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PROJECT PERFORMANCE ASSESSMENT REPORT

JAMAICA

FISCAL AND DEBT STABILITY DEVELOPMENT POLICY LOAN (IBRD-76530)

March 7, 2014

IEG Public Sector Evaluation
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Jamaican Dollar (J$)

2007	US$1.00	J$69.1
2008	US$1.00	J$72.9
2009	US$1.00	J$88.5
2010	US$1.00	J$87.4
2011	US$1.00	J$86.0
2012(Nov)	US$1.00	J$91.5

Abbreviations and Acronyms

AG	Auditor General
BOJ	Bank of Jamaica
CDB	Caribbean Development Bank
CPI	Consumer Price Index
CPS	Country Partnership Strategy
CTMS	Central Treasury Management System
DMU	Debt Management Unit
DPL	Development Policy Loan
EU	European Union
FAA	Financial Administration and Audit Act
FRF	Fiscal Responsibility Framework
FSDPL	Fiscal Sustainability Development Policy Loan
GCT	General Consumption Tax
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
IDA	International Development Association
IFIs	International Financial Institutions
IMF	International Monetary Fund
JDX	Jamaica Debt Exchange
LAC	Latin America and the Caribbean
MFP	Ministry of Finance and Public Service (Ministry of Finance and Planning as of July 1, 2011).
MOU	Memorandum of Understanding
MTDS	Medium-Term Debt Management Strategy
MTF	Medium-Term Framework
PPAR	Project Performance Assessment Report
PAYE	Pay-As-You-Earn
PDO	Program Development Objectives
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIOJ	Planning Institute of Jamaica
SBA	Stand-By Agreement
TSA	Treasury Single Account
UNDP	United Nations Development Program

Fiscal Year

Government: April 1 - March 31st

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This report was prepared by Ismail Dalla (Consultant), who assessed the project in December 2012. The report was peer reviewed by Eric Bell, and panel reviewed Nils Fostvedt. Yezena Yimer provided administrative support.

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Principal Ratings

JAMAICA: FISCAL AND DEBT SUSTAINABILITY DEVELOPMENT POLICY (P101321) (IBRD-76530)

	ICR*	ICR Review*	PPAR
Outcome	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Risk to Development Outcome	Moderate	Moderate	High
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	Moderately Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

Project	Task Manager/Leader	Division Chief/ Sector Director	Country Director
Appraisal	David Gould/Seynabou Sakho	Rodrigo A. Chaves	Yvonne M. Tsikata
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IEG Mission: Improving World Bank Group development results through excellence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://worldbank.org/ieg).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Preface

This is the Project Performance Assessment Report (PPAR) of the Jamaica Fiscal and Debt Sustainability Development Policy Loan (Loan No.IBRD-76530). The single tranche US$ 100 million loan was approved by the World Bank on January 15, 2009 and closed on January 15, 2010.

The Independent Evaluation Group (IEG) of the World Bank carried out an assessment of the above operation as part of a set of project performance assessment report that contributes to the analysis of the "challenge of achieving development results in different country contexts" (FY13-15 IEG Work Program). The four countries - Dominican Republic, Grenada, Jamaica, and St Lucia - represent an important group of smaller middle-income countries that faced particular challenges during the global financial crisis.

This PPAR is prepared based on relevant World Bank and IMF documents and interviews with the Bank and IMF staff. Mr. Dalla (consultant) visited Jamaica during November 26-30, 2012 to discuss performance with government officials who were responsible for implementing the project, central bank officials, financial institutions, and staff of IMF and the members of the Bank resident mission.

Following standard IEG procedures, the draft report was sent to the Borrower for comment. No comments received from the Borrower.

Summary

Jamaica was hit hard by the global financial crisis during the fourth quarter of 2008. Gross Domestic Product (GDP) declined by 1.7 percent in FY 2008/09 and 2.6 percent in FY 2009/10. The crisis was transmitted through four main channels: sharp decline in tourism, lower export demand and remittances from abroad, worsening fiscal conditions, and decline in domestic demand and credit growth. Bauxite and aluminum exports plummeted by about 60 percent, and remittances dropped by one-third, leading to a 25 percent depreciation of the Jamaican dollar (J$). The Emerging Market Broad Index (EMBI) Global Sovereign spreads on Jamaican sovereign debt tripled to nearly 1,000 basis points (10%). The consolidated fiscal deficit doubled to 7.4 percent of GDP in FY 2008/09, and increased further to 11.0 percent of GDP in FY2009/10. The current account deficit rose to 18.7 percent of GDP in FY2008/09, but declined to 9% in FY2009/10. Inflation rose sharply due to rising volatility of food and fuel prices and the depreciation of J$.

The Bank has been actively engaged with Jamaica since the banking crisis of 1996 that was caused by a domestic credit boom during 1990-95. The rapid deregulation of Jamaica's financial markets at that time without corresponding robust prudential regulations and supervisory infrastructure resulted in a major financial sector crisis. The liberalization led to a proliferation of inter-linked financial institutions, most of which had weak management and benefited from regulatory arbitrage. The asset quality of financial institutions deteriorated and some of these institutions experienced severe liquidity problems and a subsequent full-blown crisis that required massive intervention by the Government of Jamaica (GOJ) to protect depositors and insurance policy holders. The cost of restructuring the financial system in Jamaica was 37% of GDP and it took five years to accomplish. The Bank provided two policy loans to Jamaica during the 2000-2002 periods to support restructuring of the financial sector (Country Assistance Strategy, April 2005).

Since 2002, the Bank had assisted Jamaica through investment loans. In 2009, the Bank's loan portfolio for the country consisted of seven IBRD projects totaling US$135.3 million, focused almost exclusively on the social sector (early childhood, education, HIV/AIDs, inner cities basic services, social protection and rural development.). There was on-going dialogue on some development policy issues, and a dialogue between the Bank and GOJ on a development policy loan started when the government that came into power in 2007 requested assistance from the Bank following the 2008 global financial crisis. At that time Jamaica was shut out of international financial markets due to the global credit crunch and deleveraging of major international banks. The Bank responded quickly and approved the Fiscal and Debt Stability Development Policy Loan (FDSDPL) of US$100 million in January 2009 to assist Jamaica in dealing with the fallouts from the global financial crisis and meeting its immediate funding requirements. The objectives of the FDSDPL were to: (i) enhance fiscal and debt sustainability; (ii) increase the efficiency of financial management and budget processes; and (iii) reduce distortions and enhance the efficiency of the tax system. The Bank's assistance was designed as a single tranche DPL to assist the government in addressing immediate issues of fiscal and debt sustainability. The operation was designed based on extensive AAA programs provided

by the Bank prior to 2009. In connection with the DPL, the Bank conducted a comprehensive study of debt sustainability and carried out a review of several government owned companies that were running large operating losses. The DPL provided the Bank an opportunity not only to assist the government in dealing with the fallouts of the global financial crisis but also to engage with the government on its medium-term development program.

Following the approval of the Bank loan in January 2009, the government sought assistance from IMF and other International Financial Institutions (IFIs). Altogether, the financial support from the IFIs for the government's reform program amounted to nearly 20 percent of GDP. IMF was the major lender with its 27 month Stand-By Arrangement (SBA) of US$1.25 billion, which was approved by its board on February 4, 2010. As a part of the SBA, the government on January 14, 2010 launched a Debt Exchange (JDX) program to reduce debt service and lengthen the maturity profile of its outstanding public debt. The debt exchange was highly successful, achieving a participation rate of 99 percent. The total value of the offer was J$700.0 billion or 65.0 percent of GDP.

Notwithstanding the successful debt exchange, GOJ was unable to fulfill agreed fiscal and other targets under the 2010 IMF's SBA, which derailed as a result of fiscal slippages, while the level of government debt continued to elevate. Economic growth in 2012 was negative and the growth projection for 2013/14 is just below one percent. The IMF board approved on May 1, 2013 a four-year, SDR 615 million arrangement under the Extended Fund Facility, under which macroeconomic developments have so far been broadly in line with projections. As a part of this new agreement, GOJ has launched a second debt exchange program. Following the announcement of the second debt exchange program, both Fitch and Standards and Poor's downgraded Jamaica's government debt from B to D (default). Government securities not included in the debt exchange were downgraded from B to CCC.

The objectives of the DPL were relevant and there was a clear role for the Bank in assisting GOJ in dealing with the impact of the global financial crisis. The DPL's reform program and sequencing of reforms were appropriate given that they were addressing the pressing issues of high debt and their sources, i.e. government controlled enterprises.

Implementation of the agreed policy reforms was uneven, with notable progress in some areas and in other areas less was achieved than expected due in part to factors beyond the full control of the government: weak economic growth contributed to a shortfall in meeting fiscal targets, the level of debt to GDP increased, and the economy stagnated. Moreover, parliamentary approval of the Fiscal Responsibility Framework Legislation was delayed until March 2010, and a single treasury management account has yet to be established. There were noteworthy achievements in tax administration reform, but the full tax reform program remains work in progress, and the office of the Auditor General (AG) requires further strengthening. The Bank loan did achieve results in supporting the foundations of fiscal and debt sustainability, rationalization of public sector and reforming tax administration, and helped pave the way for collaborative efforts by the IMF and other IFIs to assist Jamaica. The IMF's SBA came immediately after the Bank loan was closed in January 2010. While the FDSDP was a free-standing operation, the possibility of following it with a programmatic series was recognized. This materialized as the first and second Programmatic Debt and Fiscal Sustainability Development Policy Loans (calendar years 2010 and 2011) that achieved further progress and have been rated Moderately Satisfactory by IEG. Taking these various elements into consideration, the outcome of the FDSDP is rated Moderately Satisfactory.

This DPL offers three key lessons:

- It is essential for the Bank to work in close collaboration with the IMF and other development partners in DPL operations to ensure complementarities and increase the likelihood of success of the overall program. In this case there were close consultations, but the IMF SBA program came in after the Bank's loan; there seems to have been closer coordination thereafter between the multilateral development partners.
- A country like Jamaica that undergoes a systemic crisis needs a medium-term programmatic approach. However, a single DPL can be a useful entry point to address an emergency and to engage with a country where the Bank had no on-going macroeconomic policy dialogue for an extended period. Such an instrument can provide an opportunity to have a dialogue with the government on its medium-term reform programs, as in this case where the single DPL was followed by a programmatic series.
- The Bank is often called upon to make difficult choices in its policy based lending which can involve high-risk/high reward strategic issues. In the case of this 2009 DPL for Jamaica, it was clear from the beginning that the program would be subject to high macroeconomic risks and the success was not guaranteed. The Bank proceeded to support government's reform program that was conceptually sound but the risk of failures was high due to the magnitude of the problem facing the country especially high government debt and limited fiscal space to support economic growth. The ability of the government to implement the reform program was also constrained by the political economy of Jamaica. Under such conditions, the Bank might alternatively focus its early efforts more on institutional strengthening such as through advisory services to build capacity and to participate with significant funding in a broader reform program supported by IMF and other IFIs. The subsequent program was part of such a broader package.

Caroline Heider
Director-General
Evaluation

1. Background and Context

1.1 Over the last 30 years, Jamaica has suffered from chronic low growth averaging about 1%. Its economy is vulnerable to external and weather-related shocks. Jamaica has also accumulated large amount of government debt that stood at 131% of GDP at the end of 2011. The level of debt was the fourth highest among all sovereigns rated by Fitch Rating, an international credit rating agency. In 2012, financing requirements of the government were estimated at 16% of GDP (Fitch). Jamaica's public finances are structurally weak. The revenue base is narrow and wages and interest accounted for 66% of total expenditures in 2011 despite the major domestic debt restructuring in 2010 (Box 1).

Box 1: Jamaica Debt Exchange Offer

The Government of Jamaica (GOJ) on January 14, 2010 announced a domestic debt exchange (JDX) initiative with the primary objectives of: (i) improving the maturity profile of domestic debt, of which 40.0 percent was due to mature in less than 24 months thereby presenting high levels of roll-over risk and vulnerabilities to adverse shifts in market sentiment; (ii) reducing the interest expense associated with debt, which at end-2009 represented 15.9 percent of GDP and accounted for an average of 60.0 percent of GOJ's revenues annually; and (iii) reducing the variable portion of domestic debt. The JDX, which closed on February 24, 2010, involved the consolidation of 345 securities into 25 new benchmark bonds and offered bondholders the opportunity to surrender old bond for new bonds with longer maturity and lower coupons. The exchange was fully voluntary and included all domestically issued bonds (excluding Treasury Bills) scheduled to mature on or after 16 February 2010 and issued on or prior to 31 December 2009. The total value of the offer was J$700.0 billion or 65.0 percent of GDP. The offer was executed as a par-for-par exchange of principal amounts and non-participating securities were called. In an attempt to improve the predictability of interest payments the variable rate (VR) bonds were reissued for fixed rate coupon bond and inflation linked bonds. Floating rate notes were reissued as fixed bonds, while US dollar and US dollar-linked instruments were reissued in US dollar. The GOJ also offered several short-term floating rate instruments ranging from 3 months to 1 year to maintain adequate liquidity in the domestic market. The JDX recorded a participation rate of 99.2 percent and resulted in notable change in the maturity profile of the domestic debt. The average maturity of the domestic debt after the JDX increased to 8.9 years from 4.5 years, lowering pressures on interest rates and improving the government's ability to respond to shocks.

The share of domestic bonds attributable to fixed rate instruments increased to 38.0 percent from 34.0 percent, while the newly introduced CPI-linked bonds accounted for 3 percent. The JDX was also successful in lowering the variable rate portion of the domestic debt by 6.0 percentage points to 48 percent and the share of domestic debt priced in US dollars fell to 11 percent from 12 percent. The average coupon on outstanding Jamaica and US dollar domestic debts declined by 650 basis points (bps) and 200bps to average 12.5 percent and 7 percent, respectively. The JDX eased both the rollover and refinancing risks in the government's debt portfolio. The JDX is estimated to have generated annualized interest savings for the government of J$41.0 billion (5 percent of GDP) in FY2010-11, representing a decline of 34 percent in first year of implementation. This contributed to the significant contraction in the budgeted fiscal deficit to 6.5 percent of GDP for FY20 1 011 1 from 9.4 percent and 7.3 percent in FY2009/10 and FY2008/09, respectively. The portion of domestic debt due in FY2010-11 was also reduced from 28.0 percent to 5.0 percent. The exchange was broadly endorsed by the multilateral agencies, including the IMF, IDB, the CDB, and the Bank, whose combined commitment in 2010 amounted to US$2.4 billion.

Source: Program Document for the Proposed First Programmatic Fiscal Sustainability DPL, Feb. 8, 2010

1.2 Slow growth in Jamaica is due to several reasons. Most investment (over 30% of GDP) has gone into tourism sector, mining and replacement infrastructures. The domestic savings in Jamaica are relatively low (15% of GDP). Most investments have been financed by foreign direct investment (FDI) and market borrowings by the government. The multiplier effect of tourism sector is low as it is not fully integrated with other sectors in the economy especially agriculture which should have been a major beneficiary of growth of tourism sector. The tax structure in Jamaica is complex, multiple incentives have been provided to tourism and other sectors while high taxes are imposed on the working population. High tax rates and generally anti-business policies have resulted in a large informal sector that escapes from the tax net. Continued government deficits and large stock of government securities, which are mainly owned by domestic commercial banks and other non-bank financial institutions, contribute to crowding-out of private sector. The large exposure to government securities makes the financial system highly vulnerable to macroeconomic risks and fiscal deficits.

1.3 The investment climate for private sector investment in Jamaica is less favorable than many emerging market countries. Jamaica's Doing Business Indicator ranking declined from 85 in 2012 to 90 in 2013. Jamaica has also suffered from brain drain as its talented university graduates and others migrate to North America leaving behind a less skill workforce. Jamaica has generally followed expansionary fiscal policy and government's financial management has been weak. The country has suffered from continued large current account deficits due to large swings in international oil prices and the performance of the US economy post 2008 as it relies heavily on tourism from North America Jamaica's credit rating was downgraded from B-minus to CCC-plus in February 2013 as a result of Government domestic debt exchange program. The rating, however, was restored in September 2013 as a result of satisfactory implementation of IMF supported reform program. Foreign investment in Jamaica has been constrained by security issues in the urban areas.

1.4 The GOJ has made a clear decision to rationalize the role of public bodies that have been a major source of fiscal deficit. In March 2009, the cabinet approved the public sector rationalization plan submitted by the Public Enterprises Division at the Ministry of Finance and Planning (MFP). The plan identified 74 inactive public bodies to close, 35 to be merged and 21 to be privatized. By December 2009, 20 public bodies had been closed. The government had already divested their interests in five sugar estates. Forty nine percent of Petrojam (oil company) was sold to Petróleos de Venezuela in February 2008. Air Jamaica, which was losing US$150 million per year, was shut down in March 2010 and its routes were assigned to Caribbean Airways. The government acquired 16% of Caribbean Airways (valued at US$28.5 million) to guarantee service in routes previously served by Air Jamaica. Although the divestment program remains a priority, progress has slowed down mainly due to the financial crisis. The government is continuing with rationalization of the remaining public bodies. This should overtime reduce the fiscal burden on the central government.

1.5 Jamaica was hit hard by the global financial crisis during the fourth quarter of 2008. GDP declined by 1.7 percent in FY 2008/09 and 2.6 percent in FY 2009/10. The crisis was transmitted through four main channels: decline in tourism, lower export demand and remittances from abroad, worsening fiscal conditions, and decline in domestic demand and credit growth. Bauxite and aluminum exports declined by about 60 percent, and remittances dropped by one-third, leading to a 25 percent depreciation of the J$. The Emerging Market Bond Index (EMBI) Global Sovereign spreads tripled to nearly 1,000 basis points. The consolidated fiscal deficit doubled to 7.4 percent of GDP in FY 2008/09, and increased further to 11.0 percent of GDP in FY 2009/10. The current account deficit (CAD) rose to 18.7 percent of GDP in FY 2008, but declined to 9% in 2009 (Table 1). Inflation rose sharply due to rising volatility of food and fuel prices and devaluation of J$.

Table 1. Key Economic Indicators FY2006/07 - FY2011/12 [1]

	FY2006/07	FY2007/08	FY2008/09	FY2009/10	FY2010/11	FY2011/12	FY2012/13
Real GDP (% change)	3.2	0.6	-1.7	-2.6	-0.6	0.9	-0.7
Nominal GDP (in billions of J$)	815	923	1,024	1,106	1,193	1,260	1,366
CPI, end of period, (% change)	8	19.9	12.4	13.3	7.8	7.3	9.1
Government operations (% of GDP)							
Budgetary revenue	26	27.5	27	27.1	26.4	25.6	25.5
Tax	23.7	24.5	24.5	24.2	23.5	23.1	23.7
Non-Tax	2.1	2.5	1.8	2.4	2	2.2	1.5
Grants	0.2	0.5	0.7	0.6	0.8	0.3	0.3
Budgetary expenditure	30.9	31.3	34.4	38.1	32.8	32	29.9
Primary expenditure	19	19.6	22.1	21	21.8	22.4	20.4
Wages and salaries	9.7	9.4	10.9	11.4	10.7	11.1	11
Program Expenditure	5.9	7.1	7.2	6.5	6.4	7.1	6.5
Capital expenditure	3.4	3.1	4	3.1	4.7	4.2	2.8
Interest payments	11.9	11.6	12.3	17.1	11	9.6	9.5
Domestic	8.7	8.2	8.8	13.1	7.6	6.5	6.6
External	3.3	3.5	3.5	4	3.4	3.1	2.9
Budget Balance	-4.9	-3.8	-7.4	-11	-6.4	-6.4	-4.4
Primary fiscal balance	7.1	7.9	4.9	6.1	4.5	3.2	5.1
Public entities balance	0	-3.4	-2.6	-1.4	-0.5	0	0.1
Public sector balance	-6.3	-8.3	-9.3	-12.4	-6.9	-6.4	-4.05
Public debt (% of GDP)	117.1	114.2	125	138.3	143.2	141.6	146.2
External sector (percent of GDP)							
Current account balance	-9.7	-18.4	-18.7	-7.6	-9	-14.8	-12.4
Of which: exports of goods, f.o.b.	17.9	18.3	17.2	11.3	10.4	11.5	12
Of which: imports of goods, f.o.b.	42.3	50.4	50.6	35.7	36.4	41	40.4
Net international reserves (millions of US$)	2,329	2,083	1,629	1,762	2,553	1,777	884

[1] *Sources*: IMF and Jamaican authorities.

1.6 Notwithstanding the successful debt exchange, two additional DPLs from the Bank and all the supports from IFIs, Jamaica failed to meet agreed fiscal and other targets under the 2010 IMF's Stand-By Agreement (SBA). Jamaica's macroeconomic performance went off-track very quickly and the level of government debt continued to grow. The IMF board approved on May 1, 2013 a four-year, SDR 615 million arrangements under the Extended Fund Facility, under which macroeconomic developments have so far been broadly in line with projections. As a part of this new agreement, GOJ has launched a second debt exchange program. The main objective of the new IMF program is to put public debt on a firmly downward trajectory and thereby create a virtuous cycle of debt sustainability and higher economic growth. Jamaica's multi-layered reform agenda – expected to be supported by its multilateral partners – comprises structural reforms to boost growth and employment; actions to improve price and non-price competitiveness; upfront fiscal adjustment, supported by extensive fiscal reforms; debt reduction including the second debt exchange to place public debt on a sustainable path while protecting financial system stability; and improved social protection programs. The program sets a floor on social spending and includes a frontloaded reform agenda. The second review under this facility reported that macroeconomic developments are so far broadly in line with program projections, with signs of gradual recovery from the effects of the global financial crisis and hurricane Sandy. Real GDP growth for 2013/14 is projected at just less than one percent. The execution of the 2013/14 budget has remained broadly on track, with all end-September quantitative performance criteria and structural benchmarks met. The authorities are pressing ahead with the next round of reforms, including strengthening the fiscal policy framework, reforming the securities dealers sector, and enhancing public financial management, but the risks to the program remain high.

1.7 The Bank has been actively engaged with Jamaica since the banking crisis of 1996 that was caused by domestic credit boom during 1990-95. The rapid deregulation of Jamaica's financial markets at that time without corresponding robust prudential regulations and supervisory infrastructure resulted in a major financial sector crisis. The liberalization led to a proliferation of inter-linked financial institutions, most of which had weak management and benefited from regulatory arbitrage. The asset quality of financial institutions deteriorated and some of these institutions experienced severe liquidity problems and a subsequent full-blown crisis that required massive intervention by the GOJ to protect depositors and insurance policy holders. The Bank provided two policy loans to Jamaica during 2000-2002 periods to support restructuring of the financial sector (Country Assistance Strategy, April 2005). The cost of restructuring financial system in Jamaica was 37% of GDP and it took five years to accomplish.

1.8 In response to the request by the new government that came to power in 2007, the Bank approved the FDSDPL in January 2009 to assist Jamaica in dealing with the fallouts from the global financial crisis. The FDSDPL aimed at enhancing the fiscal and debt sustainability, increasing the efficiency of public financial management and of the budgeting process. In addition to the Bank, there are eighteen donors that are active in twelve sectors with most support directed to the social sector (39%), followed by budgetary support (30%) with strong support for growth and competitiveness. In 2008, ongoing support in the form of commitments from these donors amounted to US$2.1 billion, of which 18.6 percent was in the form of grants (Annex C). As of end-2008, the largest development partner was the Inter-

American Development Bank (IDB) with US$673 million, followed by Venezuela with US$410 million, CDB with US$314 million, the EU with US$257 million and the Bank with US$120 million. The Bank continued to support Jamaica after the first DPL was approved in January 2009. A new CAS covering a period of 2010-13 was approved in February 2010. The CAS focused on three development pillars: (i) economic stability; (ii) inclusive growth; and (iii) sustained growth. These pillars were anchored to: (i) the country's own medium-term framework (MTF); (ii) opportunities for deeper partnerships with other international development partners to pull resources for a meaningful impact on selected national outcomes; (iii) the recommendations of the CAS Completion Report; and (iv) the lessons from the ongoing projects. The first pillar supported economic stability through two programmatic DPLs designed to support fiscal and debt sustainability. The first DPL of US$200 million of this series was approved in February 2010 followed by the second loan of US$100 million in September 2011. Both DPLs had almost identical objectives to the DPL under review. Their main objective was to deepen the reforms that started in 2008. IEG's Implementation Completion Report Review (dated September 17, 2013) rated overall outcome of both DPLs as moderately satisfactory. Following satisfactory progress under the IMF program the Bank disbursed a $130 million stand-alone DPL in December 2013, which underpinned reforms related to the business environment and public financial management.

2. Objectives, Design, and their Relevance

2.1 The stated objectives of the DPL were the following.

Objective 1: Enhancing fiscal and debt sustainability.

2.2 The loan supported measures to reduce Jamaica's high level of debt and improve fiscal sustainability, which have constrained the country's growth potential and crowded out productive investment. The loan included fiscal and institutional reforms to reduce financing vulnerabilities, improve public spending effectiveness and improve the country's ability to cope with the adverse consequences of the on-going global economic downturn.

Objective 2: Increasing the efficiency of public financial management and budgeting processes.

2.3 The public sector modernization efforts supported by the loan were expected to improve the efficiency of public expenditures and investment, strengthen the control of public finances, and enhance the effectiveness of government budgeting practices. Given the potential for decreased fiscal revenues under the then prevailing global environment, these efforts were considered crucial as a means to improve fiscal discipline and to help foster growth in the medium term through a better allocation of scarce public resources.

Objective 3: Reducing distortions and enhancing the efficiency of the tax system.

2.4 The main challenge was the weak revenue base. Income taxation was considered unfair to low-income groups and the government intended to increase revenues by (i) increasing tax rates for luxury goods and certain activities, and (ii) improving tax administration - better coverage of taxpayers.

2.5 The program objectives were not revised.

Relevance of objectives

2.6 The objectives of enhancing fiscal and debt sustainability and increasing the efficiency of public financial management and budgeting processes were relevant in 2008 and remain relevant today. There was a clear need to rein in government expenditures and improve debt management. Sources of deficits were identified during the appraisal of the DPL. The key objective was to generate a primary surplus and contain debt both at central government and with government owned entities. Selected government owned bodies were to be divested or closed down to reduce the main source of fiscal deficit. The treasury function was to be centralized to improve cash flow management and a debt management office was to be set up to manage large stock of existing debt and new debt. A single treasury account was to be set up to improve cash flow management of the government. The government was expected to carry out comprehensive tax reforms to correct distortions in the tax system. Tax administration was to be improved through the creation of a new tax administration entity. The structural issue of absence of growth was not addressed under the DPL, as there was a pressing need for the government to refinance maturing commercial loans.

2.7 The DPL was consistent with the Country Assistance Strategy (CAS) FY06-09, which was approved by the Board of Directors in April 2005 and updated in July 2007. However, the size of the DPL (US$100 million) was higher than envisioned in the CAS (US$75 million) or in the CAS Progress Report (US$50 million). The increase in the loan size was in response to the country's vulnerabilities due to the global financial crisis and financing requirements of the government. The objectives of the DPL were also consistent with the 2010 Country Partnership Strategy that supported the government’s Medium-Term-Socio-Economic Framework (MTF), a near-term strategy of the Vision 2030 . The MTF’s objectives are to: (i) reduce the public debt to GDP ratio; (ii) foster resumption of private sector-led growth and employment creation; and (iii) achieve social sector goals including the Millennium Development Goals (MDGs) and goals on governance, law and crime.

2.8 Relevance of the objectives is rated as **high**.

Relevance of design

2.8 The loan was designed to address reform programs that could be addressed through a single tranche operation. It was based on a substantial body of analytical work carried out by the Bank. The analytical underpinnings of the DPL included Country Economic Memorandum, Public Expenditure Review, and Poverty Assessment as well as work by the GOJ, local think tanks, and universities. Public financial management and budgeting policy actions supported by the loan were based on the findings of the Public Expenditure and Financial Accountability, Country Financial Accounting Assessment and Country Procurement Assessment Reviews. Within this overall framework, the DPL focused on such policies and institutional aspects related to fiscal and debt sustainability that were most amenable to support by a single tranche DPL, although these would need to be sustained over time through further assistance by the Bank and other partners. Other donors, including IDB and EU and the CDB, endorsed the reform program. This donor coordination added weight to the program. The DPL also supported the Bank's on-going and planned investment lending program that was being considered as part of the CPS that was under preparation in 2008.

2.9 The ICR noted that due to the then prevailing global uncertainty and the need for quick action, the loan was processed as a single tranche DPL. This review agrees with the ICR that a single DPL could be an appropriate instrument with which to assist the government at that time to meet its immediate problems, even though further support would be needed. The operation provided a window of opportunity to assist the government in dealing with the debt sustainability and fiscal issues. It also provided an opportunity to work with the government on tackling structural issues through future operations, as happened with the subsequent two Programmatic Debt and Fiscal Sustainability Development Policy Loans (calendar years 2010 and 2011).

2.10 Although the DPL focused on the two key areas of debt sustainability and fiscal management, it was too ambitious given that the global financial crisis and its impacts on Jamaica were still evolving in early 2009. Reforms related to government owned enterprises did not have broad political support, and the government had little control over the level of debt given the sharp contraction in tourism sector and remittances. Jamaica also has strong labor unions that make it difficult to control wages in the public sector. The IMF program of US$1.25 billion was not approved until February 2010. It was apparent from the outset that the then government with one vote majority would have difficulty in delivering the agreed reform program under the DPL due to the then prevailing macroeconomic and political risks. This political risk was clearly recognized by the Bank. Finally, the design of the DPL included a monitoring and evaluation (M&E) system to monitor the outcomes of three key development indicators (debt level to GDP, public financial management and taxation). However, there was no clear ownership of the M&E by the government and other stakeholders. As a result, it took some time for the system to become operational (see para 5.7) to enable monitoring of these targets.

2.12 Relevance of design is rated as **modest**. (

3. Implementation

3.1 The implementation of the DPL was adversely affected by the deeper than expected recession, as GDP growth in FY 2008/9 was -1.7% compared with the projection of -0.5%. The economy contracted by -2.5% in FY 2009/10 instead of 0% growth expected at time of appraisal. The government then in charge had a majority of one vote in the parliament and therefore was not able to carry out most of the agreed reforms. The escalation of the fight against crime also affected daily life in the spring of 2010. Given the relative small size of domestic financial markets and investor base, disinvestments of government owned companies were achieved at considerable cost. For example, the operation of Air Jamaica was simply suspended and its routes were assigned to the Caribbean Airlines. The government also had to acquire 16% of Caribbean Airways (valued at US$28.5 million) to guarantee service in routes previously served by Air Jamaica. The introduction of a single treasury account was also delayed due to technical issues and objections by certain government departments. The office of the Auditor General was at the time of the PPAR mission still in the process of recruiting additional staff to enable it to carry out its mandate and clear the backlogs. At that time the Debt Management Division had been set up in the MFP but recruiting of staff had proven to be difficult due to compensation issues. Implementation of M&E system had also faced start-up problems (para.5.09).

4. Achievement of the Objectives

Objective 1. Enhancing fiscal and debt sustainability

4.1 Public debt and fiscal targets. The government failed to meet the quantitative target of reducing consolidated net public debt while it met the target on primary balance. The authorities targeted reducing the consolidated net public debt to GDP by 3 percentage points (from 123.1 percent of GDP in FY2007/08). As of January 15, 2010 (when the loan closed), net debt stood at 139.8 percent of GDP. The ability of the government to meet this target was adversely affected by slower than expected growth resulting in lower than expected tax revenues. At the same time, the primary balance reached 4.5 percent of GDP, above the target of "no less than 4 percent of GDP".

4.2 Building a foundation for fiscal and debt sustainability. The DPL supported the initial stage of reforms to improve the legal framework to establish a control over public sector balances and debt. The parliament approved the amendment to the Financial Administration and Audit Act and the Public Bodies Management and Accountability Act in March 2010. The MFP developed a template for a Medium Term Expenditure Framework that was consistent with the Fiscal Responsibility Framework. . In the first stage, it was implemented in six ministries that represented 90 percent of total expenditures. There was no deferred financing in FY2008/09 and in FY 2009/10 as the Financial Administration and Audit Act eliminated the authority of the MFP to issue deferred financing. However, the FY2010/11 budget did not consolidate the central government and public bodies when their budgets were presented to the parliament.

4.3 Rationalization of public sector. There was some progress in rationalizing the public bodies. The MFP developed a rationalization plan that the cabinet approved in 2009. The fiscal balance of the public bodies improved from -3.4 percent of GDP in FY2007/08 to -2.5 percent of GDP in FY2008/09. The government also sold the assets of some large state-owned enterprises (Petrojam, Air Jamaica, Mavis Bank Coffee Factory Ltd, and Wallenford Coffee Co). Privatization of the sugar industry was completed in July 2010. The sale of Clarendon Alumina was delayed.

4.4 Efficiency of public services. An initial step to improve the efficiency of public service has been taken. A post-audit employment survey of the central government and a quarter of public bodies (fully or partially budget-financed) has been completed. The Public Sector Transformation Unit compiled the first full database of employees in the public sector through a census and payroll analysis. The government announced a three-year public wage freeze. However, the Supreme Court in August 2010 ruled that the government had to pay retroactive wage increases to public employees. In July 2011, the government reached agreement with the unions whereby the public sector payroll was increased by 7 percent in September 2011, and back payments totaling J$22.4 million would be made in equal installments over the following three years. The additional wage expenditure led to financing by a supplementary budget presented to the parliament in September 2011. This contributed to the increase in fiscal deficit and inability to meet the agreed target under the 2010 SBA.

4.5 IEG rating of efficacy: **Substantial**.

Objective 2. Increasing the efficiency of financial management and budget processes

4.6 Strategic planning and budgeting. There has been mixed progress in linking the planning and budget policy. Along with piloting the MTEF in six ministries (transport, education, health, agriculture, fishery, and national security), the government developed a methodology for prioritizing projects. Piloting mostly referred to the initial steps of implementing MTEF, but the MTEF's key elements - such as sector ceilings and change in budget process - are yet to be fully implemented. However, even in best-practice countries MTEF implementation can take many years. There was no evidence that the methodology for technical evaluation of the projects had been implemented at the time of the IEG mission.

4.7 Accountability institutions. The authorities have taken sound measures towards independence of the Auditor General's Department and its professional capacity building. IT facilities have been upgraded and senior and technical staff has received training. The department underwent a major restructuring to enhance its independence. Training was provided to both senior and junior staff. The Auditor General has expanded performance-auditing focusing on the cost-efficiency and cost-effectiveness of public sector programs. However, the budget and staffing of the Auditor General's office continues (as of the time of the IEG mission) to be approved by the Civil Service Commission therefore effectively reducing the independence of the office.

4.8 IEG rating of efficacy: **Modest**

Objective 3. Reducing distortions and enhancing the efficiency of the tax system

4.9 Tax reform packages. Three tax packages were introduced by the government in 2009 during the crisis – all aimed at increasing tax rates. The first package (April) increased the income tax threshold by about 37 percent. It removed some tax preferences, expanded the general consumption tax (GCT) tax base, imposed a new tax on dividends, and increased the specific tax on petrol and petroleum products. In May 2009, though, the government revised the package by reintroducing some GCT exemptions and offsetting the loss in revenue by increasing taxes on cigarettes and alcohol. The second package (September) increased the departure tax for tourists and the GCT rate on telephone calls and equipment. The third package (December) increased several GCT and special consumption tax rates; it included electricity supply in the GCT base, increased income tax rates on high earners, and hiked license fees and custom duties on selected luxury items, including vehicles. Although tax reforms were not comprehensive, they enhanced revenue sources. However, as acknowledged in the ICR, little has been done to improve the uniformity of the tax code. A proposal to lower the corporate income tax from 33.3 percent to 25 percent (in line with the current 25 percent tax rate on personal income tax) has been postponed due to the potential negative revenue implications. Amalgamation of statutory payroll deductions has not yet been made operational.

4.10 Tax administration. There was some clear progress in this area. The number of corporate and individual taxpayers in the tax roll has increased by nearly 25 percent in 2 years. The authorities started a three-year program to reorganize the tax office in April 2009. The cabinet has decided to consolidate the Inland Revenue, Taxpayer Audit, and Assessment and the Tax Administration Services Departments into a single Jamaica Tax Administration. With USAID support, the authorities have also completed the preparation and costing of the Tax Restructuring Plan. The consolidation is expected to reduce overhead costs and improve efficiency. In October 2008, the authorities introduced on-line filing and payment of GCT and SCT. One year later, they broadened the scope to the filing and payment of payroll deductions. In March 2010, the authorities advanced further by allowing on-line filing and payment of individual and corporate income tax, income tax for the self-employed, and the national insurance scheme. However, only one percent of taxpayers have adopted electronic filing of tax returns.

4.11 IEG rating of efficacy is **Substantial**. Despite the shortcomings in tax policy reforms, the achievements in other areas indicate on balance substantial efficacy.

5. Ratings

Outcome

5.1 The relevance of objectives was high while the relevance of design was modest. The achievement was substantial for two objectives in fiscal and debt sustainability and tax system, and it was modest for the financial management and business processes objective.

5.2 The DPL was expected to achieve the following outcomes: (i) improved fiscal sustainability through controlled overall public sector balances and debt generation; (ii) increased efficiency of public financial management and budgeting processes; and (iii) reduced distortions and enhanced efficiency and fairness of the tax system. GOJ made good faith attempts to implement the reforms but these targets were partially met. The reform program was too ambitious and it was unrealistic to be attained in the short period of the project. It did, however, become the starting point for the subsequent series of two operations that has been rated moderately satisfactory by IEG. The M&E of the project had many shortcomings and there was no broad ownership. Capacity in the government to carry out the reforms was limited and building capacity takes time. The Bank also underestimated the difficulties in implementing reforms in Jamaica given its complex political economy.

5.3 The outcome of the DPL is therefore rated as **Moderately Satisfactory**.

Risk to Development Outcome

5.4 Jamaica's macroeconomic condition is still uncertain, its political economy is complex and the country has traditionally had limited capacity to implement major reforms. Slow growth and depreciation of the currency may deepen further its debt crisis, and its debt service requirements remain high. The country is also highly vulnerable to possible external shocks. The existence of the new IMF arrangement under the Extended Fund Facility as part of an expected broader program of Jamaica's multilateral partners is a positive factor, as is the IMF judgment that developments so far are broadly in line with program projections, and that the government has launched a second debt exchange program. The risk to development outcomes is nevertheless rated high.

Bank Performance

5.5 The Bank was responsive to the government that came to power in 2007 and provided substantial human resources in assisting it in formulating a medium-term reform program aimed at reducing fiscal deficits and improving financial management of the government. Sources of deficits were identified and a divestment and reform of government owned entities was prepared (see para 1.4). The Bank team worked closely with the IMF and other IFIs (Annex B). In response to growing global financial crisis, the Bank responded quickly to GOJ's request and provided a single tranche DPL that focused on the immediate problem i.e. the urgent financing need of the government. Although the DPL was relevant, the reform program was too ambitious given that the global financial crisis and its impacts on Jamaica were still evolving in early 2009. It was apparent from the outset that the then government with one vote majority would have difficulty in delivering the agreed reform program DPL due to the then prevailing macroeconomic and political risks. It was also unrealistic to expect the divestment program to be successful in short period and given the shallow domestic financial market. The monitoring and evaluation (M&E) system had no clear ownership by the government and other stakeholders. Supervision of the DPL was combined with the preparation of the programmatic DPLs and largely carried out by consultants who were not involved with the appraisal of the DPL.

5.6 IEG rates the Bank's performance as **Moderately Satisfactory**.

Borrower Performance

5.7 The government was committed to the agreed reform programs and prepared (with the Bank team's technical support) a medium-term development program supported by the DPL. However, the government had a precarious one-vote majority in the parliament and was unable to carry out agreed reforms in several areas, as indicated by the slow progress in some fiscal reforms, implementing measures to strengthen accountability of public institutions, introducing project prioritization and technical evaluation, and reforms to strengthen tax administration. The ability of the government to reduce the debt level was constrained by factors beyond its direct control, although the 2010 debt exchange was successful. The contraction of the economy reduced expected tax revenues. Lack of coordination within government/public institutions caused delays in implementing certain policy actions. In addition, the government did not have adequate capacity to implement the agreed M&E system therefore making it difficult to measure progress of the agreed reform program. The complex domestic political economy of Jamaica has delayed major reforms such as fiscal responsibility law and tax reforms.

5.8 IEG rates the performance of the government as **Moderately Satisfactory.**

Monitoring and Evaluation

5.9 The Bank expected the government through MFP to play a lead role in monitoring and evaluation of the agreed development outcome indicators. The MFP was expected to have the primary role in setting up and coordinating the monitoring and evaluation of the program. The M&E system was expected to draw on information from several sources including the Central Bank of Jamaica, the Planning Institute of Jamaica (PIOJ), Auditor General, Statistical Institute of Jamaica and the IMF reports.

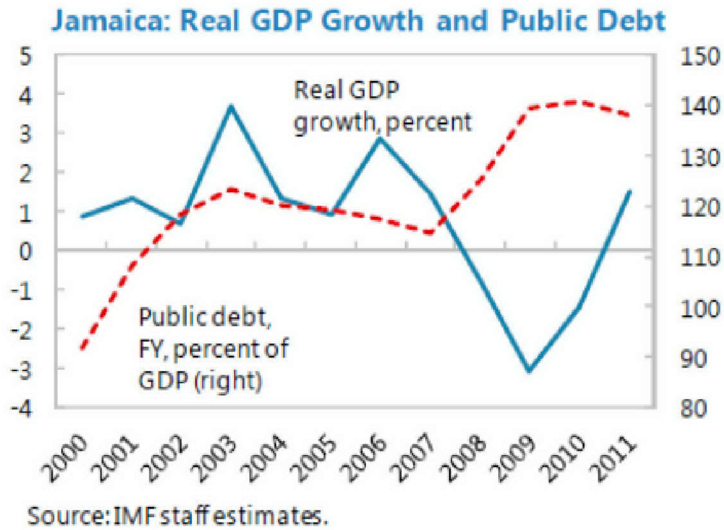
5.10 The design of the M&E included three key monitoring indicators. The first indicator (level of debt to GDP) had a baseline and clear, measureable targets. The second indicator on restructuring of the Auditor General's office was qualitative and vague. The third indicator on increasing number of taxpayers over time was well defined. The implementation of the M&E system did not work out as expected. The MFP did not have the capacity to carry out this function and the monitoring function was eventually transferred by the MFP to PIOJ. Information from government sources was not always available in a timely fashion. As a result, reports prepared by the Bank supervision missions and reports from other institutions including IMF, CDB, and IDB became the primary source of data for the M&E system. The utilization of the M&E during the DPL implementation period was limited due to the absence of a vibrant M&E system. Following the transfer of M&E of the following operation to the PIOJ, the M&E system has improved and information were used by the Bank in designing the two subsequent DPLs that were approved in 2009 and 2010.

5.11 IEG rates the quality of the M&E system for this operation as **Modest**.

6. Lessons

6.1 The DPL under this review had limited success in restoring Jamaica's fiscal condition, increasing debt sustainability and reviving growth. The debt/GDP ratio has only now returned to its 2008 level of 130 percent (Figure 1) wiping out the small gain made in 2009 through the debt exchange program (Box 1) supported by IMF, the Bank, IDB and EU. The debt exchange program significantly reduced interest rates and extended maturities but did not reduce the amount of debt (Figure 1). The government's interest payments had shot up in FY2009/10 from 12.3 percent of GDP to 17.1 percent, but then dropped in FY2010/11 to 11 percent (Table 1). Steps have been taken by the authorities to improve public financial management and budgetary processes. However, progress has been slow due to both a lack of strong political will and limited institutional capacity.

Figure 1 Jamaica: Real GDP Growth and Public Debt



6.2 There are three key lessons from this DPL:

- It is essential for the Bank to work in close collaboration with the IMF and other development partners in DPL operations to ensure complementarities and increase the likelihood of success of the overall program. In this case there were close consultations, but the IMF SBA program came in after the Bank's loan; there seems to have been closer coordination thereafter between the multilateral development partners.
- A country like Jamaica that undergoes a systemic crisis needs a medium-term programmatic approach. However, a single DPL can be a useful entry point to address an emergency and to engage with a country where the Bank had no on-going macroeconomic policy dialogue for an extended period. Such an instrument can provide an opportunity to have a dialogue with the government on its medium-term reform programs, as in this case where the single DPL was followed by a programmatic series.
- The Bank is often called upon to make difficult choices in its policy based lending which can involve high-risk/high reward strategic issues. In the case of this 2009 DPL for Jamaica, it was clear from the beginning that the program would be subject to high macroeconomic risks and success was not guaranteed. The Bank proceeded to support the government's reform program that was conceptually sound, but the risk of failure was high due to the magnitude of problems facing the country -- especially the high government debt and limited fiscal space to support economic growth. The ability of the government to implement the reform program was also constrained by the political economy of Jamaica. Under such conditions, the Bank might alternatively consider focusing more of its early efforts on institutional strengthening, such as through advisory services to build capacity and to participate with significant funding in a broader reform program supported by IMF and other IFIs. The subsequent Bank program was part of such a broader package.

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Annex A. Basic Data Sheet

JAMAICA: FISCAL AND DEBT SUSTAINABILITY DEVELOPMENT POLICY (P101321) (IBRD-76530)

Key Project Data (amounts in US$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	100.0	100.0	100.0
Loan amount	100.0	100.0	100.0

Cumulative Estimated and Actual Disbursements

	FY08	***FY09***	***FY10***
Appraisal estimate (US$M)	-	100	-
Actual (US$M)	-	100	-
Actual as % of appraisal	-	100%	-
Date of final disbursement: January 27, 2009			

Project Dates

	Original	Actual
Initiating memorandum	08/15/2007	11/26/2008
Negotiations	11/15/2007	12/15/2008
Board approval	08/18/2008	01/15/2009
Effectiveness	01/27/2009	01/27/2009
Closing date	01/15/2010	01/15/2010

Task Team Members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Yaye Seynabou Sakho	Senior Country Economist	LCSPE	TTL
Amparo Ballivan	Lead Economist	LCSPP	
Aquiles Almansi	Lead Financial Sector Specialist	LCSPF	
Armando E Guzman Escobar	Senior Disaster Risk Management Spec.	LCSUW	
Benu Bidani	Lead Economist	LCSPR	
Carolina Biagini	Consultant	LCSPE	
David Michel Gould	Lead Economist	LCSPE	
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Sanjay Kathuria	Lead Country Economist	SASEP	
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Steven Weisbrod	Consultant	LCSPE	
Tihopmir Stucka	Economist		
Todd Crawford	Operation Adviser	LCSPE	
Yao Wottor	Sr. Procurement Specialist	LCSPT	
Zafar Mustafaoglu	Sr. Economist	LCSPE	

Staff Time and Cost

Stage	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY07		114.94
FY08		189.63
.FY09		218.02
Total:		522.59
Supervision/ICR		
FY09		10.00
FY10		9.43
FY11		22.58
Total:		42.01

Other Project Data

Borrower/Executing Agency:

Follow-on Operations

Operation	*Credit no.*	*Amount (US$ million)*	*Board date*

Follow-on Operations

Operation	*Loan no.*	*Amount (US$ million)*	*Board date*
First Programmatic Debt and Fiscal Sustainability Development Policy Loan(P113893)	IBRD-78560	US$200	02/23/2010
2nd. Programmatic Debt and Fiscal Sustainability Development Policy Loan (P123241)	IBRD-80840	US$100	09/08/2011

Annex B. Other data annexes

A total of eighteen International Development Partners12 (IDPs) are active in twelve sectors with most support directed to the social sector (39%), followed by budgetary support (30%) with strong support for growth and competitiveness. In 2008, ongoing development partner support amounted to US$2.1 billion, of which 18.6 percent was grant. As of end-2008, the largest development partner was IDB with US$673 million, followed by Venezuela with US$410 million, CDB with US$314 million, the EU with US$257 million and the World Bank with US$120 million.

Two bilateral IDPs (CIDA and DFID) have regional strategies while USAID, IDB and the World Bank have country strategies. All strategies and sectoral support are provided in line with government priorities articulated through the PIOJ and in the MTF. In addition, Japan provides significant amount of PHRD and JSDF grants through the World Bank.

The depth of coordination among international development partners has increased, particularly since the 2008 upgrading and strengthening of the Bank country office. The Bank participates in the annual retreat between the GOJ and development partners, and it chairs the thematic group on Debt and Growth. The International Finance Corporation (IFC) collocated with the Bank in August 2009. This will strengthen coordination and increase access to its advisory services, public-private partnerships work, and foster deeper private sector development.

IDB: Key areas of IDB support include public financial management and private sector development, where the IDB specifically supports improvements in the incentive framework and the business environment. Specific reforms include reducing the transaction costs for titling and registering land, increasing access to credit for sole proprietors and small businesses, and improving incentives for informal businesses to become formal.

EU: EU support to Jamaica is anchored in the 10th EDF Country Strategy Paper and National Indicative Program for 2008-2013. With a total allocation of €110 million for programmable resources and €12.9 million for emergency assistance, the EU is the most important grant donor in Jamaica. The country strategy aims to assist Jamaica in its macroeconomic reform program as presented in the government's MTF and to support the Government in reducing crime and violence and supporting human rights. The resources available under the program are allocated as follows: 55 percent for general budget support, 30 percent for sector budget support; and 15 percent for national capacity building. Apart from EDF funding, other instruments of EU involvement in Jamaica include projects by the European Investment Bank (EIB), activities financed under the Regional Indicative Program (RIP) for the Caribbean, and the Banana Support Program.

USAID: The USAID program of assistance to Jamaica focuses on social and economic issues that contribute most directly to crime and violence. Programs in Jamaica are organized around four priority goals: reducing crime and corruption through efforts in law enforcement restructuring and reform, promoting economic development by supporting trade, investment, and agricultural competitiveness, investing in human capital by improving quality and equity of primary and secondary education, and HIV/AIDS prevention.

DFID: DFID's involvement in Jamaica is conducted under the DFID Caribbean regional umbrella, with annual spending of £1 3 million in 2010/11. In Jamaica, the DFID program is focused on strengthening security and justice. Active programs include the Commonwealth Debt Initiative (CDI), which has benefitted Jamaica since 1998, police reform and police capacity building, the Jamaicans for Justice initiative, Community Security Initiative and rehabilitation of Jamaican offenders. Another important activity over the last five years has been the Jamaica Social Policy Evaluation project, which supports the government's strategic plan for a more effective social sector delivery system by the year 2015.

UNDP: UNDP activities in Jamaica are based on the 2007-2011 Country Program Action Plan. The Action Plan identifies three thematic areas as the focus of the UNDP program: poverty reduction through improved economic planning, debt management, tax reform, and more efficient public spending; crisis management through conflict prevention, justice and security sector reform, and disaster risk management; energy and environmental security.

CIDA: CIDA's development assistance program focuses on three main areas: improving governance, strengthening the private sector, and improving environmental management. Through Canadian Partnership Branch, CIDA co-finances projects in Jamaica by Canadian non-governmental organizations and institutions working in areas such as cooperatives, education, family planning, youth and community development. Since 1989, CIDA's Industrial Cooperation Program has financed 24 initiatives by Canadian businesses seeking to develop partnerships with Jamaican companies. CIDA's priorities include strengthening of key central agencies responsible for the environment and supporting HIV/AIDS prevention and treatment programs.

CDB: Since assuming office in 2007, the current government has benefitted from nearly US$200 million in CDB loans, which have supported educational and community development projects, agricultural support, and natural disaster recovery. In February 2009, CDB disbursed the first tranche of a two-year, US$100 million policy-based loan to the government. Furthermore, citizens, especially from rural areas, have been beneficiaries of the CDB's Caribbean Technology Consultancy Service (CTCS), a program that supports the development of small businesses throughout the region.

Source: World Bank, First Programmatic Fiscal Sustainability Development Loan, Report No. 51577-JM, February 8, 2010

Annex C. List of Persons Met

Government

Pamela Monroe Ellis, Auditor General

Mr. G. Anthony Hylton, Minister of Industry, Investment and Commerce

Barbara Scott, Manager, Planning Institute of Jamaica, Ministry of Finance and Planning

Wayne Robinson, Chief Economist, Research and Economic Programming Division, Bank of Jamaica

Financial Institutions

Bruce Bowen, President and CEO, Scotiabank Group Jamaica

Wayne Henry, VP, Government Affairs, Scotiabank Group Jamaica

Adrian Stokes, Group Strategist, Scotiabank Group Jamaica

Patrick Hylton, President, National Bank of Commerce

Marlene Street Forest, General Manager, Jamaica Stock Exchange

Milverton Reynolds, Managing Director, Development Bank of Jamaica

Private Sector

Mr. Francis Kennedy, President, Jamaica Chamber of Commerce

Stephen B. Facey, President and CEO, Pan-Jamaican Investment Trust Limited

Others

Dr. Gene Leon, IMF representative in Jamaica

Rajeev Gopal, Resident Representative, IFC

Damien King, Head of Department (Economics), the University of West Indies