands at approximately 72 percent at the end of 2023, the lowest level in over two decades, and it is projected to lower to 64 percent at the end of 2024.[17] Further, the debt manangement strategy continues to focus on realigning the debt portfolio in favour of local currency obligations and, consequently, further mitigating foreign exchange risk. These facts support the proposition that resilience to external shocks is being built into fiscal management.

Jamaica's budget for the fiscal year 2024 is credible. The government's macroeconomic projections are in line with those of other major agencies and so are not blatantly unreasonable. Furthermore, the country's fiscal responsibility framework, along with its independent central bank, provide a guardrail against unrealistic revenue estimates and politically directed monetary policy. Despite ongoing vulnerabilities due to economic risks and natural or climate-related hazards, Jamaica has significantly enhanced its resilience. This has been achieved through a comprehensive strategy involving financial instruments and policies designed to mitigate these risks, including various funds dedicated to disaster relief, insurance mechanisms against catastrophes, strategic financial arrangements with international institutions, ample import coverage, and a sustainably low debt level.

Jamaica's debt is to continue on its downward trend.

Debt to GDP Ratio

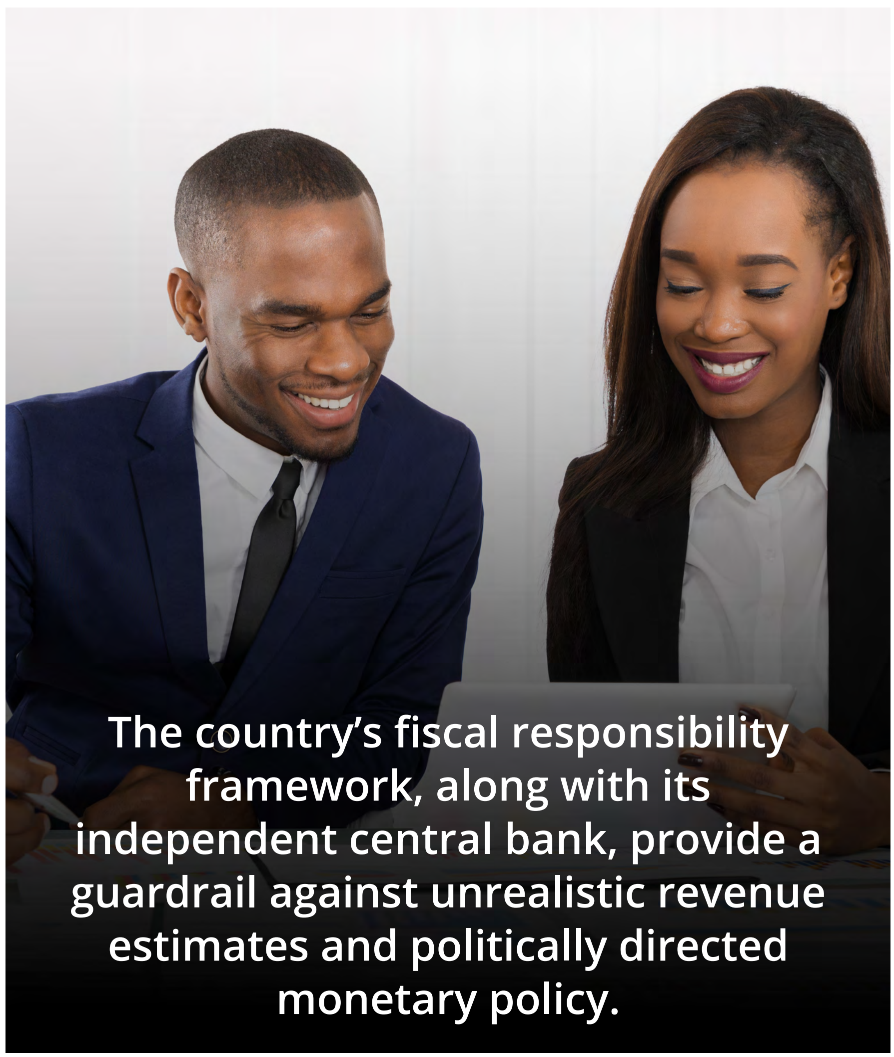


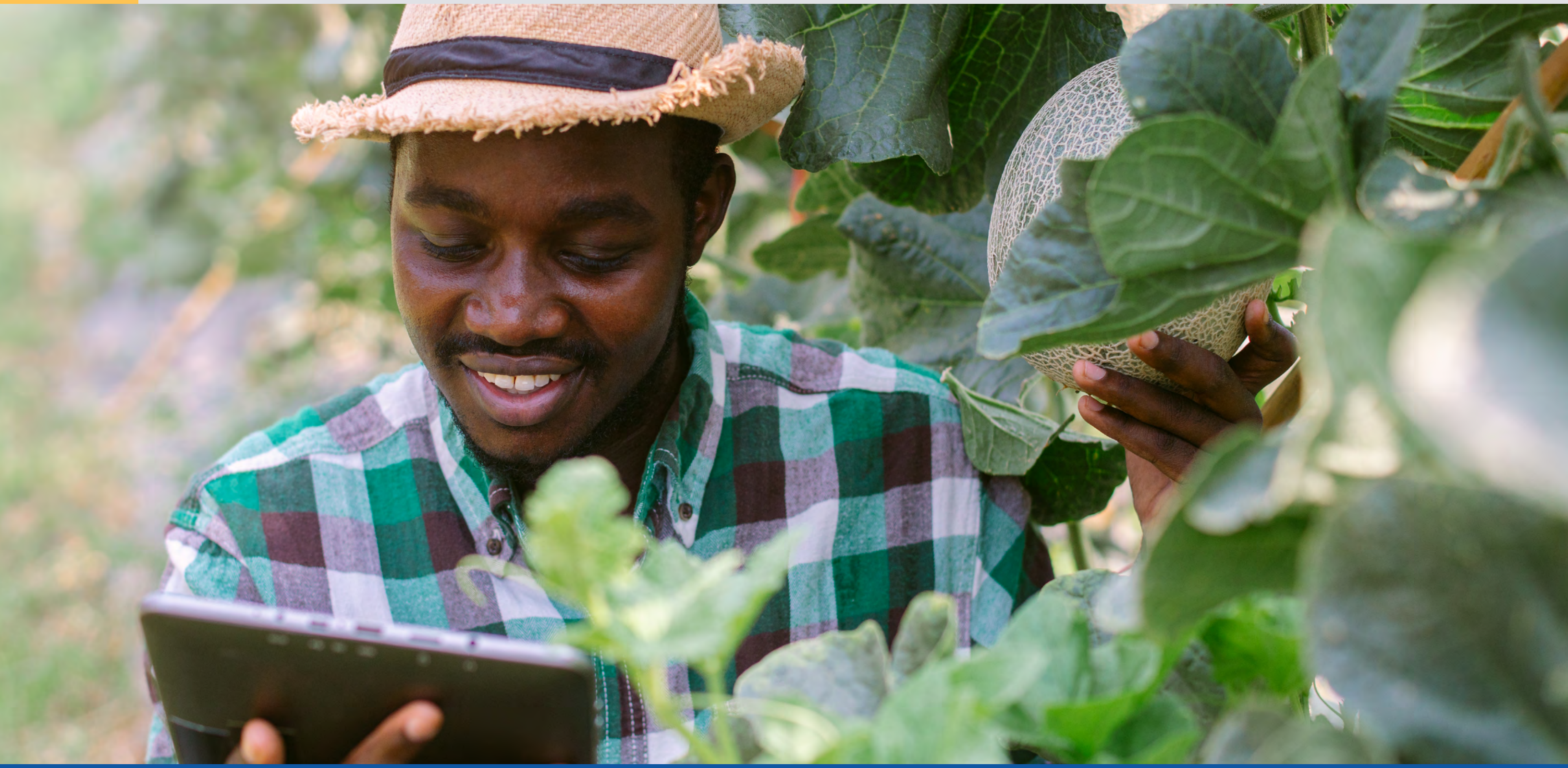
Source: Ministry of Finance and the Public Service, various years.

Sustainability

A budget must promote fiscal and economic sustainability. This requires evaluating not only the amounts spent or earned but also their projected changes over time. Of specific concern is the level of recurrent expenditure, especially debt servicing costs. The higher the proportion of government revenue going to debt repayment, the fewer are the available funds for recurrent expenditure in education, healthcare, and other public services. High debt costs also limit the government's capacity to invest in infrastructure, which is vital for supporting economic growth.[18]

Jamaica has maintained a sustainable fiscal position with the core objective of debt reduction over the past decade. The country's debt-to-GDP ratio, despite a temporary spike during the pandemic, is on a downward trajectory. This ratio is projected to decrease to 64 percent by the end of the 2024 fiscal year (Figure 1), with a target of reaching 60 percent by 2027 as mandated by the Financial Administration and Audit (FAA) Act.[19] As a result, the portion of the budget spent on interest payments has also decreased, falling from 20 percent of total expenditures in 2020 to 17 percent in 2024. The continuation of this gradual debt reduction, achieved without imposing significant additional taxes, further underscores the fiscal sustainability of this year's budget.





3 Shifts and Trends

For the 2024/25 budget, compared to the previous year's outturn, the government expects an additional inflow of $189 billion to be available.

The headline event of the 2024/25 fiscal budget is the need to accommodate the 42 percent increase in the public sector wage bill, resulting from the salary restructuring announced in May 2023. To make fiscal room, there are smaller allocations across all other public expenditure categories, which are effectively reduced in purchasing power terms. At the same time, there is a projected 7 percent increase in revenue in real (purchasing power) terms, which provides the remaining financing for the salary increases. We examine the specifics of these adjustments, starting with the four functional aggregates under which expenditure is categorized. To set the stage, we will compare the budget's allocations with the actual revenues and expenditures from the previous fiscal year. This comparative analysis will highlight the shifts and underlying trends significant to this budget cycle.

Where it Came and Where it Went

The 2024/25 fiscal budget, set at $1.3 trillion, some 45 percent of GDP, necessarily reflects the changing priorities and exigencies from previous years. To understand these changes, we examine the differences in financing and disbursement between this budget and the last (2023/24). This analysis will highlight where the additional resources will come from and how those funds are to be reallocated.

For the 2024/25 budget, compared to the previous year's outturn, the government expects an additional inflow of $189 billion to be available. Of this, the largest share, $80 billion, will come from one-off transactions, namely, the sale of government receivables—where liabilities owed to the government are sold to a collection agency—and funds previously drawn from the IMF Resilience and Sustainability Facility. Additionally, $70 billion will be realized from organic growth in tax revenue, driven by increased and higher-value economic activities. The remaining $39 billion will be sourced from reductions in the real value of allocations to security, social services, and the economy compared to the previous year. (Figure 2).

A combination of spending cuts and new funds has made an additional $132 billion available compared to last year.

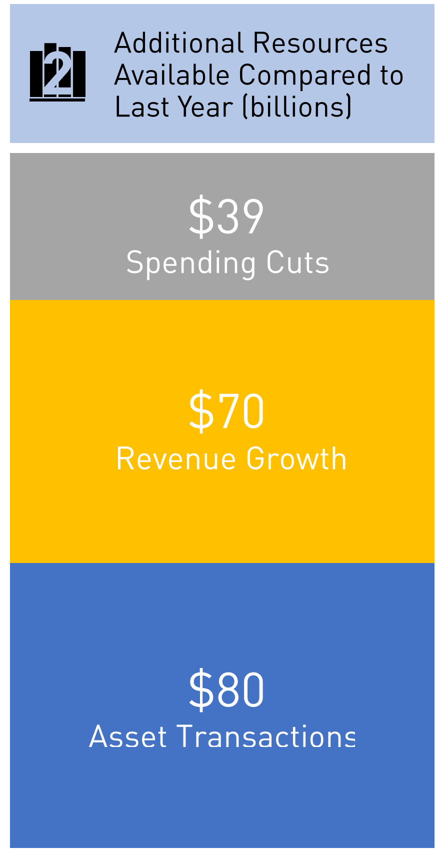


Figure 2: Additional Resources Available Compared to Last Year (billions)

The headline event of the 2024/25 fiscal budget is the need to accommodate the 42% increase in the public sector wage bill, resulting from the salary restructuring announced in May 2023.

These additional resources have only two destinations. $57 billion is for administration, most of which is necessitated by the new compensation structure for the public sector and the associated salary increases. The remaining $132 billion represents the increase in public debt retirement over the last year, referred to as "net amortization" since it excludes new loans procured to retire existing debt.

$132 billion of additional funds is to be used for salary increases and paying down debt.

3 Additional Use of Funds Compared to Last Year (billions)

$57
Administration

$132
Net Amortisation

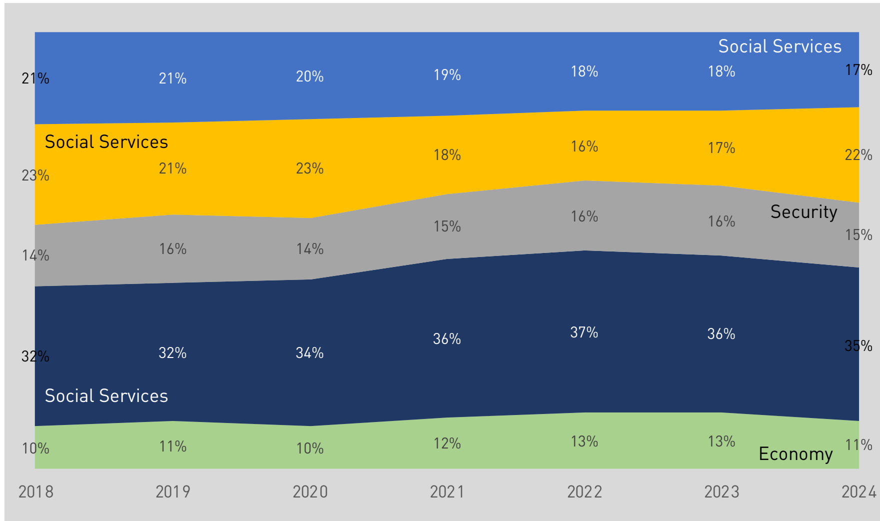
Source: Additional Resources Available Compared to Last Year (billions)

The substantial increase in the wage bill has necessitated adjustments, primarily in the form of spending cuts across all sectors, to maintain fiscal stability. Below, we examine the shifts in expenditure, category by category, to understand the implications of this budgetary strategy.

Figure 4 illustrates how the share of public expenditure going to all other categories has made way for the public sector salary increases, classified under "Administration".

Even adjusted for inflation, government revenue has been surging.

4 Distribution of Expenditure Across Functional Categories



Source: Ministry of Finance and the Public Service, various years.

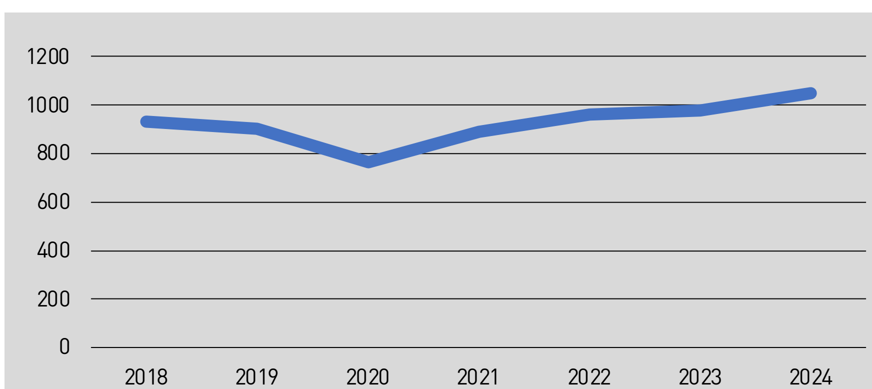
Following is an examination of, first, the key trends and changes on the revenue side of the accounts and then those on the expenditure side.

Revenue

Government revenue (which excludes loan receipts) is expected to be higher in inflation-adjusted terms in this fiscal year than at any other time during the last six years. It is programmed to grow by 7 percent to $1 trillion (Figure 5). Comparing the 2024 revenue expectation to that of the pre-pandemic year, 2019, it is 16 percent higher. So the projected growth is the continuation of an upward trend interrupted only by the pandemic-induced contraction of the economy.

Even adjusted for inflation, government revenue has been surging.

5 Revenue, Adjusted for Inflation (PPE$b)



Source: Ministry of Finance and the Public Service, various years.

Government revenue (which excludes loan receipts) is expected to be higher in inflation-adjusted terms in this fiscal year than at any other time during the last six years.

Over the seven-year span that this analysis covers, revenue has grown by $115 billion (in inflation-adjusted terms). Nearly all of that increase, $106 billion, has been accounted for by revenue from income taxes. In other words, the erosion of the purchasing power of the income tax threshold, an implicit income tax increase, is a contributor to the growth of overall revenue observed over that period.

Higher revenue can come about in a few ways. The first possibility is that the underlying amount of economic activity, measured by GDP, is growing, and the government is creaming off a constant share of it through taxation. However, the tax to GDP ratio has risen by only 5 percentage points since 2019, so a constant share of a rising GDP does not account for most of the phenomenon. The second possibility is that there is increased efficiency and effectiveness of tax collection, which would imply that the increased collections are coming from those previously evading taxes. It is also possible that the economy is growing in ways that the GDP measure is not picking up.

A final explanation for the growth in real tax revenue could be the imposition of higher tax rates, thereby extracting a larger share of economic activity. The government has boasted that there have been no increases in tax rates for seven consecutive budgets. This is correct in a literal sense. However, whenever taxes are based on a nominal amount (specified as a fixed amount of money) instead of being levied entirely on a percentage basis, effective tax rates – the actual amount paid in taxes – can implicitly change when inflation erodes the value of money.

Income taxes over the last seven years present an example of this phenomenon of an implicit tax rate change due to inflation. The income tax threshold, the level of income below which the income tax rate is zero, has been $1.5 million over all those seven years. But since then, the falling purchasing power of the currency due to inflation has caused both prices and wages to rise without the recipients of those wages necessarily being able to purchase more goods and services. As a result, even persons who have experienced no increase in the purchasing power of their increased wages now find themselves above the threshold and therefore being taxed at a marginal rate of 25 percent instead of zero. That is effectively a rise in the tax rate from zero to 25 percent.

Over the seven-year span that this analysis covers, revenue has grown by $115 billion (in inflation-adjusted terms). Nearly all of that increase, $106 billion, has been accounted for by revenue from income taxes. In other words, the erosion of the purchasing power of the income tax threshold, an implicit income tax increase, is a contributor to the growth of overall revenue observed over that period.

Direct and Indirect Taxes

The income tax-fueled increase in revenue has implications for the "tax mix" – the composition of sources from which the government earns its revenue. Taxes may be raised "directly" from citizens, by taxing their incomes (either as individuals or corporate entities), or "indirectly" by taxing instead their activities such as production, consumption, or importation. Determining what share of revenue is derived from direct versus indirect taxes is a key decision in fiscal management. Which is more suitable depends on the characteristics of the particular economy and the capacity of the tax administration.

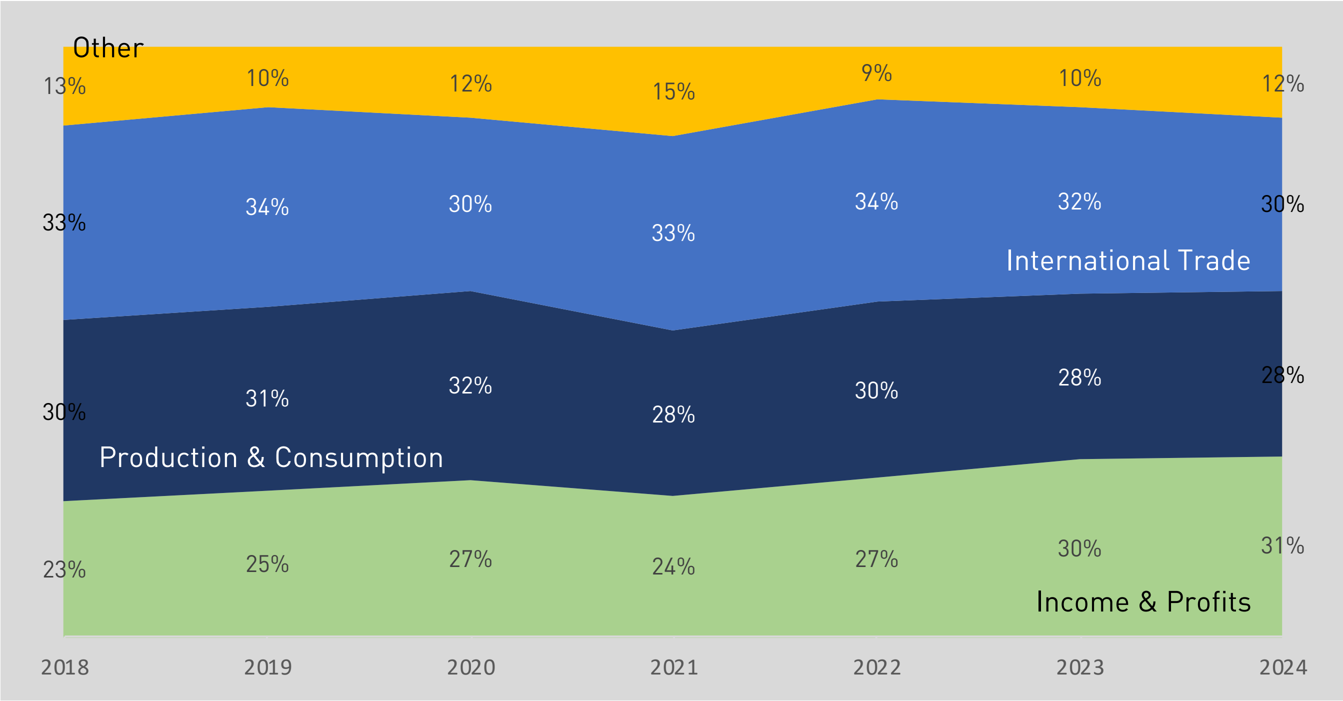
With regard to the division between direct and indirect taxes, the data reveals that Jamaica is undergoing a profound shift. Over the last six years, the share of revenue deriving from direct taxes has risen by a third, from 23 to 31 percent (Figure 6). The 2024 projection of $322 billion represents an increase in inflation-adjusted terms of 50 percent over that period. This increased reliance on direct taxes is problematic because, in the context of an economy with a high share of informal activity, income taxes are less efficient than indirect taxes due to the prevalence of evasion. GCT and import duties (indirect taxes) have fewer points of collection and the transactions are more exposed, so those taxes have a lower rate of evasion.

Further, while income taxes are "vertically" equitable (higher income earners pay a higher share), they are simultaneously "horizontally" iniquitous (some at the same level of income pay no taxes at all). Those with formal jobs and so are on the automatic deduction PAYE (pay as you earn) system pay all income taxes and obligations. However, professionals, own-account workers, and those informally employed are able to easily skirt the income tax obligation. And many of those are earning income equal to those on PAYE. Thus, many earning comparable incomes are paying vastly different amounts of taxes.

With regard to the division between direct and indirect taxes, Jamaica is undergoing a profound shift. Over the last six years, the share of revenue deriving from direct taxes has risen by a third, from 23 to 31 percent.

The share of revenue from personal and corporate income taxes continues to increase.

6 Share of Revenue by Source



Source: Ministry of Finance and the Public Service, various years.

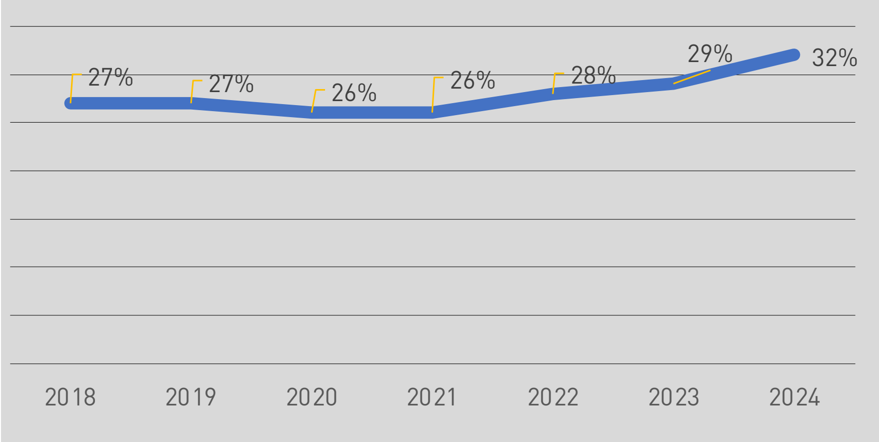
Tax to GDP Ratio

The tax to GDP ratio represents the share of the value of a country's total production that is collected by the government through taxes. It is calculated by dividing the period's tax revenue by GDP. It is an indicator of efficiency and effectiveness of government. A ratio of tax revenue to GDP ratio of less than 15 percent is considered a tipping point below which a state is not economically viable.[20]

For the past six years, Jamaica's tax to GDP ratio has been in the range of 26 to 29 percent. For 2024, the tax to GDP ratio is expected to increase by 3 percentage points to 32 percent (Figure 7). That ratio is now in the range typical for high income countries, which tend to be over 30 percent, and in the Scandinavian countries, over 40 percent.[21]

The government has been able to extract an increasing share of GDP in taxes.

7 Tax to GDP Ratio



Source: Ministry of Finance and the Public Service, various years.

Expenditure

The growth of revenue over the last six years, as reflected in both the inflation-adjusted measure of collections and the rise in the tax/GDP ratio, has provided the government with additional resources to allocate across the various "demands" on public funds.

National Security

Security is one of the areas of national expenditure that has benefitted from the growth of tax revenue in recent years (Figure 8). In the five years up to the last fiscal year, expenditure on national security rose by 18 percent after accounting for inflation.

Much of that was accounted for by one-off equipment upgrades and acquisitions.[22] These included new offshore patrol vessels, Bushmaster vehicles, troop carriers, ambulance variants, service helicopters, and patrol aircrafts. In addition to these procurements, the JDF also established the Caribbean Military Academy in 2019, as well as a new division called the Maritime, Air and Cyber Command (MACC); both which would have been large investments.

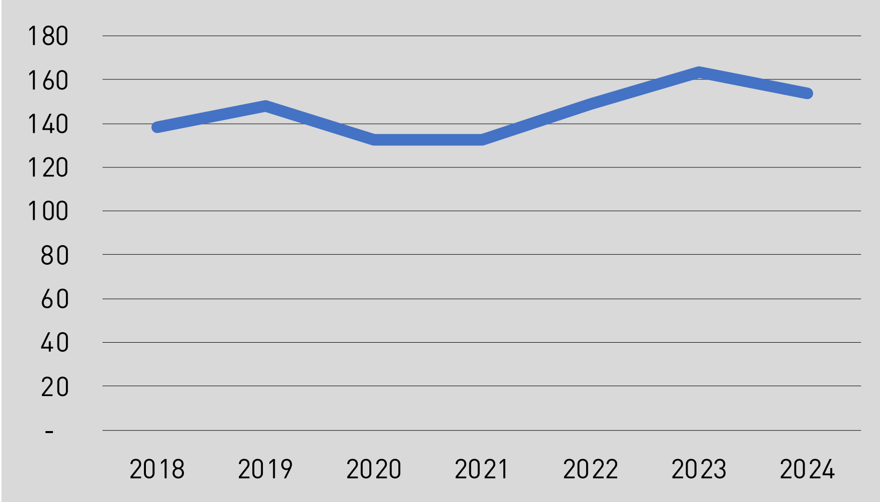
Real expenditure on national security is projected to decrease by 6 percent to $154 billion in 2024, nearly all of which is accounted for by the reduction to the JDF. In contrast, changes to the allocation for the other areas of national security – the constabulary, the justice system, and correctional services – were negligible, thus this reduction should not be seen as a deprioritization of the security sector, which remains critical to Jamaica's development, given organized violence's deleterious impact on the economy and citizen well-being.

Social Services

Spending on social services is by far the largest functional category in the budget usurping more than a third of the total. It is projected to contract marginally, by 2 percent, to $359 billion, after gradually and steadily increasing in preceding years (Figure 9).

Expenditure on security is budgeted to dip after years of increases.

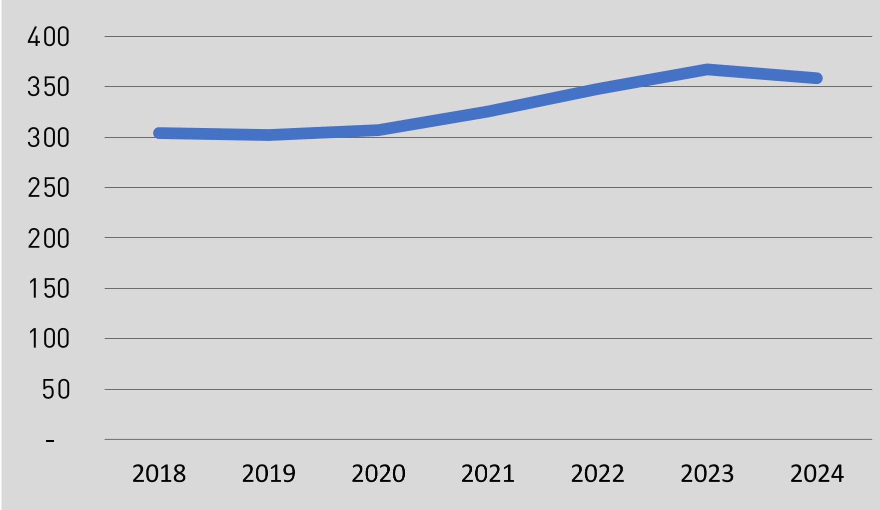
8 Expenditure on National Security (adjusted for inflation)



Source: Ministry of Finance and the Public Service, various years.

Expenditure on social services is also projected to dip slightly after steady annual increases.

9 Expenditure on Social Services (adjusted for inflation)



Source: Ministry of Finance and the Public Service, various years.

The total amount for social services contains a substantial cut to the education budget, some 8 percent in purchasing power terms, but modest increases in other categories. The cut should also not be seen as a shift of priorities but rather a result of the slower than expected execution of work for a major educational project, the Primary and Secondary School Infrastructure Programme (PSIP). It was reported that none of the annual targets for the PSIP were being achieved due to the slow progression of the project.[23]

Economy

Expenditure related to the country's economic activities (manufacturing, agriculture, tourism, finance, construction, distribution, and so on) along with that on environmental protection and conservation, are classified under the "economy" functional category. This function is to see a steep drop, by 13 percent, down to $113 billion (figure 10).

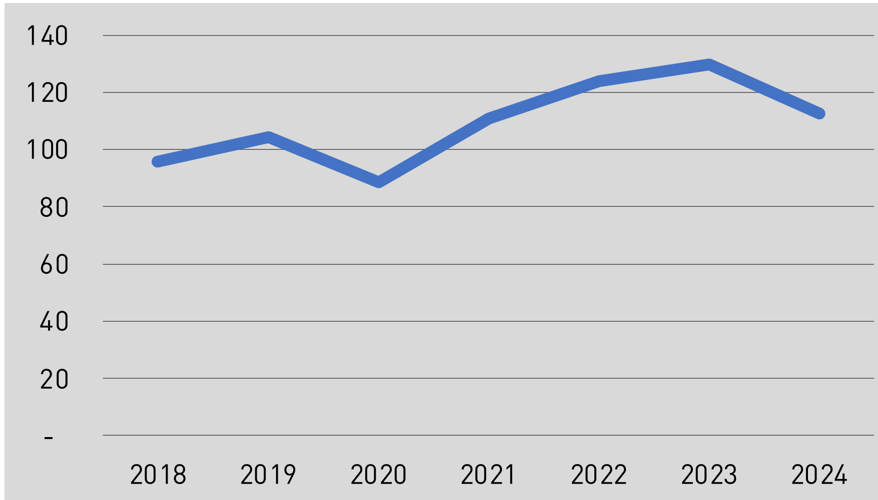
Similar to the situation for security and social services, this contraction comes against the backdrop of historically growing amounts of expenditure on the economy. Much of those increases are related to the country's transportation infrastructure and therefore include one-off investments rather than ongoing maintenance costs.

Administration

"Administration" refers to the back office and overhead spending of government. For the 2024/25 fiscal year, there is a projected 42 percent increase in real expenditure under this functional heading, to $225 billion. As is clear from the above review of inflation-adjusted expenditure to the other functional categories of government expenditure, this function is the last to benefit from the spectacular growth of revenue in recent years (figure 11).

Expenditure on the economy is to cut back sharply after years of growth.

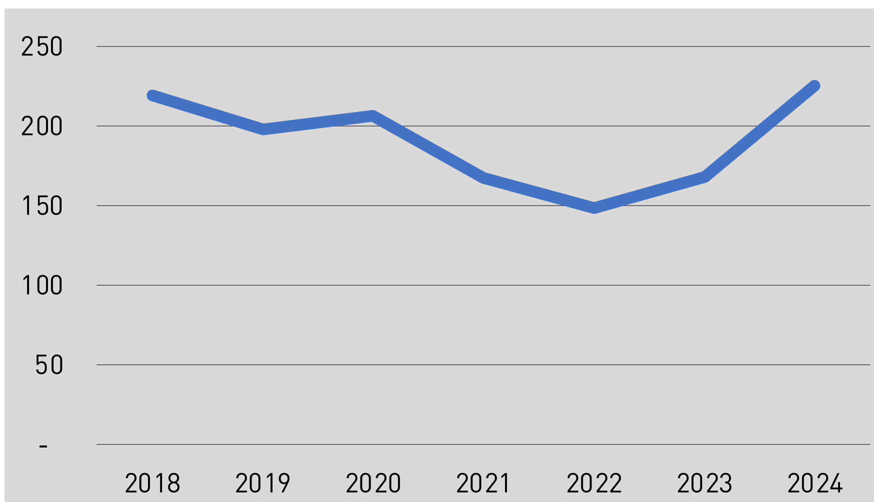
10 Expenditure on the Economy (adjusted for inflation)



Source: Ministry of Finance and the Public Service, various years.

The collapse of the allocation to public administration has reversed sharply over the last two years due to the public sector salary increases.

11 Expenditure on Public Administration (adjusted for inflation)



Source: Ministry of Finance and the Public Service, various years.

road works or highway image

Spending on public administration now represents 22 percent of total expenditure, which is 5 percentage points more than it was before the well-publicised new compensation structure for the public sector and the associated salary increases. At full implementation, public sector employees will see at least a 20 percent increase in their net pay, but most employees' increases will exceed that.[24]

This recalibration of public sector salaries is part of a wider set of reforms intended to rationalise compensation and correct anomalies within the public service. The Government has initiated several measures to achieve this including the rationalization of public bodies and the digitization of services. The compensation increases are aimed at making public sector jobs more attractive by correcting decades of erosion of the real value of public sector salaries. Moreover, the old compensation framework was complex, unmeritocratic, and complicated the management of the public sector. The reform simplified the framework to enhance transparency, facilitate meritocracy, and increase manageability.

The salary increases necessarily results in a larger share of public funds going to Administration and therefore to some level of budgetary reallocation away from the security, social services, and economic functions, following years of increases in those areas.

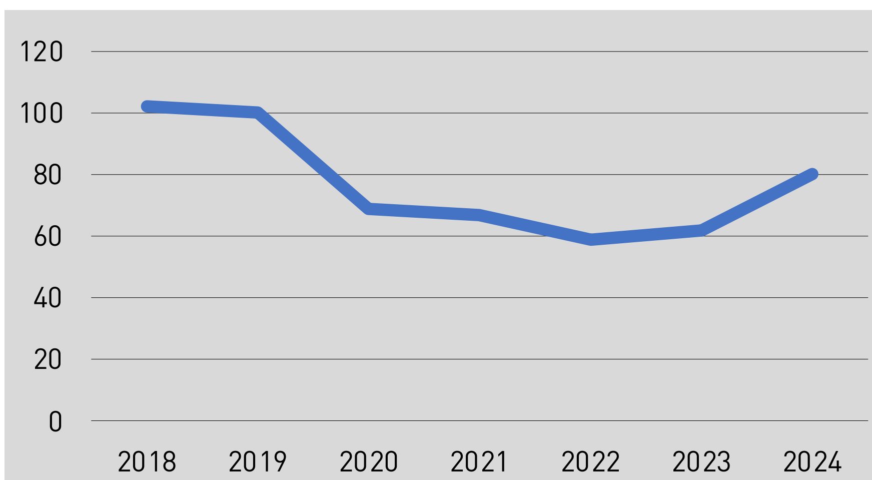
Capital Expenditure

The capital expenditure budget cuts across all the functional categories, referring to spending within those functions on fixed assets such as public buildings, transportation networks, and infrastructure. Its defining characteristic is that the assets procured are intended to last many years. The 2024 budget continues the post-pandemic trend of rising capital expenditure, which grew by 36 percent to $80 billion this fiscal year, 2024 (Figure 12). This upward trend indicates that the government is investing more in the national capital stock, while also increasing recurrent expenditure associated with capital programmes and compensation of employees.[25]

Notwithstanding the growth in capital expenditure from the trough of the pandemic, though, after adjusting for inflation, it still remains some 20 percent short of the levels obtained before the pandemic forced its redirection towards the health emergency.

Capital expenditure will continue its post-pandemic upward trend.

12 Capital Expenditure (PPE$b)



Source: Ministry of Finance and the Public Service, various years.

4 New Policy Proposals

The aim of the Jamaica 60 HOPE Trust Fund is to mitigate the intergenerational transmission of poverty.

In the 2024/25 budget presentations, several new policies were introduced. This section will evaluate the policies by looking at, where relevant, the accuracy of targeting, the efficiency of proposed delivery, any equity considerations, and the capacity to implement. This will provide a basis on which to determine whether each policy is worth the resources and effort to be put into it.

Jamaica 60 HOPE (Hope, Opportunity, Prosperity and Empowerment) Trust Fund

The Jamaica 60 HOPE (Hope, Opportunity, Prosperity, and Empowerment) for Children Trust Fund is an initiative to assist poor youths to get a financial boost at the start of their adult lives. For each eligible child – determined by being in a household on the PATH programme or being a ward of the state – a trust fund will be established, funded by the government but to which parents and others may contribute, the proceeds of which will be accessible when the beneficiary turns 18. The use of it is restricted to education, the purchase of property, or a business investment. Eligibility begins with those born after August 6, 2022 (Jamaica's 60th independence anniversary).

The aim of the fund is to mitigate the intergenerational transmission of poverty. By being limited to those on PATH and wards of the state, there will be no leakage to those outside the target group – the poor – making this is a well-targeted programme.

The administrative cost of this programme should be less than one percent of the value of all the funds under management for all the trusts taken together since it can be invested in an "index" fund which passively tracks the entire market, so there will be no need for an active portfolio manager to make allocation decisions. The outcome can be efficiently delivered and there will be no concern with regard to implementation capacity. Given that the trust fund is well-targeted only to poorer youths while being funded out of general taxation, it scores positively on equity in the sense of being a transfer from those with higher incomes to the lesser off.

Revised NHT Home Improvement Loan Policy

The NHT Home Improvement Loan is an existing facility to finance home improvements. Presently, public sector workers are able to access the loan for up to $3.5 million ten years after the initial mortgage, while non-public sector workers are able to access after 15 years. Eligibility for those outside the public sector has now been reduced to ten years. A new loan product has also been introduced, the Smart Energy Home Improvement Loan, which is to finance the installation of solar technology, such as solar panels, batteries, and solar water heaters. Contributors accessing the energy loan can get a maximum of $1.5 million at a rate of 5 percent for a payback period of ten years.

From an equity perspective, both initiatives suffer from the same one that afflicts NHT in general, that by design, they are subsidies for the middle class and above. Households in the bottom quintile largely do not own or have title to homes in which they live and in any event are not able to afford the installation of solar generation. From an equity perspective, this programme is problematically skewed toward benefiting the more affluent segments of society.

The solar programme does have the advantage of incentivizing the country's installation of new energy generation capacity and the shifting of generation towards renewable sources. Also in their favour, the administrative capacity for implementation already exists since it fits squarely into the NHT's existing administrative apparatus.

From an equity perspective, both initiatives suffer from the same one that afflicts NHT in general, that by design, they are subsidies for the middle class and above. Households in the bottom quintile largely do not own or have title to homes in which they live and in any event are not able to afford the installation of solar generation. From an equity perspective, this programme is problematically skewed toward benefiting the more affluent segments of society.

NHT Expansion of Home Grant

At present, the NHT Home Grant is a special offer of up to $2.5 million to NHT contributors earning less than $15,000 per week and who do not own a home.[26] This grant may be combined with an NHT loan to purchase land or residential property, or to build. The proposed expansion of the grant will now facilitate the installation of solar panel systems on the houses of 30 public sector pensioners for the next three years at a maximum of $1.5 million for each pensioner.

In order to access the solar grant, the contributor must be a homeowner, receiving a public pension, and 65 years or older. Additionally, the pensioner should have earned less than $30,000 per week at retirement, experience irregular electricity supply, and should not already have any solar equipment installed. The recipients will be selected randomly after being stratified by parish and meeting the criteria mentioned earlier.
Because the limit to the number of recipients is only 30, this programme by design will not have widespread impact. Given that this policy is only an extension of an established grant, the administrative cost of the initiative will be small (although some elements of it may be difficult to establish, such as salary upon retirement). Likewise, the resources and capacity necessary for the implementation of the solar grant already exists at the NHT, and so would impose little additional cost to support the programme.

CARE (Community Action for Rewarding Engagement) Programme

The Community Action for Rewarding Engagement (CARE) programme is a new initiative to assist unemployed youth, ages 14 to 24, by increasing their employability through enrolling in HEART. Once enrolled, they will be awarded a $15,000 transportation grant and a $13,000 weekly stipend.

There is no way to establish that the most deserving youth will be the ones selected since selection is necessarily limited to those with links to the MP.

To qualify for the programme, 30 unemployed youth will be selected by each Member of Parliament from their constituencies for enrolment in a HEART course. With 63 members of parliament selecting 30 candidates each, this programme will benefit 1,890 out of the estimated 26,200 unemployed youth, or just over 7 percent of the target group.

The cost to implement the programme will be moderate as HEART already has a system to manage programmes for youth development. However, as each youth is selected by a Member of Parliament, HEART must still verify those selected which will come at a small cost. It is a disadvantage that the selection process is opaque, which an opportunity for favouritism and corruption. There is no way to establish that the most deserving youth will be the ones selected since selection is necessarily limited to those with links to the MP.

Raised Personal Income Tax Threshold

The personal income tax threshold is the portion of an individual's income exempted from the application of income tax. For the new fiscal year, the threshold has been increased from J$1.5 million to J$1.7 million. This can be seen as correcting the nominally-denominated threshold for the erosion of its purchasing power due to recent inflation. In that regard, it would have taken an increase to $2.4 million to restore its value to the purchasing power of its last adjustment in 2017. The failure to restore the real value of the income tax threshold, as noted earlier in this report, partially shifts the burden of tax collection from indirect taxes to income taxes. This modest increase in the threshold is not sufficient to reverse this trend of recent years.

Changing the level of income taxes, whether by way of the threshold or otherwise, raises the complex issue of equity in tax collection. Jamaica's income

Icon of someone working

Most of those who are not on PAYE pay little or no income taxes. As a result, persons with equal levels of income end up paying different amounts of taxes, depending on whether each is formal or not.

tax brackets create a “progressive” structure in that higher income earner pay a larger share of their incomes in taxes. A shift away from income taxes, therefore, including by raising the threshold, will make the overall tax structure, including both direct and indirect taxes, less equitable.

This consideration, the “vertical” equity of income taxes, has to be balanced with the “horizontal” iniquity of income taxes. Because of high levels of informality and evasion, most of those who are not on the automatic salary deduction of PAYE end up paying little or no income taxes. As a result, persons with equal levels of income end up paying different amounts of taxes, depending on whether each is formal or not. The decision to raise the income tax threshold, therefore, is a matter of balancing the vertical equity of income taxes with its horizontal inequity.

Reverse Income Tax Credit

A reverse tax credit will be introduced to refund $20,000 to every registered taxpayer who earns J$3 million or less per annum. The tax credit will be administered by the Tax Administration of Jamaica through an online portal where Jamaicans can request the funds. There is nothing currently existing in Jamaica’s tax regime similar to this tax credit so Tax Administration will have to establish a new administrative apparatus and online facility to effect it, which will incur a non-negligible cost.

TOOL Programme

The Tradesperson Ownership Opportunity Loan (TOOL) is a new credit facility to be administered by the Development Bank of Jamaica (DBJ). The objective is to provide loans to small contractors through DBJ’s partner financial institutions to assist them with the upgrading of their equipment and tools. Loans offered, capped at $500,000, will be at an interest rate of 9 percent and be for up to 24 months.

Since the greatest obstacle to business expansion for those without an established credit history is the availability of credit, this facility has the potential to be facilitative for a few members of the small business class. Depending on the amount of funds allocated to it, however, it is unlikely to have a significant impact on the class as a whole.

Executing the programme through commercial financial institutions, that have experience and capacity with credit risk assessment, will mitigate credit losses. However, this still falls within the level of small and micro lending, for which credit losses are a notorious feature. And loans for movable assets are difficult to secure. So whatever the capital allocation to this project, the pool will steadily shrink or require repeated injections of capital. This will add to the conclusion that it will not be transformative for small businesses as a whole.

HEART/NSTA Grant Programme

The HEART/NSTA trust will open a special grant facility of up to $100,000 for HEART trainees who have registered a trade or business operating for more than one year. Only graduates of at least a level-4 programme or who are on PATH or are wards of the state qualify. The programme is well-targeted since qualification is easy to establish. It does however, require the establishment of an administrative apparatus at HEART to check eligibility and to manage and disburse the funds, which opens up the possibility of inefficient resource usage.

Personal Customs Duties Revision

The term "de minimis" refers to a value threshold below which imported goods are exempt from import duties. Jamaica’s de minimis value has been US$50. Effective April 1, that has been doubled to US$100. The rationale for having a de minimis threshold is that the administrative costs of collecting duty on low-value items exceed the revenue generated, making it financially practical to exempt these items from duty. Retailers, who are obligated to pay import duties on wholesale shipments of the same goods argue that it puts them at a competitive disadvantage to direct-to-consumer shipments from abroad, notwithstanding the wholesaler’s advantage of lower shipping cost by importing in bulk. At the same time,

An Unemployment Insurance Scheme can be an important part of a social safety net protecting employees from the vagaries of economic fluctuations and market dynamics.

the personal exemption from import duty for travellers accompanying their imported goods, US$500 before April 1, has also been doubled to US$1,000.

Unemployment Insurance Scheme

Without providing details, the government has indicated that an unemployment insurance scheme (UIS) is under consideration and will be promulgated this fiscal year. A UIS can be an important part of a social safety net protecting employees from the vagaries of economic fluctuations and market dynamics. It will allow the households of laid-off workers to avoid the concomitant loss of all income. Being an insurance scheme, it will be funded from a pool of contributions (whether from employees themselves, employers, or general taxpayers) to the benefit of the individuals who are laid-off.

With respect to providing a mitigation for sudden job loss, it will serve the same purpose now served by "redundancy payments," which refers to the employer's legal obligation to pay to the dismissed worker the equivalent of a certain multiple of current wages, the particular multiple depending on the length of service. Since the two schemes serve the same purpose, the promulgation of UIS should be accompanied by the removal of the redundancy payment obligation, which can now be seen as imposing the "insurance cost" on the individual employer.

The removal of the redundancy payment obligation will provide another advantage. So called "exit costs" – the cost of terminating an employee – are a deterrent to hiring in the first place and so tends to promote unemployment and informal employment.i We can expect therefore that the replacement of the redundancy obligation will give a fillip to the demand for labour as well as shift informal labour into the formal market. In the absence of using UIS to replace redundancy, then UIS, depending on how it is financed, may become an additional financial burden on formal employment which may have the effect of further incentivizing a preference for informal employment arrangements over formal.

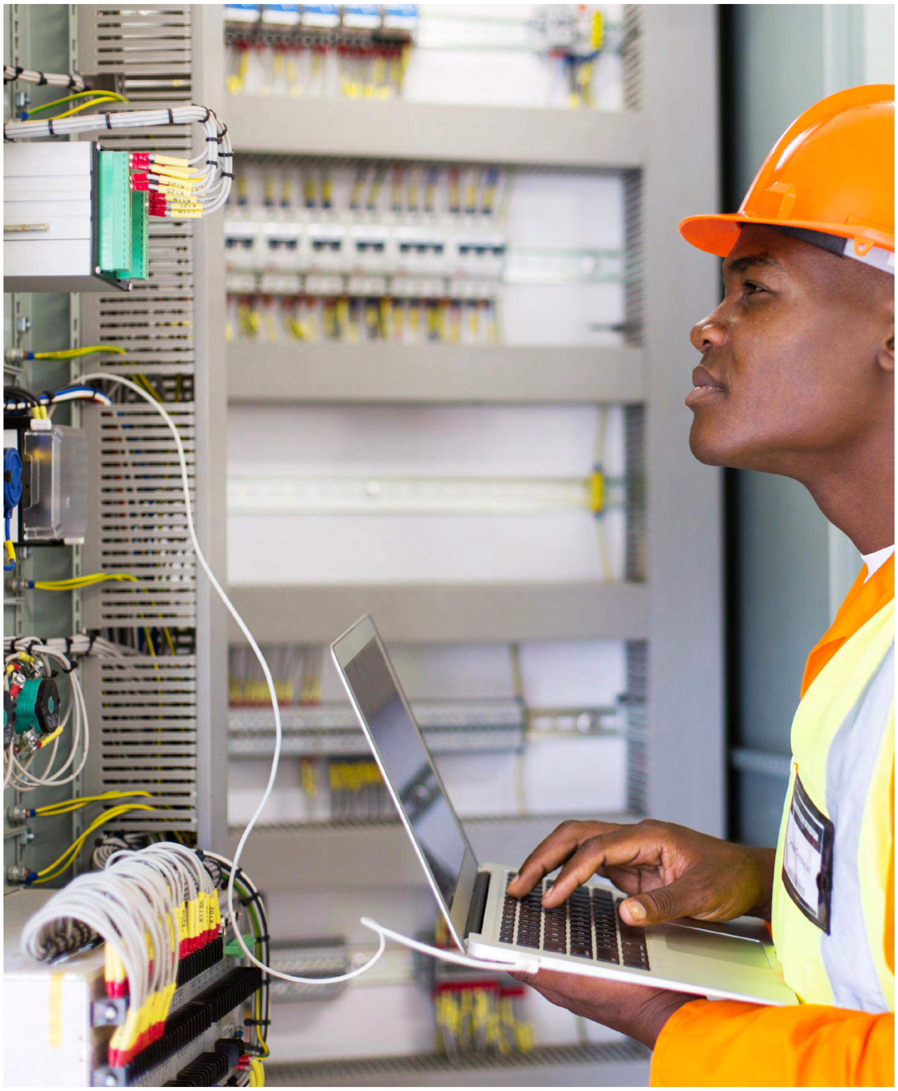
5 Conclusion

The new budget has been accompanied by several small, social policy initiatives.

The budget for the 2024 fiscal year can be said to be credible because the government's macroeconomic projections are in line with those reported by independent organisations such as the IMF and the World Bank. Besides being credible, this budget is fiscally sustainable as it is consistent with continued public debt reduction.

The major trends reflected in this budget are the rise in the share of taxes extracted from the economy and within that the rising share of income taxes in the total. That rising revenue has been allocated to debt reduction and to funding massive public sector salary increases, which has also necessitated reductions in the allocation to other functional categories of public expenditure.

The new budget has been accompanied by several small, social policy initiatives. These include programmes to establish trust funds for poor children, expanded NHT loans for solar installations, subsidizing training for unemployed youth, and equipment loans for micro businesses.



The major trends reflected in this budget are the rise in the share of taxes extracted from the economy and within that the rising share of income taxes in the total. That rising revenue has been allocated to debt reduction and to funding massive public sector salary increases, which has also necessitated reductions in the allocation to other functional categories of public expenditure.

Recommendations

The drift towards increasing reliance on direct taxes, that is, those on personal and corporate income, as has been argued above, is inimical to the desire to shift the economy towards formal employment and to have a more efficient and effective tax regime. We recommend reversing that trend. One way to do so is to raise the income tax threshold that has become eroded by inflation over the last several years. The announcement in this budget exercise to raise by only 13 percent to $1.7 million is insufficient since the direct tax share of total revenue will continue to rise. Therefore, we repeat our recommendation made last year for a more substantial increase in the income tax threshold.

Beyond raising the threshold, but related to it, is the question of equity in the tax structure. Equity, though, should be viewed in the context of the entire budget rather than just in the tax structure, much less on the basis of individual taxes. The vertical iniquity in reducing income taxes can be balanced by improving equity on the expenditure side of the budget. Specifically, since shifting from income taxes to indirect taxes is more efficient and therefore would raise more revenue, that extra revenue could be devoted to higher levels of social expenditure, particularly on the social safety net.

With the trend of increasing tax revenue expected to continue as the public debt continues to fall and the economy improves, the most important fiscal question facing the country is how to allocate that "debt reduction" dividend. We have seen that, so far, all functional categories have shared in some of the increased resources.

The current economic programme is based on improving the broad economic climate on the basis of low inflation, a stable exchange rate, improved infrastructure, low fiscal risks, and economic resilience. That it has begun to yield at least a modest return is evident from the reduction in unemployment and the increases in construction and investment. However, the political sustainability of this programme will depend on economic gains being seen and felt by those in the lowest income groups. This consideration would demand that some of the rising revenue be devoted to welfare redistribution, not thru piecemeal programmes like most of the new policy initiatives discussed above but instead in a comprehensive and transparent way, such as through the PATH programme and in improved public health facilities and public transportation, to highlight a few examples. That is our recommendation.


BANK OF JAMAICA
THE BANK OF JAMAICA ACT
01.06.2022
GOVERNOR
JAMAICA
RE-IGNITING A NATION FOR GREATNESS
AF409427
AF785957
One Thousan
100
BANK OF JAMAICA
5000
AE64256
BANK OF JAMAICA
ISSUED UNDER
THE BANK OF JAMAICA ACT
01.06.2022
GOVERNOR
JAMAICA

Endnotes

[1] Ministry of Finance and the Public Service, "Government of Jamaica Fiscal Policy Paper FY 2024/25 (As Presented)" February 15, 2024, www.mof.gov.jm/wp-content/uploads/Fiscal-Policy-Paper-FY2023-24.pdf.

[2] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25."

[3] PIOJ, "The Planning Institute of Jamaica's Review of Economic Performance, October–December 2023 Media Brief," February 21, 2024, www.pioj.gov.jm/wp-content/uploads/2024/02/DGs-QPB-28_3-Speaking-Notes-February-21-2024.pdf.

[4] World Bank, "Global Economic Prospects," January 2024, www.worldbank.org/en/publication/global-economic-prospects; PIOJ, "Economic Update and Outlook: Vol. 28, No. 3. (October – December 2023)," March 2024, file:///C:/Users/Researcher/Downloads/EUO-Vol-28-No.-3_FINAL.pdf.

[5] World Bank, "The World Bank in Jamaica," last updated April 15, 2024, https://www.worldbank.org/en/country/jamaica/overview.

[6] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25."

[7] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25."

[8] Naomi Cooney et al., "Jamaica Increases Climate Resilience through the First-ever Sovereign Catastrophe Bond for a Small Island in the Caribbean," Case Study No. 10/2022, InsuResilience Global Partnership, October 2022, www.insuresilience.org/wp-content/uploads/2022/11/CaseStudy_Jamaica_FINAL.pdf. The GDP values in 2004 and 2010 were US$10.18b and US13.19b respectively; Statista, "Jamaica: Gross Domestic Product (GDP) in Current Prices from 1988 to 2088," April 17, 2024, www.statista.com/statistics/527074/gross-domestic-product-gdp-in-jamaica/.

[9] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25"; "Some of the strategies to reduce and manage the fiscal risks associated with climate change include strengthening the Public Investment Management (PIM) system, including climate sensitive project appraisal and selection (including for PPPs); strengthening oversight of public bodies from a climate-aware perspective; climate-risk informed land use planning and building codes; use of geographic information systems (GIS) in the mapping of hazards and of existing and proposed asset exposures; the planned introduction of Climate Budget Tagging in budget preparation and reporting; development of asset registers with valuations; and building the capacity of MDAs on climate-aware planning.

[10] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25."

[11] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25."

[12] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25."

[13] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25."

[14] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25."

[15] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25."

[16] MOFPS, "The Citizens' Guide to the 2024/25 Budget," March 24, 2024, www.mof.gov.jm/wp-content/uploads/citizens_guide_to_the_budget-publication_2024_WEB-1.pdf.

[17] Ministry of Finance and the Public Service.

[18] CAPRI, "Budget Breakdown 2023: An Analysis of the Government's Proposed Revenue and Expenditure," Kingston, Jamaica: Caribbean Policy Research Institute, 2024.

[19] MOFPS, "GOJ Fiscal Policy Paper FY 2024/25."

[20] CAPRI, "Budget Breakdown 2023"; Asian Development Bank, "Transition of Tax-to-GDP Ratios," Data Library, March 22, 2021, https://data.adb.org/dataset/transition-tax-gdp-ratios; Raul F. Junquera-Varela and Bernand Haven, "Getting to 15 Percent: Addressing the Largest Tax Gaps," World Bank Blogs, December 18, 2018, https://blogs.worldbank.org/governance/getting-15-percent-addressing-largest-tax-gaps.

[21] CAPRI, “Budget Breakdown 2023”; Timothy Besley and Torsten Persson, “The Origins of State Capacity: Property Rights, Taxation, and Politics,” *American Economic Review* 99, no. 4 (2009): 1218-44, DOI: 10.1257/aer.99.4.1218; Pierre Bachas, Florence Kondylis, and John Loeser, “Increasing Tax Revenue in Developing Countries,” World Bank Blogs, February 1, 2021, https://blogs.worldbank.org/impactevaluations/increasing-tax-revenue-developing-countries.

[22] MOFPS, “GOJ Fiscal Policy Paper FY 2024/25”; Gareth Jennings, “Jamaica Orders Bell 505 Helos,” Jane’s Defence Weekly, February 10, 2021; Nick Brown, “Jamaica Bolsters Coast Guard Patrol Force,” Jane’s Defence Weekly, November 23, 2021; Julian Kerr, “Jamaica Orders Six More Bushmaster Vehicles from Thales Australia,” Jane’s Defence Weekly, June 17, 2020; Alejandro Sanchez, “Jamaica Receives Helos and MPA for National Surveillance,” Jane’s Defence Weekly, November 23, 2018.

[23] MOFPS, “GOJ Fiscal Policy Paper FY 2024/25”; The focus of the Primary and Secondary School Infrastructure (PSIP) is to construct additional classrooms to remove the shift system from high schools, improve the security of school campuses by erecting perimeter fencing, and upgrade the electrical system at selected primary and high schools.

[24] MOFPS, “Government of Jamaica Summary of Public Sector Salary Scales,” 2023, www.mof.gov.jm/wp-content/uploads/Salary-Scale-26.5.23-Final-Outlined.pdf.

[25] MOFPS, “GOJ Fiscal Policy Paper FY 2024/25”; Under capital programmes, capital expenditure for the Central Government for FY 2024/25 includes allocations to Public Investment projects that are either already in implementation or have been approved for funding to commence implementation. Also included is a Contingency Provision for reallocation to public investment projects that will complete the pre-investment phase of project development during the fiscal year. Compensation of Employees includes provisions to facilitate implementation of the third year (final phase) of the new compensation system. Also included is the government’s contribution to the public sector health scheme for FY 2024/25.

[26] National Housing Trust, ”Home Grant,” updated September 6, 2022, www-2.nht.gov.jm/home-grant.

About Us

The Caribbean Policy Research Institute (CAPRI) is a not-for-profit, public policy think tank dedicated to the production and dissemination of impartial, evidence-based knowledge to inform economic, governance, sustainable and social policy decision-making in Jamaica and the wider Caribbean.

Vision

CAPRI's vision is to contribute to the promotion of informed dialogue on socio-economic development in the Caribbean, in which decision-making in public policy and the private sector is based on relevant and transparent information grounded in verifiable evidence.

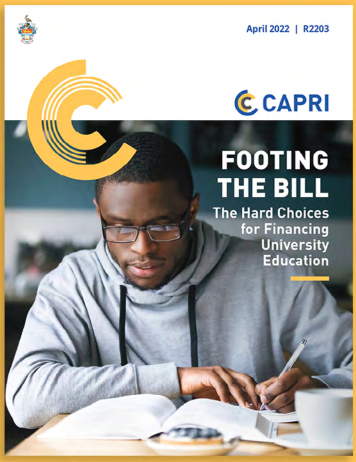
Mission

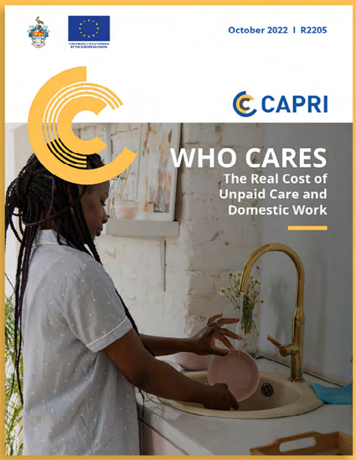
CAPRI's mission is to provide quality research in an accessible manner to policy-makers, their constituents and the public to inform a constructive debate around critical social, economic, and developmental issues facing the region.

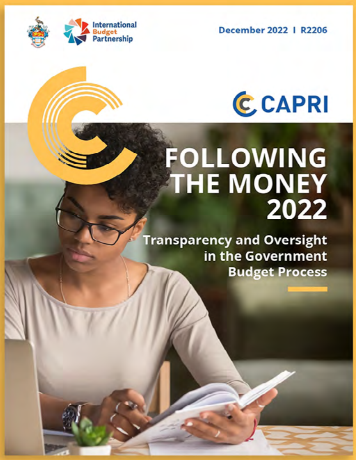
Methodology

CAPRI's methodology puts the constituents of each policy proposal at the heart of its investigation and this guides the research methods adopted in order to effectively execute sound and relevant research, and its dissemination, with the aim of contributing to the social and economic development potential of Jamaica and the Caribbean at large.

Publications







Download at
capricaribbean.org

Notes

Budget Breakdown 2024

An Analysis of the
Government's Proposed
Revenue and Expenditure

To read any of our published reports in full,
please visit
www.capricaribbean.org/reports

Contact us at:
info@capricaribbean.org
or by telephone at
(876) 970-3447 or (876) 970-2910

UWI

CARIBBEAN POLICY RESEARCH INSTITUTE