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Jamaica COVID-19 Response and Recovery Development Policy Financing (P174531)

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM DOCUMENT FOR A

PROPOSED LOAN

IN THE AMOUNT OF US\$150 MILLION TO

JAMAICA

FOR THE

COVID-19 RESPONSE AND RECOVERY DEVELOPMENT POLICY FINANCING

February 19, 2021

Macroeconomics, Trade and Investment Global Practice  
Finance, Competitiveness and Innovation Global Practice  
Latin America and Caribbean Region

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Jamaica

**GOVERNMENT FISCAL YEAR**

*April 1 – March 31*

**CURRENCY EQUIVALENTS**

(Exchange Rate Effective as of February 5, 2021)

Currency Unit: Jamaican Dollar (J\$)

US\$1.00 = J\$148.88

**ABBREVIATIONS AND ACRONYMS**

|          |   |
|----------|---|
| AGD      | Accountant General Department                               |
| AuGD     | Auditor General's Department                                |
| B-FXITT  | BOJ Foreign Exchange Intervention & Trading Tool            |
| BOJ      | Bank of Jamaica   |
| BEST     | Business Employee Support and Transfer of Cash              |
| BMIS     | Beneficiary Management Information System                   |
| CAC      | Consumer Affairs Commission                                 |
| CAD      | Current Account Deficit                                     |
| CARE     | COVID-19 Allocation of Resources for Employees              |
| CCT      | Conditional Cash Transfer                                   |
| CDEMA    | Caribbean Disaster Emergency Management Agency              |
| COA      | Chart of Accounts   |
| COVAX    | COVID-19 Vaccines Global Access                             |
| COVID-19 | Coronavirus disease 2019                                    |
| CPF      | Country Partnership Framework                               |
| CPI      | Consumer Price Index  |
| CPS      | Country Partnership Strategy                                |
| CRRDPF   | COVID-19 Response and Recovery Development Policy Financing |
| DFS      | Digital Financial Services                                  |
| DPF      | Development Policy Financing                                |
| DPL      | Development Policy Loan                                     |
| DRF      | Disaster Risk Finance                                       |
| DSA      | Debt Sustainability Analysis                                |
| DTI      | Deposit Taking Institution                                  |
| EFF      | Extended Fund Facility                                      |
| EPOC     | Economic Programme Oversight Committee                      |
| ERDPL    | Economic Resilience Development Policy Loan                 |
| FAA      | Financial Administration and Audit                          |
| FAO      | Food and Agriculture Organization                           |
| FDI      | Foreign Direct Investment                                   |
| FPP      | Fiscal Policy Papers  |
| FRL      | Fiscal Responsibility Law                                   |
| FY       | Fiscal Year   |
| GCT      | General Consumption Tax                                     |
| GDP      | Gross Domestic Product                                      |

|        |   |
|--------|---|
| GFDRR  | Global Facility for Disaster Reduction and Recovery   |
| GHG    | Greenhouse Gas  |
| GRS    | Grievance Redress Service                             |
| GOJ    | Government of Jamaica                                 |
| IBRD   | International Bank for Reconstruction and Development |
| IDB    | Inter-American Development Bank                       |
| IEG    | Independent Evaluation Group                          |
| IFIs   | International Financial Institutions                  |
| IGO    | Intergovernmental Organization                        |
| IMF    | International Monetary Fund                           |
| ISSAI  | International Standards of Supreme Audit Institutions |
| IWM    | Integrated Waste Management                           |
| JCA    | Jamaica Customs Agency                                |
| JSLC   | Jamaica Survey of Living Conditions                   |
| JTB    | Jamaica Tourist Board                                 |
| JSWIFT | Jamaica Electronic Single Window for Trade            |
| LAC    | Latin America and the Caribbean                       |
| LDP    | Letter of Development Policy                          |
| LFS    | Labor Force Survey                                    |
| MDA    | Ministries, Departments and Agencies                  |
| MFIs   | Microfinance Institutions                             |
| MLA    | Money Lenders Act                                     |
| MLSS   | Ministry of Labour and Social Security                |
| MLT    | Medium and Long-term                                  |
| MoFPS  | Ministry of Finance and the Public Service            |
| MOHW   | Ministry of Health & Wellness                         |
| MSMEs  | Micro, Small and Medium enterprises                   |
| MTF    | Medium-Term Socio-Economic Policy Framework           |
| MTRBB  | Medium-Term Results Based Budgeting                   |
| NDC    | Nationally Determined Contribution                    |
| NEPA   | National Environment and Planning Agency              |
| NIS    | National Insurance Scheme                             |
| NPL    | Non-Performing Loans                                  |
| NRCA   | Natural Resources Conservation Authority              |
| OxCGRT | Oxford COVID-19 Government Response Tracker           |
| PA     | Prior Action  |
| PAHO   | Pan American Health Organization                      |
| PATH   | Programme of Advancement Through Health and Education |
| PDO    | Program Development Objective                         |
| PCS    | Port Community System                                 |
| PCSA   | Payment, Clearing, and Settlement Act                 |
| PEFA   | Public Expenditure and Financial Accountability       |
| PER    | Public Expenditure Review                             |
| PFM    | Public Financial Management                           |
| PLR    | Performance Learning Review                           |
| PPP    | Public-Private Partnership                            |
| PSP    | Payment Service Provider                              |
| RFI    | Rapid Finance Instrument                              |
| SBA    | Stand-By Arrangement                                  |
| RTGS   | Real-Time-Gross-Settlement                            |
| SCD    | Systematic Country Diagnostic                         |

|            |  |
|------------|--|
| SDG        | Sustainable Development Goals  |
| SET        | Supporting Employees with Transfer of Cash   |
| SP         | Social Protection  |
| TAJ        | Tax Administration Jamaica   |
| TBL        | Trade Board Limited  |
| TCC        | Tax Compliance Certificate   |
| TFA        | Trade Facilitation Agreement   |
| TPDCo      | Tourism Product Development Company  |
| TRN        | Taxpayer Registration Number   |
| TSA        | Treasury Single Account  |
| UNICEF     | United Nations Children's Fund   |
| UNCTAD     | United Nations Conference on Trade and Development                                     |
| VIRAT/VRAF | Vaccine Introduction Readiness Assessment Tool/ Vaccine Readiness Assessment Framework |
| WBG        | World Bank Group   |
| WHO        | World Health Organization  |
| WTO        | World Trade Organization   |
| WTTC       | World Tourism and Travel Council   |

|                          |  |
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**JAMAICA COVID-19 RESPONSE AND RECOVERY DEVELOPMENT POLICY FINANCING**

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The COVID-19 Response and Recovery Development Policy Financing operation was supported by an IBRD team consisting of Rohan Longmore (Senior Economist and Co-TTL), Fadwa Bennani (Senior Financial Sector Economist and Co-TTL), David Cal MacWilliam (Senior Economist and Co-TTL to Concept Note), Timothy Johnson (Program Leader, HLCDR), Asha M. Williams (Senior Social Protection Specialist), Marvin Ploetz (Economist), Roy Shuji Katayama (Senior Economist, ELCPV), Arun Manuja (Senior Financial Management Specialist), Maja Murisic (Environmental Specialist), Katie O'Gara (Natural Resource Management Specialist), Raquel Letelier (Senior Financial Sector Specialist), Pierre-Laurent Chatain (Lead Financial Sector Specialist), Ezio Caruso (Senior Financial Sector Specialist), Sharmista Appaya (Senior Financial Sector Specialist), Smriti Seth (Economist), Veronica Trujillo (Consultant), Karlene Francis (Operations Officer), Woori Lee (Young Professional), Nelissa Hines (Operations Analyst), Matias Arnal (Consultant), Suchada Nevis (Consultant), and Patricia Holt (Program Assistant). The peer reviewers are Laurent Gonnet (Lead Financial Sector Specialist, EAWF1) and Miguel Eduardo Sanchez Martin (Senior Economist, EAEM2). The team gratefully acknowledges the guidance provided by Tahseen Sayed Khan (Country Director, LCC3C), Ozan Sevimli (Resident Representative LCCJM), Jorge Thompson Araujo (Practice Manager, ELCMU), Yira Mascaro (Practice Manager, ELCFN), Vickram Cuttaree (Program Leader, ILCDR) and Abha Prasad (Program Leader, ELCDR). The team would like to express its gratitude to the Government of Jamaica for its strong collaboration in the preparation of this operation.



**SUMMARY OF PROPOSED FINANCING AND PROGRAM**

**BASIC INFORMATION**

|            |              |
|------------|--------------|
| Project ID | Programmatic |
| P174531    | No           |

**Proposed Development Objective(s)**

The development objective of this operation is to assist in Jamaica's response to the COVID-19 crisis by: (i) protecting poor and vulnerable people; (ii) supporting sustainable business growth and job creation; and (iii) strengthening policies and institutions for resilient and sustainable recovery.

**Organizations**

|                      |                     |
|----------------------|---------------------|
| Borrower:            | JAMAICA             |
| Implementing Agency: | MINISTRY OF FINANCE |

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

|                        |               |
|------------------------|---------------|
| <b>Total Financing</b> | <b>150.00</b> |
|------------------------|---------------|

**DETAILS**

|  |        |
|--|--------|
| International Bank for Reconstruction and Development (IBRD) | 150.00 |
|--|--------|

**INSTITUTIONAL DATA**

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Overall Risk Rating**

**Results**



| Indicator Name  | Baseline<br>March 2020 | Target<br>March 2022                                |
|---|------------------------|---|
| Number of beneficiaries (male/female) receiving the CARE cash transfers   | 0                      | At least 170,000 males and at least 260,000 females |
| Number of PATH beneficiaries receiving the CARE programme's COVID-19 PATH grant   | 0                      | At least 125,700 males and at least 140,400 females |
| Number of beneficiaries accessing the social pension for the elderly  | 0                      | At least 50,000                                     |
| Percentage of priority groups vaccinated against COVID-19 under phase 1   | 0                      | At least 40 percent                                 |
| Number of businesses accessing the BEST cash transfers and grants   | 0                      | At least 1800                                       |
| Number of tourism sector employees retained under the BEST programme  | 0                      | At least 13 percent                                 |
| Number of microcredit institutions having submitted a complete application for a license under the new legal framework                            | 0                      | At least 3  |
| Number of Fintech products admitted for testing in the regulatory sandbox   | 0                      | At least 4  |
| Number of days taken by the Trade Board Limited to process trade licenses for imports and exports   | 5                      | 3   |
| Number of fiscal assessment reports (that include debt sustainability analysis) issued by the Fiscal Commission                                   | 0                      | At least 1  |
| Number of statements published on the performance of BOJ with respect to its monetary policy and achievements in relation to its inflation target | 0                      | At least 1  |
| NDC implementation plan approved by GOJ   | No                     | Yes   |





## IBRD PROGRAM DOCUMENT FOR A PROPOSED LOAN TO JAMAICA

### 1. INTRODUCTION AND COUNTRY CONTEXT

1. This program document proposes a **COVID-19 Response and Recovery Development Policy Financing (CRRDPF) operation, in the amount of US\$150 million, to support the Government of Jamaica’s (GOJ’s) response to and recovery from the health, social, and economic impact caused by the COVID-19 pandemic.** The operation is closely aligned with the priorities outlined in the GOJ’s pandemic response and stimulus package, along with the expressed commitment to structural reforms to support a resilient recovery and growth. The CRRDPF leverages several operations including the ongoing Economic Resilience Development Policy Loan (ERDPL) (P170223) series and the Foundations for Competitiveness and Growth (P147665) project. There is also significant alignment with the priorities outlined both in the World Bank Group’s (WBG) FY2014-2019 Country Partnership Strategy (CPS) for Jamaica (Report No. 85158-JM)<sup>1</sup> and the WBG’s COVID-19 Crisis Response Approach Paper.

2. In 2013, the GOJ– with the support of the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), and the WBG – embarked on a program aimed at stabilising the economy, reducing debt, and fuelling growth. The program, which enjoyed broad public support, was a remarkable success. The GOJ sustained annual primary surpluses above 7 percent of GDP under the program, which, coupled with prudent liability management, led to a 50 percentage points decline in public debt to 94 percent of GDP by March 2020. Low and stable inflation in the target range of 4-6 percent became the norm. Unemployment fell to its lowest levels and reserves were comfortably above 5 months of imports. The favorable turnaround in the country’s macroeconomic prospects was also reflected in the local stock exchange, which was rated as the world’s best performing stock index in 2018. In 2019, rating agencies Standard and Poor’s Global Ratings, Fitch Ratings, and Moody’s Corporation upgraded the country’s sovereign rating to B+, B+, and B2, respectively.

3. Jamaica’s ownership of the reform program, the resulting macroeconomic achievements, and the support from its partners enabled the successful completion of the IMF Precautionary Stand-By Agreement (SBA) in November 2019. The Government’s successful effort to consolidate its fiscal balances spans two political administrations and remains anchored in a social partnership (the Economic Programmed Oversight Committee — EPOC) involving stakeholders from public, private, and civil society. The steadfast implementation of sound fiscal and monetary policy reforms strengthened the economy and allowed for more broad-based reforms to enhance the country’s ability to withstand shocks. The Bank has been actively supporting the GOJ’s reform agenda through a number of investment and Development Policy Financing (DPF) operations, including an ongoing ERDPL (P170223) series which is designed to: (i) support fiscal sustainability and inclusion; (ii) enhance fiscal and financial resilience against natural disaster risks; and (iii) improve the investment climate for sustainable growth. It also supports efforts that ensure budget planning effectively accounts for contingent liabilities and available resources more adequately cope with climate and natural disaster-related macroeconomic shocks. Further, it supports the broader growth agenda through efforts aimed at reinforcing the resilience of Jamaica’s physical

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<sup>1</sup> Bank programming in Jamaica is guided by FY2014-17 CPS and the Program and Learning Review (PLR) which extended the CPS to FY19. The preparation of a Systematic Country Diagnostic (SCD) has been delayed due to the pandemic and will be completed in FY22, to be followed by a new country partnership framework.



infrastructure to multiple types of disaster risk.

**4. Within six months of the completion of the SBA, the country is confronting a severe economic crisis occasioned by the COVID-19 pandemic.** While the health impact of the pandemic in Jamaica has not been as severe as some countries, the associated socio-economic impact has been significant, pushing the economy into a deep recession. As of February 2, 2021, COVID-19 had infected 15,973 persons and was the cause of death for 353 Jamaicans, with the number of cases still growing albeit at a slower rate relative to its peak in the summer of 2020.<sup>2</sup> The socio-economic impact of the pandemic has been particularly severe on tourism-dependent countries such as Jamaica, where the sector contributes approximately 30 percent of GDP and supplies a third of all jobs. Jamaica's real Gross Domestic Product (GDP) is expected to contract by 11.6 percent in FY2020/21.<sup>3</sup> The GOJ took early and aggressive measures starting in March 2020 to prevent the spread of infection, including cancelling all major public and private gatherings, closing schools, and quarantining entire communities. Curfews across the island remain in place, although the closure of the borders to incoming tourists was lifted on June 1, 2020 for returning Jamaican citizens and on June 15, 2020 for non-citizens. The GOJ also instituted its COVID-19 Allocation of Resources for Employees (CARE) programmed to protect the poor and vulnerable who lost jobs and livelihoods, as well as several initiatives to support businesses to ensure a rapid and sustainable recovery.

**5. Poverty in Jamaica has declined in recent years, but the impact of COVID-19 is likely to cause some reversal.** The poverty rate for 2018 was 12.6 percent, the lowest recorded in 10 years.<sup>4</sup> Nevertheless, poverty reduction has not been continuous, with significant volatility between 2012 and 2018 underscoring the population's vulnerability to short-term shocks. The shock to the economy resulting from the COVID-19 pandemic is expected to affect the welfare of households through reductions in labor income, which if unmitigated could push at least 400,000 Jamaicans into poverty.<sup>5</sup> Impacts are likely to be uneven across the population, which could exacerbate inequality. For example, the most affected sectors, including hospitality, retail, and other service-oriented sectors are dominated by female workers. Hence, the rise in unemployment by 5.3 percentage points from January 2020 to 12.6 percent as of July 2020 has reinforced existing gender disparities. Female unemployment rates approximated 14 percent during this period, while the rate for males was 11.5 percent.

**6. The proposed CRRDPF responds to the GOJ's request for urgent financial assistance to respond to the crisis and to support reforms for a swift economic recovery.** The pandemic has caused a large external financing gap (approximately 6 percent of GDP). Providing immediate support via a standalone DPF, rather than through the ongoing ERDPL (P170223) series (the first operation was approved in March 2020), was deemed optimal in this context because: (i) it enables focused and fast-track support to target urgent COVID-19 response and recovery needs; and (ii) the GOJ has expressed a strong preference for maintaining the structure of the ERDPL series and its reform program intact. The proposed operation complements reforms in the ongoing ERDPL series, specifically pillars 1 and 3 which include reforms on inclusion and fiscal sustainability. With the shift in priorities to the COVID-19 crisis and associated structural reforms, measures supported by the second and final operation in the ERDPF series are now

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<sup>2</sup> Daily confirmed cases have slowed to an average of less than 20 per million, which is 33 percent of the peak. Jamaica has a COVID-19 death rate of 10.8 per 100,000.

<sup>3</sup> The fiscal year runs from April 1 to March 31.

<sup>4</sup> Information sourced from the Statistical Institute of Jamaica.

<sup>5</sup> Preliminary Bank estimates.



expected to be completed by the end of 2021. As part of the efforts to accelerate fiscal transparency and sustainability, legislation to operationalize the Independent Fiscal Commission has been brought forward and included in this operation.<sup>6</sup> The rest of the reform program supported by the ERDPF series remains unchanged.

**7. The CRRDPF is structured around three interrelated pillars aligned with the objectives of the Bank's COVID-19 Crisis Response Approach Paper.** The external sector is struggling as inbound tourism comes to a standstill augmenting job loss from slowing domestic demand. In addition, the pandemic has exacerbated already high levels of economic and financial exclusion, generating significant vulnerabilities for medium, small and micro enterprises (MSMEs) and households.<sup>7</sup> In this context, pillar 1 of the proposed operation supports the GOJ's ongoing efforts to protect poor and vulnerable households and communities from the economic and social shocks of the crisis, retain human capital, and promote equity and inclusion in the recovery. It includes targeted relief to select groups while also advancing reforms for the safe re-opening of the economy. Pillar 2 supports the GOJ's efforts to promote sustainable business growth and job creation by helping firms survive the initial crisis shock and protect jobs. It also includes efforts to expand financial inclusion through reforms supporting the emergence of financial technology (Fintech) and the development of microcredit. Measures to expedite cross border trade is another important feature of this pillar. Reforms under pillar 3 are designed to help Jamaica's long-term recovery by strengthening monetary, fiscal, and environmental policies for sustainable growth and transparent debt reduction.

**8. Negative effects of the pandemic on Jamaica's economy and vulnerable groups are exacerbated by climate change.** Jamaica is particularly vulnerable to increasing temperatures, rising sea levels and more frequent and severe climate-induced natural disasters, such as floods, droughts, hurricanes, and tropical storms. These pose significant challenges to the already vulnerable groups and key economic and climate sensitive sectors, such as tourism and agriculture. Notably, the frequency and intensity of climate-induced natural disasters impact crop production, soil fertility, and agriculture infrastructure and assets, which negatively affect the livelihoods of local populations. Long term climate change impacts, including changing precipitation patterns and increasing temperatures, affect the reliability of water resources needed for food production and negatively impact the livelihoods of local communities. Nutrition is also likely to be affected by climate change through impacts on dietary diversity and health. Climate change represents a major threat to the country's overall development given projected climate events and the country's dependence on natural resources. Climate-informed policies are thus a relevant part of the broader COVID-19 response to restoring growth and improving the resilience of affected populations and sectors.

**9. With the GOJ's strong commitment to macroeconomic discipline and reforms to strengthen fiscal, monetary, and financial resilience, and its strong track record, the macroeconomic policy framework remains sound.** The Government was re-elected in parliamentary elections in September

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<sup>6</sup> The Independent Fiscal Commission was previously referred to as the Fiscal Council.

<sup>7</sup> The MSME sector accounts for 80 percent of jobs in the Jamaican economy. <https://www.micaf.gov.jm/content/msme-sector>. According to Findex, there are significant gender gaps when it comes to financial inclusion and access to credit in Jamaica with only 15 percent of adult females having borrowed from a financial institution or used a credit card compared to 22 percent of adult men. Similarly, only 5 percent of female adults borrowed to start, operate, or expand a business or a farm, compared to 8 percent for adult men. Measures providing financial assistance to MSMEs and promoting the availability of microfinance sector have the potential to contribute to closing those gaps.



2020 with a two-thirds majority and has reaffirmed its commitment to the reform program. The medium-term growth outlook is positive as the economy gradually recovers from the pandemic and ongoing reforms, including those supported by this operation, help to create the environment for greater financial innovation and investment. Monetary policy and financial sector reforms have been supportive of the recovery and growth effort. The GOJ has demonstrated fiscal restraint and has expressed a strong commitment to achieving the public debt target of 60 percent of GDP by FY2027/28.<sup>8</sup> While external vulnerabilities are high, existing international reserves remain at adequate levels.

**10. There are several downside risks, making the overall risk of the operation moderate.** Notably, the country's vulnerability to natural disasters represents a major risk, and there are potential social pressures in a COVID-19 environment. Nevertheless, the authorities are keen to remain engaged with the WBG for technical and financial support to implement their ambitious program. The proposed operation supports substantial reforms underpinning this effort. Sustained political commitment to implement difficult and sensitive reforms will be a crucial ingredient for the success of this operation.

## 2. MACROECONOMIC POLICY FRAMEWORK

### 2.1. RECENT ECONOMIC DEVELOPMENTS

**11. The onset of COVID-19 occasioned a contraction in economic activities in Jamaica, the first annual decline in six years.** Real GDP contracted by 0.1 percent in FY2019/20, reflecting the significant fall out in economic activity during the final quarter (-2.4 percent) as the economy was impacted by containment measures implemented locally and internationally to manage the spread of the COVID-19 disease. Mining and construction contracted sharply as a result of the temporary closure of a large alumina refinery for retooling and the completion of several road works projects. Except for the tourism sector, all components within the services industry registered increases. On the demand side, the contraction in GDP reflected declines in investment and private consumption. Preliminary information for the first two quarters of the FY2020/21 suggest that real GDP contracted by 15 percent compared to the similar period of FY2019/20. This resulted from declines in all sectors, led by tourism (-76 percent) and mining (-23 percent), largely due to impact of measures adopted to limit the spread of COVID-19 and the temporary closure of the alumina plant. However, there were promising signs of a recovery with an expansion of 8.3 percent in the September quarter as the economy started to reopen.

**12. Inflation remains low and under control, and the central bank has maintained a relatively loose monetary policy stance to support economic activity.** The Bank of Jamaica (BOJ) started the process of adopting an explicit inflation targeting framework in 2018, which has helped to anchor expectations and reduce inflation and output volatility.<sup>9</sup> Accordingly, monetary policy in FY2019/20 remained consistent with the inflation target range of 4-6 percent, and average inflation reached 4.7 percent. To help contain the slump in activity, boost liquidity in credit markets, and support increased electronic payments, BOJ took a more aggressive monetary stance since March 2020. This included: (i) lowering the Jamaica Dollar and foreign currency cash reserve requirements by 2 percentage points; (ii) secondary market purchases of GOJ bonds; (iii) early redemption of select BOJ securities; (iv) elimination of limits and penalties on overnight borrowing by financial institutions; and (v) temporarily waiving Real-Time-Gross-Settlement

<sup>8</sup> Given the impact of the pandemic on the economy, Parliament approved the postponement of the debt target by two years to 2028.

<sup>9</sup> In July 2020, the Statistical Institute of Jamaica released a new CPI series based on the 2017 Household Expenditure Survey.



(RTGS) fees for customer transactions. Further, in accordance with the current exchange rate policy, BOJ also offered a US dollar indexed bond to investors seeking a hedge against future exchange rate movements.

**13. The GOJ has made significant progress in fiscal management and has reduced the debt to GDP ratio by almost 50 percentage points since 2013.** The sharp fall in debt has been attributed to proactive fiscal management, with the GOJ maintaining annual primary surpluses above 7 percent of GDP, along with preemptive debt management. An overall fiscal surplus of 0.9 percent of GDP was achieved in FY2019/20, broadly in line with the average for the preceding two years (Tables 2 and 3). The fiscal performance was also supported by greater control over public bodies. Fiscal discipline has helped shore up confidence in capital markets, giving the GOJ the necessary space to execute careful debt-market transactions, which have further reduced the public debt stock and mitigated debt-related risks.

**14. Total revenues have grown steadily since FY2014/15, but the impact of the pandemic on economic activity has started to affect receipts.** Total revenue reached 30.5 percent of GDP in FY2019/20, broadly in line with the preceding year, an increase of 4.2 percentage points in 5 years. This improvement reflected reforms to broaden the tax base and reinforce collection including the rise in excise tax rates on selected goods and the removal of exemptions and discretionary deductions from the sales tax (GCT). The Office of the Large Taxpayers was strengthened, and steps were taken to mitigate the impact of transfer pricing. The recent slowdown in economic activities due to the COVID-19 pandemic has curtailed revenues with a notable decline of 18 percent in tax revenues for April to October 2020 relative to the comparable period of 2019. All categories of revenues are down relative to the preceding fiscal year.

**15. Total expenditure increased at a slower pace than revenues leading up to the onset of the pandemic.** Total expenditure reached 29.6 percent of GDP in FY2019/20, on par with the preceding year, and 2.9 percentage points above FY2014/15 levels. The growth in spending was led by increased program and capital expenditures, and included: (i) road-building projects; (ii) social programs such as the program of Advancement through Health and Education (PATH), and the school feeding program; and (iii) capital investment for security. The Government achieved some rebalancing of spending by decreasing wages and salaries to below 10 percent of GDP. Effective debt management, including the PetroCaribe debt buyback in 2015, has lowered Jamaica's debt-service obligations as interest payments fell from 7.8 percent of GDP in FY2014/15 to 6.2 percent of GDP in FY2019/20. Preliminary information for April to October 2020 shows total expenditure being 6 percent above the comparable period in 2019, principally due to COVID-19 related programs.

**16. The current account deficit (CAD) narrowed from 1.9 percent of GDP in FY2018/19 to 1.6 percent of GDP in FY2019/20.** The improvement was primarily influenced by higher tourism and remittances inflows, offsetting a sharp deterioration in the goods balance. Goods export contracted by 23 percent in the context of the temporary closure of the country's main alumina plant in 2019. Remittances, however, remained strong. The latest information shows inflows of remittances growing by 28 percent for the period April to September 2020, despite the economic impact of the pandemic on the principal source economies of USA and Canada. The CAD was financed primarily by official and portfolio inflows. The authorities have succeeded in building up a buffer against external shocks with the gross international reserve coverage above 6 months as of October 2020.<sup>10</sup>

<sup>10</sup> This includes the disbursement of \$520 million by the IMF in May 2020 under the Rapid Financing Instrument window.



**17. Indicators of financial sector soundness are broadly positive.** Credit to the private sector slowed during the first six months of FY2020/21, increasing by 12 percent compared to 15.5 percent for the corresponding period in FY2018/19. Non-performing loans to total gross loans increased slightly by 0.4 percentage points to 2.7 percent in September 2020 y-o-y. Although banks profitability has been adversely impacted by the crisis, they remained profitable with a pre-tax profit margin of 11.5 percent and well-capitalized with a capital adequacy ratio of 14.2 percent over the same period.

**Table 1. Jamaica: Contribution to growth (percentage change)**

|                     | 2018/19    | 2019/20e    | Pre-COVID  | Post-COVID   |            |            |            |
|---------------------|------------|-------------|------------|--------------|------------|------------|------------|
|                     |            |             | 2020/21f   | 2020/21f     | 2021/22f   | 2022/23f   | 2023/24f   |
| <i>Demand Side</i>  |            |             |            |              |            |            |            |
| Private consumption | 0.7        | -1.0        | 1.1        | -11.2        | 2.4        | 2.6        | 2.0        |
| Public Consumption  | 0.1        | 0.4         | 0.2        | 0.4          | 0.1        | 0.0        | 0.0        |
| Fixed Investment    | 1.1        | -0.8        | 0.6        | -6.9         | 1.6        | 2.6        | 0.8        |
| Exports             | 2.8        | 1.0         | 0.8        | -15.8        | 6.0        | 1.2        | 1.3        |
| Imports             | 2.6        | -0.3        | 1.6        | -21.9        | 7.1        | 2.1        | 0.6        |
| <b>GDP Growth</b>   | <b>1.9</b> | <b>-0.1</b> | <b>1.1</b> | <b>-11.6</b> | <b>3.0</b> | <b>4.4</b> | <b>3.6</b> |
| <i>Supply Side</i>  |            |             |            |              |            |            |            |
| Agriculture         | 0.2        | 0.0         | 0.2        | -0.4         | 0.3        | 0.3        | 0.3        |
| Industry            | 0.9        | -0.1        | 0.2        | -2.1         | 1.1        | 1.4        | 0.5        |
| Services            | 0.8        | 0.0         | 0.7        | -9.1         | 1.6        | 2.7        | 2.8        |
| <b>GDP Growth</b>   | <b>1.9</b> | <b>-0.1</b> | <b>1.1</b> | <b>-11.6</b> | <b>3.0</b> | <b>4.4</b> | <b>3.6</b> |

Source: Jamaican authorities, IMF and World Bank staff estimates and projections.

## 2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

**18. GDP is projected to contract by 11.6 percent in FY2020/21 and gradually recover to record average growth of 3.7 percent between FY2021/22 and FY2023/24** (Tables 1 and 2). The deep contraction in FY2020/21 will be driven by net external demand and private consumption, reflecting the combined impact of the near closure of international travel and a marked slowdown in domestic demand. On the supply side, services will contract due to the disruption of tourism, which accounts for more than 30 percent of all economic activity. Agriculture and industry will be held back by disruptions in domestic production linked to the crisis, flooding from the October 2020 rains, and the temporary closure of Jamaica's largest aluminum refinery. A gradual recovery over the medium-term will be driven by the reutilization of spare capacity created by the pandemic and the pace of normalization in tourism as travel restrictions ease, as well as the resumption of mining in second half of 2022.<sup>11</sup>

**19. Inflation is expected to remain within the central bank's target range of 4-6 percent.** In FY2020/21, lower aggregate demand along with a drop in global energy prices are expected to reduce inflationary pressures. However, this downward pressure on prices will be countered by the expansionary fiscal and monetary policies put in place to deal with the COVID-19 crisis and the fallout in domestic

<sup>11</sup> The economy is expected to return to pre-COVID-19 levels in FY2023/24.





agriculture due to adverse weather events in October 2020. The Jamaican dollar may come under some pressure due to lower foreign-currency receipts from tourism and alumina exports. However, the central bank will have enough international reserves on which it can rely to ensure order in the foreign exchange market. Inflation is forecast to remain above 5 percent over the medium-term as domestic and external demand recover.

**20. Monetary policy will remain supportive of growth, ensuring an adequate level of liquidity in the financial system.** This includes removing the limits on the amounts that can be borrowed overnight from deposit-taking institutions without charging the penalty rate and widening the range of acceptable repo collateral. The authorities are encouraging the banking sector to retain capital by postponing dividend payments to shareholders and by rescheduling loans and mortgages, in addition to the mortgage rate cuts announced by the National Housing Trust.<sup>12</sup> Jamaica's financial infrastructure remains sound, although the crisis could create some challenges for financial stability.

**21. A sharp deterioration in exports is expected to push the current account deficit to 4.3 percent of GDP in FY2020/21.** The goods and services balance is expected to worsen as a result of declining exports—which more than offset the contraction in imports associated with weakening domestic demand and lower oil prices. Strong growth in remittances should also help to partly offset the impact of lower inflows from goods and services exports. The net result is an immediate need for international support of almost US\$0.9 billion (about 6 percent of GDP) (Table 4). A deeper fallout consistent with the downside scenario in Table 2 would generate an additional financing gap of 2 percent of GDP. Financial support from the IMF and additional resources from the other IFIs are expected to cover part of this financing requirement, limiting the drawdown of international reserves. In May 2020, the IMF provided US\$520 million through its Rapid Financing Instrument (RFI) to strengthen the external buffers of the central bank. The current account deficit is projected to average 3.9 percent of GDP over FY2021/22-FY2023/24, as tourism and mining exports gradually recover. Remittances, which expanded in FY2020/21, are expected to revert to pre-pandemic levels over the medium term. Gross reserves should remain healthy, averaging over 5 months of imports.

**22. Fiscal policy has been adapted to allow the Government to respond to the pandemic, consistent with the existing fiscal rules.** With the worsening impact of the pandemic, the Government tabled supplementary budgets (in May and October 2020, as well as January 2021) for FY2020/21 and adjusted its medium-term fiscal profile. An overall fiscal deficit of 3.8 percent of GDP is envisaged for FY2020/21 – 4.5 percentage points lower than the original budget – but should recover to an average surplus of 0.7 percent of GDP over the medium-term (Table 3). This sharp deterioration in FY2020/21 is expected to reflect the combination of lower revenues and the impact of the GOJ's economic policy response (including its COVID-19 Allocation of Resources for Employees (CARE) Programme (1.2 percent of GDP), as well as scheduled wage increases under the 2017-2021 wage pact and the reclassification of some salary groups. In this context, the primary surplus target for FY2020/21 has been revised downward from 6.5 percent to 3.0 percent of GDP. This revision meant that the original public debt target of 60 percent of GDP by FY2025/26 was unlikely to be attained, prompting a suspension of the fiscal rules for FY2020/21. Parliament has since approved a two-year extension to the public debt target timeline.

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<sup>12</sup> The National Housing Trust is a statutory body established in 1976 to increase the housing stock in Jamaica and to provide funding to contributors (all employed and self-employed individuals) to build, buy or repair their homes.



**23. The recovery of the economy over the medium-term is expected to benefit tax collections and normalize spending.** Total revenues should rebound to average 29.5 percent of GDP between FY2021/22 and FY2023/24, an increase of 1.0 percentage point relative to FY2020/21. This is consistent with the expected pace of normalization in domestic and international trade. In parallel, total expenditure are projected to decline from its peak of 32.3 percent of GDP in FY2020/21 to average 28.9 percent of GDP over FY2021/22-FY2023/24. With the winding-up of the CARE program, spending on programs and capital should normalize. Debt-service obligations will also fall consistent with a decline in debt.

**24. Financing needs have increased sharply but will decline over the medium-term.** Gross financing needs are expected to peak at 11.7 percent of GDP in FY2020/21 before falling to 3.2 percent of GDP in FY2023/24 (Table 3). Emergency funding from the IMF, along with support from other IFIs, will provide relief to Jamaica's substantial financing needs, supporting the country's policy response to the COVID-19 shock. Reforms are being implemented to improve fiscal management and oversight of public enterprises, including with the support of this operation and the ERDPL (P170223) series. These will be crucial for enhancing governance and transparency and to mitigate fiscal risks.

**25. Jamaica's public debt remains sustainable despite a projected increase in FY2020/21.** The public debt ratio is expected to rise to 105.7 percent of GDP in FY2020/21, given the severe economic contraction caused by the COVID-19 shock. The December 2020 updated Debt Sustainability Analysis (DSA) projected that under the baseline macroeconomic outlook, which assumes the GOJ will maintain a tight fiscal stance, the public-debt-to-GDP ratio will fall to 78.4 percent by FY2023/24 and reach the 60 percent threshold by FY2027/28 (Figures 1 and 2). Relatively large primary surpluses, alongside a sustained rebound in economic growth, will account for most of the reduction in the public debt-to-GDP.

**26. Risks to debt sustainability remain significant.** The projected debt trajectory remains vulnerable to uncertainties regarding the duration of the COVID-19 shock and the associated risks to inflation, the exchange rate, and fiscal balance (see downside scenario in Table 2). The relatively high share of foreign currency denominated debt also exposes Jamaica to volatile foreign-exchange markets. The DSA, as well as the GOJ's fiscal policy papers, highlight the country's exposure to financial risks arising from state-owned enterprises and other public entities. Previous DSA simulations also suggested that a natural disaster could increase the public debt to GDP ratio by as much as 12 percentage points.<sup>13</sup> In light of these risks, Fitch Ratings Agency revised Jamaica's Outlook in 2020 from positive to stable while the S&P Global Ratings revised it from stable to negative. The Long-Term Foreign-Currency Issuer Default Rating for both agencies is affirmed at B+. However, the GOJ's solid policy track record, the ongoing commitment to achieve the medium-term debt target (including through reforms supported by this DPF), and recent prudent debt management efforts mitigates potential risks.

**27. The GOJ has been successful in reducing market-related costs and risks through their debt reduction strategy.** The authorities have successfully extended maturities, ensuring that the gross financing needs over the medium-term are modest. GOJ bought back outstanding global bonds due in 2022, 2025, and 2028, amounting to about US\$ 1 billion, which, along with new bond issuances through the reopening of the global bond due in 2045, achieved a significant extension of the maturity profile of its public debt. The GOJ plans further opportunistic liability management operations as part of their medium-term debt management strategy to reduce the costs and risks in its public portfolio.

<sup>13</sup> IMF, 2018. "Jamaica Article IV Consultation."





**28. The macroeconomic outlook is broadly positive, but downside risks are high (Figure 3).** Containment of the COVID-19 pandemic is essential for economic recovery and sustained growth. Jamaica implemented lock-down, social distancing and a public health response relatively early in the epidemic but has since experienced an increase in the number of daily cases. With reforms supported by this operation, the GOJ is strengthening the public health system, including the approval of an interim national vaccination plan to ensure safe re-opening of the economy. The pace of Jamaica's economic recovery will also depend on the global containment, growth, and easing of travel restrictions. However, as the pandemic may have long-term impacts on tourist behavior and preferences, Jamaica is adapting its tourism product to such changes. Higher-than-anticipated commodity prices, tighter global financial conditions, and natural disaster shocks<sup>14</sup> could significantly impact external and fiscal balances. Likewise, slower economic growth could require stronger fiscal adjustments, which may be politically difficult. The response of the private sector to ongoing and planned reforms will be particularly critical.

**29. Continued macroeconomic consolidation in Jamaica will require reforms that do not involve increased spending.** Although Jamaica has been successful in reducing debt in recent years, the stock of debt remains elevated and subject to significant risks. The existing public debt target means that fiscal space will be limited, prompting the Government to explore policy, regulatory, and institutional reforms that have limited cost implications to drive its development program. Measures to contain contingent liability risks, enhance macroeconomic oversight and transparency through a fiscal commission, deepen the financial sector, and find new growth poles are being implemented with Bank support, which augurs well for continuity of the social compact. In conjunction, the authorities continue to explore options to improve efficiency in public spending, especially in education and social protection.

**30. Despite substantial downside risks to the economic outlook, Jamaica's macroeconomic policy framework is adequate for this development policy financing operation.** Jamaica benefits from a stable and sound macroeconomic outlook supported by several years of prudent fiscal consolidation, and effective debt management and debt reduction efforts. Further measures, including to improve access to finance by MSMEs and trade facilitation, are necessary to facilitate and foster a stronger growth response as the country emerges from the COVID-19 pandemic and are supported by this and other Bank operations. This assessment of macro adequacy is based on: (i) prospects for a gradual recovery in economic growth; (ii) monetary and financial stability; (iii) consistently low and stable inflation; (iv) rapidly declining debt levels; (v) maintenance of primary budget surpluses; and (vi) respected fiscal rules.

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<sup>14</sup> The GOJ is currently attempting to strengthen multiple dimensions of disaster resilience through measures designed to reinforce fiscal stability and mitigate financial risks. These are being supported by the Bank through several initiatives including the parallel ERDPL (P170223) series.

Table 2. Jamaica: Key Macroeconomic Indicators (FY2018/19-FY2023/24)<sup>1/</sup>

|   | 2018/19 | 2019/20e | Pre-<br>COVID | Post-COVID |          |          |          |
|---|---------|----------|---------------|------------|----------|----------|----------|
|   |         |          | 2020/21f      | 2020/21f   | 2021/22f | 2022/23f | 2023/24f |
| <i>Annual percentage change</i>           |         |          |               |            |          |          |          |
| <b>Real Economy</b>                       |         |          |               |            |          |          |          |
| Real GDP growth (percent)                 | 1.9     | -0.1     | 1.1           | -11.6      | 3.0      | 4.4      | 3.6      |
| CPI (period average)                      | 3.3     | 4.7      | 4.6           | 5.2        | 5.6      | 5.5      | 5.4      |
| CPI (eop)                                 | 3.4     | 5.9      | 4.5           | 6.0        | 5.6      | 5.4      | 5.4      |
| <b>Monetary and financial</b>             |         |          |               |            |          |          |          |
| BOJ policy rate (eop/latest)              | 1.3     | 0.5      | ...           | ...        | ...      | ...      | ...      |
| Credit to private sector (% change of M3) | 8.6     | 13.5     | ...           | ...        | ...      | ...      | ...      |
| NPLs /total loans (eop/latest)            | 2.6     | 2.2      | ...           | ...        | ...      | ...      | ...      |
| <i>Percent of GDP</i>                     |         |          |               |            |          |          |          |
| <b>Fiscal</b>                             |         |          |               |            |          |          |          |
| Budgetary revenue                         | 30.6    | 30.5     | 29.2          | 28.6       | 28.8     | 29.5     | 30.2     |
| Budgetary expenditure                     | 29.5    | 29.6     | 28.5          | 32.3       | 29.1     | 28.8     | 28.6     |
| Primary balance                           | 7.5     | 7.1      | 6.5           | 3.0        | 5.9      | 6.4      | 6.5      |
| Overall fiscal balance                    | 1.2     | 0.9      | 0.6           | -3.8       | -0.3     | 0.7      | 1.6      |
| <b>Public Debt</b>                        |         |          |               |            |          |          |          |
| External debt                             | 57.1    | 52.9     | 51.2          | 60.8       | 55.0     | 50.2     | 43.5     |
| Domestic debt                             | 37.3    | 41.1     | 39.0          | 44.9       | 43.3     | 37.5     | 34.9     |
| <b>External</b>                           |         |          |               |            |          |          |          |
| Current-account balance                   | -1.9    | -1.6     | -2.1          | -4.3       | -4.2     | -3.9     | -3.5     |
| Exports of goods, f.o.b.                  | 12.5    | 9.5      | 9.3           | 9.0        | 10.4     | 10.8     | 11.6     |
| Export of services                        | 25.1    | 26.6     | 27.1          | 12.1       | 13.1     | 19.2     | 23.9     |
| Imports of goods, f.o.b.                  | 35.6    | 34.0     | 32.3          | 28.5       | 27.7     | 31.4     | 35.3     |
| Imports of services                       | 15.8    | 16.3     | 16.9          | 12.7       | 13.2     | 15.1     | 15.8     |
| Foreign direct investment                 | 4.5     | 0.8      | 4.1           | 1.2        | 2.2      | 3.2      | 3.6      |
| Gross reserves (US\$ millions)            | 3,605   | 3,688    | 3,828         | 3,806      | 3,698    | 3,583    | 3,553    |
| <b>Memorandum items</b>                   |         |          |               |            |          |          |          |
| Nominal GDP (J\$ billions)                | 2,053   | 2,130    | 2,279         | 2,005      | 2,178    | 2,398    | 2,619    |
| Net int'l reserves (US\$ millions)        | 3,085   | 3,238    | 3,522         | 2,877      | 2,758    | 2,782    | 3,004    |
| Exchange rate (avg., J\$/US\$)            | 130.6   | 136.1    | ...           | ...        | ...      | ...      | ...      |
| <b>Downside Scenario<sup>2/</sup></b>     |         |          |               |            |          |          |          |
| Real GDP growth (percent)                 | 1.9     | -0.1     | 1.1           | -14.0      | 0.6      | 4.2      | 3.2      |
| Primary balance                           | 7.5     | 7.1      | 6.5           | 2.1        | 5.0      | 6.7      | 6.8      |
| Public sector debt                        | 94.4    | 94.0     | 90.2          | 110.8      | 104.7    | 96.6     | 87.5     |
| Current account balance                   | -1.9    | -1.6     | -2.1          | -6.3       | -5.9     | -4.0     | -3.6     |

1/ Numbers reported in fiscal years (April 1st -March 31st).

2/ The downside scenario assumes continued fallout in the tourism sector until the mid-FY2021/22 and a sluggish recovery in the sector over the medium-term.

Source: Jamaican authorities, IMF and World Bank staff estimates and projections.

Table 3. Jamaica: Key Fiscal Indicators (in percent of GDP)<sup>1/</sup>

|   | Pre-COVID   |             |             | Post-COVID  |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | 2018/19     | 2019/20e    | 2020/21f    | 2020/21f    | 2021/22f    | 2022/23f    | 2023/24f    |
| <b>Revenue and grants</b>                     | <b>30.6</b> | <b>30.5</b> | <b>29.2</b> | <b>28.6</b> | <b>28.8</b> | <b>29.5</b> | <b>30.2</b> |
| Tax   | 26.4        | 27.2        | 26.0        | 25.2        | 25.6        | 26.2        | 27.0        |
| Non-tax                                       | 3.5         | 3.0         | 2.9         | 2.9         | 2.9         | 2.9         | 2.9         |
| Grants  | 0.5         | 0.2         | 0.3         | 0.4         | 0.3         | 0.3         | 0.3         |
| Other revenue                                 | 0.1         | 0.1         | 0.0         | 0.0         | 0.0         | 0.1         | 0.0         |
| <b>Expenditures</b>                           | <b>29.5</b> | <b>29.6</b> | <b>28.5</b> | <b>32.3</b> | <b>29.1</b> | <b>28.8</b> | <b>28.6</b> |
| Primary expenditure                           | 23.2        | 23.4        | 22.7        | 25.5        | 23.0        | 23.1        | 23.7        |
| Wages and salaries <sup>2/</sup>              | 9.7         | 9.9         | 9.8         | 11.2        | 10.8        | 10.4        | 10.0        |
| Program expenditure                           | 10.2        | 10.2        | 9.6         | 12.0        | 10.0        | 9.7         | 9.6         |
| Capital expenditure                           | 3.2         | 3.3         | 3.3         | 2.3         | 2.1         | 3.0         | 4.1         |
| Interest payments                             | 6.3         | 6.2         | 5.8         | 6.8         | 6.1         | 5.7         | 4.9         |
| <b>Budget balance</b>                         | <b>1.2</b>  | <b>0.9</b>  | <b>0.6</b>  | <b>-3.8</b> | <b>-0.3</b> | <b>0.7</b>  | <b>1.6</b>  |
| Primary balance                               | 7.5         | 7.1         | 6.5         | 3.0         | 5.9         | 6.4         | 6.5         |
| <b>Principal repayments</b>                   | <b>6.5</b>  | <b>7.9</b>  | <b>7.6</b>  | <b>7.9</b>  | <b>7.0</b>  | <b>6.4</b>  | <b>4.8</b>  |
| Domestic                                      | 3.9         | 3.3         | 5.2         | 5.5         | 3.1         | 4.3         | 1.0         |
| External                                      | 2.6         | 4.6         | 2.5         | 2.4         | 3.8         | 2.1         | 3.8         |
| <b>Gross financing needs<sup>3/</sup></b>     | <b>5.3</b>  | <b>7.0</b>  | <b>7.0</b>  | <b>11.7</b> | <b>7.2</b>  | <b>5.7</b>  | <b>3.2</b>  |
| <b>Gross financing sources</b>                | <b>5.3</b>  | <b>7.0</b>  | <b>7.0</b>  | <b>11.7</b> | <b>7.2</b>  | <b>5.7</b>  | <b>3.2</b>  |
| Domestic                                      | 3.7         | 3.5         | 5.5         | 5.7         | 4.0         | 2.2         | 2.0         |
| External                                      | 1.8         | 2.4         | 2.3         | 3.9         | 1.9         | 0.8         | 1.0         |
| Divestment+ deposit withdrawn                 | -0.3        | 1.1         | -0.9        | 2.1         | 1.3         | 2.6         | 0.2         |
| <b>Memorandum items</b>                       |             |             |             |             |             |             |             |
| Govt. and guaranteed debt (FRL) <sup>4/</sup> | 2,004.7     | 2,008.1     | 2,055.7     | 2,119.9     | 2,140.0     | 2,103.6     | 2,053.9     |

1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.

2/ Includes employers' contribution.

3/ Gross financing needs include the recapitalization of the central bank for FY2018/19 - FY2020/21.

4/ Consolidated Central Government and public bodies' debt, consistent with the Fiscal Responsibility Law. The most significant deviation from the EFF definition is the exclusion of debt to the IMF held by the BOJ.

Source: Jamaican authorities, IMF and World Bank staff estimates and projections.

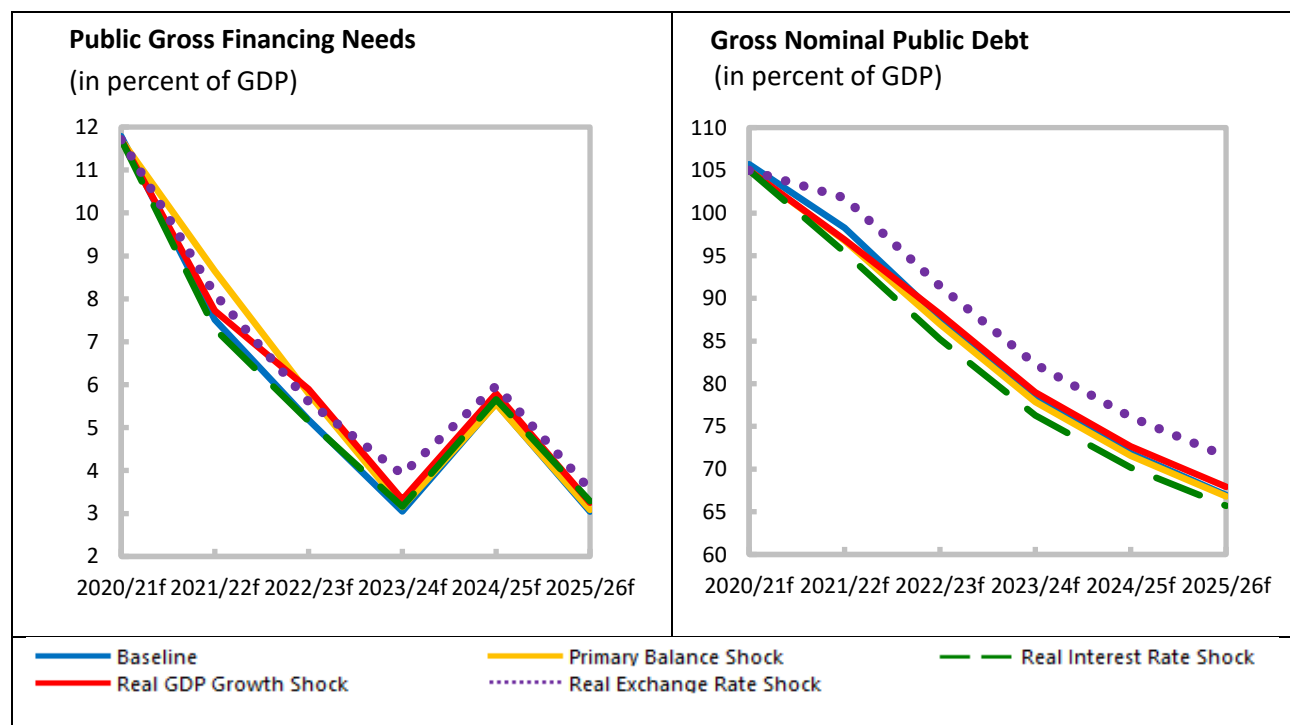


Table 4. Jamaica: Balance of Payments Financing Requirements and Sources (US\$ million)

|  | 2018/19e   | 2019/20e    | Pre-COVID  | Post-COVID  |             |             |             |
|--|------------|-------------|------------|-------------|-------------|-------------|-------------|
|  |            |             | 2020/21f   | 2020/21f    | 2021/22f    | 2022/23f    | 2023/24f    |
| <b>Financing requirements</b>            | <b>868</b> | <b>1583</b> | <b>838</b> | <b>1434</b> | <b>1415</b> | <b>1398</b> | <b>1531</b> |
| Current Account Deficit                  | 300        | 250         | 350        | 565         | 620         | 632         | 567         |
| Medium and long-term Debt Amortization   | 568        | 1333        | 488        | 868         | 794         | 766         | 964         |
| <b>Financing Sources</b>                 | <b>868</b> | <b>1583</b> | <b>838</b> | <b>1434</b> | <b>1415</b> | <b>1398</b> | <b>1531</b> |
| FDI and portfolio investments (net)      | 732        | 763         | 799        | 140         | 490         | 573         | 666         |
| Capital transfers                        | 2          | 29          | -22        | 27          | 15          | 17          | 20          |
| Other investments                        | 144        | -479        | -53        | 290         | -224        | -549        | -771        |
| Public sector MLT debt disbursements     | -62        | 1353        | 384        | 908         | 646         | 1311        | 1705        |
| RFI                                      |            |             |            | 520         |             |             |             |
| WB                                       |            |             |            | 150         |             |             |             |
| IDB                                      |            |             |            | 75          |             |             |             |
| Other Official support/reserves drawdown | 52         | -83         | -270       | 69          | 488         | 46          | -88         |

Source: Jamaican authorities, IMF and World Bank staff estimates and projections.

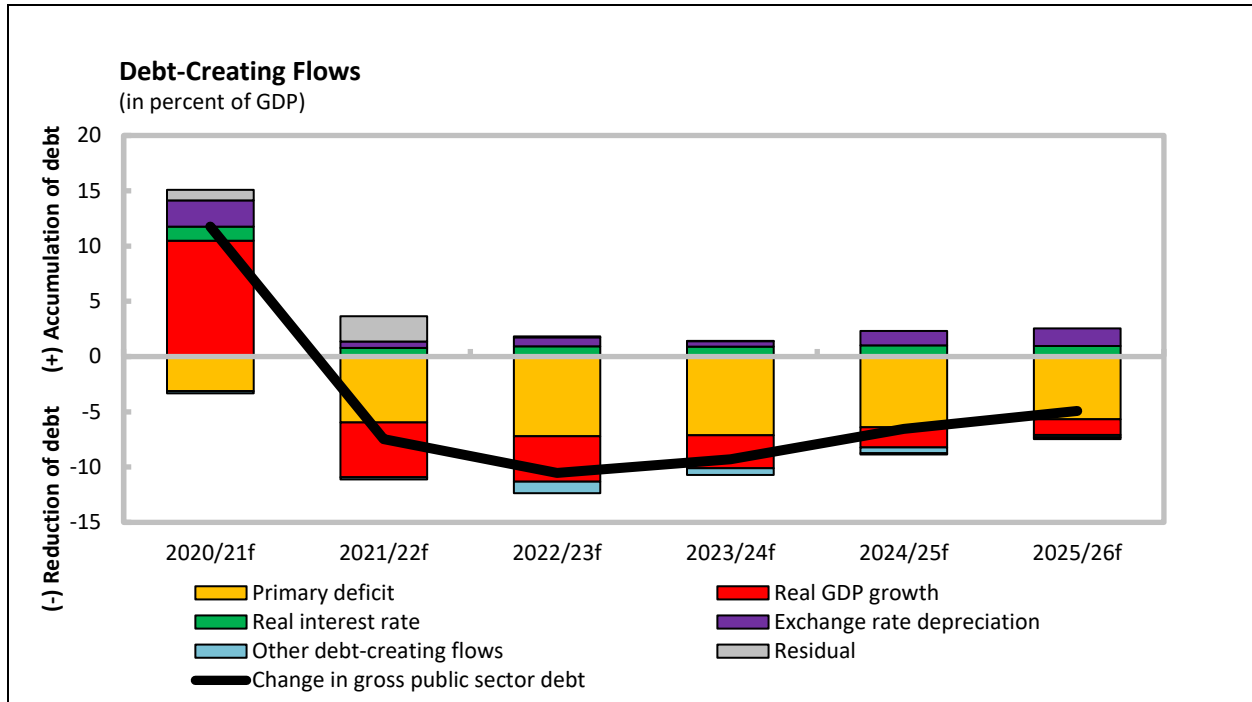
Figure 1: Gross Financing Needs and Public Debt Indicators (FY2020/21-FY2025/26)



Source: IMF and World Bank staff estimates.

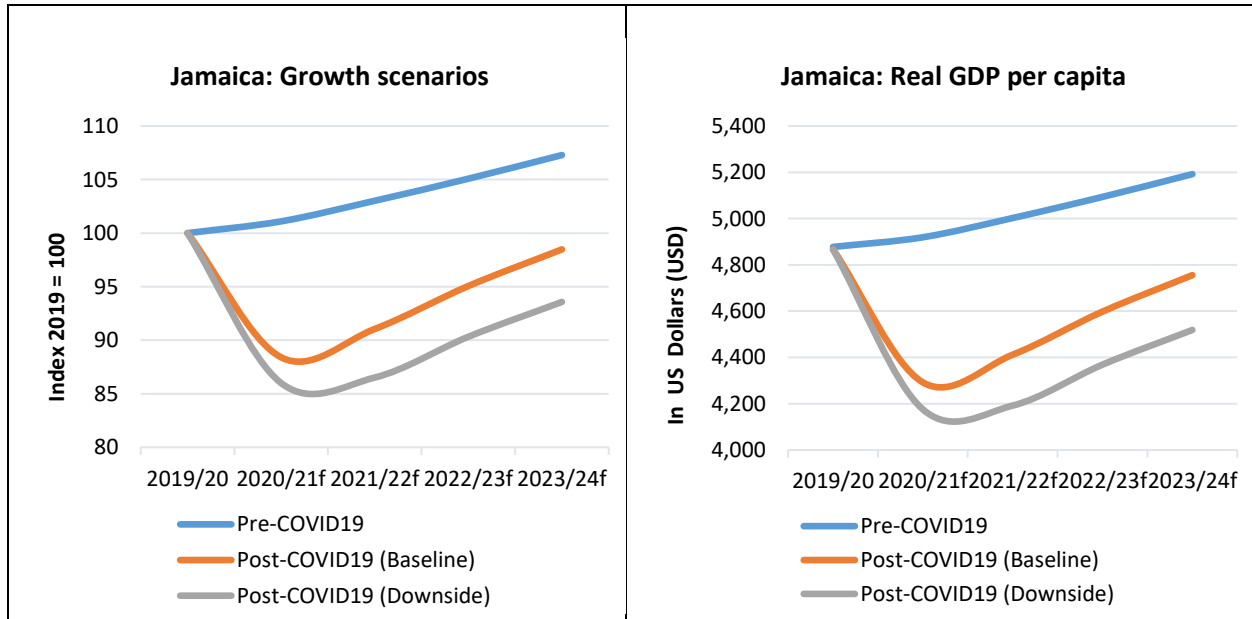


Figure 2: Debt Reduction Drivers (FY2020/21-2025/26)



Source: IMF and World Bank staff estimates.

Figure 3: Medium-term Growth Scenarios (FY2019/20-FY2023/24)



Source: World Bank staff estimates.



## 2.3. IMF RELATIONS

**31. The Executive Board of the IMF, in May 2020, approved Jamaica’s request for an emergency financial assistance under the RFI for US\$520 million to help address the COVID-19 pandemic.** The RFI has helped the country meet urgent balance of payments needs stemming from the COVID-19 pandemic and catalyzed additional funding from other development partners. The RFI note highlighted that “Jamaica’s established track record of economic reforms has created buffers that are invaluable today in responding to the COVID-19 crisis.” The IMF anticipates that the authorities will pursue appropriate policies based on their strong track record and policy commitments. It maintains a close and candid dialogue with the authorities on macroeconomic policies and retains a presence in the country even after the successful completion of its precautionary SBA in November 2019.

**32. The Bank has been working closely with the IMF and the authorities to strengthen the fiscal framework and financial options to improve disaster preparedness and response.** The IMF and the Bank are coordinating in key areas such as debt management, reforms of the public entities sector, and overall macroeconomic stability. The IMF and the Bank meet regularly to discuss and exchange views on relevant macroeconomic issues. Coordination between the IMF and the Bank will continue to ensure that the authorities receive consistent advice and information in developing and implementing their program.

## 3. GOVERNMENT PROGRAM

**33. The GOJ’s program is outlined in its medium-term socio-economic development framework for 2018 to 2021 (MTF 2018-2021).**<sup>15</sup> The MTF 2018-2021 is the fourth in a series of seven consecutive 3-year plans aligned to the overall goals of Vision 2030 Jamaica – National Development Plan and is aligned with the Sustainable Development Goals (SDGs). The plan aims to position the country as a place of choice, to live, work, raise families and do business. The consensus-based objectives remain: (i) undertaking fundamental reforms to consolidate macroeconomic gains; (ii) strengthening international competitiveness; (iii) protecting the most vulnerable; and (iv) strengthening the resilience of the built and natural environment. The strategy highlights the need for continuity in the development model, addressing macroeconomic stability and fiscal risks from natural disasters, and broadening the economic base. The latter is to be achieved through improving the business climate for greater private sector participation.

**34. The GOJ’s program has been adapted to respond to the pandemic, including a greater emphasis on protecting lives and livelihoods, a stronger and more resilient financial sector.** The Government established a special taskforce comprising key ministries, agencies and the private sector, to adapt its program and coordinate the country’s response and recovery efforts.<sup>16</sup> Key elements include plans to augment existing social assistance, accelerate health sector reforms and support MSMEs.<sup>17</sup> Ambitious

<sup>15</sup> <http://www.vision2030.gov.jm/Portals/0/MTF/MTF%202018%20-%202021%20-%2020March%202019.pdf>

<sup>16</sup> See the full report of the COVID-19 Economic Recovery Task Force Report in the following link. <https://mof.gov.jm/documents/documents-publications/document-centre/file/2431-covid-19-economic-recovery-task-force-rebuild-jamaica.html>

<sup>17</sup> The GOJ’s temporary social and economic support program designed to cushion the impact of the COVID-19 pandemic on vulnerable households, workers, and businesses was launched on April 9 and receipt of applications were extended for most components from the initial closing date of August 31 to December 31, 2020.



reforms to improve fiscal transparency and inspire innovation and financial inclusion are being advanced in parallel with reforms to strengthen the central bank's (BOJ) independence and to formalize its responsibility for the overall stability of the financial system. Reforms in trade facilitation to increase efficiency in the areas of shipping, logistics and international trade are under consideration. In addition, the Government has an established Social Protection Strategy which aims to accelerate economic and social development by establishing a "social protection floor" to ensure members of vulnerable or disadvantaged groups have recourse to basic income security and essential social services.

**35. The GOJ has made efforts to transition towards a low carbon development pathway.** The Climate Change Policy Framework for Jamaica supports the goals of Vision 2030 by reducing the risks posed by climate change to all of Jamaica's sectors and development goals. The Policy Framework is currently being assessed and revised to include the considerations of the Paris Agreement and to incorporate the Paris Agreement Work Program. With this commitment and the implementation of climate change policies and related sectoral strategies, Jamaica continues to make progress towards realizing the goals of Vision 2030. However, stronger and more resilient economic growth is needed to further reduce poverty significantly and boost shared prosperity.

## 4. PROPOSED OPERATION

### 4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

**36. The pillars and program development objectives (PDO) are (i) protecting poor and vulnerable people; (ii) supporting sustainable business growth and job creation; and (iii) strengthening policies and institutions for resilient and sustainable recovery.** The operation is closely aligned with the priorities of the 2018-2021 MTF and the GOJ's response to the pandemic and complements other activities to provide support to vulnerable individuals, households and firms, and boost financial innovation and inclusion. The design of the operation reflects the GOJ's request, shift in priorities given the COVID-19 context, as well as underlying capacity constraints in the face of the ongoing pandemic. The policy actions are grounded in recent analytical work (Annex 5) and leverages ongoing WBG projects and complementary technical assistance (TA). The operation is structured around three interrelated policy areas:

- **Pillar 1 aims to support the emergency response to the pandemic.** Capitalizing on past reforms, this pillar strengthens the institutional mechanisms of social assistance, and facilitates emergency health and financial resources to protect lives and livelihood. The reforms supported by this operation are expected to minimize income and poverty impacts from the pandemic, while establishing a framework for a safe reopening of important sectors of the economy. The program includes: (i) emergency financial support to affected individuals and households impacted by the COVID-19 pandemic; (ii) introduction of a social pension for the elderly ages 75 years and older, who are not in receipt of pensions or any other form of financial assistance from the state; and (iii) approval of an interim national deployment and vaccination plan for the COVID-19 vaccine.
- **Pillar 2 supports sustainable business growth and job creation.** The repercussions of the COVID-19 pandemic have underscored the importance of jobs and continued economic transformation. Key reforms include measures to help firms survive the initial crisis shock, including financial support tied



to job retention. They also include reforms to boost Fintech and promote financial innovation and inclusion as well as efforts to improve the speed of cross-border trade.

- **Pillar 3 supports reforms to strengthen policies and institutions for resilient and sustainable economic recovery.** Key policy actions focus on legislation for an Independent Fiscal Commission to inform the public on the soundness and sustainability of Jamaica’s fiscal position and reinforcing the independence of the central bank and its inflation targeting regime. Strengthening climate resilience and the sustainability of growth is another important part of this reform program.

**37. The proposed CRRDPF (P174531) draws several lessons from experience with the implementation of the ongoing Jamaica ERDPL (P170223) series, the Competitiveness and Fiscal Management DPL series (P151448 and P163586), and the Economic Stabilization and Foundations for Growth Development Policy Loan (P145995).** The Independent Evaluation Group (IEG) review of P145995 was rated satisfactory and noted Jamaica’s credibility regarding meeting its commitments. The report highlighted that building and maintaining strong political and social consensus through explicit social forums and mechanisms can be critical in bolstering Government and societal ownership and commitment to complex reform programs, enhancing their chances of success. Effective coordination with other multilaterals/partners can enhance the impact of a Bank-supported operation. This applies in preparation, design, and supervision of the operation. It also underscored the need to align the ambition of any DPF support to Jamaica with the Government’s capacity to deliver on the reforms, recognizing that some reforms may be implemented relatively quickly, giving quick and important wins critical in the current pandemic context, while others require more time to build consensus and prepare lengthy legal reforms. The Bank’s long experience with DPFs in Jamaica confirms that a targeted operation, clearly focused on the critical constraints, has greater likelihood of achieving its intended results. The supported policy reforms build on the WBG dialogue and engagement in Jamaica (see Annex 6 for a discussion on adjustments to the WBG program to respond to COVID-19).

## 4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

### **Pillar 1: Protecting poor and vulnerable people**

**38. The onset of the COVID-19 pandemic has increased the risks to human capital, particularly the poor or those vulnerable to falling into poverty.** The health and economic impacts of COVID-19, if unmitigated, can result in negative coping strategies for individuals, households and business, and ultimately death or bankruptcy. Prior actions include several temporary measures to protect lives and livelihood, as well as measures for the safe reopening of the economy. Observed and anticipated climate change impacts are exacerbating these vulnerabilities.

**39. Actions under this pillar are complementary to longer term reforms in Social Protection (SP).** Prior action 1 addresses livelihood impacts on workers and other vulnerable groups, while prior action 2 is intended to facilitate consumption smoothing for poor households and the elderly. Reforms supported under prior action 3 are intended to allow for the safe re-opening of the economy and to protect jobs. These emergency measures complement recent and planned efforts to improve Jamaica’s SP system. Notably, the ERDPL (P170223) includes actions to improve the adequacy and coverage of the PATH, and





strengthen the sustainability of the National Insurance Scheme.<sup>18</sup> These prior actions also complement reforms to increase PATH benefits, explore the introduction of unemployment insurance, and expand NIS coverage for all, expected to be initiated in 2021.<sup>19</sup>

### **Social Protection**

**Prior Action 1:** To provide emergency support to affected individuals impacted by the COVID-19 pandemic, the Borrower, through the Cabinet, has approved emergency measures, including the provision of: (i) temporary cash transfers through the SET to individuals who lost employment between March 10, 2020 and December 31, 2020 and who had an annual taxable income less than or equal to J\$1.5 million; (ii) COVID-19 General Grants to selected occupational groups who are registered with a state or municipal authority; and (iii) Compassionate Grants to individuals with a valid tax payer registration number, not formally employed and not recipients or not intending to be recipients of any other benefit under the CARE Programme.

**40. Rationale for the PA: Jamaica’s SP system is well-established but important gaps remain.** The system is anchored in an overarching SP strategy and includes a National Insurance Scheme (NIS); a flagship conditional cash transfer (CCT) program to poor households (PATH); a School Feeding Programme providing free or subsidized meals to students; and other benefits and services to smooth consumption and protect households from shocks. SP spending approximated 5 percent of GDP in FY2019/20, up from 4.5 percent in 2015. Despite being a mandatory scheme, contribution to the NIS are low<sup>20</sup>, resulting in low coverage, at 28 percent of the elderly in 2017. The country does not have an unemployment insurance scheme, leaving a significant share of the labor force without protection from disruptions in employment. Compounding these challenges is the higher prevalence of women among the unemployed and poor, and their greater vulnerability given their reliance on climate sensitive sectors such as tourism, which have been disproportionately impacted by the pandemic. For instance, 75.3 percent of those employed in hotel and restaurant services are women.<sup>21</sup> Women’s unemployment increased to 14 percent during the crisis, and they reported higher domestic burden compared to men as a result of the crisis.<sup>22</sup> Most extremely poor households in Jamaica are concentrated in rural areas, where the population relies primarily on climate sensitive sources of livelihoods (e.g. agriculture and fisheries), which have been adversely affected by droughts, natural disasters, and other climate change impacts.<sup>23</sup>

<sup>18</sup> The ERDPL supports reforms to increase the benefit size of the PATH conditional cash transfer; and to implement a Community Engagement Series to expand the number of PATH’s eligible beneficiaries in rural areas. The series is also supporting measures to improve the fiscal sustainability and adequacy of the NIS scheme through the enactment of amendments to the National Insurance Act to increase contribution rates and to base changes of NIS benefit sizes on actuarial reviews.

<sup>19</sup> <https://www.jamaicalabourparty.com/content/jlp-manifesto-2020>

<sup>20</sup> 54 percent of persons aged 18-59, and 77 percent of the poorest quintile, have never contributed to the NIS. *Public Expenditure Review of Social Protection in Jamaica: Principal Programs, Services, and Instruments*. World Bank, 2019.

<sup>21</sup> Based on January 2020 LFS.

<sup>22</sup> For instance, 72 percent of women reported being responsible for home schooling compared to 28 percent of men. *COVID-19, the Caribbean Crisis: Results from an Online Socioeconomic Survey*. Inter-American Development Bank. 2020.

<sup>23</sup> Climate change is likely to have adverse effects on the agriculture-dependent livelihoods in Jamaica through an increase in the intensity and frequency of climate-related natural hazards, changing rainfall variability, droughts and floods combined with fragile ecosystems and coastal zones. Likewise, increasing frequency of hurricanes and other climate-induced natural disasters lead to the destruction of fishing infrastructures, thereby negatively impacting fisheries-dependent population.



**41. Substance of the PA:** This prior action supports efforts to cushion COVID-19 impacts on employment and well-being through emergency cash transfers, as well as complementing reforms to strengthen protection and resilience for workers, the poorest and the most vulnerable. In April 2020, the Cabinet approved a CARE program, building on PATH and other existing programs, to provide a range of benefits to different individuals and groups affected by the crisis. The CARE program's Supporting Employees with the Transfer of Cash (SET Cash) grant provided J\$18,000 per month to individuals who lost employment after March 10, 2020 and before December 31, 2020. This was only applicable for individuals for whom statutory deductions were paid on their behalf and who earned below the annual income tax threshold of J\$1.5 million.<sup>24</sup> Applicants who were employed as of March 2020 were eligible for a maximum of nine months of benefits, while later applicants employed as of August 2020 were eligible for a maximum of four months. Benefits were provided through December 2020. The CARE program also included a grant of J\$25,000 to J\$40,000 to the self-employed in various sectors.<sup>25</sup> These individuals were expected to provide evidence of being licensed or registered with a Municipal Authority at any time in the preceding two years up to April 30, 2020. A one-off compassionate grant of J\$10,000 was provided to anyone in need who was not formally employed and who was not in receipt of any other CARE grants (except for the COVID-19 PATH grant).

**42. The CARE transfers were managed through an online application database to facilitate more efficient administration, monitoring, and tracking.** Tax Registration Numbers (TRNs) were required for a submission of applications to facilitate cross-checks across different administrative databases. CARE transfers were provided electronically through banks and remittance agencies.

**43. Expected Results:** The provision of CARE cash transfers is expected to address the short-term income and consumption effects from the pandemic. By including a range of transfer types targeted to varied affected groups, the Government has sought to buffer income disruptions to the large share of workers and individuals not covered by the country's SP system. The SET-Cash benefits target lower-income earners through an annual income tax threshold. With COVID-19 impacts disproportionately affecting low income households, the hospitality sector and women, the cash transfers under this prior action will help cushion these impacts and improve resilience of the beneficiaries overall. These transfers should reach over 260,000 females and 170,000 males by March 2022.<sup>26</sup>

**Prior Action 2:** To mitigate the impact of the COVID-19 pandemic on the poor, the Borrower, through the Cabinet, has approved: (i) one additional payment to PATH beneficiary households through a PATH CARE grant and top-ups to PATH beneficiary households with school-enrolled children; and (ii) a Social Pension for elderly individuals aged 75 years or more, who are not in receipt of other pensions, including National Insurance Scheme pension, or PATH or Poor Relief payments.

**44. Rationale for the PA:** COVID-19 has exacerbated gaps in Jamaica's SP system which exposed

<sup>24</sup> The official J\$/US\$ exchange rate approximated \$144 to US\$1 as at December 16, 2020.

<sup>25</sup> Including J\$25,000 to barbers, hairdressers, beauty therapists, cosmetologists, market vendors, taxi and bus operators; and J\$40,000 for bar operators, night club operators, craft vendors, and tour operators.

<sup>26</sup> Based on eligible beneficiaries as of January 18, 2021 as follows: 34,913 SET Cash beneficiaries; 20,147 General Grant beneficiaries; and 375,046 Compassionate Grant beneficiaries (430,106 in total). To date, 417,935 beneficiaries have been paid as of January 18, 2021.



segments of the population to increased risk of drastic reductions in well-being.<sup>27</sup> Jamaica does not have a social pension scheme for the elderly poor with no other source of income. While PATH is provided to poor households, its design as a CCT, and the associated targeting mechanism, is not optimal for identifying elderly poor, particularly those living in households without children. Further, despite recent improvements in PATH coverage, a significant share of poor individuals receives no PATH benefit. Although PATH households account for 70 percent of persons in the poorest quintile, only 22 percent of PATH household members have a direct transfer assigned to them. PATH benefits are also lower than CCTs in the Latin America and the Caribbean (LAC) region, with an average annual benefit of approximately 15.3 percent of the national per capita food poverty line, compared to 21 percent of the average income in the poorest quintile for LAC CCT programs.<sup>28</sup> Despite these gaps, recent assessments of PATH's beneficiary incidence has shown its progressivity, with a much higher concentration of beneficiaries in the poorest quintiles.<sup>29</sup> The School Feeding Programme was also assessed to be pro-poor, and by addressing food insecurity, the program contributes to reducing vulnerability to climate change. PATH's importance in the face of shocks is critical, given the relatively greater impact of such shocks on poorer households, in which women and children are disproportionately represented. PATH beneficiaries are also primarily residing in rural areas, helping foster resilience among those vulnerable to climate risks stemming from the reliance on agriculture as a source of income.<sup>30</sup>

**45. Substance of the PA: The prior action supports efforts to improve protection of the registered poor under PATH and address gaps in social protection coverage for the elderly.** A COVID-19 PATH grant under the CARE program was approved by Cabinet to provide the usual bi-monthly payment in April-June 2020 with an additional payment in May 2020 to all registered PATH households, which effectively doubled the PATH benefit size during this payment period. In addition to this CARE transfer, PATH households with school-aged children received top-ups to address COVID-19 constraints. This included a transfer of J\$150 per day per child for PATH beneficiary children to substitute for meals provided under the School Feeding Programme (in response to school closures); and an additional We Care Grant of J\$5,000 which topped up the regular J\$3,500 Back-to-School grant for PATH households with primary and secondary-school enrolled children. The GOJ has also approved the introduction of a Social Pension program for elderly citizens 75 years of age and above who are not in receipt of social assistance<sup>31</sup> or other pensions. The Social Pension benefit is J\$3,400 per month (half of the NIS minimum pension) and 30 percent higher than the PATH elderly benefit. Elderly PATH beneficiaries will transition to the Social Pension at 75 years of age. This prior action is complementary to actions which reinforce the flexibility of the SP system to respond to crises addresses a key gap in existing SP coverage.

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<sup>27</sup> These gaps are summarized from a recently completed *Public Expenditure Review of Social Protection in Jamaica: Principal Programs, Services, and Instruments*. World Bank, 2019.

<sup>28</sup> The national per capita food poverty line established in the 2017 JSLC was J\$122,797.60

<sup>29</sup> The *Public Expenditure Review of Social Protection in Jamaica: Principal Programs, Services, and Instruments* illustrated pro-poor concentration curves for both PATH and School Feeding based on JSLC data. (World Bank, 2019). Additionally, JSLC data shows a higher concentration of beneficiaries in poorer deciles. For instance, JSLC 2016 data revealed that 45 percent and 57.1 percent of households in deciles 1 and 2 respectively reported receiving PATH, compared to 5.4 percent and 2.1 percent of households in deciles 9 and 10 respectively.

<sup>30</sup> In 2018/19, 52 percent of PATH's paid beneficiaries were female, and 74 percent were from rural areas. A majority (65 percent) were children. *Public Expenditure Review of Social Protection in Jamaica: Principal Programs, Services, and Instruments*. World Bank, 2019.

<sup>31</sup> PATH, Poor Relief, NIS, nor other pension income.



**46. PATH benefit delivery is supported by a Beneficiary Management Information System (BMIS).** The Ministry of Labour and Social Security (MLSS) has introduced the option for PATH beneficiaries to switch from check to electronic payments to ensure greater accessibility and ease of collecting benefits.<sup>32,33</sup> The greater use of electronic payment is expected to deliver transfers faster and with greater transparency, reduce reliance on cash and promote financial inclusion. PATH has also established grievance mechanisms through an Appeals Committee and monitoring mechanisms supported by the BMIS.

**47. Expected Results: The impact of cash transfers provided through a safety net program will help improve the beneficiaries' adaptive capacity, including those considering observed and anticipated climate change impacts.** The COVID-19 PATH grant under the CARE program was provided to 266,119 PATH beneficiaries in May 2020, 56.8 percent of whom are female. The PATH top-up for school feeding should reach over 172,812 PATH beneficiaries - 82,054 females and 90,758 males - ranging from pre-school to Grade 13 (ages between 3-19 years) by 2022.<sup>34</sup> The Back to School We Care Grant is expected to benefit over 181,661 PATH students in Grades 1 to 13 – with 86,180 female and 95, 481 males. These transfers are also expected to mitigate long term climate change impacts of food insecurity and malnutrition that are being exacerbated by observed and anticipated climate change impacts. In particular, the transfers will largely benefit rural households, who are prone to adverse climate risks and reliant on climate sensitive sectors such as agriculture, as previous data put the share of PATH's rural beneficiaries at 74 percent in 2018/19.<sup>35</sup> The mechanisms to ensure continuity of school feeding despite COVID-19 school closures also help to address food security and nutrition, both of which are exacerbated by climate change. At least 50,000 elderly are expected to benefit from the social pension scheme by 2021.

## Health

**Prior Action 3:** *To ensure the safe re-opening of the economy, the Borrower, through the Cabinet, has approved an interim National Deployment and Vaccination Plan for the COVID-19 Vaccine including priority groups, such as health workers and non-health frontline workers, recommended for vaccination during the first phase of vaccine deployment.*

**48. Rationale for the PA:** Jamaica has been strengthening its health sector in response to the COVID-19 pandemic, limiting the spread of the virus, while allowing for a gradual reopening of the country's economy and preparing the deployment of COVID-19 vaccines. Since the World Health Organization declared a global pandemic, Jamaica has imposed strict measures (i.e. social distancing measures, school closures, curfews, shutdown of nonessential services, temporary closure of ports of entry to non-citizens). As a result, the country has had consistently high ranking in the Oxford COVID-19 Government Response Tracker (OxCGRT) that measures the stringency of policy responses across countries.<sup>36</sup> Jamaica has been

<sup>32</sup> MLSS has transitioned around 1/3 of the 140,000 NIS pensioners to electronic payments.

<sup>33</sup> As of May 2020, 40,686 PATH households (ca. 12 percent of PATH households) had received payments through electronic means.

<sup>34</sup> Data provided by the Ministry of Labour and Social Security on January 19, 2021, based on December 2020 payments.

<sup>35</sup> *Public Expenditure Review of Social Protection in Jamaica: Principal Programs, Services, and Instruments*. World Bank, 2019.

<sup>36</sup> Oxford COVID-19 Government Response Tracker - Regional report: Latin America and the Caribbean - [www.bsg.ox.ac.uk/covidtracker](http://www.bsg.ox.ac.uk/covidtracker)



working to strengthen its response efforts through investments in laboratory testing, treatment and isolation capacities, public education campaigns to raise awareness, while maintaining the provision of essential services unrelated to COVID-19. Until vaccines are widely distributed, effective containment strategies to limit the spread of COVID-19 remain critical. Simultaneously, the country is preparing for the deployment of vaccines. To master the logistical challenge of a vaccination campaigns, Jamaica has started to work out the details of storage arrangements involving cold-chain equipment, the potential distribution routes to vaccination sites and the design of the accompanying public education programs.

**49. Substance of the PA: This action supports the approval of an Interim National Deployment and Vaccination Plan.**<sup>37</sup> The Plan details the actions that the GOJ is taking to prepare for the procurement of 935,676 doses of the vaccine under the COVID-19 Vaccines Global Access (COVAX) facility<sup>38</sup> and the introduction of the COVID 19 vaccine into Jamaica. The procured doses will allow for the vaccination of roughly 16 percent of the population which have been prioritized. The priority groups include, among others, healthcare workers, non-health frontline workers (e.g. police or army), the elderly over 60 years, and institutionalized persons. The plan also provides guidance for key national stakeholders on how to administer the vaccines. In preparing and implementing the Plan, the MOHW used the COVID-19 Vaccine Introduction Readiness Assessment Tool (VIRAT), developed by WHO in collaboration with PAHO. The VIRAT guides national authorities in establishing a roadmap and monitoring progress in the preparation for the introduction of the COVID-19 vaccines. The tool measures readiness for vaccine deployment across key areas such as: planning and coordination, budgeting, regulation, prioritization of vaccinations, surveillance, monitoring and evaluation, cold chain logistics, and demand generation and communication.

**50. The Plan prepared by the MOHW includes key support actions for the effective and safe deployment of the vaccine.** These include (i) developing a demand generation strategy and a communications plan; (ii) increasing the cold storage capacity and waste disposal; (iii) increasing capacity to administer the vaccine; (iv) training healthcare workers; and (v) sensitizing stakeholders to facilitate acceptance of the vaccine through steps defined in a Social and Behavior Change Communication approach. Among other things, the existing systems for the movement and tracking of vaccines as well as cold chain maintenance will need to be strengthened by March 2021. A comprehensive training plan will be rolled out to build the capacity of healthcare workers. Additionally, activities to increase the knowledge among key stakeholders and the population with respect to COVID-19 vaccines will be conducted. A National Coordinating Committee will plan and oversee these efforts.

**51. In parallel to the actions on the surveillance and the preparation for the delivery of vaccines, the GOJ has boosted health spending to strengthen public health capacity.** The Supplementary Budget for 2020-2021 includes a 2 percent increase of the MoHW's recurrent budget.<sup>39</sup> Activities financed by the

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<sup>37</sup> The approved document constitutes an Interim Plan, since the GOJ is still waiting for further information from the COVAX facility to be reflected in the final version of the plan. Most importantly, issues with respect to liability and potential indemnity agreements with the manufacturers of vaccines are still being defined. Once the corresponding definitions will have been made, an update of the Plan that will clarify the applicable legal framework and mechanisms will be prepared.

<sup>38</sup> COVAX is one of three pillars of the Access to COVID-19 Tools Accelerator, which was launched in April by the World Health Organization (WHO), the European Commission and France in response to this pandemic. Through COVAX, Jamaica has access to a diverse and actively managed portfolio of vaccines. As soon as some vaccines from that portfolio are available for deployment, they will be delivered by COVAX to the country.

<sup>39</sup> <https://mof.gov.jm/documents/documents-publications/document-centre/category/287-supplementary-budget-for-2020-2021.html>





Supplementary Budget include the purchase of essential medical equipment and supplies, laboratory supplies to increase testing capacity, support for isolation and quarantine related activities, personal protective equipment for health care facilities, and COVID-19 vaccines. In addition, the budget increase will fund needed logistics and support measures for vaccine deployment.

**52. *Expected Results: The vaccination campaign, guided by the Interim National Deployment and Vaccination Plan, provides the basis for a timely and full economic normalization of the country.*** The start of a widespread vaccination campaign in 2021 is expected to result in at least 40 percent of the priority groups vaccinated by March 2022. Further, the government expects that at least 12 percent of the total population would be vaccinated by March 2022. Conditional on an increasing vaccination rate among the population and, particularly the high-risk groups, the stress on the health system by the COVID-19 pandemic will ease and full economic activity can resume.

## **Pillar 2: Supporting sustainable business growth and job creation**

**53. The second pillar supports measures and reforms to protect jobs and ensure sustainable business growth.** It is critical that viable firms do not exit as a result of the pandemic, so this pillar contributes to emergency liquidity support to firms. The program advances key reforms to expand the use of Fintech to improve access to financing for MSMEs and financial inclusion; and to ensure that microcredit sector resources are leveraged to provide financing to MSMEs while protecting borrowers. Further, this pillar supports measures to improve the efficiency of cross-border trade.

### ***Financial Support to Businesses***

***Prior Action 4: To help small businesses, in particular in the tourism sector, to cope with the economic impacts of COVID-19, the Borrower, through the Cabinet has approved emergency liquidity support to small businesses including: (i) the BEST Cash Program, to provide temporary cash transfers to businesses in the tourism sector based on the number of workers they have kept employed and with an annual income of J\$1.5 million or less; (ii) one-time COVID-19 Small Business Grants to small businesses with annual sales of J\$50 million or less; and (iii) one-time COVID-19 Tourism Grants to operators in the tourism sector.***

**54. *Rationale for the PA: The tourism sector is a central pillar of the Jamaican economy.*** The sector is estimated to contribute nearly one-third of GDP and one-third of all jobs (approximately 300,000 persons, WTTC, 2018). This sector has enjoyed strong growth in annual visitor arrivals, increasing from 2.2 million in 2000 to 4.3 million in 2019. However, tourism is one of the sectors worst affected by the pandemic as the Government took proactive measures to contain the spread of the virus by closing international borders and imposing a domestic curfew in March 2020. While borders were reopened for citizens on June 1 and non-citizens on June 15, 2020, Jamaica witnessed a near 90 percent contraction in activity in hotels and restaurants during April-June 2020, compared to the previous year. Cruise ship arrivals have been halted since March 2020 and stopover arrivals remain subdued and declined by 65 percent from January to September 2020, compared to the similar period in 2019. This sharp contraction poses large risks for the preservation of jobs and livelihoods, especially amongst MSMEs. According to UNCTAD (June 2020), a four-month halt in international tourism can result in a 15 percent decline in



unskilled employment in Jamaica.<sup>40</sup> Additionally, liquidity constraints disproportionately affect female headed businesses as they tend to be more constrained in accessing finance. Lastly, the tourism sector is extremely vulnerable to climate change impacts, including increased frequency and severity of natural disasters, among others.<sup>41</sup>

**55. Substance of the PA: This prior action supports the GOJ's objective to cushion the impact of the pandemic on employment and livelihoods by providing liquidity and supporting business continuity in tourism and associated sectors.** The support is being deployed through (i) temporary cash transfers to retain workers in the tourism sector; (ii) small business grants; and (iii) tourism grants. The Government has defined clear eligibility criteria for the programs and has taken steps to ensure transparency and good governance in implementation through online portals and the publishing of audit results. First, the Business Employee Support and Transfer of Cash (BEST cash) initiative provides temporary cash transfers to registered businesses operating in the hotels, tours, and attraction segments of the tourism industry who are registered with the Tourism Product Development Company (TPDCO) and certified as tax compliant by the Tax Administration of Jamaica (TAJ). Businesses received monthly transfers of J\$18,000 per employee retained between April and December 2020, and whose taxable annual income is lower than J\$1.5 million (~US\$10,400). To increase the likelihood of worker retention, disbursements are made after verification of monthly filings of payroll returns. Second, small businesses with annual average sales of J\$50 million (~US\$350,000) or less, received a one-time COVID grant of J\$100,000 (~US\$700). Small businesses must provide evidence of filed taxes in the 2019/20 financial year, and payroll returns indicating that they have employees. Third, to help businesses in the tourism sector prepare for reopening, the Government has made available one-off grants from a pool of J\$1.2 billion.

**56. The tourism grants are administered through the EXIM Bank and targeted at small and medium size tourism operators to be used to implement necessary measures and protocols to become COVID-ready prior to reopening.** Applicants are expected to be licensed by the Jamaica Tourist Board (JTB) or registered with the Ministry of Tourism. The requirements include registration with TPDCO and TAJ. The benefit amount is up-to J\$5,000,000 (~US\$35,000) per beneficiary determined on the basis of previous income records and the proposed recovery plans. Eligible expenditures can include payroll support for undertaking upgrades or minor refurbishment of existing properties – including to improve climate resilience – as well as marketing and staff training. Refurbishments and upgrades of tourism facilities include those that can improve the climate resilience of hotel properties, including storm- or flood-proofing buildings, improving stormwater drainage, and increasing vegetation (which reduces run-off, flooding, and erosion as well as helps regulate temperature on a local scale) amongst others.

**57. The supported actions are complementary to additional emergency measures to provide credit relief to small business borrowers.** The BOJ took pre-emptive measures to boost liquidity and avoid an undue tightening of credit conditions. Banks were requested to consider on a case-by-case basis loan moratoria and changes in loan covenants for firms most impacted by COVID-19. The Development Bank of Jamaica has rescheduled SME loans for up to three months, offered loan moratoria to hard hit sectors,

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<sup>40</sup> [https://unctad.org/system/files/official-document/ditcinf2020d3\\_en.pdf](https://unctad.org/system/files/official-document/ditcinf2020d3_en.pdf)

<sup>41</sup> Because most of the industry is located along the coastal region, tourism sector in Jamaica is extremely vulnerable to the adverse climate change impacts. In addition to climate-induced natural disasters that cause business interruptions and damages to the sector infrastructure, sea level rise and increase in sea temperatures, as a consequence of climate change, also lead to loss of beach area, coastal erosion and degradation of marine resources which are critical assets for tourism sector.



and reviewed the criteria for national partial credit guarantee scheme to incentivize lenders to provide working capital and investment financing to MSMEs despite the heightened risk environment. Moratoria measures are being carefully monitored by the BOJ.

**58. *Expected Results:* The provision of cash transfers is expected to help alleviate, the short-term financing difficulties faced by small businesses due to the pandemic and to protect jobs and livelihoods in the tourism sector.** The BEST cash transfers, small business, and tourism grants are estimated to have benefited over 1,800 businesses and should help retain at least 15,000 low-income employees in the tourism sector, corresponding to 13 percent of the workforce in the sector. The financial assistance is also expected to reduce risk post-crisis through its support for climate change adaptation.

### **Microcredit**

**Prior Action 5:** *To promote the growth of microcredit institutions and support responsible lending to MSMEs by the sector, the Borrower, has tabled a bill shortly entitled “The Microcredit Act, 2021”, which licenses and regulates microcredit institutions and strengthens borrower protection.*

**59. *Rationale for the PA:* Small and microenterprises in Jamaica, which are estimated at between 200,000 – 400,000, face access to finance constraints that limit their ability to invest, grow, create jobs, and contribute to the economy.** According to the latest World Bank Enterprise Survey, close to half of the MSME respondents (47 percent) cited access to finance as a constraint, compared to the average of 32 percent in LAC. This has been further exacerbated by the COVID-19 crisis, where small businesses are facing severe financial stress because of lockdown and social distancing measures and turning to loans to cope with emergencies. While the microfinance sector has the potential to reach micro and small businesses and fill the gaps that commercial banks are unable to meet, the sector has remained underdeveloped in Jamaica. The microfinance sector is mostly made up of numerous small entities, including non-government organizations, with less optimal products such as pay-day loans rather than small business financing. Many of these organizations are also financially unsustainable and dependent on external donor funds. The absence of a dedicated regulatory framework over the activities of microfinance institutions (MFIs) hinders the emergence of strong players and the growth of lending by the sector. MFIs are currently governed under the Money Lending Act (MLA) of 2004. However, the GOJ has made several exceptions to the application of the MLA on MFIs over the past years, acknowledging the need to have a specific regulatory framework for MFIs. There is need to promote micro-lending, and address concerns over the sustainability of certain institutions, predatory lending, and other unfair practices. The authorities are working on a Microcredit bill to mandate licensing for MFIs, establish the criteria for licensing, create a regulatory authority to oversee the sector and discourage prohibitive interest rates and predatory lending practices.

**60. *Substance of the PA:* The proposed Microcredit bill will license and regulate any non-deposit taking institution aiming to provide microcredit services.** Microcredit services include: (i) the granting of loans to individuals and MSMEs; (ii) the provision of business and personal financial advisory services; and (iii) any other activity designated as such. The BOJ will be responsible for the administration of the Bill when it becomes legislation and for the supervision of microcredit institutions. It contains provisions to promote the cooperation between the BOJ and other regulators, like the Financial Services Commissions,





Consumer Affairs Commission (CAC) and foreign regulators. All entities operating a business which offers microcredit services are, within 12 months, to apply for a license or cease such services. They must apply to the supervisor, including proof of registration under the Companies Act, and meet ‘fit and proper’ requirements. In terms of borrower protection, the CAC is identified as the body to which complaints should be made regarding the service offered by a microcredit institution.<sup>42</sup>

**61. *Expected Results:* MFIs play an important part in income generation activities in developing countries and meeting the credit needs of the poor while improving their loan repayment habits and encouraging business formalization.** The new legislation is expected to allow a better understanding of their size and credit portfolio, improve borrowers’ credit history, and provide a consumer protection and integrity framework for the sector to grow responsibly. Given the industry’s positive track record globally in serving female entrepreneurs, the reform has the potential to make a significant contribution in the provision of access to finance for female-led microenterprises in Jamaica. The prior action should lead to an increase in the number of microcredit institutions having submitted a complete application for a license under the new legal framework from zero in March 2020 to at least 3 by March 2022.

### **Regulatory Sandboxes**

**Prior Action 6:** *To foster Fintech and digital payment products and promote financial inclusion, the Borrower, through the Bank of Jamaica, has issued guidelines for the operation of a Fintech Regulatory Sandbox, including application requirements, eligibility criteria and Fit and Proper requirements.*

**62. *Rationale for the PA:* The demand for Fintech<sup>43</sup> and for the ability to transact digitally has increased significantly in recent years.** Moreover, as COVID-19 sweeps the world and disrupts the way people interact and conduct business, Fintech can help provide solutions to maintain social distancing, ensure business continuity, and prevent service disruptions. In addition, Fintech plays a key role in supporting financial inclusion by leveraging technology to bring digital financial services to previously underserved households and businesses. Global experience shows that countries that implement regulatory and policy enablers, such as regulatory sandboxes, see greater development of Fintech and further adoption and use of Digital Financial Services (DFS). A regulator-driven environment for testing is referred to as a “regulatory sandbox”.<sup>44</sup> This enables innovation by lowering regulatory costs for companies to test their products, encourages partnerships between Fintech companies and incumbents, and can play a role in bolstering competition and financial inclusion by increasing access and choice of financial products available to consumers. Regulatory sandboxes can also play a key role in ensuring that risks – especially those related to consumer protection – are effectively monitored and mitigated through a controlled framework and adequate oversight by the authorities. In addition, it boosts the regulator’s ability to analyze trends and emerging developments in real time. Nevertheless, the operation of a sandbox is not without risk. It must operate within the mandate and resources of the jurisdiction, with

<sup>42</sup> The Bill also requires that the interest rate of a loan given by a microcredit institution is linked to the treasury bill rate, while incorporating the pricing of cost of funds, borrower credit risk, administrative costs and other loan related cost. This provision aims to increase the transparency of the interest rate setting by MFIs and ultimately limit the excessive interest rates.

<sup>43</sup> Advancement in technology that has the potential to transform the provision of financial services spurring the development of new business models, applications, processes, and products. IMF, WBG Bali Fintech Agenda 2018. Financial technology (Fintech) is used to describe new technology that seeks to improve and automate the delivery and use of financial services.

<sup>44</sup><https://documents.worldbank.org/en/publication/documents-reports/documentdetail/912001605241080935/global-experiences-from-regulatory-sandboxes>.



appropriate reporting requirements enforced on all sandbox firms.<sup>45</sup> This requires that the key objectives of the sandbox be clearly defined, including the eligibility criteria and boundaries within which eligible firms can operate and the related supervisory capabilities needed to administer it appropriately.

**63. Substance of the PA: The sandbox regulatory guidelines released in June 2020 establish the requirements for Fintech entities who want to obtain a temporary license for admission into the sandbox.**<sup>46</sup> The sandbox is primarily focused on electronic retail payments and will address the limitations of the current legislative and regulatory framework for payment service providers (PSPs). The default testing period for sandbox firms is 2 years, after which it is expected that the Payment, Clearing and Settlement Act of 2010 will make the necessary provisions for PSPs informed by the outcomes of the sandbox. However, additional digital financial service innovations (such as innovations in savings, credit, money transfer services and e-commerce platforms) are also eligible for testing. Only those firms which are regulated entities or have a partnership with regulated entity will be eligible to apply. While this limits risk, it could run counter to the competition objective of the sandbox. However, BOJ can invite unlicensed Fintech firms to participate in the sandbox if they are proffering business models of particular interest such as electronic payments by non-regulated entities and the testing of a digital Jamaican dollar. Outreach and sensitization of the market to the sandbox will include social media campaigns and associated press releases to ensure a level-playing field and access to all eligible Fintech firms.

**64. The eligibility requirements for applicants include:** (i) specifications that the product and services are technologically innovative and/or applied in an innovative way within the remit of financial regulators; (ii) illustration of the potential benefit of the proposed product, service or solution to consumers including the potential to encourage financial inclusion or financially include more citizens in the formal financial sector; (iii) demonstrating the ‘need to test’ and the ‘readiness to test’ the business model in a sandbox environment; (iv) completed Fit and Proper requirements for relevant personnel managing the operations associated with the product or services; (v) a clear risk management framework to ensure adequate customer protection controls and adherence to anti-money laundering, counterterrorism and proliferation financing procedures; (vi) distinct timeframes for the operation of the product as well as the specific tests that will be carried out, including a limit on the number of clients that the product can be rolled out to, and the key performance indicators; and (vii) a limit on the total financial exposure of the business model and a well-thought out exit plan, including the procedures in place to return assets to customers or provide compensation if required.

**65. Expected Results: The regulatory sandbox is expected to foster the growth of Fintech, digital payment products and platforms and, ultimately, promote greater financial inclusion of households and MSMEs.** In addition, by reducing the dependence on physical financial interactions and the need for cash, these Fintech innovations can enable secure ways for Governments and providers to reach vulnerable groups quickly and efficiently during the COVID-19 crisis. The sandbox will also promote the BOJ’s

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<sup>45</sup> Part 3 of the guidelines include the need for an interim report and a final report 30 days after the expiration of the testing period, with information on key performance indicators, issues arising, and mitigating actions taken to address them.

<sup>46</sup> The Sandbox Guidelines were developed pursuant to Section 28 of the Payment, Clearing and Settlement Act of 2010 (PCSA, 2010) which indicates that the BOJ may issue guidelines in respect of any matter relating to the administration or enforcement of the Act. The guidelines are enforceable whereby (i) the BOJ has oversight responsibility over the entities, products and services it approves for testing in the sandbox, and (ii) the BOJ can revoke its approval to a Participant at any time during the testing period in a number of instances listed in the guidelines including when there is an urgent need to protect the financial system, the Participant, its customers and the general public.



understanding of Fintech products, services and business models and inform the framing of new regulations or amendment of existing regulations. The target outcome by March 2022 would include at least 4 Fintech products admitted to the sandbox.

### **Trade Facilitation**

**Prior Action 7:** *To modernize the trade infrastructure, promote export competitiveness and improve the efficiency of border clearance processes, the Borrower, through the Jamaica Customs Agency, has: (i) allowed electronic processing of export manifests by shipping agents through the online Port Community System and ceased the processing of the dock receipt for export shipments; and (ii) launched the Trade Board Limited on the Jamaica Electronic Single Window for Trade platform for imports and exports.*

**66. Rationale for the PA: An effective logistics sector is recognized globally as one of the core enablers of development.** Jamaica has articulated a vision to become a logistics hub by capitalizing on its strategic location to serve major trade corridors. However, the country performs less favorably relative to regional comparators in international benchmarks with a score of 2.52 (out of 5) on the WBG Logistics Performance Index, below the regional average 2.66 and the average for middle-income countries of 2.76. Recently, the GOJ has sought to accelerate the implementation of trade facilitation measures by the Jamaica Customs Agency (JCA) and Port Authority, which support the broader economic resilience and recovery efforts linked to the global pandemic.

**67. This operation builds on the First Competitiveness and Fiscal Management Programmatic DPL (P151448)** which supported improved operational procedures at JCA to reduce the time taken for clearance of goods at Jamaican ports. However, there are several different agencies outside of Customs involved in the trading process, and each agency has different requirements and documents to be completed. It is a Government priority to further integrate border clearance processes and improve the interfaces between Customs and other agencies and enhance the efficiency and reliability of the platforms used by these stakeholders. This PA leverages the DPL series<sup>47</sup> by including reforms within non-Customs border regulatory agencies as well as private sector stakeholders who have clearance roles and other processing functions along the logistics supply chain. The implementation of an electronic single window aims to provide traders with a single interface to submit all documents and requirements, which reduces the time and cost for stakeholders and integrates the private sector within the port community.

**68. In 2016, Cabinet approved the Trade Facilitation Roadmap to stimulate growth and enhance Jamaica's trade competitiveness by reducing the time and cost of cross-border operations.** The roadmap outlined a path through a single window to rationalize the number of steps to complete international transactions. This inspired the creation of the Jamaica Single Window for Trade (JSWIFT) in 2018 with JCA as the implementing agency. JSWIFT is an electronic platform that allows traders to submit applications for licenses, permits, certificates and other regulatory requirements to facilitate processing by the requisite Cross Border Regulatory Agencies and Participating Government Agencies<sup>48</sup>, and ultimately

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<sup>47</sup> The legislative framework for customs is also being supported under the Jamaica ERDPF series (P170223). The Customs Bill (2019) once enacted will streamline customs processes and formalities and align the customs regime with international best practice including the WTO Trade Facilitation Agreement (TFA) and the Kyoto Protocol.

<sup>48</sup> <https://www.jswift.gov.jm/>



reduce the time and cost for all (public and private) stakeholders. In parallel, the GOJ through the Port Authority Jamaica (PAJ) launched the Port Community System (PCS), which automates logistics processes through a single submission of data connecting transport and logistics chains<sup>49</sup>. It allows stakeholders to make online payments, process forms, and track cargo online. The system was initially rolled out for transshipment in 2016 and imports in 2017.

**69. Substance of the PA: Jamaica has taken additional measures to modernize its trade infrastructure and improve the efficiency and speed of its border clearance processes.** In March 2020, Jamaica's PCS was expanded to allow electronic processing of export manifests<sup>50</sup> by exporters, eliminating the need for physical manifests. As the new central hub, the PCS will receive manifests from Shipping Agents in various formats, validate with JCA and then deliver them to other stakeholders. For those players who cannot send manifests in any of the traditional file formats, the PCS provides a standard online user interface which enables convenient creation and submission of necessary documentation. Given that the PCS will centralize and optimize manifest submissions across the port community, shipping agents (and by extension exporters) are expected to experience reduced errors in submitting documentation. Customs will benefit from on-time submissions across its valuation and risk management processes allowing for more proactive use of the manifest information.<sup>51</sup> The JCA has also ceased processing of the Dock Receipt, and exporters and their agents are no longer required to present the dock receipt to the JCA. In June 2020, the JCA<sup>52</sup> migrated services of the Trade Board Limited (TBL) to JSWIFT, with mandatory use of the services for the Export Regime. This included online applications for licenses as an approved exporter of Scrap Metal, e-Payment, and approval by Trade Board Limited. Export permits are now being applied for electronically and reviewed and approved by both the Customs Site Inspection Officer and the Trade Board Assessor in a sequential workflow. The piloting phase also began for the Import Regime with successful submissions by members of the Used Car Dealers Association. The implementation of online systems and harmonization of border agency processes with national standards will help to strengthen compliance with phytosanitary controls and consumer protection protocols.

**70. Expected Results: JSWIFT implementation in Trade Board Limited will lead to a reduction in the time taken by the Trade Board Limited to process trade licenses for imports and exports from 5 days in 2020 to 3 days by March 2022.** Implementation of the Export Manifest in the PCS has resulted in the elimination of one export documentary requirement, the Dock Receipt, effective May 1, 2020. The number of steps to complete exports is expected to fall from 9 as at March 2020 to 7 or less by March 2022.

### **Pillar 3: Strengthening policies and institutions for resilient and sustainable recovery**

**71. Building on the significant fiscal reforms implemented over the past few years, this pillar strengthens the institutional mechanisms that underpin fiscal responsibility and solidify central bank independence while committing to ambitious climate targets.** Policy measures supported by this pillar

49 <http://tfig.itcilo.org/contents/port-community-systems.htm>

50 The shipping Manifest is one of the key documents in the shipping process. It includes key commercial particulars of the shipment, such as the consignees and consignors, number and kind of packages and the quantities and descriptions of goods (World Customs Organization).

51 <https://www.jamaicapcs.com/services/manifest-processing>

52 Jamaica Customs Agency (JCA) NOTICE: Mandatory use of JSWIFT for Trade Board Import/Export Licensing and Permit Services commencing Monday July 20, 2020



are crucial for the Government's fiscal and monetary transparency efforts. Mainstreaming climate change into policy implementation is included given its importance for the country's long-term development.

### **Fiscal Commission**

**Prior Action 8:** *To strengthen the fiscal responsibility framework, the Borrower has tabled the legal framework to establish the Independent Fiscal Commission.*

**72. Rationale for the PA: A fiscal commission is an important institution to ensure continued compliance with the fiscal rule that has served the country well.** Approved in 2014, the fiscal rule sets targets for the fiscal balance consistent with reducing the public debt-to-GDP ratio to 60 percent. A respected and credible fiscal commission can strengthen the Government's commitment to fiscal rules by raising the reputational and political costs of violating them. To fulfil its responsibilities, the Fiscal Commission should: (i) be operationally independent; (ii) have the technical capacity necessary to monitor adherence to the fiscal rule and assess the fiscal implications of Government policies; and (iii) be adequately resourced to execute its mandate.

**73. Substance of the PA: The prior action supports the Recipient's decision to pass legislation establishing the Independent Fiscal Commission.** Its mandate would be to inform the public on the soundness and sustainability of Jamaica's fiscal position. The Commission will focus on: (i) assessing the macroeconomic and fiscal forecasts in annual and interim Fiscal Policy Papers (FPP); (ii) monitoring adherence to the fiscal rule provisions; and (iii) assessing the consistency of the fiscal balance trajectory with the fiscal rules and medium- and long-term debt sustainability. The commission will have access to all relevant information to fulfil its mandate. The legislation, tabled in Parliament in December 2020, guarantees functional autonomy of the Commission. It will consist of a single councilor supported by technical staff and recruitment will be done via an open merit-based process. An advisory committee, consisting of stakeholders from academia, private sector, trade unions and civil society, will support the Commission by expressing their views, but without influencing operational independence. The budget allocation will follow examples of other commissions of Parliament that have their own separate line-item in the budget and multi-year budget allocations in the medium-term projections.

**74. Expected Results: Establishment of the Independent Fiscal Commission is expected to strengthen adherence to continued fiscal prudence by providing an independent voice and assessment of fiscal policy decisions and implementation.** The target to indicate operationalization of the Independent Fiscal Commission is the issuance of at least one fiscal assessment report (that includes debt sustainability analysis) by March 2022. The commission will be required to publish regular reports directly through a publicly accessible website.

### **Central Bank Independence**

**Prior Action 9:** *To reinforce the independence of the Bank of Jamaica and its inflation targeting regime, the Borrower has approved amendments to the Bank of Jamaica Act, which include provisions to enhance the Bank of Jamaica's governance, clarify its mandate and improve its operational independence.*



**75. Rationale for the PA: The conduct of sound monetary policy and an independent central bank is key to securing macro-fiscal stability.** It contributes to an improvement in macroeconomic outcomes by anchoring inflation expectations and promoting policy credibility, which in turn encourages private investment. Furthermore, the extraordinary measures taken by central banks to alleviate the sharp tightening of financial conditions associated with the COVID-19 pandemic require measures that reinforce central bank independence in order to avoid compromising central bank policy. Central bank independence and an inflation targeting regime need to be enshrined in law. To this end, amending the BOJ Act will enable a full-fledged inflation-targeting framework, codify the central bank’s operational independence, enhance accountability, and improve its governance structure. The BOJ has already taken steps to improve communication of its monetary stance through active and innovative ad campaigns to strengthen monetary policy transmission. Furthermore, exchange rate management has been liberalized, and the IMF now classifies the Jamaican dollar as “floating” instead of “managed”. In 2017, the BOJ introduced a new tool for selling foreign exchange to market intermediaries, called BOJ Foreign Exchange Intervention & Trading Tool (B-FXITT). Proposed amendments to the BOJ Act include formally adopting inflation targeting and will complement the on-going fiscal and monetary reforms. Moreover, the BOJ’s inability to issue binding prudential regulations under the existing legal framework limits the enforcement of preventative measures to manage financial stability risks. The BOJ has over the years introduced several standards of sound practices which are intended to guide commercial banks and other deposit taking institution’s (DTIs) practices. While they cover key aspects of supervision (e.g. corporate governance, internal control, fit and proper assessments, credit risk management, liquidity management), they do not have the force of law.

**76. Substance of the PA: This prior action supports the Government’s initiative to amend the BOJ Act to strengthen the central bank’s independence and adopt price stability as its primary mandate.** The GOJ tabled a Bill in October 2018, amending the BOJ Act to establish a fully-fledged inflation targeting regime and enhance governance structures. The Bill has since been reviewed by a Joint Select Committee and in December 2020 was approved by Parliament. This reform cements price stability as the BOJ’s primary objective, provides a legal basis for its operational independence, and strengthens the governance structure and accountability framework. The revisions aim to modernize the functioning and operations of the central bank, including the arrangements for paying dividends, appointments to the BOJ Board, and provisions of central bank financing to the Government. It also establishes reporting and accountability arrangements for the Monetary Policy Committee to adopt inflation targeting, and the formation of a Financial Policy Committee to strengthen oversight of the financial system. The Financial Policy Committees is assigned new powers to ‘make regulation, Supervisory rules and Code of Conduct under Part XXVI of the Banking Service Act’, which addresses the deficiency of the previous framework and empowers the BOJ to make regulations prescribing prudential standards for commercial banks and other DTIs. On central bank financing to the Government, the amendments place a ceiling on the size and tenure of such financing in relation to Government’s revenue collections.

**77. Expected Results: The amendments to the BOJ Act will establish price stability as the primary objective of monetary policy and enshrine inflation targeting in law, thereby ensuring central bank independence and policy credibility.** In addition, a strong and independent central bank should improve the functioning of the forex and debt markets, help advance the implementation of consolidated risk-based banking supervision and ensure long-term financial sector stability. The amended BOJ Act will establish a Monetary Policy Committee and call for the publication of statements on the performance of





the central bank's monetary policy posture in relation to the achievement of its inflation target. At least one such statement is expected by March 2022.

### *Climate Change*

**Prior Action 10:** *To strengthen climate resilience and sustainability of growth, the Borrower, through the Cabinet, has adopted the revised Nationally Determined Contributions including target greenhouse gas emissions lower than planned in the previous Nationally Determined Contributions, and climate resilience considerations.*

**78. Rationale for the PA:** In light of observed and anticipated climate change vulnerabilities and related opportunities for low carbon development in the context of COVID-19 pandemic recovery, Jamaica needs to maintain a focus on long-term development goals and continue economic transformation with inclusive and sustainable recovery. Jamaica continues to make progress towards realizing the goals of the Vision 2030 and the Climate Change Policy Framework. At the international level, and as a Party to the United Nations Framework Convention on Climate Change, Jamaica has been an active player showing leadership both regionally and globally. In November 2015, Jamaica submitted its Intended Nationally Determined Contributions (INDCs) which later became the Nationally Determined Contributions (NDC) upon ratification of the Paris Agreement in 2017. The NDC were predicated on the implementation of the National Energy Policy 2009-2030 and associated Action Plans. Jamaica committed to the reduction of the equivalent of 1.1 million metric tons of carbon dioxide per year by 2030, representing a reduction of 7.8 percent. Jamaica's NDC included a conditional commitment to a reduction of greenhouse gas emissions of 10 percent, subject to the provision of international support.

**79. Substance of the PA:** Jamaica submitted its revised NDC to the Paris Agreement in June 2020 committing the country to more stringent targets and obligations to translate these commitments into a low-emissions and climate-resilient development plan. The commitment envisages increasing coverage and unconditional climate ambition, in absolute terms, by 60 percent relative to the previous NDC. The revised NDC demonstrates additionality by identifying further opportunities within the energy sector, such as the large increase in renewable power called for in Jamaica's new Integrated Resource Plan and other energy policy actions in the industrial, transport, utility, and residential sectors. The revised NDC accounts for mitigation policies within the forestry sector for the first time, reflecting its importance of the forestry sector to Jamaica, and the efforts the country is making to preserve and enhance its forest cover. As a result, the new updated NDC targets emissions reductions between 25.4 percent (unconditionally) and 28.5 percent (conditionally) relative to the baseline, implying that emissions will be lower by 1.8 to 2.0 metric tons of carbon dioxide equivalent than they would have otherwise been in 2030. Most of the unconditional reductions (83 percent) come from the energy sector. The remainder comes from land use changes and the forestry sector due to the 'No Net Loss of Forestry' commitment (to maintain the level of forest cover identified in the 2013 by 2026) and the initiative to plant 3 million trees over the period 2019-2022.

**80. Expected results:** By relying on solid technical work and multi-sectoral coordination, Jamaica's revised NDC ensures that the resulting commitments are robust and benefit from political support. This approach is critical for ensuring the legitimacy of Jamaica's NDC with domestic constituents and enhancing the credibility of the international process governing emission reductions. The revised NDC is also a



demonstration of an increasingly comprehensive approach to decarbonizing the economy which incorporates climate change adaptation into policy commitments. In order to underpin the NDC commitments and greenhouse gas emission targets, this prior action ensures that Jamaica is in the process of reviewing, assessing and identifying actions, inclusive of potential investment needs, by developing an NDC Implementation Plan. The implementation plan is expected to be in place by March 2022. The plan will include provisions for progress made in NDC activities to date, assess costs and savings (both upfront investment costs and any ongoing costs or savings associated with each activity), assess responsibility for each activity, and propose a monitoring framework to track progress. Lastly, Jamaica is developing low emission pathways and a related strategy up to 2050, which will play an important role in guiding the country's overall climate change policy and ambitions and inform the enhancement of subsequent NDCs. These and related action plans are part of Jamaica's efforts to "rebuild better", in a greener, more sustainable, and resilient way.

#### 4.3. LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY

**81. The WBG has adjusted its program in Jamaica to respond to the need for emergency COVID-19-related support while safeguarding the base for a resilient recovery of the economy (see Annex 6).** The CPS focuses on establishing the necessary conditions for broad-based, private-sector-led growth while improving public-sector efficiency and reducing vulnerability.<sup>53</sup> The three pillars of the CPS are: (i) modernizing the public sector, (ii) creating an enabling environment for private-sector growth, and (iii) strengthening social and climate resilience. Adjustments have been made to the existing Bank-financed portfolio to better address COVID-19-related needs, such as support for MSMEs and for the recovery of agriculture and tourism. A main shift in the program is the preparation of this DPF. Strengthening social protection, progress on fiscal sustainability, and support to businesses, particularly MSMEs, are essential to generate and protect employment. Further, improving financial inclusion and trade facilitation will be vital to accelerate economy-wide growth and ensure a robust recovery.

**82. Policy actions supported by this DPF are aligned with the pillars of the World Bank's COVID-19 Crisis Response Approach Paper.**<sup>54</sup> Prior actions supported in pillar 1 of the proposed operation are fully aligned with pillar 2 of the WBG COVID-19 Approach Paper. The expansion of cash and in-kind safety nets and health services reduces the need for negative coping strategies (e.g., reducing nutritional intake, ignoring social distancing to procure income), and thus help preserve human capital. Reforms under pillar 2 of the proposed DPF are aligned with pillar 3 of the WBG COVID-19 Approach Paper; they are meant to provide short-term liquidity to enterprises to preserve employment, reduce borrowing costs, and maintain trade flows. Reforms supported in the pillar 3 – fiscal, monetary and climate reforms – contribute to strengthening policy and institutions for building better, as recommended in pillar 4 of the Approach Paper.

**83. The CRRDPF (P174531) exploits natural synergies with the ERDPL series, other Bank-financed projects, and TA activities.** The ERDPL (P170223) addresses challenges related to fiscal sustainability and

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<sup>53</sup> The PLR, which extended the CPS for two additional years to FY19, retained the original three strategic pillars of the CPS.

<sup>54</sup> The four pillars of the WBG crisis response are: (1) emergency support to save lives threatened by the virus; (2) protecting poor and vulnerable people; (3) saving livelihoods, preserving jobs, and ensuring more sustainable business growth and job creation by helping firms and financial institutions survive the initial crisis shock, restructure, and recapitalize to build resilience in recovery; and (4) support for strengthening policies, institutions, and investments for resilient, inclusive, and sustainable recovery





social inclusion, fiscal and financial resilience against climate and natural disaster risks and improving the investment climate. The prior action supporting the independent fiscal commission under pillar 3 of this operation is a continuation of the process initiated under that series. The Foundations for Competitiveness and Growth Program (P147665) and the Access to Finance Project (P152307) include support to boost private sector participation in the economy, strengthen trade facilitation, and broaden financial inclusion. Reforms on climate resilience in the proposed DPF are aligned with the Promoting Community-based Climate Resilience in the Fisheries Sector Project (P164257) and Supporting the Assessment and Update of the Nationally Determined Contribution (NDC) in Jamaica (P171384). The prior actions related to social protection are linked to the Disaster Vulnerability Reduction Project (P146965), because a rapid increase in PATH transfers to disaster-affected beneficiaries is made possible by that project's Contingency Emergency Response Component. Technical assistance provided by the Bank-executed Trust Fund on Strengthening Social Protection System for Disaster Preparedness and Response (P159232) helped assess and strengthen the capacity of the country's social protection system to respond to disasters.

#### 4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

**84. The design of this operation is informed by Jamaica's Vision 2030 and the MTF 2018-2021, both of which benefitted from wide-scale consultations.** Consultation is an important feature of the GOJ's institutional requirements and viable feedback from stakeholders is used to inform the development or revision of major policies, programs, plans, and services. The consultation methods include public meetings, community workshops, focus groups and surveys as well as interactive websites. The GOJ's Consultation Code of Practice for the Public Sector provides guidance for improving the quality of consultations to promote increased participation, transparency, and accountability. Specifically, with regards to the policies supported by this DPF, the design and implementation of the COVID-related stimulus plan involved consultations with public sector, private sector, and other interest groups. The COVID-19 protocols were developed by the local Services and Tourism Sub-committees of the COVID-19 Economic Recovery Task Force, which conducted extensive consultations with the civil society, private sector, and public health leaders. All other reform actions benefitted from extensive consultations with key stakeholders. The GOJ engaged with several parliamentary committees during the preparation of this operation, as several of the prior actions are subject to legislative review and approval. The authorities have also been very innovative in their use of social media to sensitize the public on key reforms.

**85. The WBG has been working in close collaboration with Jamaica's main development partners in the supporting the design and implementation of Jamaica's latest reform effort since 2013.** The IMF has provided critical support to Jamaica's fiscal consolidation effort and the Bank continues to collaborate closely with IMF counterparts on reforms promoting macroeconomic stability. To leverage complementarities and avoid duplicative efforts, the WBG also collaborates with the Inter-American Development Bank (IDB) on social protection and has recently begun coordinating with the World Food Program. The Bank is also working with development partners on targeted investments in disaster risk and public financial management (with the European Union, United States, and United Kingdom) and public financial management (with Canada). UNICEF and the Bank are coordinating their response in the education sector.



## 5. OTHER DESIGN AND APPRAISAL ISSUES

### 5.1. POVERTY AND SOCIAL IMPACT

**86. Supported measures under Pillar 1 are expected to have a positive impact on poverty and social outcomes.** These measures are aimed at protecting health and safeguarding the incomes, livelihoods, and welfare of poor and vulnerable populations arising from the COVID 19. Prior action 1 provides direct cash support to lower income workers (i.e. those earning less than the income tax threshold) who recently lost their jobs. According to the Labor Force Survey, more than 150,000 jobs were lost between January 2020 and July 2020. The majority (67 percent) of these losses occurred among service workers and elementary occupations, two thirds of which were estimated to be in the bottom 60 percent of the welfare distribution in 2018. A simulation of the SET Cash intervention suggests that it would reduce the poverty rate by 0.5 percentage point. Its eligibility criterion was an annual income tax threshold of J\$1.5 million, which served to exclude workers in the upper end of the income distribution. Although data on the welfare level of those suffering recent job losses is not available, the program is likely to have extended much needed support to less well-off households, reducing the number of households falling into or deeper into poverty and easing social tensions and anxiety. The compassionate grants are expected to disproportionately benefit the less well-off (39 percent of the bottom 40 vs. 35 percent for the top 60). Prior action 2 extends cash support to PATH households and the elderly poor. PATH's targeting has been assessed to be progressive, with a higher concentration of beneficiaries in poor deciles.<sup>55</sup> The top-ups to PATH will help smooth consumption among a larger share of poor households and strengthen their resilience to shocks. The 2019 WB Social Protection Public Expenditure Review (PER) estimated that a 25 percent increase in the average annual PATH benefit<sup>56</sup> would result in a 2.2 percent reduction in poverty. Comparatively, the average CARE PATH benefit of J\$4,080 covered under prior action 2 represents a 21 percent increase to the annual PATH transfer used in the PER.<sup>57</sup> The approval of a social pension will facilitate inclusion of approximately 50,000 elderly currently not in receipt of pensions nor other social assistance, thereby closing a critical coverage gap in the country's SP system.

**87. Prior actions 3 and 4 seek to limit the negative economic and social impact of the pandemic.** By strengthening health, hygiene and safety standards, and plans to roll out vaccination, prior action 3 will contribute to improved public health and help protect workers, including the poor. Measures supported under prior action 4 are similarly expected to have positive poverty and social impacts. These measures support businesses, the preservation of jobs, and the avoidance of firm closures, particularly MSMEs. Supported measures are expected to maintain the labor income of beneficiary households and limit the number of persons that might otherwise fall into poverty in the pandemic environment.

**88. Most of the actions supported under pillars 2 and 3, which are intended to ensure a resilient and sustainable post-COVID economic recovery, should have either neutral or positive indirect effects on poverty.** The measures to strengthen financial, fiscal, and monetary resilience (prior actions 5, 6, 8, and 9) will indirectly benefit poor households by bolstering macroeconomic stability, preventing fiscal

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<sup>55</sup> *Public Expenditure Review of Social Protection in Jamaica: Principal Programs, Services, and Instruments*. World Bank, 2019.

<sup>56</sup> J\$18,825 in FY18/19.

<sup>57</sup> The CARE PATH grant represents a one-off top-up to PATH households. Nevertheless, Government has announced plans to increase recurring PATH benefits by 10 percent, expected to be implemented in 2021.



imbalances that could threaten pro-poor spending, and reinforcing the necessary conditions for accelerated growth and job creation. Prior actions 5 and 6 are expected to increase the provision of financial services to traditionally underserved populations and entrepreneurs to unlock their economic potential. The measure aimed at regulating the microcredit sector is expected to lower the borrowing costs for consumers and microentrepreneurs and reduce costly informal lending. The regulatory sandbox is expected to promote innovations in financial services that will benefit the financial inclusion of the poor and vulnerable while protecting them from abuse. The impact of the trade facilitation reforms (prior action 7) on households is expected to be neutral in the short term but contribute to job growth in the medium-term by increasing the country's attractiveness as a regional logistics hub. Prior action 10 on addressing climate change should have a positive impact on the poor, especially those in agriculture.

## 5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

**89. The prior actions supported by the proposed operation are not expected to have significant negative impacts on the country's environment, forests, fisheries, or other natural resources.** The operation's prior actions do not include policy reforms directly involving production, infrastructure development, or land use changes. The prior actions focused on social protection (1 and 2) and financial support to businesses (4) are not expected to promote or result in negative environmental impacts, but rather provide subsistence and business continuity support during this economic downturn. Prior actions related to financial inclusion, fiscal, monetary, and trade facilitation (5-9) are also not expected to result in significant increases in production, infrastructure development, land use change, or natural resource use, but rather further modernize these systems. Finally, prior action 10 focuses on updating Jamaica's NDC, which is expected to have positive environmental impacts, including those related to climate mitigation, adaptation, and resilience, as well as sustainable land and energy use.

**90. In the case that prior actions do result in some environmental impact, Jamaica has continuously updated its environmental policy and regulatory framework and has integrated environmental issues into its national development plan.** The country has 52 environment-related statutes covering a wide range of policy areas, from public health to physical planning to land use, with many instances of overlapping responsibilities among ministries. The National Environment and Planning Agency (NEPA), under the Ministry of Economic Growth and Job Creation, administers the Environmental Permit & License System (P&L) of 1997, which is a mechanism to ensure that all Jamaican facilities and development projects meet the relevant standards and procedures to minimize adverse environmental impacts during construction and operation of a facility. Under this system, permits and licenses are required for several categories, including port and harbor developments, ecotourism, agricultural development (clearing trees) and waste, and introduction of species of flora, fauna and genetic material, among others. Under the Natural Resources Conservation Authority (NRCA) Act of 1991, the NRCA is authorized to issue, suspend, or revoke permits and licenses for non-compliance with the stipulated environmental standards and conditions.

**91. Sections 9 and 10 of the NRCA Act stipulate that an Environmental Impact Assessment is required for new projects and existing projects undergoing expansion.** The NRCA is also responsible for investigating the effect on the environment of any activity that may cause pollution or which involves waste management. It is not expected that the operation will result in the need for permits or licenses for these categories or will result in significant environmental impacts. However, if support to MSMEs or other



businesses and stakeholders in the tourism industry results in these outcomes, the P&L system is anticipated to be adequate to manage any environmental issues that may arise. Microcredit institutions will be required to screen the sub-projects they finance to ensure that they are prepared and implemented in accordance with sound environmental and social management practices and national law. In addition, NEPA submitted the National Policy on Environmental Management Systems to Parliament in 2017<sup>58</sup> which reflects the Government's commitment to integrating environmental considerations into economic and social decision-making processes. The policy directly contributes to National Outcome 13 (sustainable management and use of environmental and natural resources) of Goal 4 (Jamaica has a healthy natural environment) of Vision 2030.

**92. Jamaica has solid and medical waste management frameworks that adequately address any potential environmental impacts related to sanitation protocols.** Prior action 3 is related to health protocols and distribution plans for the COVID-19 vaccine, including for the hospitality industry, which could potentially lead to an increase in single-use products and medical waste. With regards to solid waste, the protocols supported by this prior action on sanitation and waste management, will be consistent with Jamaica's National Solid Waste Management Act (2002). This Act established the National Solid Waste Management Authority and specifies that Jamaica takes all such steps as are necessary for the effective management of solid waste in order to safeguard public health, ensure that the waste is collected, stored, transported, recycled, reused or disposed of in an environmentally sound manner, and promote safety standards.<sup>59</sup> Further, the GOJ has imposed a ban on the importation, manufacture, distribution, and use of single-use plastic bags (of certain sizes) as well as plastic straws. Similarly, there has been a ban on the importation of polystyrene foam ('Styrofoam') for use in the food and drink industry, which from the start of 2020 was extended to cover the domestic manufacture of these items as well. The ban is complemented by a Plastic Waste Minimization project.

**93. The vaccination plan supported by prior action 3 includes provisions for the safe disposal of medical waste.** Jamaica has guidelines and regulations for the disposal of medical and hazardous waste, including waste segregation practices and guidelines to improve the capacity of staff regarding health and safety and management practices such as standard labeling, segregation, transportation, and disposal procedures (in both public and private health care facilities). Medical waste is included as a type of solid waste under the National Solid Waste Management Act (2002). Furthermore, specific protocols have been produced for COVID-19 waste, reiterating and adapting existing requirements and regulations. Of particular relevance are the guidelines for "Environmental Cleaning and Sanitation Guidelines for Health Care Institutions /Nursing Homes / Infirmaries (COVID-19 and other infectious diseases)", which include specific requirements for the segregation, handling, disposal, and treatment of medical waste for public and private facilities.<sup>60</sup> The vaccination plan is grounded in the existing legal framework including regulations for vaccines for emergency use and it specifies that the disposal of COVID 19 vaccines will utilize existing mechanisms (unless otherwise stated by the manufacturer) to ensure appropriate

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<sup>58</sup> 2017 National Policy on Environmental Management Systems.

<https://japarliament.gov.jm/attachments/article/1927/2018%20Green%20Paper%20%20-%20National%20Policy%20on%20Environmental%20Management%20Systems.pdf>

<sup>59</sup> Jamaica National Solid Waste Management Act (2002). <https://moj.gov.jm/laws/national-solid-waste-management-act>

<sup>60</sup> All protocols can be found here: <https://www.moh.gov.jm/covid-19-resources-and-protocols/>

The Environmental Cleaning and Sanitation Guidelines can be found here: [https://www.moh.gov.jm/wp-content/uploads/2020/05/Environmental-Health-considerations-for-Health-Care-Institutions-\\_Nursing-Homes-Final-May-2020.pdf](https://www.moh.gov.jm/wp-content/uploads/2020/05/Environmental-Health-considerations-for-Health-Care-Institutions-_Nursing-Homes-Final-May-2020.pdf)



documentation, collection, storage, and disposal at all levels. Furthermore, the responsibilities for collection and documentation of all COVID-19 vaccines lie at the level of the parish with Expanded Programme on Immunization (EPI) Coordinators. This will be supervised and monitored by the Senior Public Health Nurses. Once all vaccines have been accounted for, waste will be taken to the National Waste Management Unit, within the Ministry of Health and Wellness for incineration. The vaccination plan includes provisions for further augmenting existing capacity, infrastructure and geographical coverage for medical waste disposal by March 2021, including through the development of a waste management plan specific to the vaccine. It is expected that Jamaica has sufficient capacity to implement its regulatory framework and guidelines for solid and medical waste management.

### 5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

**94. Jamaica’s public financial management (PFM) systems continue to be strengthened but more is needed.** The 2016 Public Expenditure and Financial Accountability (PEFA) assessment concluded that the PFM systems in Jamaica are strong, especially on external audit and scrutiny, but there are notable weaknesses in risk management, multi-year budgeting, and treasury operations. Since the 2016 PEFA assessment, a detailed PFM Reform Action Plan (2017 -2021) was developed by the GOJ and is currently being implemented to address these weaknesses. With respect to these specific weaknesses, the ongoing reforms and actions since the 2016 PEFA include: (i) implementation of medium-term results-based budgeting; (ii) enhancement of the public investment management system; (iii) implementation of an Enterprise Risk Management Programme; and (iv) implementation of an Integrated Financial Management Information System.

**95. Analyzing and managing fiscal risks is utilized in some areas but could be expanded.** A broader examination of risk management at MoFPS is primarily focused on control and governance arrangement for public entities such as public corporations and extra-budgetary units. The 2016 PEFA assessment highlighted that reporting of risks associated with public corporations and Government is not a prominent feature of the Jamaica PFM system. Control over fiscal risks associated with these entities is ongoing but the GOJ should expand its fiscal management approach and conduct a comprehensive systematic analysis and management of key fiscal risks to help ensure sound fiscal public finances.

**96. Multi-year budgeting.** The budgeting process continues to evolve as Jamaica has embarked on the implementation of the Medium-Term Results Based Budgeting (MTRBB) framework. The 2019/2020 approved budget was presented in the MTRBB format reflecting three forward years estimates. Nevertheless, these estimates are not consistently linked to GOJ strategic policies and plans to ensure alignment of future budgets with macroeconomic and strategic policies, priorities and results. Also, MoFPS published the second citizens guide to the budget for financial year 2020/21 in February 2020. This is available to the public via the MoFPS website.

**97. Budgeting, Expenditure and Capital Investment.** The presentation of the budget changed with respect to capital projects, with the unification of the Capital Budget. Prior to the commencement of fiscal year 2019/2020 budget, capital projects were classified as Capital A (GOJ Funded) and Capital B (Donor & GOJ Funded). The updated GOJ Chart of Accounts (CoA) is consistent with the IMF’s Government Financial Statistics Manual 2014 and the improved multi-year budgeting and results-based monitoring process. The GOJ will be working towards the integration of various IT systems used within Government, which



separately handle budgeting, expenditure, reporting, and project implementation. With the integration of these systems, the GOJ will be better able to generate accurate information in a timely manner, and hence improve the overall planning and budgeting process. To improve the overall process for evaluating projects, the GOJ is currently working towards the implementation of a Public Investment Management Information System, which aims to revise the existing structure for the preparation, appraisal, approval and management of all Government projects.

**98. GOJ publishes an annual budget.** Upon approval by Parliament, MoFPS publishes the Medium-Term Fiscal Policy Paper, annual budget, and Estimates of Revenue and Expenditure on its website and makes the documents available in print form. Supplementary estimates outlining revisions to the initial approved budget are also published. Although central Government's budget execution reports are published monthly, they do not provide a full picture of the state of individual Ministries, Departments and Agencies (MDA), as the reports provide only aggregate expenditure information. Also, budget execution reports as well as individual MDA reports are prepared internally by most entities, but they are not published.

**99. Treasury Operations.** With respect to the Treasury Single Account (TSA), The Accountant General Department (AGD) has made recommendations on the structure to be adopted. However, this is not yet agreed upon within the GOJ. The AGD is nonetheless taking steps to support the movement to a TSA. The AGD is currently closing and reducing the number of commercial bank accounts which contain GOJ funds. In addition, it is working to support an expansion of the "sweeping" arrangements from commercial bank accounts of the Principal Receivers of Revenue (PRRs) into the AGD's accounts at the BOJ.

**100. External audit and scrutiny are areas of strength but need enhancement.** The Auditor General's Department (AuGD) is active in carrying out financial compliance, performance audits, and examination of the fiscal policy paper. Audits are executed in accordance with the International Standards of Supreme Audit Institutions (ISSAI). Since the 2016 PEFA assessment, the AuGD has progressed with respect to establishing a quality assurance unit to address the consistency in application of audit standards. The AuGD's audit reports are now made publicly available on the AuGD website, once reports are tabled by Parliament. This report includes information on audits which were prepared and submitted within the twelve-month period required. However, individual MDA audited annual financial statements are not published. There is a backlog of Government unaudited financial statements, between 2005 and 2018. Through the support of the World Bank, the AuGD seeks to contract out several backlog audits in order to progress towards a GOJ consolidated audited financial statements.

**101. The IMF completed a Safeguards Assessment of the BOJ in May 2017.** The BOJ control environment within which foreign exchange is managed is satisfactory. BOJ has well-established procedures that ensure the integrity of its operations. It has a well-functioning internal audit department which has the capacity to execute its mandate. The internal audit department reports directly to an audit committee, which also provides additional oversight. In addition, BOJ's financial statements are published, transparent, and are audited annually by a reputable independent external audit firm. Audit report for the year ended 31 December 2019 for BOJ had an unmodified opinion.

**102. Disbursement and Auditing Arrangements.** The proposed loan will follow the World Bank's standard disbursement procedures for development policy support. The proceeds of the loan will be





disbursed against the satisfactory implementation of the program (specified prior actions achieved) and maintenance of an adequate macroeconomic policy framework. The Bank will disburse the loan proceeds, denominated in US dollar, into Jamaica's US dollar foreign-exchange account at the BOJ. This account forms part of Jamaica foreign exchange reserves at the BOJ. The BOJ will then ensure that, upon deposit in said account, an equivalent amount in J\$ is immediately credited to the GOJ's account, which will become available to finance budgeted expenditures. Within 30 days of the funds transfer, the GOJ, through its MoFPS, will provide the Bank with written confirmation of the amount deposited into the foreign currency account at the BOJ, the equivalent amount accounted for in the country's budget management system in the account used to finance budgeted expenditures, exchange rate applied and the date of transfer. If the proceeds of the loan or any part thereof are used for ineligible purposes, as defined in the Loan Agreement, the World Bank will require the Borrower to promptly return such amount to the World Bank. The amount refunded shall be cancelled from the Loan. No specific audit of the deposit of the loan proceeds will be required. However, the World Bank reserves the right to request such an audit at its discretion.

**103. Fiduciary risk is assessed as moderate.** The assessment is based on an adequate PFM environment, ongoing PFM reforms, support to reforms through the Bank's Strategic Public Sector Transformation (P146688) Project under implementation, and the adequate foreign exchange control environment of the BOJ.

**104. Public procurement in Jamaica has undergone significant transformation in recent years.** Public procurement procedures in Jamaica are guided by the Public Procurement (PPA) Act of 2015 and its associated regulations of 2018, which adhere to the principles of transparency, fairness, integrity and ensuring public confidence in procurement processes. The Act, which became effective in April 2019, contains higher-level governance principles and requirements for the conduct of public procurement that are in accordance with international standards.

#### 5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

**105. The MoFPS will be responsible for the overall implementation of the proposed operation and for reporting on its progress.** The Bank will review the prior conditions for effectiveness and disbursement. It will be the responsibility of the MoFPS to present this information in a timely manner and in a format satisfactory to the Bank. The monitoring and evaluation system which supports the medium-term socio-economic framework will be important for assessing progress on the results of the CRRDPF (P174531) operation. Since the development of Vision 2030 strategy, the Government has invested substantially in developing an electronic platform for monitoring results of its programs.

**106. Grievance Redress.** Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to





the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## 6. SUMMARY OF RISKS AND MITIGATION

**107. The overall risk rating for the proposed CRRDPF (P174531) is assessed as moderate.** The GOJ's rapid and comprehensive response to mitigate the effects of the COVID-19 outbreak have facilitated the achievement of the short-term objectives of the operation, namely, to provide support to businesses to protect jobs, as well as direct income support to vulnerable groups. In parallel, timely WBG support will assist the Government to responsibly extend the short-term emergency response measures to more strategic structural reforms, aiding the recovery and promoting resilient growth. Nevertheless, risks associated with the uncertainty and severity of the pandemic, indirect impacts of the crisis on the macroeconomy, institutional-capacity constraints, and Jamaica's vulnerability to extreme weather events and global shocks remain of concern. The following sections describe risks that are considered substantial, highlighting mitigation mechanisms where applicable. No risks are rated as high (Table 5).

**108. Macroeconomic risks are substantial.** While the GOJ's deep and sustained fiscal consolidation has put the public debt stock on a downward trajectory since 2013, there has been some reversal with the onset of the pandemic. Moreover, the country's modest growth performance and exposure to a wide range of external shocks exacerbate macroeconomic risks and threaten the continuity of the fiscal austerity, which could become difficult to maintain if the recovery from the pandemic is delayed. However, the continued support from development partners and the Government's swift policy actions to cushion the economic impact of the COVID-19 outbreak could shorten the duration of the crisis while providing needed resources to finance the Government's response plan. Some of the proposed policy actions supported by the operation and the ongoing political and social agreements are intended to promote prudent fiscal and monetary policies. These interventions ensure that risks to the project development objective (PDO) are minimized. Maintaining social cohesion and protecting the most vulnerable from the effects of the pandemic (particularly considering longstanding crime issues on the island) will be critically important.

**109. Risks related to the implementation capacity of sector strategies and policies are substantial.** Jamaica has made important progress in raising the capacity of the public sector. However, deficiencies exist in some areas including in the health and financial sectors. The GOJ's limited capacity and resources could delay implementation and sustainability of policies. While these risks cannot be eliminated entirely, they can be reduced by strong technical assistance, continuous support for reform implementation, and close collaboration with the IMF, IDB, and other development partners. The design of the proposed operation seeks to mitigate capacity risks by: (i) concentrating on policy reforms that have benefitted from or are the subject of ongoing policy dialogue with the WBG; (ii) supporting policy reforms that leverage other WBG operations; and (iii) providing TA either directly or jointly with other development partners in selected areas. Finally, the proposed operation is selective in its design to avoid overwhelming the Government's administrative capacity during this period of ongoing pandemic.

**110. Other risks are substantial.** Notwithstanding the Government's proactivity in responding to the



spread of the virus, the probability of further spread in Jamaica cannot be discounted given the continued progression of the virus in phase 2. This would have adverse effects on the health sector, the economy, and general welfare, consequently impacting the attainment of the development objectives of this operation. These could also distract the Government’s attention from some of the important structural reforms under the proposed operation, including those intended to support the recovery from the crisis. Further, the burden on the healthcare system from COVID-19 could impede the treatment of other diseases and the provision of other routine care which could hamper human capital accumulation over the long term. Key mitigating factors to these risks include support provided by the various donors working directly and through the Pan-American Health Organization to assist the authorities in case detection, confirmation, contact tracing, recording, and reporting of the outbreak to limit the spread of the virus. Support under this proposed operation including plans for the deployment of a vaccine, as well as financing from the IMF and from other donors, will also help to mitigate the health, economic and poverty impacts of COVID-19 and therefore the overall risks associated with the crisis.

**Table 5: Summary Risk Ratings**

| Risk Categories   | Rating        |
|---|---------------|
| 1. Political and Governance                                     | ● Moderate    |
| 2. Macroeconomic  | ● Substantial |
| 3. Sector Strategies and Policies                               | ● Moderate    |
| 4. Technical Design of Project or Program                       | ● Moderate    |
| 5. Institutional Capacity for Implementation and Sustainability | ● Substantial |
| 6. Fiduciary  | ● Moderate    |
| 7. Environment and Social                                       | ● Moderate    |
| 8. Stakeholders   | ● Moderate    |
| 9. Other  | ● Substantial |
| <b>Overall</b>  | ● Moderate    |



**ANNEX 1: POLICY AND RESULTS MATRIX**

| Prior Actions   | Results Indicators  | Expected Results   |
|---|---|--|
| <b>Pillar 1: Protecting poor and vulnerable people</b>  |   |  |
| <p><b>Prior Action 1:</b> To provide emergency support to affected individuals impacted by the COVID-19 pandemic, the Borrower, through the Cabinet, has approved emergency measures including the provision of: (i) temporary cash transfers through the SET to individuals who lost employment between March 10, 2020 and December 31, 2020 and who had an annual taxable income less than or equal to J\$1.5 million; (ii) COVID-19 General Grants to selected occupational groups who are registered with a state or municipal authority; and, (iii) Compassionate Grants to individuals with a valid tax payer registration number not formally employed and not recipients or not intending to be recipients of any other benefit under the CARE Programme.</p> | <p><b>Number of beneficiaries receiving the CARE cash transfers</b></p>               | <p><b>Number of beneficiaries (male/female) receiving the CARE cash transfers:</b><br/>Baseline: March 2020: 0<br/>Target: March 2022: At least 170,000 males; At least 260,000 females</p>  |
| <p><b>Prior Action 2:</b> To mitigate the impact of the COVID-19 pandemic on the poor, the Borrower, through the Cabinet, has approved: (i) one additional payment to PATH beneficiary households through a PATH CARE grant and top-ups to PATH beneficiary households with school-enrolled children; and (ii) a Social Pension for elderly individuals aged 75 years or more, who are not in receipt of other pensions, including NIS pension, PATH or Poor Relief payments.</p>   |   | <p><b>Number of PATH beneficiaries receiving the CARE program’s COVID-19 PATH grant:</b><br/>Baseline: March 2020: 0<br/>Target: March 2022: At least 125,700 male; At least 140,400 females</p> <p><b>Number of beneficiaries accessing the social pension for the elderly:</b><br/>Baseline: (March 2020): 0<br/>Target: (March 2022): At least 50,000</p> |
| <p><b>Prior Action 3:</b> To ensure the safe re-opening of the economy, the Borrower, through the Cabinet, has approved an interim National Deployment and Vaccination Plan for the COVID-19 Vaccine including priority groups, such as health workers and non-health frontline workers, recommended for vaccination during the first phase of vaccine deployment</p>   | <p><b>Percentage of priority groups vaccinated against Covid-19 under Phase 1</b></p> | <p><b>Percentage of priority groups vaccinated against Covid-19 under phase 1:</b><br/>Baseline (March 2020): 0<br/>Target (March 2022): At least 40 percent</p>   |
| <b>Pillar 2: Supporting sustainable business growth and job creation</b>  |   |  |
| <p><b>Prior Action 4:</b> To help small businesses, in particular in the tourism sector, to cope with the economic impacts of COVID-19, the Borrower, through the Cabinet, has approved emergency liquidity support to small businesses including: (i) the BEST</p>   | <p><b>Number of businesses accessing the BEST cash</b></p>                            | <p><b>Number of businesses accessing the BEST cash transfers and grants:</b></p>   |



|  |  |  |
|--|--|--|
| <p>Cash Program, to provide temporary cash transfers to businesses in the tourism sector based on the number of workers they have kept employed and with an annual income of J\$1.5 million or less; (ii) one-time COVID-19 Small Business Grants to small businesses with annual sales of J\$50 million or less; and (iii) one-time COVID-19 Tourism Grants to operators in the tourism sector.</p>   | <p><b>transfers and grants</b></p>   | <p>Baseline (March 2020): 0<br/>Target (March 2022): At least 1,800</p> <p><b>Number of tourism sector employees retained under the BEST Cash program:</b><br/>Baseline (March 2020): 0<br/>Target (March 2022): At least 13 percent</p> |
| <p><b>Prior Action 5:</b> To promote the growth of microcredit institutions and support responsible lending to MSMEs by the sector, the Borrower has tabled a bill shortly entitled “the Microcredit Act, 2021”, which licenses and regulates microcredit institutions and strengthens borrower protection.</p>  | <p><b>Number of microcredit institutions having submitted a complete application for a license under the new legal framework</b></p> | <p><b>Number of microcredit institutions having submitted a complete application for a license under the new legal framework:</b><br/>Baseline (March 2020): 0<br/>Target (March 2022): At least 3</p>                                   |
| <p><b>Prior Action 6:</b> To foster Fintech and digital payment products and promote financial inclusion, the Borrower, through the Bank of Jamaica, has issued guidelines for the operation of a Fintech Regulatory Sandbox including application requirements, eligibility criteria and Fit and Proper requirements.</p>   | <p><b>Number of Fintech products admitted for testing in the regulatory sandbox</b></p>  | <p><b>Number of Fintech products admitted for testing in the regulatory sandbox</b><br/>Baseline (March 2020): 0<br/>Target (March 2022): At least 4</p>   |
| <p><b>Prior Action 7:</b> To modernize the trade infrastructure, promote export competitiveness and improve the efficiency of border clearance processes, the Borrower, through the Jamaica Customs Agency, has: (i) allowed electronic processing of export manifests by shipping agents through the online Port Community System and ceased the processing of the dock receipt for export shipments; and (ii) launched the Trade Board Limited on the Jamaica Electronic Single Window for Trade platform for imports and exports.</p> | <p><b>Number of days taken by the Trade Board Limited to process trade licenses for imports and exports</b></p>                      | <p><b>Number of days taken by the Trade Board Limited to process trade licenses for imports and exports:</b><br/>Baseline (March 2020) :5<br/>Target (March 2022): 3</p>   |
| <p><b>Pillar 3: Strengthening policies and institutions for resilient and sustainable recovery</b></p>   |  |  |
| <p><b>Prior Action 8:</b> To strengthen the fiscal responsibility framework, the Borrower has tabled the legal framework to establish the Independent Fiscal Commission.</p>   | <p><b>Number of fiscal assessment reports (that include debt sustainability analysis) issued by</b></p>                              | <p><b>Number of fiscal assessment reports (that include debt sustainability analysis) issued by the Fiscal commission:</b><br/>Baseline (March 2020): 0</p>  |



|  |  |   |
|--|--|---|
|  | <b>the Fiscal Commission</b>   | Target (March 2022): At least 1   |
| <b>Prior Action 9:</b> To reinforce the independence of the Bank of Jamaica and its inflation targeting regime, the Borrower has approved amendments to the Bank of Jamaica Act which include provisions to enhance Bank of Jamaica’s governance, clarify its mandate and improve its operational independence.                                | <b>Number of statements published on the performance of BOJ with respect to its monetary policy and achievements in relation to its inflation target</b> | <b>Number of statements published on the performance of BOJ with respect to its monetary policy and achievements in relation to its inflation target</b><br>Baseline (March 2020):0<br>Target (March 2022) : At least 1 |
| <b>Prior Action 10:</b> To strengthen climate resilience and sustainability of growth, the Borrower, through the Cabinet, has adopted the revised Nationally Determined Contributions including target greenhouse gas emissions lower than planned in the previous Nationally Determined Contributions, and climate resilience considerations. | <b>NDC implementation plan approved by GOJ</b>   | <b>NDC implementation plan approved by GOJ</b><br>Baseline (March 2020): No<br>Target (March 2022) : Yes  |



## ANNEX 2: FUND RELATIONS ANNEX

### Jamaica—Assessment Letter for the World Bank December 9, 2020

*Strong spillovers from the tourism sector and a severe impact from the local lockdowns have weakened the growth outlook for Jamaica since the IMF Executive Board's approval of the Rapid Financing Instrument (RFI) last May. IMF staff now projects a 10 percent decline in growth in 2020, with a gradual recovery in the following years. Despite the severe shock, fiscal performance has so far outperformed expectations and the fiscal stance presented in a mid-year budget reaffirms the authorities' strong commitment to medium-term debt sustainability. An ambitious reform agenda, supported by IMF's capacity development, has gathered steam, since the general elections in September, with the recent passage of the landmark amendments to the Bank of Jamaica Act and submission to Parliament of the Fiscal Commission Legislation.*

**1. The COVID-19 pandemic continues to severely impact the Jamaican economy.** Daily new cases accelerated through October but have stabilized recently at around 50 new cases per day, as the authorities continue efforts to limit the spread of the virus. The tourism shock is severely impacting the economy, with growth contracting 18 percent (y-o-y) in Q2, and preliminary estimates pointing to a further contraction of 11 percent in Q3. Real GDP is expected to contract by around 10 percent in 2020 and not go back to pre-COVID levels until 2023 as tourism recovers. CPI inflation was 4.9 percent (y-o-y) in September and is expected to remain stable over the next year. Although the economic outlook has worsened since the RFI approval last May, it remains subject to high uncertainty and sizable downside risks.

**2. The authorities extended income support programs in July to provide additional support for those most affected by COVID-19.** At the outset of the pandemic, the primary surplus for FY2020/21 was relaxed from 6.5 to 3.5 percent of GDP to support jobs and vulnerable segments of the population. The resulting fiscal loosening required triggering the escape clause under the fiscal rule. As warranted by the deepening of the economic crisis, Parliament passed a supplementary budget in October to extend some COVID-support programs and accelerate planned capital spending for a total spending increase of about 1 percent of GDP. The looser primary surplus of 3.1 percent of GDP is being financed by the revenue overperformance to date (vis-à-vis the original estimates), domestic borrowing and official financing. IMF staff deems the relaxation of the fiscal targets appropriate to adequately respond to the COVID shock and protect lives and livelihoods. The authorities' strong track record of fiscal discipline and liability management, including recent divestment of government assets, created the necessary fiscal space to enact these reforms. The two-year delay in achieving the Fiscal Responsibility Law's goal of bringing debt down to 60 percent of GDP, approved by Parliament, also appears warranted.

**3. Monetary policy remains accommodative, with continued liquidity support by the BOJ, and credit relief measures by banks.** The BOJ has continued to keep ample liquidity in the system through secondary market purchases of GOJ bonds, repo operations, enhanced collateral rules, and reduced cash reserves requirements while the policy stance remains appropriately accommodative. Despite the recent uptick in non-performing loans, the financial sector remains relatively stable. Banks remain adequately capitalized and are working with borrowers, through





loan moratoria, payment holidays and changes in loan covenants, to reduce the burden of the shock on households and businesses.

**4. Despite the external shock and widening current account, reserves buffers remain comfortable.** The current account deficit was 2 percent of GDP in 2019 and is expected to widen to 4.3 percent of GDP in 2020, less than expected at the time of the RFI. Although tourism exports have dropped sharply, remittances have remained robust. Gross international reserves remain adequate at US\$ 3.9 billion (about 25 weeks of imports) as of end-October, helped in part by financing from official creditors.

**5. Public debt remains sustainable under the current baseline, although subject to risks.** Public debt is expected to reach 105 percent of GDP, in FY2020/21 after declining steadily over the preceding six years. The uptick in debt is driven primarily by the shock to growth. As the economy recovers, and the temporary fiscal stimulus is unwound, debt is expected to resume its downward trajectory towards the 60 percent target by FY2027/28. Since the October WEO update, the authorities released an interim Fiscal Policy Paper that projects a much tighter fiscal stance over the medium term suggesting faster debt reduction but this positive development is dampened by recent GDP data that points to a worsening growth outlook this year. On balance, these factors, as reflected in staff's latest projections, have not changed the assessment that debt remains sustainable.

**6. The authorities have resumed their ambitious reform agenda after the September elections, with support from IMF's capacity development.** Prime Minister Holness was confirmed as Prime Minister, with a strengthened majority, in the general elections held in September and renewed his commitment to reform continuity. Amendments to the Bank of Jamaica Act—a landmark reform and cornerstone of the institutional reform process—were passed by Parliament in November with full endorsement by both the Government and the Opposition. The amendments strengthen the governance and accountability framework of the recently recapitalized central bank, create the legal basis for operational independence, and establish price stability as the primary central bank objective. The authorities have also recently tabled in Parliament legislation to operationalize the Fiscal Commission. Other reform priorities include enhancing the AML/CFT regulatory framework to address the FATF recommendations and remove Jamaica from the grey list and addressing weaknesses in the tax waiver and tax incentive frameworks. Progress with the resolution regime and consolidated supervision will be particularly important in light of possible pressures on the financial sector from the COVID-19 crisis. IMF capacity development is fully aligned with these objectives with remote technical assistance missions planned in each of these reform areas.

**7. IMF relations.** The IMF Executive Board approved Jamaica's request for emergency financial assistance on May 15, 2020. The disbursement of about \$520 million (100 percent of quota) under the RFI has helped bolster reserves and support the authorities' response to the COVID-19 emergency. Additional Fund support is not expected in the near term, given adequate buffers and support from other IFIs. Jamaica's Precautionary Stand-By Arrangement ended in November 2019 and the next Article IV consultation is tentatively planned for mid-2021.





Table 1. Jamaica: Selected Indicators 1/

|  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  | 2026  |
|--|---|-------|---|-------|-------|-------|-------|-------|-------|
| Population (2018): 2.73 million  |   |       | Per capita GDP (2018): US\$5733                     |       |       |       |       |       |       |
| Quota (current; millions SDRs/% of total): 382.9/0.08%                         |   |       | Literacy rate (2015)/Poverty rate (2017): 87%/12.6% |       |       |       |       |       |       |
| Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite |   |       | Unemployment rate (Jan. 2020): 7.3%                 |       |       |       |       |       |       |
|  |   |       | Projections   |       |       |       |       |       |       |
|  | (Annual percent change, unless otherwise indicated)     |       |   |       |       |       |       |       |       |
| <b>GDP and prices</b>  |   |       |   |       |       |       |       |       |       |
| Real GDP   | 1.8   | 1.0   | -10.0   | 2.9   | 4.5   | 3.6   | 2.9   | 2.2   | 2.2   |
| Nominal GDP  | 6.9   | 4.2   | -4.8  | 8.7   | 10.1  | 9.2   | 8.2   | 7.3   | 7.3   |
| Consumer price index (end of period)   | 2.4   | 6.2   | 5.7   | 5.6   | 5.4   | 5.4   | 5.1   | 5.0   | 5.0   |
| Consumer price index (average)   | 3.7   | 3.9   | 5.2   | 5.6   | 5.5   | 5.4   | 5.2   | 5.1   | 5.0   |
| Exchange rate (end of period, J\$/US\$)  | 127.7   | 131.2 | 146.5   | ...   | ...   | ...   | ...   | ...   | ...   |
| Exchange rate (average, J\$/US\$)  | 129.6   | 133.5 | 142.7   | ...   | ...   | ...   | ...   | ...   | ...   |
| Nominal depreciation (+), end-of-period  | 2.2   | 2.7   | 11.7  | ...   | ...   | ...   | ...   | ...   | ...   |
| End-of-period REER (appreciation +) (INS) 2/                                   | 1.0   | -0.3  | -6.6  | ...   | ...   | ...   | ...   | ...   | ...   |
| Treasury bill rate (end-of-period, percent)                                    | 2.1   | 1.6   | 1.4   | ...   | ...   | ...   | ...   | ...   | ...   |
| Treasury bill rate (average, percent)  | 2.6   | 1.9   | 1.6   | ...   | ...   | ...   | ...   | ...   | ...   |
| Unemployment rate (percent)  | 9.1   | 7.7   | ...   | ...   | ...   | ...   | ...   | ...   | ...   |
|  | (In percent of GDP)                                     |       |   |       |       |       |       |       |       |
| <b>Government operations</b> 1   |   |       |   |       |       |       |       |       |       |
| Budgetary revenue  | 30.7  | 30.6  | 29.4  | 28.4  | 29.8  | 30.7  | 31.2  | 31.2  | 31.1  |
| Of which: Tax revenue  | 26.5  | 27.3  | 26.0  | 25.0  | 26.4  | 27.4  | 27.8  | 27.8  | 27.7  |
| Budgetary expenditure  | 29.5  | 29.7  | 33.0  | 28.6  | 28.3  | 28.8  | 29.7  | 30.1  | 29.7  |
| Primary expenditure  | 23.2  | 23.5  | 26.3  | 22.5  | 22.7  | 23.8  | 25.0  | 25.8  | 25.7  |
| Of which: Wages and salaries   | 8.9   | 9.2   | 10.3  | 9.8   | 9.3   | 9.0   | 8.7   | 8.7   | 8.7   |
| Interest payments  | 6.3   | 6.2   | 6.7   | 6.1   | 5.6   | 4.9   | 4.7   | 4.3   | 4.0   |
| Budget balance   | 1.2   | 0.9   | -3.6  | -0.3  | 1.5   | 2.0   | 1.5   | 1.1   | 1.4   |
| Of which: Central government primary balance                                   | 7.5   | 7.1   | 3.1   | 5.8   | 7.1   | 6.9   | 6.2   | 5.4   | 5.4   |
| Public entities balance  | 0.6   | 0.1   | -0.4  | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Public sector balance  | 1.8   | 1.0   | -4.0  | -0.3  | 1.5   | 2.0   | 1.5   | 1.1   | 1.4   |
| Public debt (FRL definition) 3/  | 94.5  | 94.3  | 105.0   | 95.3  | 85.0  | 75.9  | 69.8  | 64.9  | 60.5  |
| <b>External sector</b>   |   |       |   |       |       |       |       |       |       |
| Current account balance  | -1.6  | -2.0  | -4.3  | -4.7  | -4.1  | -3.5  | -3.3  | -3.2  | -3.0  |
| Of which: Exports of goods, f.o.b.   | 12.5  | 10.0  | 9.2   | 10.8  | 10.6  | 11.6  | 12.0  | 11.8  | 11.6  |
| ... of services  | 24.5  | 27.4  | 12.3  | 8.9   | 18.8  | 23.9  | 27.4  | 28.5  | 28.7  |
| Imports of goods, f.o.b.   | 35.0  | 35.6  | 28.5  | 24.7  | 31.2  | 35.3  | 38.0  | 38.6  | 38.3  |
| ... of services  | 15.4  | 16.6  | 12.9  | 13.0  | 15.1  | 15.8  | 16.1  | 16.1  | 16.1  |
| Net international reserves (US\$ millions)                                     | 3,181   | 3,181 | 2,877   | 2,758 | 2,782 | 3,004 | 3,218 | 3,473 | 3,562 |
| of which: non-borrowed   | 2,839   | 2,839 | 2,590   | 2,612 | 2,656 | 2,988 | 3,201 | 3,456 | 3,545 |
| Gross international reserves (US\$ millions)                                   | 3,631   | 3,631 | 3,806   | 3,658 | 3,583 | 3,553 | 3,411 | 3,487 | 3,562 |
|  | (Changes in percent of beginning of period broad money) |       |   |       |       |       |       |       |       |
| <b>Money and credit</b> 4/   |   |       |   |       |       |       |       |       |       |
| Net foreign assets   | 1.4   | 6.5   | -2.6  | -1.0  | 2.0   | 2.7   | 3.3   | 3.1   | 2.0   |
| Net domestic assets  | 8.4   | 3.0   | 11.7  | 7.8   | 6.8   | 8.5   | 6.5   | 5.6   | 6.6   |
| Of which: Credit to the private sector   | 8.6   | 13.5  | 2.6   | 5.1   | 9.4   | 12.2  | 11.2  | 10.4  | 10.3  |
| Credit to the central government   | 6.4   | -3.6  | 11.5  | 1.1   | -1.6  | -1.4  | -1.1  | -0.9  | -0.3  |
| Broad money  | 10  | 9.5   | 9.1   | 6.8   | 8.9   | 11.2  | 9.8   | 8.7   | 8.6   |
| <b>Memorandum item:</b>  |   |       |   |       |       |       |       |       |       |
| Nominal GDP (J\$ billions)   | 2,025   | 2,110 | 2,009   | 2,183 | 2,404 | 2,626 | 2,840 | 3,048 | 3,269 |

Sources: Jamaican authorities; and Fund staff estimates and projections.

1/ Government operations presented on a fiscal-year basis. Fiscal year runs from April 1 to March 31.

2/ In line with standard WEO assumptions, the REER is assumed to remain constant in projection years.

3/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

4/ The authorities compile and disseminate monetary data on the basis of the 2016 MFSMCG.



**ANNEX 3: LETTER OF DEVELOPMENT POLICY**



ANY REPLY OR SUBSEQUENT REFERENCE SHOULD BE ADDRESSED TO THE **FINANCIAL SECRETARY** AND THE FOLLOWING REFERENCE NUMBER QUOTED:-

Telephone No. 92-26800-16  
Website: <http://www.mof.gov.jm>  
Email: [info@mof.gov.jm](mailto:info@mof.gov.jm)

**MINISTRY OF FINANCE AND PUBLIC SERVICE  
30 NATIONAL HEROES CIRCLE  
P.O. BOX 512  
KINGSTON  
JAMAICA**

February 1, 2021

**POLICY LETTER**

**JAMAICA: COVID-19 RESPONSE AND RECOVERY DEVELOPMENT POLICY FINANCING**

Mr. David Malpass  
President  
World Bank Group  
1818 H Street NW  
Washington, D.C. 20433  
United States of America

Dear Mr. Malpass,

The Government of Jamaica (GOJ) has successfully implemented economic reforms over the last seven (7) years, aimed at stabilising the economy, reducing debt and fuelling growth. This is evidenced by several macroeconomic indicators, such as Jamaica's achievement of seven (7) consecutive years of high primary surpluses, the downward trajectory of the debt-to-Gross Domestic Product (GDP) ratio and low and stable inflation for the past four (4) Fiscal Years (FY) (2016/17-2019/20). In relation to labour market developments, the country's lowest unemployment rate on record of 7.2 percent was registered during FY2019/20. In 2018 Jamaica's Stock Exchange was rated as the world's best performing stock index and in 2019, the three (3) major rating agencies, Standard and Poor's Global Ratings, Fitch Ratings and Moody's Corporation upgraded the country's sovereign rating to B<sup>+</sup>, B<sup>+</sup> and B2, respectively.

Jamaica's strong ownership of its economic reform programme and the resulting macroeconomic achievements enabled the country's successful completion of the International Monetary Fund's (IMF) USD\$1.6 billion Precautionary Stand-By Agreement (PSBA) in November 2019. The resolute approach to the implementation of sound fiscal and monetary policy reforms derived gains that strengthened the economy and enhanced its ability to withstand shocks. To build on and safeguard the achievements to date, the GOJ has approved legislative amendments aimed at modernising and strengthening the operations of the Central Bank by improving its governance, undertaken to establish an Independent Fiscal Commission to provide oversight to ensure continued fiscal responsibility and develop a Disaster Risk Financing Policy (DRFP) to guide disaster risk financing in Jamaica, to ensure that appropriate (financing) mechanisms are available for disaster relief, recovery and reconstruction, without significant adverse impact on the national budget.



### **Jamaica: COVID-19 Response and Recovery Development Policy Financing**

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Within a few months of Jamaica's successful conclusion of the PSBA, the World Health Organisation (WHO) on January 30, 2020, declared a Public Health Emergency of International Concern (PHEIC) regarding the outbreak of the novel coronavirus (COVID-19) and on March 11, 2020, COVID-19 was declared a pandemic. Jamaica confirmed its first case on March 10, 2020 and the GOJ took a resolute policy position by commencing an intense prevention and control programme, through increased border controls and measures to contain domestic transmission.

Jamaica faced the pandemic with a generally more stable and resilient economy in comparison to what was obtained during the 2008 global financial crisis. The Government was therefore better able to initiate effective interventions to mitigate the shocks and cushion the economic impact of the pandemic on individuals and businesses. Critical to the Government's response was the implementation of the COVID Allocation of Resources for Employees (CARE) Programme. Given the acute interruption of global and domestic economic activities caused by the pandemic, the Government also amended the Financial Administration and Audit Act to extend the period for achievement of the debt target (60.0 percent of GDP) by two (2) years from end-FY2025/26 to end-FY2027/28. This facilitated the deployment of significant additional fiscal resources for the social and economic intervention and also accommodated health expenditures for new personnel, equipment and supplies, as well as other critical expenditures.

In April 2020, the GOJ requested access to the International Monetary Fund (IMF) Rapid Financing Instrument for emergency financial support in the amount of US\$520.0 million, which was approved in May 2020 to mitigate balance of payments risks occasioned by the open-ended nature of the pandemic and the potential economic spillovers. A COVID-19 Economic Recovery Task Force was also established on April 27, 2020 to consider and recommend initiatives and measures to contain COVID-19, to create an enabling framework for the reopening of the economy, to accelerate the recovery of employment and economic activity to pre-COVID levels and for Jamaica to emerge economically and socially stronger through policy initiatives that boost competitiveness, increase productivity, enhance resilience, and improve the social safety net.

The pandemic has highlighted the vulnerabilities and structural weaknesses across both advanced and emerging market economies. This is evidenced by the current threats to Jamaica's hard won achievements as the country faces the challenges of reduced revenues and increased health and social expenditures associated with the ongoing global health crisis. Notwithstanding the challenges, the GOJ remains fully committed to maintaining a fiscal programme that promotes a stable economy and sustainable growth. It is within this context that discussions have ensued between the GOJ and the World Bank regarding the Jamaica: Covid-19 Response and Recovery Development Policy Financing (DPF) (US\$150.0 million). This collaboration with the World Bank signals the Government's commitment to managing the reduction in economic activity, and the need for an expansion of social programmes to support both individuals and businesses adversely affected by the current economic climate. The DPF



## Jamaica: COVID-19 Response and Recovery Development Policy Financing

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supports the GOJ's efforts to mitigate the effects of the ongoing pandemic, generate sustainable recovery and strengthen economic resilience.

### Macroeconomic Framework

Jamaica maintained its strong economic performance during FY2019/20 through firm commitment to fiscal discipline. The economy grew by approximately 1.0 percent for the calendar year 2019 and inflation remained low, with a FY to March 2020 inflation rate of 4.8 percent, falling within the targeted inflation band of 4.0 - 6.0 percent. At end-March 2020, Net International Reserves (NIR) remained in a strong position at US\$3,237.7 million, estimated as 23.2 weeks of goods and services imports. The entrenched fiscal prudence fostered macroeconomic stability, engendered confidence to stimulate robust investment and continued economic expansion and sustained debt reduction. Notably, during FY2019/20 the GOJ executed a Liability Management transaction on the external debt which generated a US\$34.2 billion or 1.5 percent reduction of the debt stock. The debt-to-GDP ratio at end March 2020 was 94.4 percent and the FY recorded an overachievement of the primary surplus target of 6.5 percent of GDP with an outturn of 7.1 percent of GDP.

The Jamaican economy has been significantly affected by Covid-19. The economic downturn has been largely attributed to the GOJ's implementation of measures to limit its spread. These include, *inter alia*, the (i) closure of Jamaica's ports of entry to passengers, (ii) implementation of curfews, which have restricted people's movement and business opening hours, and (iii) implementation of physical and social distancing measures. A number of key sectors within the Jamaican economy, particularly the tourism sector which accounts for a large share of total economic output and employment, with 34.0 percent and 31.0 percent, respectively, have been affected. There was an 81.8 percent decline in stopover arrivals to the island and there were no cruise passenger arrivals for the third quarter of 2020. The economy has also been adversely affected by shocks to trade and financial flows, as well as costs associated with mitigation efforts.

Concomitant with the weakened business and consumer confidence due to uncertainties regarding the length of the pandemic and its impact, these measures severely affected the demand for goods and services, including the entertainment industry. Additionally, the reduction in the demand for goods and services has been associated with lower income levels due to job losses, salary reductions and reduced work hours. As at July 2020, there was a decline in the employment level by 135,800 to 1,118,300 persons relative to July 2019, the largest decline on record and the country's lowest level since 2013. The unemployment rate was recorded at 12.6 percent as at July 2020, which represented an increase of 4.8 percentage points relative to July 2019 (7.8 percent) and the country's highest unemployment rate recorded since January 2017 (12.7 percent).





## Jamaica: COVID-19 Response and Recovery Development Policy Financing

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There was a decline of 10.7 percent in the economy for the quarter ending September 2020 when compared to the corresponding period in the previous year. This resulted from a decline in both the services industry (13.1 percent) and the goods producing industry (3.5 percent). Real Gross Domestic Product (GDP) is currently projected to contract by 11.6 percent for FY 2020/21, compared to the growth forecast of 1.2 percent presented in the annual Fiscal Policy Paper in February 2020. The downward revision is predicated on the expected economic impact of the COVID-19 pandemic. The sectors expected to be most affected are Transportation, Storage and Communication and Hotels and Restaurants due to reduced travel and lower tourist arrivals. Inflation is expected to be higher than previously projected, primarily on account of higher imported inflation with oil prices anticipated to increase. The current account balance is expected to deteriorate, but adequate NIR will provide balance of payments support.

Notwithstanding the overall contraction for the third quarter ending September 2020, there was an 8.3 percent increase in the economy for the quarter, when compared to the previous quarter. This was due to increases in both the services and goods-producing industries of 8.0 percent and 9.0 percent, respectively. This performance reflected the relaxation in some of the measures instituted in the second quarter of 2020 to limit the spread of COVID-19.

Over the medium term, real GDP growth is expected to average in the range of 3.0 percent to 5.0 percent as the economy recovers from the large contraction projected for the current fiscal year. Inflation is expected to stabilize within the target range of 4.0 percent to 6.0 percent. In the external sector, the current account deficit is projected to average less than 5.0 percent over FY2021/22- FY2023/24.

Standard and Poor's (S&P) Global Ratings, on December 8, 2020, affirmed the Government of Jamaica's Long-Term Foreign and Local Currency Issuer Default Rating (IDR) at 'B+' with the outlook remaining negative given the economic and financial realities that are currently being faced by the country. S&P in their analysis expects the country to return to fiscal surpluses in the short-term due to the GOJ's demonstrated commitment to prudent fiscal policy management. As the Jamaican economy is relatively well diversified, a strong rebound in growth is expected in 2021 with full recovery expected in FY2022/23.

### Reforms

**Protecting poor and vulnerable people.** The GOJ designed the CARE Programme as a temporary social and economic support programme to cushion the impact of the COVID-19 pandemic on vulnerable households, workers, and businesses. The Programme, which has been delivered through innovative and existing channels, was launched on April 9, 2020 and has provided assistance to over 417,000 individuals. Specifically, the Programme provided (i) compassionate grants to those who were unemployed or informally employed pre-COVID; (ii) temporary unemployment benefits to persons who were previously employed, but who have been laid off or terminated since the pandemic; and (iii) grants to the self-employed whose regular earnings have been impeded and (iv) grants to small businesses.



## Jamaica: COVID-19 Response and Recovery Development Policy Financing

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The CARE Programme also incentivizes employers in targeted sectors to remain connected to their employees. Transfers are made to businesses that retain employees, who are earning below a particular income level. Among other measures, the CARE Programme provides support for the sick, the elderly, the disabled, and those who were economically vulnerable pre-COVID, by supplementing existing programmes.

The Government has also provided supplementary support to persons enrolled in the Programme of Advancement through Health and Education (PATH) through a PATH CARE grant and top-ups to PATH households with school-enrolled children for school feeding and return to school. While remaining committed to fiscal discipline, the GOJ has actively taken further steps to ensure the protection of the poor and vulnerable through the development of a social pension programme which was approved by Cabinet on January 18, 2021. Specifically, the social pension targets the elderly poor, aged 75 years and over, who are not recipients of a pension or any other retirement income.

To ensure the safe re-opening of the economy, the Government has sought to bolster its prevention and containment measures, through the Cabinet's approval of an Interim National COVID-19 Deployment and Vaccination Plan for the introduction of COVID-19 vaccines in 2021. The Government established a National COVID-19 Vaccine Commission which provided guidance and oversight in the development of the Plan and which will, *inter alia*, provide oversight in the designing of strategies for the deployment, implementation and monitoring of a COVID-19 vaccine(s) in Jamaica, and provide guidance in ensuring that the Plan and related financing are well aligned to other national COVID-19 response and recovery and support plans, and that implementation is fully integrated and coordinated. It is expected that Jamaica will receive approximately 935,000 doses of the approved COVID-19 vaccine through the COVAX Facility.

**Supporting sustainable business growth and job creation.** To assist small businesses, particularly those within the tourism sector, to cope with the economic impacts of COVID 19, the GOJ designed the Business Employee Support and Transfer of Cash (BEST Cash) under the CARE Programme to aid eligible registered entities in retaining workers in tourism and related sectors over the March 10, 2020 to December 31, 2020 period. The initiative provided temporary cash transfers to registered businesses that are operating in the hotel, tours, attraction, and other segments of the industry, based on the number of workers that are retained.

To encourage the growth of microcredit institutions and support responsible lending to Micro, Small and Medium Enterprises (MSMEs), the Government has tabled a Microcredit Bill in Parliament for approval. The Bill will regulate the provision of microcredit services offered by microcredit institutions, in order to ensure, *inter alia*, that microcredit services may be utilised by MSMEs and individuals to facilitate their financial or economic advancement; the interest of borrowers may be protected by discouraging excessive interest rates and predatory lending practices by microcredit institutions.



## Jamaica: COVID-19 Response and Recovery Development Policy Financing

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To encourage innovation in financial services, promote sustainable financial inclusion and competition while protecting consumers and incentivize digitization to enhance access to digital financial services, the GOJ, through the Bank of Jamaica (BOJ), issued guidelines dated June 22, 2020 for the operation of a Fintech Regulatory Sandbox. This virtual Sandbox will provide participants with a controlled environment to test innovative financial products, services and businesses in a live market environment, while ensuring that appropriate safeguards are in place to manage risks, including the risk of product failure and the risk of jeopardizing the integrity and stability of the financial system. This will facilitate the adaptation of regulatory requirements or procedures that may unintentionally inhibit innovation or render the products, services or business models non-viable. It is expected that this Regulatory Sandbox will reduce the time, and potentially the costs incurred by participants in getting innovative products to market.

The GOJ has also sought to modernize its trade infrastructure, promote export competitiveness, improve the efficiency of border clearance processes and strengthen competitiveness. On April 1, 2020 the Online Port Community System was expanded to facilitate the electronic processing of export manifests by Shipping Agents. Additionally, the Jamaica Single Window for Trade (JSWIFT) was launched in the Trade Board Limited (TBL) for imports and exports on July 20, 2020. This new initiative will facilitate traders importing commodities, such as motor vehicles, white-refined sugar for manufacturing on the retail market, bulk cement, milk powder and machinery, among other commodities and is expected to reduce the number of days that the TBL requires to process trade licenses, from five (5) to three (3) days, by March 2022.

**Strengthening policies and institutions for resilient and sustainable recovery.** The Government continues to make strides to further institutionalize economic independence through the strengthening of Jamaica's Fiscal Responsibility Framework (FRF). To this effect the legal framework to establish the Fiscal Commission was tabled in Parliament on December 1, 2020. The operationally independent and financially autonomous Fiscal Commission will facilitate dynamic policy making while ensuring that the Government's policy commitments are compliant with the Fiscal Responsibility Law (FRL). It is proposed that the Commission be the final arbiter of Jamaica's Fiscal Rules. The Fiscal Commission's mandate will include the assessment of the reasonableness of macroeconomic and fiscal forecasts presented in the annual and interim Fiscal Policy Paper (FPP), monitoring adherence to the Fiscal Rule provisions in the FRL and assess the consistency of the fiscal balance trajectory with the FRL, and medium and long-term debt sustainability.

To reinforce the independence of the Central Bank and its inflation-targeting regime, the Bank of Jamaica (BOJ) Amendment Act, 2020 which was tabled in Parliament on November 3, 2020, was passed in the House of Representatives on November 17, 2020 and approved in the Senate on December 4, 2020. The amendments establish the BOJ's principal objective as the maintenance of price stability and financial system stability and made consequential revisions to the Banking Services Act (BSA) and the Public Bodies Management and Accountability (PBMA) Act to facilitate the BOJ's modernisation while strengthening its governance structure in keeping with international





**Jamaica: COVID-19 Response and Recovery Development Policy Financing**

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best practices. The amendments also facilitate the establishment of a Monetary Policy Committee (MPC), which will be mandated to formulate the Bank's monetary policy. It is estimated that the MPC's first statement on the performance of the BOJ, with respect to its monetary policy and achievements in relation to its inflation target will be published by March 2022.

Given that Jamaica is a Small Island Developing State (SIDS), the physical risks of climate change are a threat to the country's development and the wellbeing and economic security of its citizens. The Government has denoted its commitment to addressing the challenge of climate change through the submission of Jamaica's updated Nationally Determined Contribution (NDC) at the five (5) year milestone of the 2015 Paris Agreement. Jamaica is the first country in the Caribbean and the eleventh nation in the World to submit a tougher climate action plan.

**Conclusion**

The COVID-19 pandemic has resulted in a sharp decline in growth during FY 2020/21. However, the GOJ remains committed to fiscal discipline and will continue its fiscal consolidation efforts to reduce the debt-to-GDP ratio to 60.0 percent of GDP or less, by FY 2027/28. The Government will continue to implement measures and execute reforms that will build Jamaica's economy and increase its resilience to natural disaster shocks. The GOJ recognizes that this rebuilding will require the maintenance and entrenchment of macroeconomic stability, along with improvement in the business landscape to foster productivity and efficiency. The World Bank Group's Jamaica COVID-19 Response and Recovery Development Policy Financing operation will support the GOJ and its initiatives, which are geared towards mitigating the impact of COVID-19 while strengthening economic resilience.

The Government reiterates its commitment to the DPF loan operation and wishes to express its appreciation to the World Bank for this collaboration.

Yours sincerely,

Nigel Clarke, DPhil, MP  
Minister of Finance and the Public Service



**ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE**

| Prior Actions   | Significant positive or negative environment effects  | Significant poverty, social or distributional effects positive or negative       |
|---|---|--|
| <b>Pillar 1: Protecting poor and vulnerable people</b>  |   |  |
| <p><b>Prior Action 1:</b> To provide emergency support to affected individuals impacted by the COVID-19 pandemic, the Borrower, through the Cabinet, has approved emergency measures including the provision of: (i) temporary cash transfers through the SETm to individuals who lost employment between March 10, 2020 and December 31, 2020 and who had an annual taxable income less than or equal to J\$1.5 million; (ii) COVID-19 General Grants to selected occupational groups who are registered with a state or municipal authority; and, (iii) Compassionate Grants to individuals with a valid tax payer registration number, not formally employed and not recipients or not intending to be recipients of any other benefit under the CARE Programme.</p> | <p>No significant positive or negative environmental effects are expected to result from this PA. The PA aims to expand social protections through temporary cash transfers and grants to self-employed individuals - it is not expected that this support will result in significant environmental effects such as pollution, land use change, increased waste, etc.</p> | <p>Yes, positive. It will provide extra revenues to the d vulnerable.</p>        |
| <p><b>Prior Action 2:</b> To mitigate the impact of the COVID-19 pandemic on the poor, the Borrower, through the Cabinet, has approved: (i) one additional payment to PATH beneficiary households through a PATH CARE grant and top-ups to PATH beneficiary households with school-enrolled children; and (ii) a Social Pension for elderly individuals aged 75 years or more, who are not in receipt of other pensions, including National Insurance Scheme pension, PATH or Poor Relief payments.</p>   | <p>No significant positive or negative environmental effects are expected to result from this PA. The PA aims to expand social protections through a Social Pension for elderly poor - it is not expected that this support will result in significant environmental effects such as pollution, land use change, increased waste, etc.</p>                                | <p>Yes, positive. It will provide extra revenues to the poor and vulnerable.</p> |
| <p><b>Prior Action 3:</b> To ensure the safe re-opening of the economy, the Borrower, through the Cabinet, has approved an interim National Deployment and Vaccination Plan for the COVID-19 Vaccine</p>  | <p>No significant positive or negative environmental effects are expected to result from this PA. With regards to medical waste, the vaccination plan supported by prior action 3 includes</p>  | <p>Yes, positive. It will reduce negative impact of illness on income</p>        |



including priority groups, such as health workers and non-health frontline workers, recommended for vaccination during the first phase of vaccine deployment. .

provisions for the safe disposal of medical waste building on Jamaica’s existing guidelines and regulations for the segregation, management, and disposal of medical waste, including: the National Solid Waste Management Act (2002), which includes medical waste; the draft Medical Waste Management Policy; and Guidelines for the Management of Biomedical Waste. Furthermore, specific protocols have been produced for COVID-19 waste, reiterating and adapting existing requirements and regulations - of particular relevance is the “Environmental Cleaning and Sanitation Guidelines for Health Care Institutions /Nursing Homes / Infirmaries (COVID-19 and other infectious diseases)” guidelines, which includes specific requirements for the segregation, handling, disposal, and treatment of medical waste for public and private facilities.<sup>61</sup> The vaccination plan specifies that the disposal of COVID 19 vaccines will utilize existing mechanisms (unless otherwise stated by the manufacturer) to ensure appropriate documentation, collection, storage and disposal at all levels. Furthermore, the responsibilities for collection and documentation of all COVID-19 vaccines lie with the parish Expanded Programme on Immunization (EPI) Coordinators. This will be supervised and monitored by the Senior Public Health Nurses. Once all vaccines have been accounted for, waste will be taken to the National Waste Management Unit, within the Ministry of Health and Wellness for incineration. The vaccination plan includes provisions for further augmenting existing capacity, infrastructure and geographical coverage for medical waste disposal by March 2021, including through the development of a waste management plan specific to the vaccine. While activities under this PA could result in marginal

<sup>61</sup> All protocols can be found here: <https://www.moh.gov.jm/covid-19-resources-and-protocols/>  
The Environmental Cleaning and Sanitation Guidelines can be found here: [https://www.moh.gov.jm/wp-content/uploads/2020/05/Environmental-Health-considerations-for-Health-Care-Institutions-\\_Nursing-Homes-Final-May-2020.pdf](https://www.moh.gov.jm/wp-content/uploads/2020/05/Environmental-Health-considerations-for-Health-Care-Institutions-_Nursing-Homes-Final-May-2020.pdf)



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|   | <p>increases in solid waste (if requirements for single-use materials), increases in solid waste are not anticipated to be significant and Jamaica’s regulatory and institutional framework for solid waste management is considered sufficient to manage any potential impacts. This includes: 1) the National Solid Waste Management Act (2002), which established the National Solid Waste Management Authority and specifies that waste is collected, stored, transported, recycled, reused or disposed of, in an environmentally sound manner and promote safety standards in relation to such waste; Jamaica’s single-use plastics ban; Jamaica’s ban on the importation of polystyrene foam (‘Styrofoam’) for use in the food and drink industry, and ban on the domestic manufacture of these items; a Plastic Waste Minimization project; and a countrywide Integrated Waste Management (IWM) PPP concession which is expected to improve the management of the waste sector. Given these measures, this PA is not expected to result in significant negative environmental impacts.</p> |   |
| <b>Pillar 2: Supporting sustainable business growth and job creation</b>  |   |   |
| <p><b>Prior Action 4:</b> To help small businesses, in particular in the tourism sector, to cope with the economic impacts of COVID-19, the Borrower, through the Cabinet, has approved emergency liquidity support to small businesses including: (i) the BEST Cash Program, to provide temporary cash transfers to businesses in the tourism sector based on the number of workers they have kept employed and with an annual income of J\$1.5 million or less; (ii) one-time COVID-19 Small Business Grants to small businesses with annual sales of J\$50 million or less; and (iii) one-time COVID-19 Tourism Grants to operators in the tourism sector.</p> | <p>No significant negative environmental effects are expected to result from this PA and positive effects for climate resilience may be possible. Given that the PA aims to expand temporary benefits to small businesses impacted by the COVID-19 pandemic, it is not expected that this support will result in significant environmental effects such as pollution, land use change, increased waste, etc. Furthermore, this PA will benefit populations that are vulnerable to climate change impacts (mainly in the tourism sector).</p>  | <p>Yes, positive. The provision of cash transfers is expected to help alleviate, at least in part, the short-term financing difficulties faced by small businesses due to the pandemic and to protect jobs and livelihoods.</p> |
| <p><b>Prior Action 5:</b> To promote the growth of microcredit institutions and support responsible lending to MSMEs by the sector, the Borrower has tabled a Bill</p>  | <p>No significant positive or negative environmental effects are expected to result from this PA.</p>   | <p>Yes, positive. This PA is expected to increase the provision of financial services to traditionally underserved populations and</p>  |



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| <p>shortly entitled “the Microcredit Act, 2021” which licenses and regulates microcredit institutions and strengthens borrower protection.</p>   |   | <p>entrepreneurs to unlock their economic potential.</p>   |
| <p><b>Prior Action 6:</b> To foster Fintech, digital payment products and promote financial inclusion, the Borrower, through the Bank of Jamaica, has issued guidelines for the operation of a Fintech Regulatory Sandbox including application requirements, eligibility criteria and Fit and Proper requirements.</p>  | <p>No significant positive or negative environmental effects are expected to result from this PA.</p> | <p>Yes, positive. This PA is expected to increase the provision of financial services to traditionally underserved populations and entrepreneurs to unlock their economic potential</p>  |
| <p><b>Prior Action 7:</b> To modernize the trade infrastructure, promote export competitiveness and improve the efficiency of border clearance processes, the Borrower, through the Jamaica Customs Agency, has: (i) allowed electronic processing of export manifests by shipping agents through the online Port Community System and ceased the processing of the dock receipt for export shipments; and (ii) launched the Trade Board Limited on the Jamaica Electronic Single Window for Trade platform for imports and exports.</p> | <p>No significant positive or negative environmental effects are expected to result from this PA.</p> | <p>Yes, positive. The impact of the trade facilitation reforms on households are expected to be neutral in the short term but should contribute to job growth in the medium-term as they aim to increase country’s attractiveness as a regional logistics hub.</p>   |
| <p><b>Pillar 3: Strengthening policies and institutions for resilient and sustainable recovery</b></p>   |   |  |
| <p><b>Prior Action 8:</b> To strengthen the fiscal responsibility framework, the Borrower has tabled the legal framework to establish the Independent Fiscal Commission.</p>   | <p>No significant positive or negative environmental effects are expected to result from this PA.</p> | <p>Yes, positive. This PA will indirectly benefit poor households by bolstering macroeconomic stability, preventing fiscal imbalances that could threaten pro-poor spending, and reinforcing the necessary conditions for accelerated growth and job creation.</p>   |
| <p><b>Prior Action 9:</b> To reinforce the independence of the Bank of Jamaica and its inflation targeting regime, the Borrower has approved amendments to the Bank of Jamaica Act which includes provisions to enhance Bank of Jamaica’s governance, clarify its mandate and improve its operational independence.</p>  | <p>No significant positive or negative environmental effects are expected to result from this PA.</p> | <p>Yes, positive. This PA will indirectly benefit poor households by bolstering macroeconomic stability and financial sector stability, preventing fiscal imbalances that could threaten pro-poor spending, and reinforcing the necessary conditions for accelerated growth, job creation and financial inclusion.</p> |



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| <p><b>Prior Action 10:</b> To strengthen climate resilience and sustainability of growth, the Borrower, through the Cabinet, has adopted the revised Nationally Determined Contributions including target greenhouse gas emissions lower than planned in the previous Nationally Determined Contributions. and climate resilience considerations.</p> | <p>Positive environmental effects are expected to result from this PA, including related to climate mitigation, adaptation, and resilience, as well as sustainable land and energy use.</p> | <p>Yes, positive. This PA, which address climate change should have a positive impact on the poor, especially those in agriculture.</p> |
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ANNEX 5: CRRDPF (P174531) PRIOR ACTIONS AND ANALYTICAL UNDERPININGS

| Prior Actions   | Analytical Underpinnings   |
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| <b>Operation Pillar 1: Protecting poor and vulnerable people</b>  |  |
| <p><b>Prior Action 1:</b> To provide emergency support to affected individuals impacted by the COVID-19 pandemic, the Borrower, through the Cabinet, has approved emergency measures including the provision of: (i) temporary cash transfers through the SET to individuals who lost employment between March 10, 2020 and December 31, 2020 and who had an annual taxable income less than or equal to J\$1.5 million; (ii) COVID-19 General Grants to selected occupational groups who are registered with a state or municipal authority; and (iii) Compassionate Grants to individuals with a valid tax payer registration number, not formally employed and not recipients or not intending to be recipients of any other benefit under the CARE Programme.</p> | <p>World Bank, 2019. Public Expenditure Review of Social Protection in Jamaica: Principal Programs, Services, and Instruments. <b>Key findings:</b> This exhaustive review of key SP programs and services in Jamaica quantified coverage gaps for safety net programs, PATH, and NIS; highlighted low coverage to NIS among the population and especially among the poor, and noted the lack of unemployment insurance and a social pension among missing SP instruments in Jamaica. The study also simulated distributional impacts of adjustments to PATH benefits and a social pension which are indicative for these PAs. Details are in the program document’s main text.</p>  |
| <p><b>Prior Action 2:</b> To mitigate the impact of the COVID-19 pandemic on the poor, the Borrower, through the Cabinet, has approved: (i) one additional payment to PATH beneficiary households through a PATH CARE grant and top-ups to PATH beneficiary households with school-enrolled children; and (ii) a Social Pension for elderly individuals aged 75 years or more, who are not in receipt of other pensions, including National Inclusion Scheme pension, PATH or Poor Relief payments.</p>   | <p>Romero, J., 2019. Opportunities for Using Active Market Labour Policy in Jamaica to Maximize Development Impact. (World Bank) <b>Key findings:</b> This study highlighted labor profiles among Jamaica’s population; employment by sector and references the size of its informal sector.</p> <p>CARICOM, CDEMA, World Food Program and FAO. July 2020. Caribbean COVID-19 Food Security and Livelihoods Impact Survey: Regional Summary Report. <b>Key findings:</b> This regional impact survey demonstrates livelihood impacts in the region, particularly higher for informal workers. Specific details are referenced in the main text of the program document.</p> <p>Inter-American Development Bank. 2020. COVID-19, the Caribbean Crisis: Results from an Online Socioeconomic Survey. <b>Key findings:</b> This survey carried out shortly after the onset of the crisis illustrated higher care burden for women in Jamaica due to COVID-19 and more severe income impacts among low income workers. Specific details are referenced in the main text of the program document.</p> |
| <p><b>Prior Action 3:</b> To ensure the safe re-opening of the economy, the Borrower, through the Cabinet, has approved an interim National Deployment and Vaccination Plan for the COVID-19 Vaccine including priority groups, such as health workers and non-health frontline workers, recommended for vaccination during the first phase of vaccine</p>  | <p>World Bank. 2021. Global Economic Prospects, January 2021. Washington, DC:<br/>World Bank. doi: 10.1596/978-1-4648-1612-3. License: Creative Commons Attribution CC BY 3.0 IGO. <b>Key Findings:</b> Pandemic containment aided by widespread vaccination is a prerequisite for the economic recovery of countries around the world. Therefore, effective vaccination limiting the</p>  |





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| deployment.   | community spread of COVID-19 and overcoming vaccine-related challenges such as logistical impediments to the distribution of effective vaccines are key immediate priorities for policymakers.   |
| <b>Pillar 2: Supporting sustainable business growth and job creation</b>  |  |
| <p><b>Prior Action 4:</b> To help small businesses, in particular in the tourism sector, to cope with the economic impacts of COVID-19, the Borrower, through the Cabinet, has approved emergency liquidity support to small businesses including: (i) the BEST Cash Program, to provide temporary cash transfers to businesses in the tourism sector based on the number of workers they have kept employed and with an annual income of J\$1.5 million or less; (ii) one-time COVID-19 Small Business Grants to small businesses with annual sales of J\$50 million or less; and (iii) one-time COVID-19 Tourism Grants to operators in the tourism sector.</p> | <p>Apedo-Amah, et al. (Forthcoming) Businesses through the COVID-19 Shock: Firm-level evidence from 49 countries. Policy Research Working Paper, Washington DC. <b>Key findings:</b> Survey findings provide a better understanding on the magnitude and distribution of the COVID-19 shock across firms, the main channels affecting businesses, and how firms are adjusting. In addition, while the COVID-19 shock has been severe and widespread across firms, smaller firms are disproportionately facing more financial constraints.</p> <p>The Economic Policy Response to the COVID-19 Crisis (World Bank, 2020). <b>Key findings:</b> To address uncertainty and minimize longer run costs of losing viable businesses and jobs, governments need to act quickly to inject liquidity into the private sector. It is important that these measures are time-bound and transparent to avoid perverse incentives and longer-run market distortions.</p> |
| <p><b>Prior Action 5:</b> To promote the growth of microcredit institutions and support responsible lending to MSMEs by the sector, the Borrower has tabled a Bill shortly entitled “the Microcredit Act, 2021” which licenses and regulates microcredit institutions and strengthens borrower protection.</p>  | <p>Jamaica Financial Sector Assessment Program, SME Finance Development Module. World Bank, 2015. <b>Key findings:</b> The absence of a regulatory framework over the activities of microfinance may hinder the growth of the sector in Jamaica. BOJ should have overall responsibility for supervising and regulating all the lenders in the market, including MFIs, in order to avoid regulatory arbitrage and other market distortions.</p>   |
| <p><b>Prior Action 6:</b> To foster Fintech and digital payment products and promote financial inclusion, the Borrower, through the Bank of Jamaica, has issued guidelines for the operation of a Fintech Regulatory Sandbox including application requirements, eligibility criteria and Fit and Proper requirements.</p>  | <p>How Regulators Respond to Fintech: Evaluating the Different Approaches – Sandboxes and Beyond. Working Paper. World Bank, 2020. <b>Key findings:</b> Regulatory Sandboxes are among common tools adopted by policymakers to create an enabling environment for Fintech. Global case studies show benefits from these solutions such as enabling a faster path to streamlining innovative fintech products, the development of intelligence on growing market trends among regulators, and in some cases promoting regulatory change where needed.</p>   |
| <p><b>Prior Action 7:</b> To modernize the trade infrastructure, promote export competitiveness and improve the efficiency of border clearance processes, the Borrower, through the Jamaica Customs Agency, has: (i) allowed electronic processing of export manifests by shipping agents through the online Port Community System and ceased the processing of the dock receipt for export shipments; and (ii) launched the Trade Board Limited on the Jamaica Electronic Single</p>   | <p>TA on Trade Logistics in the Caribbean(P591347); <b>Key finding:</b> The trade environment in Jamaica is still known for its complicated and inefficient procedures that lead to high costs and delays. The high cost of trade and delays in Jamaica are attributable to several factors deriving from policy and structural inefficiencies including: high level of inspections, high and multiple fees and charges, lack of coordination among agencies, multiplicity of licenses, permits, and certificates, absence of an integrated and harmonized framework for border agencies, prevalence of manual processes, and low</p>  |



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| Window for Trade platform for imports and exports   | capacity at the firm level to implement international requirements.  |
| <b>Pillar 3: Strengthening policies and institutions for resilient and sustainable recovery</b>   |  |
| <b>Prior Action 8:</b> To strengthen the fiscal responsibility framework, the Borrower has tabled the legal framework to establish the Independent Fiscal Commission.   | LAC Regional Study: Fiscal Rules and Economic Size in Latin America and the Caribbean, 2020. World Bank, 2019. <b>Key findings:</b> The use of independent fiscal councils can reinforce the functioning of fiscal rules. Fiscal councils strengthen the commitment of fiscal authorities because they raise the reputational and political costs of deviations to the rule by monitoring compliance and sometimes by providing independent technical views on macro-fiscal projections. Fiscal councils can also provide impartial assessments of the fiscal impact of policy decisions on medium-term fiscal sustainability, promoting awareness and public debate on fiscal policy choices. Having an independent fiscal council (or a high degree of autonomy on core functions) enhances the credibility of the overall institutional framework where fiscal rules operate. |
| <b>Prior Action 9:</b> To reinforce the independence of the Bank of Jamaica and its inflation targeting regime, the Borrower has approved amendments to the Bank of Jamaica Act which include provisions to enhance Bank of Jamaica’s governance, clarify its mandate and improve its operational independence.                               | Jamaica Financial System Stability Assessment. IMF and World Bank, 2018. <b>Key findings:</b> The BOJ’s inability to issue binding prudential regulations under the existing legal framework limits its ability to enforce preventative measures to manage financial stability risks. The BOJ should be empowered to legally enact legally enforceable prudential rules.   |
| <b>Prior Action 10:</b> To strengthen climate resilience and sustainability of growth, the Borrower, through the Cabinet, has adopted the revised Nationally Determined Contributions including target greenhouse gas emissions lower than planned in the previous Nationally Determined Contributions and climate resilience considerations. | Supporting the Assessment and Update of the Nationally Determined Contribution (NDC) in Jamaica (P171384). <b>Key Findings:</b> The initial assessment indicated that there were opportunities to commit to greater emission reductions in the energy sector, both unconditionally and conditionally, as well as to increase the sectoral scope of Jamaica’s next NDC. Based on the initial assessment, a scenario analysis that was conducted to quantify the emissions impact of a series of policy packages, provided direct input to targets included in the updated NDC of Jamaica.   |



## ANNEX 6: JAMAICA: COUNTRY PROGRAM ADJUSTMENT FOR RESPONDING TO COVID -19

1. **The Bank's engagement in Jamaica is guided by the WBG Country Partnership Framework (CPF), which was discussed by the Board of Executive Directors on April 2, 2014 (Report No. 85158-JM).** The Performance and Learning Review (PLR), discussed by the Board on May 25, 2017 (Report No. 112663-JM), reaffirmed the CPF priority areas and extended it to end-FY19. The CPF is built on three pillars: (i) public sector modernization – strengthening public sector management and improving public sector services critical to private sector development; (ii) strengthening the enabling environment and private sector led growth – improving the business environment, supporting small and medium enterprises (SMEs) and fostering entrepreneurship, skills, and innovation; and (iii) enhancing social and climate resilience. The preparation of a Systematic Country Diagnostic (SCD) is underway, although it has been slowed by the pandemic, and will be delivered in FY22, to be followed by a new CPF.

### **Impact of the COVID-19 pandemic on Jamaica and Government response**

2. **COVID-19 has significantly disrupted the Jamaican economy given its reliance on the tourism and related industries.** At the onset of COVID-19 in March 2020, the Government of Jamaica (GOJ) closed its borders and implemented restrictions to contain the pandemic. The borders were opened to returning residents and tourists in June 2020. As of February 2, 2021, COVID-19 had infected 15,973 persons and was the cause of death for 353 Jamaicans, with the number of cases still growing albeit at a slower rate relative to its peak in the summer of 2020. The socio-economic impact of the pandemic has been particularly severe on the tourism sector that contributes approximately 30 percent of GDP and supplies a third of all jobs. Jamaica's real Gross Domestic Product (GDP) contracted by 0.1 percent in FY2019/20 and is expected to contract by 11.6 percent in FY2020/21. Increased intensity and frequency of hurricanes and other disaster risks pose additional threats. According to the Global Facility for Disaster Reduction and Recovery (GFDRR), Jamaica is the third most exposed country in the world to natural disasters.

3. **The authorities have responded to the pandemic with a range of policy tools to help cushion its effects.** Sound and prudent macroeconomic policies and structural economic reforms culminating in the successful conclusion of the IMF program (October 2019) have helped the country respond and stave off even greater impacts of the pandemic. The GOJ did not access the Bank's FTF COVID-19 \$15.7m allocation but used national reserves to finance health expenditures of \$40.5m to save lives. To mitigate the economic impact of the pandemic, the GOJ approved a \$190m stimulus package to support jobs and strengthen social protection of vulnerable segments of the population. The fiscal rules have been temporarily suspended with the relaxation of the primary fiscal surplus target from 5.4 percent of GDP to 3.5 percent of GDP and the extension of the debt target of 60 percent of GDP (March 2026) by two years to accommodate the emergency expenditure.

4. **The Government has called on its partners to support the national economic recovery plan.** The GOJ established the COVID-19 Economic Recovery Task Force in April 2020 to provide policy and other recommendations to create jobs and economic recovery. In May 2020, the GOJ received its full Rapid Financing Instrument (RFI) quota of \$520m from the IMF to help meet the urgent balance of payment needs caused by the pandemic. In June 2020, the GOJ requested the Bank's support for a stand-alone COVID-19 Response and Recovery Development Policy Financing (DPF). Budget support from IDB (\$150-200m) is also expected.



### WBG support for responding to the crisis

5. **The Bank is adjusting its program to support Jamaica's COVID-19 response and recovery.** A main shift in the program is the preparation of this proposed COVID-19 Response and Recovery DPF (P174531, \$150m). The proposed operation is closely aligned with the priorities outlined in the GOJ's pandemic response and stimulus package and with the GOJ's commitment to structural reforms to support resilient and sustainable recovery. In March 2020, the Bank approved and fully disbursed the Jamaica First Economic Resilience DPL (P170223, \$70m). In addition, adjustments have been made to the existing portfolio to better address COVID-19-related needs, consistent with the WBG COVID-19 Crisis Response Approach Paper, "Saving Lives, Scaling-up Impact and Getting Back on Track":

- *To protect the poor and vulnerable:* The World Bank is Jamaica's main partner in its efforts to strengthen its social protection system. The Social Protection Project (P105024, \$80m), which closed in March 2018, established the Programme of Advancement Through Health and Education (PATH) Conditional Cash Transfer (CCT) program to improve targeting and coverage of social assistance to the most vulnerable. The CCT program was used by the government to provide cash transfers to the poor and vulnerable affected by COVID-19. A Social Protection Expenditure Review (December 2019) informed the preparation of this proposed COVID-19 Response and Recovery DPF, which supports (i) cash transfers to individuals and households impacted by the COVID-19 pandemic; (ii) social pension payments for the elderly 75 years and older who do not receive pensions or other benefits; and (iii) an Interim National Deployment and Vaccination Plan for the COVID-19 vaccine.
- *To save livelihoods, preserve jobs, and ensure more sustainable business growth and job creation:* Under the Access to Finance for MSMEs Project (P152307, \$15m), \$11m is available to MSMEs for investments and business expansion that can result in capacity and productivity gains, and adjustments have been made to programs supported by the project to better support MSMEs during the pandemic. For example, the Credit Enhancement Facility's risk coverage was increased to encourage funding of MSMEs, and the Business Registration and Tax Compliance Certificate requirements were waived for guarantees up to J\$5 million, complementing the Government's CARE Program requirements. In addition, a proposed Additional Financing of \$10m for the Foundations for Competitiveness and Growth project (P173165, \$50m) will address critical bottlenecks in the investment climate to support a private sector-led economic recovery in several critical areas in coordination with the IFC. The Jamaica Integrated Community Development Project (P146460, \$42m) has been extended to support communities during the COVID-19 crisis. The Second Rural Economic Development Initiative (P166279, \$40m) has been launched and is expediting critical activities that provide support for the recovery of tourism and agriculture, the two hardest hit sectors in the country. The Youth Employment in Digital and Animation Industries (P148013, \$20m) supports the jobs and the digital skills agenda. Also, liquidity support to small businesses, especially in the tourism sector, would be supported under this proposed Jamaica COVID-19 Response and Recovery DPF.
- *To strengthen policies, institutions, and investments for resilient, inclusive, and sustainable growth:* The ongoing Economic Resilience Development Policy Loan (ERDPL) (P170223, \$70m) series, which focuses on medium- to long-term sustainability and resilience measures, will support resilience and economic recovery post-COVID-19. There is increased focus on the continuity of GOJ services through digitalization and improved competitiveness via the Strategic Public Service Transformation program (P146688, \$35m). The World Bank is a key partner in expanding the country's portfolio of disaster risk finance instruments and its financial preparedness to climate and disaster shocks. Work on public financial management systems, with the support of the Canada Caribbean Resilience Facility, is helping to achieve climate-resilient preparedness for the country. This proposed COVID-19 Response and



Recovery DPF will support strong institutional reforms, including strengthening Jamaica's Fiscal Responsibility Framework, reinforcing the independence of the central bank and its inflation-targeting regime, and strengthening climate resilience and sustainable growth. Recommendations from a detailed vulnerability assessment of the health sector under the Improving Climate Data and Information Management Project (P129633, \$6.8m) are being implemented to improve resilience of the health sector to pandemic and climate shocks.

#### **Selectivity, Complementarity, Partnerships**

**6. The above plans for portfolio adjustments were discussed with the GOJ and are closely coordinated with the other main development partners.** There is close coordination on the budget support operation (with the IMF and IDB), targeted investments in disaster risk vulnerability (with the European Union, United States, and United Kingdom) and public financial management enhancements (with Canada). UNICEF and the World Bank are coordinating work on the Education Public Expenditure Review (P173482) to incorporate COVID-19 measures to inform policy makers.