

Partners in Austerity: Jamaica, the United States and the International Monetary Fund

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Contents

Contents	2
Executive Summary	1
Introduction	2
Long-Term Growth Failure and Recent Developments.....	3
IMF-Supported Austerity	6
Debt Relief and the Role of the Multilaterals	11
Conclusion	14
References	15

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Executive Summary

This paper looks at Jamaica's ongoing relationship with the International Monetary Fund (IMF) and other multilateral development banks, its recent economic performance, and the impact on development of a persistently high debt burden. It finds that after 20 years of negative average annual per capita GDP growth, Jamaica continues to be plagued by high debt and low growth.

Now in the third year of an IMF-backed economic program, Jamaica is running the most austere budget in the world, with a primary surplus of 7.5 percent. This is enormous; even Greece, which is facing a tense standoff with the IMF and European authorities over its debt, is only expected to run a primary surplus of 3.0 percent of GDP this year and 4.5 percent for years thereafter – and this is widely considered politically unsustainable.

After three consecutive quarters of economic growth, Jamaica's GDP fell by 1.4 percent in the third quarter of 2014. The economy remains smaller today than it was in 2008. With anemic growth and continued austerity, social indicators have drastically worsened, with poverty doubling since 2007. Unemployment, at 14.2 percent, remains higher today than during the height of the global recession.

After two debt restructurings, both as preconditions to receiving IMF support, Jamaica still has a debt-to-GDP ratio of nearly 140 percent. Interest payments, while reduced from their peak in FY 2009/10, remain among the highest in the world at over 8 percent of GDP last year. Coupled with the IMF-backed austerity, the high interest payments have all but crowded out needed capital spending. After averaging about 4 percent of GDP over the five years prior to the IMF agreement, government capital expenditure reached a low of 1.6 percent of GDP in FY 2014/15.

After having multilateral loans cut off in 2012 following the breakdown of Jamaica's previous IMF agreement, net flows from the multilateral banks turned negative for two consecutive years. Even after the signing of the new IMF agreement, Jamaica paid \$138 million more to the IMF than it received last year. Jamaica still owes the World Bank and Inter-American Development Bank over \$650 million through 2018. This paper finds that multilateral debt relief would likely free up more resources than continuing to issue further loans.

Finally, the paper finds that without hundreds of millions in financial support from Venezuela and China the impact of IMF-led austerity would likely be far worse and, ultimately, politically untenable.

Introduction

On April 9, President Barack Obama will travel to Jamaica for a series of bilateral and multilateral meetings. Obama will become only the second sitting United States president to visit the island nation. Jamaica actually has a lower per-capita GDP in 2015 than when Obama was elected more than six years ago. Though Jamaica will be the site of a meeting of heads of state from the Caribbean Community (CARICOM), the visit will also certainly touch on Jamaica's ongoing International Monetary Fund (IMF) agreement. Jamaica is now entering the third year of the agreement, the signing of which was a priority for the current Jamaican government upon taking office in 2012.

The 2013 agreement with the IMF came two years after Jamaica's previous agreement stalled when the government agreed to pay promised wage increases to public sector employees against the IMF's wishes.¹ The basic framework of the new agreement is remarkably similar to that of the previous one. As a prior condition to receiving the 2010 IMF loan, Jamaica undertook a debt exchange (known as the JDX, or Jamaica Debt Exchange) which aimed to lower the interest burden and lengthen the maturity profile of the government's outstanding debt. The economic platform involved significant fiscal consolidation, based on wage freezes, reduced expenditure and increased revenues. For the more recent loan, Jamaica once again undertook a debt exchange (this one termed the NDX, or National Debt Exchange) and has committed to years of extremely austere fiscal policy.

When the previous IMF agreement went offtrack in 2011, funding from other international partners also all but dried up. The 2013 agreement, together with funding from the World Bank and Inter-American Development Bank (IDB), aimed to give Jamaica access to some \$2 billion dollars of loans over the four-year life of the program. Crippled with devastatingly high debt levels and anemic growth for years, Jamaica is certainly in need of financing. But it is also the case that, after billions of dollars of previous World Bank, IDB and IMF loans, much of its debt is actually owed to the very same institutions that are now offering new loans.²

The United States, as the largest voting member within the IMF, played a key role in securing the new agreement between the IMF and Jamaica. In 2014, IMF Managing Director Christine Lagarde told reporters that while she had "been told how difficult the situation was" in Jamaica, she didn't know "there would be international pressure coming from [Capitol] Hill." Lagarde added, "a group of Congress women and one man who came unannounced, sat in my office and said to me 'you

1 Johnston and Montecino (2012).

2 Johnston (2013).

have got to help Jamaica.”³ This was confirmed in March when Jamaica’s Prime Minister Portia Simpson-Miller, speaking during a budget debate at the U.S. House of Representatives, thanked the Congressional Black Caucus who, “upon learning of the challenges we were facing... immediately began to lobby the IMF on Jamaica’s behalf.”⁴

Jamaica’s finance minister, Dr. Peter Phillips, cited the country’s good performance under the IMF agreement as the reason for Obama’s trip, which follows those of Lagarde and IDB President Luis Alberto Moreno. For Dr. Phillips, the credibility gained from the IMF agreement is “why we are on the itinerary of President Barack Obama.”⁵ The Jamaican press has also put forth another reason for the president’s visit: as a sign to the rest of the region.

Jamaica, which has a long history of high debt and low growth, is not unique among its neighbors. These problems continue to plague many other Caribbean nations, yet few have been as willing to swallow the bitter austerity pill as Jamaica has been. As the *Jamaica Gleaner* editorialized, Obama is “signalling to the Caribbean and other indebted countries that the way Jamaica is pursuing an extremely difficult IMF programme is the way to go and is a prerequisite for future financial assistance. It is also an international endorsement of Jamaica, which is being held up as a model to the rest of the Caribbean.”⁶

But if Jamaica is to be a model for the rest of the Caribbean, how successful has the IMF program really been?

Long-Term Growth Failure and Recent Developments

Jamaica’s economy has long suffered from low growth and high debt. Over the past 20 years, average annual GDP growth has been just 0.4 percent, while per capita GDP has actually averaged negative 0.3 percent average growth (See **Table 1**). This is the worst economic performance in the Western Hemisphere during the past two decades, and is a failure by any international or historical comparison. While the Caribbean overall has been plagued by relatively low growth, Jamaica has also had the lowest average annual growth rate and per capita growth rate in the region over the last 20 years.

3 Luton (2014).

4 Henry (2015).

5 *Jamaica Gleaner* (2015).

6 *Jamaica Observer* (2015).

TABLE 1**Caribbean: 20-Year Average Annual Growth Rates**

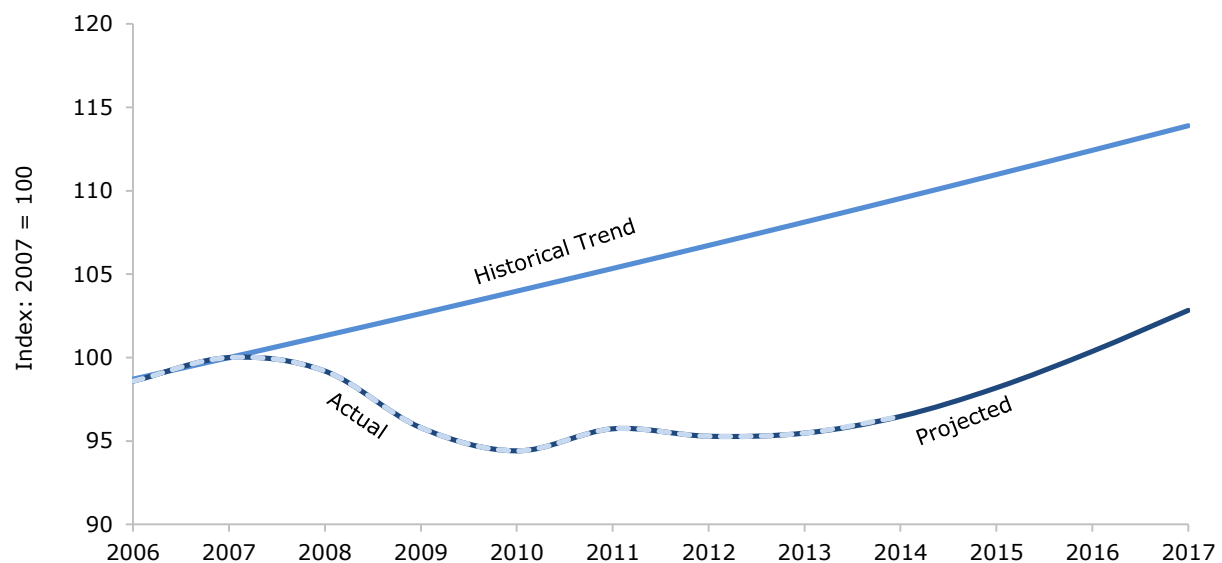
Country	GDP	Per Capita GDP
Dominican Republic	5.2%	3.3%
Trinidad and Tobago	5.1%	3.7%
Grenada	2.9%	2.6%
St. Kitts and Nevis	2.5%	0.5%
St. Vincent and the Grenadines	2.5%	2.3%
Antigua and Barbuda	2.3%	0.8%
The Bahamas	2.2%	0.9%
Dominica	2.0%	2.0%
Haiti	1.6%	0.0%
St. Lucia	1.3%	0.5%
Barbados	1.3%	1.0%
Jamaica	0.4%	-0.3%

Source: IMF (2014).

Jamaica was especially hard-hit during the global recession and despite positive, albeit very slow, growth in three of the last four fiscal years, the economy remains 3.5 percent smaller in 2014 than it was eight years prior. While the latest IMF projections show Jamaica's economy reaching its 2007 level sometime in 2016, the economy will remain well below its historical trend, as can be seen in **Figure 1**. Per-capita GDP, a better measure of average living standards, is not projected to reach its 2007 level until 2019.

FIGURE 1**Jamaica: Actual and Projected Real GDP vs. Historical Trend**

(Index: 100 = Peak)



Source: IMF (2014).

Following three years of negative economic growth, the Jamaican economy experienced positive, albeit slow, growth in 2011. As the authorities continued to court the IMF throughout 2012, fiscal policy turned sharply contractionary. In 2012, the economy contracted once again, threatening an already fragile recovery. While economic growth picked back up in the second half of 2013 and first half of 2014, the last quarter for which data is available shows a significant drop in GDP.

As can be seen in **Table 2**, the stronger growth of late 2013 and early 2014 was led by the agricultural sector. However a recent drought has hit the sector hard; this combined with woes in the manufacturing sector led growth lower in the third quarter of 2014. Importantly, the “producers of government services” sector has contributed negatively to growth in each quarter since the IMF program was signed, reflecting a slowdown in government spending throughout this time.

TABLE 2

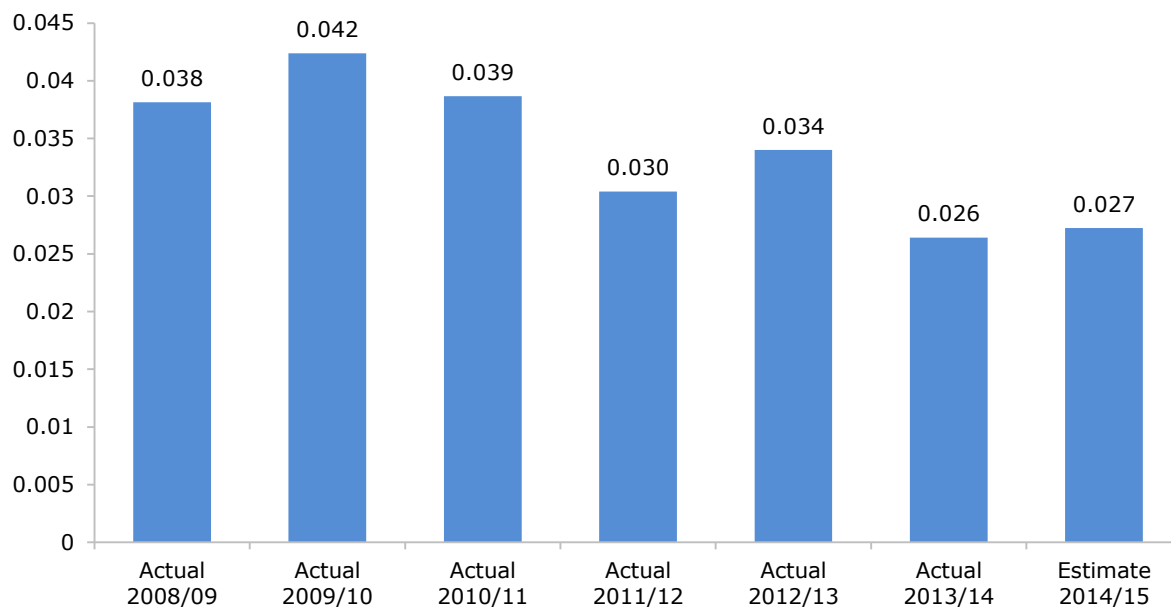
Jamaica: Quarterly Contributions to Real Growth in Value Added, Year Over Year (Constant 2007 Seasonally-Adjusted)												
	2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	
Total Value Added	-0.22	-0.06	-0.21	-1.37	-1.05	-0.30	0.44	1.71	1.48	1.59	-1.46	
Agriculture, Forestry & Fishing	0.50	0.61	0.07	-0.57	-0.92	-0.43	0.32	0.85	1.15	0.89	-1.32	
Mining & Quarrying	-0.12	-0.23	-0.25	-0.25	-0.23	0.11	0.11	0.25	0.19	-0.01	-0.05	
Manufacturing	0.06	-0.08	0.02	-0.22	0.00	0.01	-0.07	-0.13	-0.17	0.32	-0.61	
Food, Beverages & Tobacco	0.13	0.03	0.08	-0.03	0.06	-0.06	-0.04	0.11	-0.08	0.16	0.07	
Other Manufacturing	-0.07	-0.12	-0.06	-0.20	-0.06	0.07	-0.04	-0.23	-0.08	0.16	-0.68	
Electricity & Water Supply	-0.07	-0.06	-0.03	-0.12	-0.11	-0.07	-0.11	0.03	0.01	-0.04	-0.01	
Construction	-0.41	-0.33	-0.30	-0.25	0.05	0.13	0.15	0.19	0.11	0.07	0.10	
Wholesale & Retail Trade	-0.20	-0.25	-0.26	-0.33	0.00	-0.09	-0.02	0.02	-0.02	0.00	0.02	
Hotels & Restaurants	0.05	0.25	0.17	-0.08	-0.12	0.03	0.05	0.30	0.02	0.11	0.19	
Transport, Storage & Communication	-0.23	-0.15	0.18	0.18	0.12	-0.08	0.05	0.10	0.08	0.14	0.09	
Finance & Insurance	0.13	0.06	0.06	0.07	0.05	0.03	0.05	0.04	0.03	-0.01	-0.01	
Real Estate, Renting & Business Activities	-0.06	-0.13	-0.06	0.03	0.02	0.05	0.03	0.04	0.06	0.07	0.05	
Producers of Gov. Services	-0.02	0.03	-0.11	0.01	-0.01	-0.04	-0.05	-0.03	-0.02	-0.03	-0.03	
Other Services	0.06	0.09	0.17	0.01	0.00	0.06	-0.06	0.05	0.05	0.03	0.09	
(-) Financial Intermediation	-0.11	-0.12	-0.12	-0.14	-0.09	0.00	0.01	0.02	-0.01	-0.03	-0.02	

Source: STATINJA (2015) and author’s calculations.

The producers of government services sector does not, however, reflect all spending by related public bodies. In fact, in addition to the negative contribution noted above, infrastructure spending by public bodies showed a significant decrease over the first two years of the IMF program, contributing to the decline in GDP. The “public bodies” are an important part of the public sector and play a large role in the implementation of infrastructure projects, including the construction and maintenance of public housing and national roads and bridges, as well as water supply and sanitation projects. As can be seen in **Figure 2**, infrastructure spending by public bodies has decreased significantly in recent years.

FIGURE 2**Jamaica: Infrastructure Spending by Public Bodies**

(Percent of GDP)



Source: Ministry of Finance and Planning (2015).

As can be seen above, investments by public bodies decreased from 4.2 percent of GDP in 2009/10 to an estimated 2.7 percent of GDP in 2014/15. Investment by public bodies has a positive impact by contributing to aggregate demand and mobilizing idle resources as Jamaica emerges from recession, as well as boosting the economy's long-term productive capacity. Yet the continued investment by public bodies is also threatened by new laws passed in 2012 and early 2013 as part of the process of securing a new IMF agreement. These laws require resources from public bodies to be transferred to a "Consolidation Fund" that will go toward fiscal consolidation. A law passed in February 2013 will require the National Housing Trust to transfer a significant share of resources each year throughout the duration of the IMF program to this fund.⁷

IMF-Supported Austerity

Following the suspension of Jamaica's previous IMF agreement, a new government, led by Prime Minister Portia Simpson-Miller was elected in December 2011 and almost immediately indicated its intent to sign a new IMF agreement. In May 2013, the Executive Board of the IMF formally approved a four-year \$932.3 million Extended Fund Facility agreement with Jamaica. The loan

⁷ Myers (2013).

agreement, while for less money than the previous agreement signed in 2010, is spread out over nearly twice as long a period, lasting through the 2016/2017 fiscal year.

Now entering the third year of the program, it has been characterized by severe austerity and continued low growth. In its Memorandum of Economic and Financial Policies outlining the program, the Jamaican government wrote that they had “embarked on a comprehensive economic programme aimed at significantly raising the rate of real GDP and per capita income growth.”⁸ But, if these were the goals, the program has yet to bear fruit.

While the debt exchange was implemented, in the words of the IMF, in order to “place public debt on a sustainable path,”⁹ the head of the IMF mission stated, “most of the debt reduction will come from very tight government budgets.”¹⁰ Indeed, the IMF program focuses predominantly on fiscal policies; nine of the eleven performance criteria (which must be met prior to IMF disbursements) pertain to fiscal policy, while just two relate to monetary policy.

The first and perhaps most limiting criteria that Jamaica must meet relates to the government’s primary balance, which is revenue minus expenditure not including interest payments. Jamaica has been required to run a primary surplus of 7.5 percent of GDP, which was first reached in FY 2013/14. This is enormous; even Greece, which is facing a tense standoff with the IMF and European authorities, was only expected to run a primary surplus of 3.0 percent of GDP this year and 4.5 percent for years thereafter – but this is widely considered politically unsustainable.

According to the latest IMF World Economic Outlook (WEO), Jamaica has reached a nearly unprecedented level of austerity. From 2013-2017, Jamaica is projected to have the highest average primary surplus in the world outside of major oil producers. (Oil-exporting countries that run large primary budget surpluses are doing so because of excess oil revenues, not budget tightening as in the case of Jamaica.)¹¹

Perhaps equally important is how Jamaica reached and will maintain this target. The IMF program required a large, up-front adjustment, which resulted in the government cutting spending by over 2 percentage points of GDP in 2012/13 and by 2.7 percentage points in 2013/14, as can be seen in **Table 3**.

8 IMF (2013).

9 IMF (2013).

10 IMF Survey Magazine (2013).

11 IMF (2014).

TABLE 3**Jamaica: Projections of Select Fiscal Indicators**

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue & Grants	25.6	25.7	27.2	26.5	27.1	26.1
Tax Revenue	23.0	23.9	23.6	24.0	24.4	23.7
Grants	0.3	0.3	0.7	0.3	0.6	0.3
Expenditure	32.0	29.8	27.1	27.0	27.4	25.2
Wages	11.1	11.0	10.7	10.1	9.8	9.0
Interest	9.6	9.5	7.5	8.2	7.8	6.6
Domestic	6.5	6.5	4.7	4.9	4.5	4.0
External	3.1	2.9	2.8	3.3	3.3	2.6
Capital	4.2	2.8	2.5	1.6	1.8	1.8
Fiscal Balance	-6.4	-4.1	0.1	-0.5	-0.3	0.9
Primary Balance	3.1	5.4	7.7	7.7	7.5	7.5
Nominal GDP (\$J mn)	1,260,014	1,340,300	1,459,500	1,574,900	1,689,700	1,832,900

Source: Ministry of Finance and Planning (2015a).

Although expenditure is programmed to actually increase slightly as a percent of GDP in the current fiscal year, that is to be followed by another steep cut in 2016/17, the final year of the IMF agreement. On net, this can be expected to have a negative impact on economic growth. While the IMF program does require the Jamaican government to implement some revenue-enhancing measures, the success of these in the past has been limited and revenues are actually programmed to decrease over the next few years. In the past, when revenue targets were missed, the difference was made up by further expenditure cuts, often from the important capital budget.

Capital expenditure has taken a big hit in the past few years above and beyond the reduction in spending by public bodies referenced earlier. After averaging about 4 percent of GDP over the five years prior to the IMF agreement, government capital expenditure reached a low of 1.6 percent of GDP in FY 2014/15. This is less than half of what the IMF program had initially estimated. As a developing country plagued by low growth, spending on infrastructure could play a key role in stimulating growth; unfortunately, this does not appear to be a priority going forward.

Underpinning the cuts in expenditure is a three-year wage freeze that ended last month. The government is currently in negotiations with public sector workers over a new wage agreement. In its sixth review of the program, the IMF noted that as the wage agreement is expiring a mix of further “wage containment” and “efficiency improvements will be needed.”¹² Real wages have

¹² IMF (2014a).

already fallen drastically across the economy. The Bank of Jamaica reports that real wages “have been declining since the December 2011,” falling some 17 percent during that time, and that wages are “expected to continue to decline over the next four quarters.”¹³ However the IMF notes that efforts “to reduce the wage bill through compressing nominal wages will be difficult to sustain.” To this end, the government “will continue to reduce the size of the public sector...through the elimination of posts and an attrition programme,” according to the IMF’s sixth review.

In the Jamaican government’s April 2013 Memorandum of Economic and Financial Policies with the IMF, the government notes, “adverse economic conditions are generating drastic socio-economic changes in Jamaica.” The IMF, or at least some members of the IMF were also acutely aware of this. During the executive board’s discussion of Jamaica’s Article IV Consultation, over 25 percent of the board cautioned that excessive austerity could threaten Jamaica’s “social cohesion.”¹⁴

To address this, the IMF boasts that a “central component” of the new agreement is “the authorities’ package of measures to promote social coherence that includes a floor on social spending, an improved social safety net, and programs to increase employment.” But the floor on social spending in reality only protects a small sliver of social spending, and freezes it at the 2012/13 level, which was just 1.3 percent of GDP.¹⁵

While the return of positive GDP growth in 2013 helped reduce the unemployment rate to some degree, the relief proved temporary. As shown in **Figure 3**, the unemployment rate has increased for three consecutive quarters and is currently over 14 percent, higher than it was during the world recession. Youth unemployment remains significantly higher.

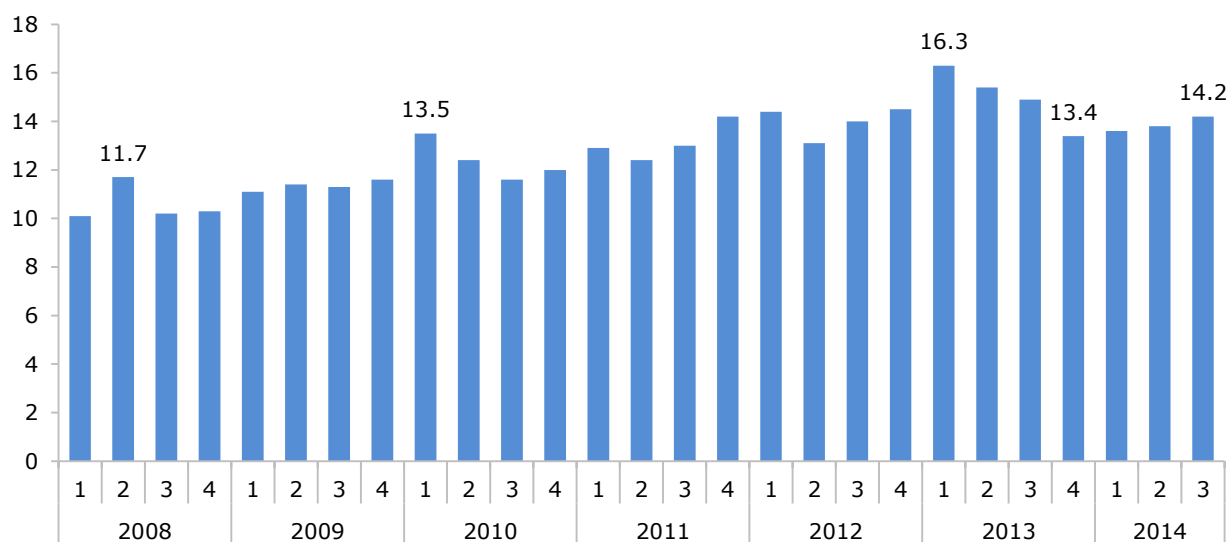
13 BOJ (2014).

14 Johnston (2012).

15 IMF (2013).

FIGURE 3

Jamaica: Unemployment Rate Since the Global Recession

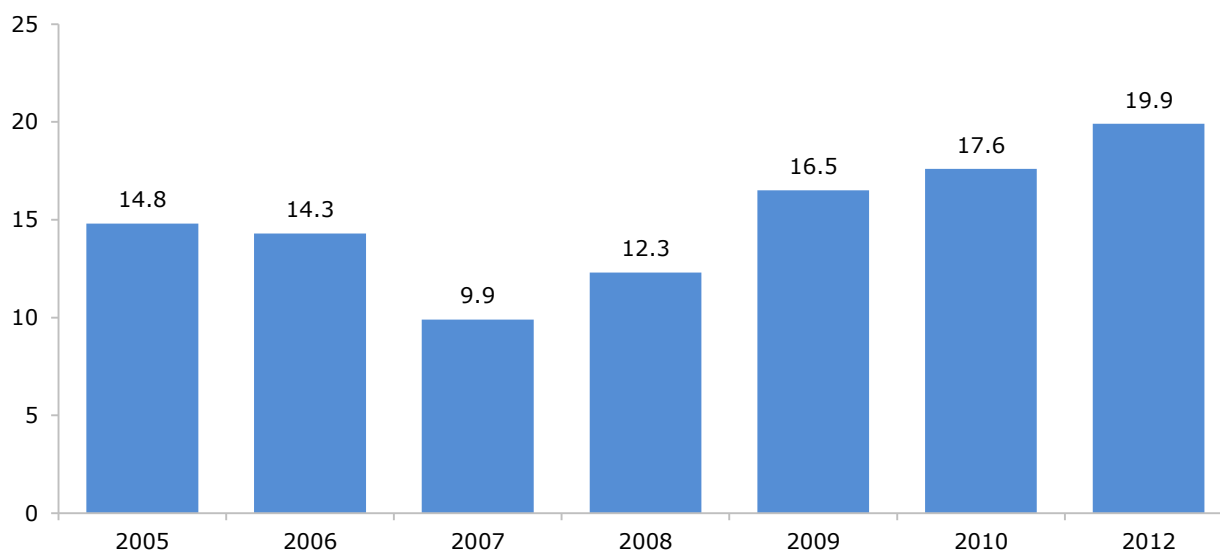


Source: STATINJA (2015a).

Other social indicators continue to worsen as well. With unemployment elevated and wages falling, it is of little surprise that the poverty rate has also increased drastically since the global recession. The most recent data from the Planning Institute of Jamaica's Survey of Living Conditions are shown in **Figure 4**.

FIGURE 4

Jamaica: Household Poverty Rate



Source: PIOJ (various years).

As can be seen in Figure 4, after a year without data, in 2012 the Jamaican government announced a 2.3 percentage point increase in the poverty rate. The decline of social indicators, coupled with

continued low growth, has become a cause of concern within the IMF. In its sixth review, the IMF warns, “there are no clear signs thus far of a strong revival in either investment or growth. Without more tangible improvements in jobs and growth, there is a risk that public support for the reform process may falter.”

Debt Relief and the Role of the Multilaterals

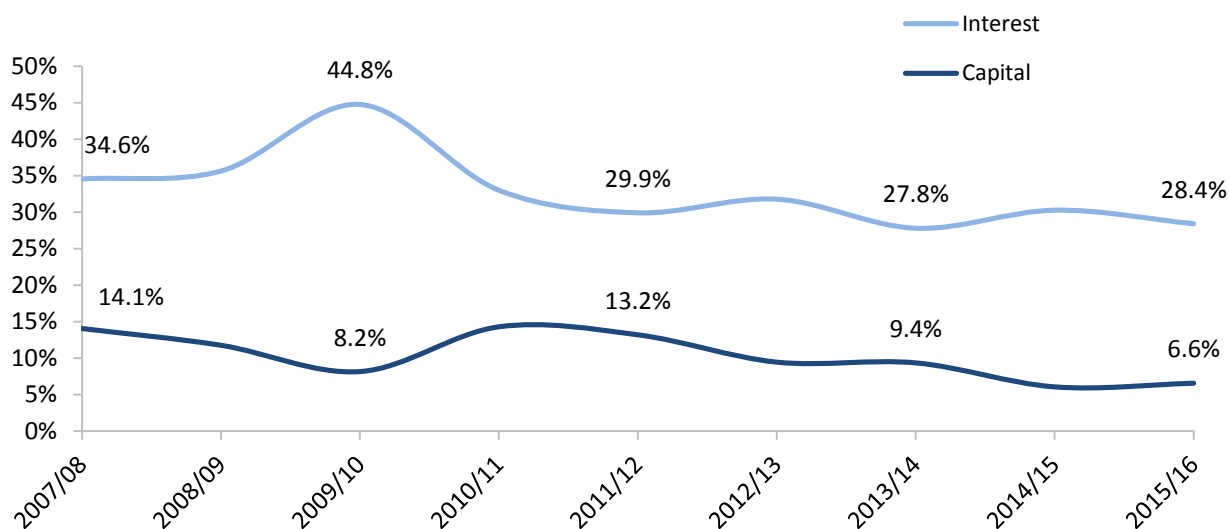
Jamaica has been one of the most heavily indebted countries in the world for many years, and as part of the IMF agreement had planned on reducing the debt-to-GDP ratio to near 100 percent of GDP by FY 2015/16. However, even after carrying out two debt exchanges in three years - both pre-conditions for IMF agreements - Jamaica still finds itself facing an unsustainable debt burden. According to the IMF, at the end of FY 2014/15, Jamaica’s debt was still over 140 percent of GDP and is not forecast to reach 100 percent of GDP until 2020.

Jamaica has also been plagued by extremely high interest payments, reaching 17.3 percent of GDP in FY 2009/10. Though it has since come down, according to the IMF’s WEO, Jamaica had the fourth-largest debt burden in the world last year, behind only Lebanon, Djibouti and Egypt. After decreasing for four consecutive years, Jamaica actually increased its interest payments last year to 8.2 percent of GDP, from 7.5 percent of GDP the year before (See **Figure 5**).

The 2013 debt exchange, like the one before it, did not affect the principal of any of Jamaica’s debt and was limited to domestic debt. Interest payments have remained high, displacing important investments. Further, given the continued austerity budget, even if interest payments are reduced, the savings will likely not go to increased capital spending, reflecting the prioritization of reducing the budget deficit over public investment. This situation is very problematic for a country of Jamaica’s income level, which should be able to invest in infrastructure and human capital, as well as have the financial flexibility to respond to frequent natural disasters and other external shocks.

FIGURE 5**Jamaica: Interest Payments and Capital Expenditure**

Percent of Total Expenditure



Source: Ministry of Finance and Planning (2015b).

Jamaica has twice restructured its debt in just the last three years, extending the maturity and lowering the interest burden, but neither time has external debt been affected. Funds from the IMF, World Bank and IDB carry much lower interest rates than private loans and so are not necessarily as damaging, yet debt service to these institutions still eats up a large share of Jamaica's finances. After the previous IMF agreement went offtrack in 2011, financing from other multilaterals was also cut; after considering repayments, net cash flow from multilaterals actually turned negative in 2012 and 2013, as CEPR pointed out in an issue brief in 2013.¹⁶

This trend continued in 2014. While net disbursements from multilaterals likely turned positive overall, the Jamaican government actually paid the IMF over \$136 million more than it received in 2014, as can be seen in **Table 4**. Previous CEPR research found that over the life of the current IMF program, Jamaica's net disbursements from multilaterals would be positive at about \$346.1 million, whereas multilateral debt relief would free up over \$1.6 billion in funds, much-needed resources for a country which is being forced to drastically cut spending as part of its IMF agreement.

¹⁶ Johnston (2013).

TABLE 4

Net Disbursements from IMF to Jamaica							
	2013	2014	2015	2016	2017	2018	
IMF	Principal	266,836,880.5	405,579,202.6	134,359,368.9	5,532,177.8	15,810,350.8	51,481,040.7
	Interest	9,396,344.3	8,389,868.3	5,898,297.0	5,322,293.5	5,304,886.1	5,028,125.9
	Disbursements	267,942,125.2	277,096,420.5	157,162,406.4	157,162,406.4	39,290,601.6	-
	Net Flow	(8,291,099.6)	(136,872,650.4)	16,904,740.5	146,307,935.1	18,175,364.8	(56,509,166.7)

Source: IMF (2015).

After the program ends in early 2017, Jamaica will start repaying the current loan, resulting in more net outflows beginning in 2018. Jamaica also will also owe nearly \$650 million to the IDB and World Bank from 2015-2018.¹⁷

With the Jamaican government's spending curtailed and massive interest and principal payments being sent out of the country to its multilateral partners, the Jamaican economy has been seriously bolstered by investments from China and Venezuela.

Venezuelan funding comes through the Petrocaribe agreement, where Jamaica receives oil from Venezuela, paying a portion up front and keeping the rest as a long-term loan. Jamaica pays a lower interest on the Petrocaribe funds than it does to its multilateral partners. According to the IMF, net disbursements through Petrocaribe totaled over \$1 billion over the last three years, averaging 2.5 percent of GDP per year.¹⁸ To put this in context, the U.S. budget for the Department of Defense is not far from that, at 2.8 percent of GDP for 2015.¹⁹

A significant portion of the Petrocaribe funds are being used to refinance domestic debt, in support of the IMF program. Additionally, a portion of funds takes the form of grants and is used for social development, bolstering support to the neediest who have been most impacted by continued austerity.²⁰ For its part, China committed over \$700 million in investments in 2013 alone.²¹

Without these vital resources, the continued austerity would be having an even greater negative influence on the Jamaican economy. As the IMF points out, the continued lack of growth threatens the political tenability of the IMF-reform program. Without the Venezuelan and Chinese investments staving off recession, it's likely the IMF program would fail due to serious public

17 World Bank (2015) and IDB (2015).

18 IMF (2015a).

19 CBO (2014).

20 Petrocaribe Development Fund (2015).

21 Inter-American Dialogue (2015).

opposition. In this way, the IMF program is largely being subsidized by both Venezuelan foreign aid and Chinese investment.

Conclusion

Over the last 20 years, living standards for Jamaicans, as measured by per capita GDP, have actually declined. At the same time, Jamaica has been plagued by record high levels of debt and interest payments. During the global recession these dynamics were exacerbated.

With little to no growth and large cuts in public expenditure, Jamaica has seen a two-fold increase in poverty since 2007. Unemployment, at 14.2 percent, remains higher today than during the height of the global recession.

Now in the third year of its second IMF program since 2010, Jamaica is being asked to run the most austere budget in the world, running a primary surplus of 7.5 percent of GDP. Interest payments, while down from their peak, are still some of the highest in the world and they continue to crowd out needed capital investments. If not for financing from Venezuela and China, the economic downturn would likely be vastly worse.

After cutting off new loans in 2012 following the breakdown of the first agreement with the IMF, Jamaica actually paid more to its multilateral partners (IMF, IDB and World Bank) than it received for two years. In 2014, Jamaica experienced a net outflow of \$136.9 million, or about 1 percent of GDP, to the IMF alone. While Jamaica has begun receiving new loans from the World Bank and IDB, the country owes these two institutions a combined \$650 million through 2018.

Rather than subject the Jamaican people to further declines in living standards on the back of continued austerity, multilateral development banks should work with Jamaica and other creditors to provide meaningful debt relief, freeing up needed resources to invest in the future of the country.

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