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Report Number : ICRR0021884

1. Project Data

Country Jamaica	**Practice Area(Lead)** Macroeconomics, Trade and Investment
Programmatic DPL **Planned Operations:** 2	**Approved Operations:** 2
Operation ID P151448	**Operation Name** First Comp. and Fiscal Mgmt. Prog. DPL

L/C/TF Number(s) IBRD-84700	**Closing Date (Original)** 31-Dec-2015	**Total Financing (USD)** 75,000,000.00
Bank Approval Date 03-Mar-2015	**Closing Date (Actual)** 31-Dec-2015	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	75,000,000.00	0.00
Revised Commitment	75,000,000.00	0.00
Actual	75,000,000.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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Operation ID P163586	**Operation Name** JM Second Comp and Fiscal Mgmt Prog DPF (P163586)

L/C/TF Number(s) IBRD-84700,IBRD-87590	**Closing Date (Original)** 30-Jun-2018	**Total Financing (USD)** 70,000,000.00
Bank Approval Date 08-Jun-2017	**Closing Date (Actual)** 30-Jun-2018	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	70,000,000.00	0.00
Revised Commitment	70,000,000.00	0.00
Actual	70,000,000.00	0.00

2. Program Objectives and Policy Areas

a. Objectives

The program development objectives (PDO) were: (i) improving the investment climate and competitiveness; and (ii) sustaining fiscal consolidation and enhancing public financial management. (Program Document, First Competitiveness and Fiscal Management Development Policy Loan, January 28, 2015, p.v). Loan agreements for both DPLs do not specify program objectives.
Program objectives were not changed during the life of the series.

b. Pillars/Policy Areas

Policy objectives were identical to the policy pillars.
Under Objective 1, improving the investment climate and competitiveness, three sets of activities were pursued: (i) reducing delays in the process of approval of “development approvals” of construction permits, (ii) reducing the high cost of electricity, and (iii) supporting the logistics hub initiative and related trade facilitation measures.
Under Objective 2, sustaining fiscal consolidation and enhancing public financial management the Program supported actions aimed at (i) strengthening of debt management in support of the ongoing fiscal consolidation, which have also been a part of the IMF program and a parallel budget support program from the IDB; (ii) improving the efficiency of public expenditures; (iii) tightening budget processes and execution; (iv) human resource reform that aimed at eliminating inefficiencies in public sector employment and improving the match between public sector remuneration and job requirements; (v) enhancing procurement processes; (vi) reducing budgetary impact of pensions, and (vii) improving public sector investment planning and implementation.

c. Comments on Program Cost, Financing, and Dates

The first DPL was approved on March 3, 2015, disbursed upon effectiveness on March 12, 2015, and closed on December 31, 2015. The second DPL in the amount of $70 million was approved on June 8, 2017, disbursed on June 30, 2017, and closed on June 30, 2018. Both DPLs were fully disbursed.

The second operation was originally planned as a $150 million policy-based guarantee (PBG) but before the Board approval, the government requested that the operation be converted into a standard DPL because the pricing advantages of the policy-based guarantee had meanwhile declined due to developments in international interest rates. The Bank agreed with the request and provided the second operation as the second, standard DPL in the series. The Policy framework remained unchanged.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The objectives of the Series were highly relevant at appraisal, and they remained relevant at closing. They were also highly relevant to the country's strategic orientation, country conditions, and the Bank's country strategy. The operation was especially relevant to dealing with the twin problems of low economic growth, which had averaged about 1 percent over the previous two decades, as well as the extremely high public debt, which amounted to 140 per cent of GDP.

The Series targeted those twin challenges—growth and fiscal consolidation—by focusing on policies aimed at improvements in competitiveness and public debt management and fiscal sustainability. The objectives were directly aligned with the third national goal of making Jamaica's economy prosperous and also contribute to the fourth goal of a healthy natural environment They were aligned with one of the four themes in the government's Medium-Term Socio-Economic Framework focusing on economic stability and employment (Jamaica National Development Plan "Vision 2030," Program Document Box 1, p. 10).

The Series' objectives represented the continuation of the government's initial, comprehensive stabilization and reform program, which had been launched in 2013 with the support of the IMF's three-year Extended Fund Facility (EFF), a standalone, $130 million Bank supported Economic Stabilization and Foundations for Growth DPL, and a parallel budget support operation of the Inter-American Development Bank (IDB). The focus of those reforms had been to initiate fiscal consolidation and growth, reflecting the need for Jamaica to avoid debt default, to significantly reduce public debt and to begin creating fiscal space for larger and better designed public investments that, in concert with other reforms, could contribute to accelerated economic growth and poverty reduction. That standalone DPL, which was subsequently the subject of an IEG PPAR, was successful in launching these reforms. The DPL series under this ICRR validation has aimed to consolidate and deepen those reforms.

The Series was well aligned with Country Partnership Strategy (CPS) for the period 2014-17 (approved on April 2014) which aimed to establish conditions for broad based private sector-led growth, improving public sector efficiency and reducing vulnerability. DPL objectives were fully aligned with the strategic objectives in the CPS. The Series was coordinated with other, technical and project activities aimed to support capacity building.

Rating
High

b. Relevance of Design

The causal chain was not explicitly described in the Program Documents, but information contained therein allow for its reconstruction. The program targeted two main binding constraints: low growth and competitiveness, and debt overhang. These constraints were well documented and analyzed in a CEM (Jamaica: Unlocking Growth, Country Economic Memorandum, World Bank, May 26, 2011, Report No. 50374-JM) and several other reports such as Improving the Investment Climate in Jamaica Policy Note (2014), Making the most out of the Jamaican Logistics hub initiative (2014), A Framework to Assess Fiscal Risks of Public Bodies (2013), .and in the context of the parallel Public Sector Transformation Project (2014).
There were three prior actions under each objective/pillar, which were substantially relevant to the objectives and linked to the results framework. For example, the first prior action under the first objective was that the Government of Jamaica's approved a policy that revises the development approvals process for issuing construction permits and started implementation of system for tracking applications at Parish levels. While construction permits were identified in the earlier diagnostics such as the CEM (2011) and the Investment Climate in Jamaica Policy Note (2014). as the 2010 Enterprise Survey and Doing Business indicators did not consider construction permits as a major constraint to competitiveness; other constraints not addressed in this operation were seen as significantly more binding, such as crime, taxes and informality. Another prior action under the second objective required the adoption of fiscal rules to strengthen fiscal transparency and set a target for debt reduction by approving amendments to Financial Administration and Audit Act and Public Bodies Management Act. This action was relevant to the fiscal objective of the DPL and the need to engender fiscal prudence by adopting explicit fiscal/debt targets. Also, the time of clearance was identified as a major constraint for Jamaican and foreign firms operating in Jamaica, which depend heavily on timelines of clearance for the efficiency of their operations. However, an equally important indicator was the cost of clearance which was not measured.
The analytical underpinnings helped identify policy reforms under the. The high electricity costs and inefficiencies in logistics and hub infrastructure were identified as a long-standing problem, holding back private sector investments in Jamaica. By targeting these long-standing problems, individually and taken together, these measures could be reasonably expected to contribute to improving competitiveness and strengthening fiscal and debt management. Approval of development permits took 7 months, much longer than regional average of 2-4 months and Jamaica was losing investments and jobs due to the onerous approval process. (Program Document, 2015, p. 15). However, the magnitude of this constraint could be question although it could be expected to reduce costs in the key hospitality industry and well-designed

concessions on Kingston Container Terminal and the Airport could be expected to improve efficiency of operations and expand capacity, thereby contributing to improving competitiveness of Jamaica's port and airport infrastructure. On the fiscal side, adoption of the fiscal rules and other measures could be expected to support ongoing fiscal consolidation by making the government's deficit and debt subject to explicit targets, improving transparency and accountability of fiscal management.

The series was complementary to the programs of two other major International Financial Institutions (the IDB and the IMF) and one bilateral institution (DFID) supporting the government's program. The IMF supported reforms on macro and fiscal stability while the IDB focused on tax policy.

There were some weaknesses in translating objectives into results indicators, which were subsequently redefined in the second operation to improve focus and clarity. The number of prior actions and triggers in the for the second operation was excessive. Some (e.g., trigger 9 on environment policy) were not relevant to the PDOs and others (e.g., trigger 10 passing of the Procurement Act) overambitious. These were both dropped as prior actions for DPL2.

Two other triggers were dropped, and associated results indicators were reworded for focus and clarity, one on investment climate and another on PPPs and some triggers for DPL2 were converted into more outcome-oriented measures. For example, the results indicator for trigger 1 was changed from one measuring implementation with respect to the number of parishes using AMANDA to ensure accountability and data transparency in local parishes in the development approval process to an outcome-based indicator (the increase in the speed of approval).

The change of government in February 2016 contributed to the reconsideration of priorities in the policy dialogue. By and large, changes in the results indicators resulted in the improvement in the formulation of prior actions and the results framework for the second operation. Government representatives indicated that a simpler results framework with fewer triggers from the outset would have been desirable. Overall, relevance of design overall is deemed substantial.

Overall, with respect to the causal chain, these measures could have been reasonably expected to contribute to the objective of improving the investment climate and competitiveness. Reducing the time for building approvals could be expected to lead to lower construction costs, shorter construction times and an increase in private investment in commercial real estate, which is linked to the key hospitality industry in Jamaica. However, as noted above, it is not clear that this was the most binding constraint to competitiveness as compared with some which were consistently featuring near at the top of the constraints to private sector growth: crime, taxes and informality. In this regard, the causal link of this prior action was tenuous.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

Improving investment climate and competitiveness

Rationale

Under this objective, three targets were met, one was substantially met, and one was not met. Under those that were met, 89.9 percent of building applications were approved within 90 days as of June 2018 (exceeding the target of 66%) (although this indicator was related to a prior action that itself was not sufficiently relevant.) This compares favorably with the average of 18 months for approval before the project (PD p. 13). The percent of electricity generated using heavy fuel oil and diesel in 2018 was 66.0 percent (exceeding the target of maximum 75%); and 69.2 percent of the declarations/shipments were cleared within 24 hours (exceeding the target of 65%). Achievement of the target of making operational the Building and Approvals Board under the Buildings Act has been delayed but substantial progress had been made by 2019 in identifying potential members of these boards and approving their terms of reference, suggesting that this reform was continuing.

One target was not met: the conversion of 40% of companies from free economic zones to special economic zones (JSEZA). Free economic zones were not compliant with WTO guidelines. By contrast, the change towards special economic zones was justified as it was compliant with WTO. Also, the shift towards JSEZ provided a better environment to promote small Jamaican firms and farmers and their integration into the global value chain and strengthen their competitiveness. By contrast large, established firms mostly benefited from free economic zones. However, only five out of 109 companies (4.6 percent) had converted from free zone to Special Zone Operators. This appears to be related to the fact that until December 2019 the existing law provided disincentives for companies in the Free Zones to change their registration to JSEZA.

Achievement was substantial.

Supplemental indicators of Jamaica's investment climate and competitiveness collected under this ICRR also indicate improvements as well as concurrent increases in foreign direct investment and an acceleration of growth in the 2018-19 period compared with the long-term average (PPAR of Jamaica Economic Stabilization and Foundations for Growth 2019). In January 2019, Fitch upgraded Jamaica's credit rating to B+, and raised the country rating ceiling to a decade high of BB- (IMF Fifth Review Under the Standby Arrangement, April 2019, p.6). These supplemental indicators support an overall picture of improvement in the investment climate and fiscal fundamentals which were targeted under the DPL series. attribution to the Bank Series alone is difficult, but it is reasonable to assume that the policy agenda supported by the Series—in conjunction with the support of the IMF and IDB and broader government's efforts—contributed to the improvement.

Rating

Substantial

Objective 2

Objective

Sustaining fiscal consolidation and enhancing public financial management

Rationale

Under this Objective, four targets were met and two were not met. Under targets that were met, the public debt-to-GDP had fallen to 101.1 percent by March 2018 (significantly better than the maximum target of 115% of GDP) and the debt trajectory continued to improve with public debt estimated at 96.1 percent of GDP in March 2019 (PPAR report Jamaica—Economic Stabilization and Foundations for Growth Development Policy Loan, September 2019, p.9). This is a major accomplishment given the scale of adjustment and political consensus and ownership that was needed to make it happen.

Two Reports on Contingent Liabilities were published on the Ministry of Finance and Public Service (MOFPS) website (meeting the target of two reports). In addition, the total number of bid proposals executed through the electronic government procurement system was 1,113, which represents 100 percent of bid proposals (exceeding the target of 5 percent). Finally, capital costs are captured in the Capital Budget. Although recurrent costs are estimated at the design and decision stage but are not included in the PSIP. Both are considered jointly in the budget but not necessarily together in the PSIP envisaged in the target; the target is therefore substantially met. All indicators were directly related to fiscal consolidation and financial management.

One target was substantially met. Virements (the process of transferring items from one financial account to another) were to be eliminated both for compensation to employees and for capital expenditures. They were only eliminated for the compensation of employees which was, however, the largest budgetary item and the principal cause of virements; virements continued to be allowed for capital investments but given the modest size of capital budget this was less of an issue for overall fiscal management.

Finally, one target was not met but broader evidence indicates progress in this reform area as well. In 2018/19 employee contributions represented 2.4 percent of total pension plan expenditures, against a target of 12 percent. As of April 2018, all public servants began contributing 1.0 percent of earnings to the pension plan and will contribute an additional 1.0 percent each year until their contributions reach 5.0 percent. This suggests that some small progress was made. Supplemental evidence, however, suggests that pension reform has made substantial progress with the passage of the Pensions Act in 2018 (which traced its origins to the Bank supported white paper before the beginning of the stabilization in 2013), major improvement in the fiscal position, including controls of the cost of pensions (IMF Article IV consultation 2019).

Overall, the above indicators were also broadly related to the second objective. The indicator of public debt represents substantial fiscal consolidation efforts and, therefore, measures contribution of fiscal policy to the reduction of the debt overhang (after taking account of GDP movements). While publication of reports on contingent liabilities is an output measure of fiscal transparency, it also contributes to better monitoring and identification of fiscal risks, thereby contributing to the overall fiscal consolidation.

With a majority of the targets achieved (7) or substantially achieved (2), out of 11, and two targets that were not achieved but with evidence of progress, efficacy is rated substantial.

Rating
Substantial

5. Outcome

With high relevance of objectives and modest relevance of design as well as substantial efficacy, outcome of the Series is Moderately Satisfactory.

a. **Outcome Rating**
Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

The Series has supported the government's significant reforms that were focused on growth and fiscal stabilization. Those reforms have been ongoing since 2013, underpinned by political leadership, government ownership, stakeholder consensus and close monitoring of the reform program by the Economic Program Oversight Committee, which included all key stakeholders in the reforms. After the successful conclusion of the earlier IMF three-year EFF program and the Bank's standalone Economic Stabilization and Foundations for Growth DPL, the new government that that came in 2016 continued to build on this track record, deepening reforms in both critical areas of competitiveness and fiscal management.
The very large primary fiscal surplus of 7.5 percent of GDP was maintained during the life of the series, helping reduce public debt well below the program target. Economic growth has also picked up in 2018-19 above the long-term average of 1 percent and foreign direct investments have increased, indicating that Jamaica is beginning to reap the benefits of long-term fiscal consolidation and structural reforms. Meanwhile, political consensus and reforms continued after the change of government in 2016, which took place between the two operations in the series. In view of these developments and the strong track record of the government, the likelihood that political risk, weakening ownership and stakeholder consensus will undermine the achievements of development outcomes has decreased from the time of the outset of the series. Nevertheless, the risks of reform fatigue of what has been a long and difficult reform process as well as political risks and external risks of natural disasters that can derail continued fiscal adjustment are not insignificant. Therefore, at the time of this validation (April 2019), the risk to development outcomes is considered high, in large part because of the new and difficult context of the global, COVID19 pandemic and its potential fiscal impact on an economy where tourism is such an important component of GDP.

a. Risk to Development Outcome Rating

High

7. Assessment of Bank Performance

a. Quality-at-Entry

The Bank maintained deep and continuous policy dialogue on key growth, competitiveness and fiscal management issues before the Series. The relationship with the government was cooperative and productive. The Bank coordinated closely and effectively with the IMF and the IDB, both of which also provided financial support. Division of labor between these agencies was agreed early on, with the Bank focusing on structural reforms for competitiveness and certain fiscal management and transparency reforms while the IMF continued to focus on fiscal stabilization and the IDB on tax reform.
The macroeconomic framework was sound at the outset. However, there was room to improve alignment of the competitiveness enhancing PAs with diagnostic findings of the most pressing constraints and the large number of triggers, some of which were cumbersome with several sub actions, was a weakness of design.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

As would be expected in the programmatic series, the Bank team maintained a strong and continuous dialogue with the government. Two supervision missions under the first and three missions under the second operation attest to the intensity of engagement. This was especially important as the new government came to office between the two operations. These events can sometimes result in changes in direction or a slowdown of reforms and, therefore, requires enhanced engagement of the Bank. With strong and continued ownership of the government, the Bank team provided continuity of the dialogue from the previous operation and prepared the second operation with limited, technical delays from the original plan.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

The series covered the period that straddled two different government administrations, which often can result in change of direction or slowdown of reforms. This did not happen. Government ownership remained high through the life of the Series because the objectives of the series were focused on growth and competitiveness and fiscal management, which were also government's priorities. The evidence for high ownership is reflected in strong and sustained fiscal consolidation and continued gradual progress on structural reforms as well as an explicit mechanism for building and maintaining stakeholder consensus (See below).

The operations' objectives also targeted some of the well documented constraints such as construction permit approvals, inefficiencies in customs and logistics, public investment management processes etc. The underlying reasons for high government ownership and stakeholder consensus had to do with the continued operation of the Economic Programme Oversight Committee (EPOC), which played a socially cohesive role during difficult reforms, included representatives of the private sector, the banks, the unions, civil society/academia, the Central Bank, and the government. As such, it was the key mechanism of building and maintaining stakeholder consensus. (See PPAR on Jamaica Economic Stabilization and Foundations for Growth DPL, 2019). It also used its monthly meetings reviewing the progress of the government's program to provide factual communiques to the public, explaining candidly progress made and remaining challenges.

The new government in 2016 continued to rely on EPOC in this role and pressed ahead with an essentially unchanged long-term reform agenda focused on growth and fiscal consolidation. Planning Institute of Jamaica (PIOJ) and Ministry of Finance and Public Service showed commitment and strong engagement during design and implementation. The new government was also proactive in the policy dialogue in that it engaged the Bank in the reconsideration of some of the triggers/prior actions for the second operation, which in several cases improved clarity and focus of those actions in the second operation.

Government Performance Rating

Satisfactory

b. Implementing Agency Performance

N/A

Implementing Agency Performance Rating

Not Rated

Overall Borrower Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

Design of indicators was sbstantial. Indicators were defined with clear baselines and targets, and they relied on data available from the official sources. Indicators were relevant to the objectives. In a few cases, indicators could have been more clearly defined (e.g., regarding virements on capital investments and compensation to employees) or targets could have been less ambitious (e.g., regarding pension contributions). In the second operation, in the dialogue with the government, some indicators were better defined and focused.

b. M&E Implementation

The Ministry of Finance and Public Service (MOFPS) and PIOJ were the agencies in charge of coordinating the data collection from the government's side and their presentation in the course of the policy dialogue and evaluation. Data were made freely available.

c. M&E Utilization

The ICR does not provide information whether or to what extent the data were used by the government in their decision-making processes.

M&E Quality Rating

Substantial

10. Other Issues

a. Environmental and Social Effects

The Series was expected to have neutral impact on the environment with some potentially positive impact from the reduction in the share of the petroleum-based generation of electricity. (Program Document, table 6). Also, the new Electricity Act provides a framework for improved energy efficiency (ICR, p. 10). However, the ICR does not explicitly note the ex ante nor ex post environmental classification of the Series.
Although no firm data are provided, the ICR credibly states that through the beneficial aggregate impact on poverty and employment, the reform supported by the Series would be expected to benefit the poor and new entrants to the labor market.

b. Fiduciary Compliance

Fiduciary environment was adequate for the continuous IMF programs since 2013 and the World Bank's budget support. However, ICR notes remaining, substantial risks that relate to weaknesses in the audits.

c. Unintended impacts (Positive or Negative)

The ICR notes that reduction in the share of power generated by heavy oils has contributed to lessening the impact of the economic activity on the environment. With unemployment at an all-time low, and disproportionate representation of women in the labor force, it is likely that the women may have benefitted from the recent upturn in growth and the associated decline in unemployment.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	High	High	---
Bank Performance	Satisfactory	Moderately Satisfactory	There were issues in the alignment of the competitiveness enhancing prior actions with diagnostic findings of the most pressing constraint. Also, the large number of triggers, some of which were cumbersome with several subactions, was a weakness of design.
Borrower Performance	Satisfactory	Satisfactory	---
Quality of ICR		Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

IEG concurs with the three general lessons of the ICR:

1. Effective coordination with other multilaterals/partners can enhance the impact of a Bank-supported operation, at all stages, from preparation, design to supervision. In Jamaica, there was a high level of cooperation between the Bank, the IMF, the IDB and DFID which enhanced the effectiveness of the operation.

2. Multilateral efforts can achieve higher level results that go significantly beyond the achievement of results indicators targeted by Bank operations alone. In particular, in Jamaica, these efforts led to an exceptional reduction in the debt burden that exceeded the target.
3. Technical assistance and/or investment lending to bolster capacity and accompany implementation of a DPL can be essential for achieving development objectives. This was an important component of the Jamaica series.
To these lessons, IEG adds the following:
4. In preparing programmatic DPL operations that may extend beyond a single government administration, obtaining clear indications of continued political commitment, increases the probability of policy continuity. In Jamaica, the Economic Programme Oversight Committee contributed strongly to the continuity of the program following a change in government.
5. In designing prior actions and triggers for policy frameworks, fewer but critical actions are better than larger number of actions of varying criticality. In the Jamaica DPL series, initial twelve triggers were excessive but were appropriately streamlined in the second operation.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

ICR is well written and candid and, overall, presents appropriate basic evidence needed for the evaluation of the project. One omission is that the efficacy of the first objective is rated modest, which is clearly an error as the write up and evidence on achievement presented is consistent with rating substantial, as acknowledged in the interview with the ICR author. Another one is that the ICR did not comment on the implementation and utilization aspects of M & E. Finally, the ICR could have noted the environmental safeguards classification of the Series.

a. Quality of ICR Rating
Substantial