

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

JAMAICA

COMPETITIVENESS ENHANCEMENT PROGRAM III

(JA-L1014)

LOAN PROPOSAL

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ABBREVIATIONS

BCI	Business Climate Initiative
BOJ	Bank of Jamaica
BPO	Business Process Outsourcing
CIT	Corporate Income Tax
CPC	Chief Parliamentary Counsel
DBJ	Development Bank of Jamaica
EFF	Extended Fund Facility
ESMR	Environmental and Social Management Report
ETA	Electronic Transactions Act
EU	European Union
FAA	Financial Administration and Audit Act
FCP	Fiscal Consolidation Program (Bank sponsored series of three PBLs)
FSAP	Financial Sector Assessment Program (IMF/World Bank)
FSC	Financial Services Commission
GCT	General Consumption Tax
GDP	Gross Domestic Product
GoJ	Government of Jamaica
GPS	Global Positioning System (satellite based)
HIT	High Intensity Team (of the Inland Revenue Department)
HEART	Human Employment and Resource Training (tax supported trust fund)
IDB	Inter-American Development Bank
IMA	Independent Macroeconomic Assessment
IMF	International Monetary Fund
JCC	Jamaica Chamber of Commerce
JCEP	Jamaica Competitiveness Enhancement Program
JDX	Jamaica Debt Exchange
JTI	Jamaica Trade and Invest
LAMP	Land Administration and Management Program
MAL	Ministry of Agriculture and Land
M-Banking	Mobile Banking
MEMT	Ministry of Energy, Mining and Telecommunications
MoF&P	Ministry of Finance and the Public Service
MIIC	Ministry of Industry, Investment and Commerce
NCC	National Competitiveness Council
NIS	National Insurance Scheme
NLA	National Land Agency
NPS	National Planning Summit

NPSA	National Payments System Act
OPM	Office of the Prime Minister
PATH	Programme of Advancement through Health and Education
PAYE	Pay As You Earn (payroll tax)
PBL	Policy Based Loan
PfJ	Partnerships for Jamaica
PIT	Personal Income Tax
PIOJ	Planning Institute of Jamaica
POD	Proposal for Operation Development
PPP	Public Private Partnership
PSA	Private Sector Assessment
PSOJ	Private Sector Organization of Jamaica
SCT	Special Consumption Tax
SBA	Stand-By Arrangement
SET	Special Enforcement Teams (of the Inland Revenue Department)
SMEs	Small and Medium Enterprises
SMS	Short Message Service (in cell phone communications)
VRS	Virtual Reference System

PROJECT SUMMARY
JAMAICA
COMPETITIVENESS ENHANCEMENT PROGRAM III
(JA-L1014)

Financial Terms and Conditions			
Borrower: Jamaica		Flexible Financing Facility*	
		Amortization Period:	20 years
Executing Agency: Planning Institute of Jamaica (PIOJ)		Original WAL	12.75 years
		Disbursement Period:	12 months
		Grace Period	5.5 years
Source	Amount (US\$)	Supervision and Inspection Fee:	**
IDB (OC)	60 million	Interest Rate:	LIBOR based**
Local	0	Credit Fee:	**
Total	60 million	Currency of approval:	US Dollar chargeable to the Ordinary Capital
Project at a Glance			
Project Objective/Description:			
The objective of the program is to improve competitiveness by promoting reforms that expand access to credit and reduce distortions in the tax system, as well as reduce government participation in inefficient enterprises and projects, and lower business costs through more efficient land titling and registration. (¶1.24).			
Special contractual clauses:			
The Borrower, through the Executing Agency, will have complied with the commitments as stated in the Policy Matrix (Annex II) and will have submitted the evidence of compliance with the conditions relevant to the sole disbursement of this programmatic PBL. These conditions are stated fully in Section I.C. (¶1.6, 1.20).			
Exceptions to Bank policies: None			
Project qualifies for:	SEQ <input type="checkbox"/>	PTI <input type="checkbox"/>	Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>

(*) Under the Flexible Financing Facility (FN-655-1) the Borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions, in all cases subject to the final amortization date and original WAL. In considering such requests, the Bank will take into account market conditions and operational and risk management considerations

(**) The credit administration fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, justification and problem addressed.

- 1.1 The Jamaica Competitiveness Enhancement Program (JCEP) is composed of a three individual operations under the programmatic modality (PR-3251). The first operation (JCEP-I), approved on 2008 (1972/OC-JA), provided the frame of reference for the three operations. The second operation (JCEP-II) was approved on 2010 (2297/OC-JA), and the proposed operation (JCEP III) completes the implementation of the policies (see Policy Matrix). The current operation of US\$60 million supports the country's financial needs for 2014 of US\$800 million, of which US\$300 million are external financing.

1. Recent macroeconomic performance¹

- 1.2 Jamaica's economy is open, with a relatively narrow export base, and highly dependent on oil imports (88% of total energy). Moreover, it relies heavily on remittances and tourism, with each accounting for about 15% of GDP (mainly from North America, the United Kingdom and Canada). External trade in goods and services amounts to almost 90% of GDP. Due to the world economic downturn Jamaica experienced a simultaneous fall in remittances, exports, including mining and tourism services, and FDIs, which led to a strong contraction in economic output and a further increase in the debt-to-GDP ratio, which was already high as a consequence of a banking crisis in the mid-1990s and low economic growth thereafter. The authorities addressed the vulnerability, including a debt exchange and an IMF Stand-By Arrangement (SBA) but the program stalled after two reviews. The Jamaica Debt Exchange was January 2010; the SBA was approved February 4, 2010. The National Debt Exchange was February 2013, EFF approved May 1, 2013.
- 1.3 Following a period of uncertainty, the IMF Board approved a four- year Extended Fund Facility (EFF) for Jamaica in May 2013. The Bank and the World Bank Management propose to support the EFF with potential financing of US\$510 million over the period 2013-2017. The medium-term macroeconomic framework supported by the EFF is challenging as Jamaica's public debt remains among the highest in the world, at over 140% of GDP. Jamaica requires high primary surpluses over an extended period of time to reduce debt-to-GDP to the targeted 100% by March 2020. Without ongoing clear commitment to the EFF, the external vulnerability could lead to capital flight putting pressure on both the exchange rate and international reserves. The IMF Board discussed the first review of the EFF on September 30, 2013 and the second was discussed on December 18, 2013 and Jamaica met all structural and quantitative targets without

¹ According to the IMA, the current macroeconomic framework is conducive to the objectives of the PBLs. For details, see "Jamaica: Independent Macroeconomic Assessment" approved in October 2013.

the need for waivers. Performance on the main targets, primary surplus, fiscal deficit and net international reserves was strong. However, growth remains weak, which could pose challenges going forward.

- 1.4 Jamaica has been in recession for 17 out of the last 23 quarters. Growth rebounded with an expectation of 0.8% for the current fiscal year, followed by a projected acceleration to over 2% starting in fiscal years 2016-2017. Bringing Jamaica on a sustainable growth path is a challenge. Meeting the IMF targets through fiscal consolidation might affect the population afflicted by the recession. As such, the EFF supports the Jamaican strategy to facilitate growth.
- 1.5 The medium-term fiscal framework targets a primary surplus of 7.5% of GDP from fiscal years 2013/14 onwards. In the short term, the challenging increase in the primary surplus will be based on both additional expenditure restraints and revenue measures but deeper, structural measures are required — such as the implementation of the comprehensive tax reform by the end of March 2014 — for medium-term sustainability. The economic weakness since the start of the world economic recession has taken a toll on the population. Unemployment has been continuously increasing from 9.4% in 2007 to 16.3% as of April 1, 2013. The unemployment rate is higher for women (21.3%) and youths aged 14-24 (38.5%). The last increase in the unemployment rate was caused by a spike in jobseekers as employment remained constant, indicating that persons stepped up their efforts to seek work. Security also continues to be a major concern in Jamaica although there has been a reduction in homicides since 2010, partly attributed to the restriction of gang operations by the State.

2. Problems addressed and Progress

- 1.6 Jamaica has experienced persistent low economic growth, partly as a result of sustained high levels of unproductive public spending, financed through public debt, and unproductive private investment. Private investment rates have been traditionally high, mainly due to foreign investment in tourism and bauxite. Between 2000 and 2005, investment averaged 30% of GDP, but economic growth was only 1.5% per annum. IDB studies attributed the problems in the quality of investment to distortions in the allocation of resources, especially those caused by the tax system.² Over the last 15 years, Jamaica's economy has grown, on average, less than 1% annum.
- 1.7 Even though Jamaica has assets that enhance private competitiveness, it ranked 78st out of 131 countries (60% percentile) in the Global Competitiveness Index (GCI) according to the Global Competitiveness Report for 2007/2008, when the Program started. The GCI Index for 2012/2013 showed a decrease in the ranking of 94 out of 148 (63% percentile). The GCI highlighted the principal

² Jamaica: A Private Sector Assessment ERI (2006) and Artana and Navajas "Fiscal Policy Challenges" (2004). IMF's WP ED/861235 Public Debt and Productivity, the Difficult Quest for Growth.

factors that limited business' competitiveness as: (i) access to financing; (ii) tax regulation; (iii) tax rates; (iv) cost of crime and violence; (v) high level of informality; (vi) inadequate supply of infrastructure; and (vii) burden of economic regulation. The Private Sector Assessment (PSA)³ further identified the following factors: (i) over-involvement of the state in the economy; (ii) distortions due to incentives and inequitable tax systems; (iii) underdevelopment of financial markets; (iv) costly and cumbersome processes for land registration; and (v) excess of regulation and procedures. Even though the program addresses most of these reforms, they have been recently implemented to show progress in the indicators. The general macroeconomic framework, the fiscal constraints and the high levels of debt carried by the government also affected the business climate and the confidence of investors and productivity and growth. The priority problems have been addressed in the areas of: (i) public – private dialogue, (ii) tax regulation and tax rates; (iii) involvement of the state in the economy; (iv) access to finance; and (v) land registration, as described in the following paragraphs.

- 1.8 Jamaica has had several councils engaged in public-private dialogue on competitiveness and other related issues, and the proliferation of such councils with overlapping mandates and constituencies hindered the achievement of consensus between the public and private. The first and second operation supported the National Competitiveness Council (NCC) activities and the third operation included the signature of the Partnerships for Jamaica (PfJ) as a mechanism for public-private dialogue.

a) Cumbersome and costly tax policy and administration system

- 1.9 Jamaica's tax system has penalized small businesses, distorted resource allocation and was complex and expensive to administer, both from the perspective of taxpayers as well as the processes involved in the collection of taxes⁴. The complexity of the tax system created uncertainty and increased transaction costs for businesses. Ad valorem stamp duties imposed high costs on commercial transactions particularly in property transfers and registering security interests, increasing the cost up to 20%. Tax incentives granted to some investors create a wedge between private and social rates of return, and result in a total "tax expenditure", i.e. tax revenue forgone.⁵ Studies sponsored by the Bank⁶ show that the Jamaican tax incentives have promoted capital-intensive production technologies that have not induced productivity. The tax structure also promoted debt financing at the expense of equity financing crowing out of investments with a higher economic rate of return.⁷

³ Jamaica: A Private Sector Assessment ERI. 2006.

⁴ Howell, Holden (2012) Private Sector Report Assessment: Removing Barriers to Growth.

⁵ The program has enabled the GoJ to prepare its own Tax Expenditure Budget that estimates these amounts on a yearly basis.

⁶ Artana and Navajas (2004). "Fiscal Policy Challenges." IDB and Jamaica: A Private Sector Assessment.

⁷ It is estimated that around 200,000 tax waivers have been issued.

1.10 Jamaica's corporate income tax framework provided the wrong incentives to the private sector. Nominal rates of CIT are relatively high, but these are offset by tax incentives for preferred economic groups under 12 tax incentive acts. In addition, there was a rate differential between the CIT and the PIT (33.3% and 25%, respectively). These distortions affected resource allocation decisions between sectors and activities, promote informality and rent seeking activities, and drive a wedge between private and social rates of return.⁸ Empirical evidence has shown that small firms are less likely to become formal due to the high cost of paying taxes.⁹ The first and second operations tackled the reforms on Stamp Duties and Transfer taxes,¹⁰ the first stage of rationalization of labour taxes, training on tax policy modeling and preparation and dissemination of tax expenditure reports. The third operation rationalized the CIT and PIT taxes. Also the first and second phase of the amalgamation of labour taxes took place. The tax policy modelling is being utilized, the tax expenditure report was disseminated and a new methodology for collection of tax information was approved.

1.11 **Costly Tax administration.** Full compliance with all the tax laws and regulations was arduous and costly. For example, labour taxes had to be paid to separate agencies at different times during the month, documentation requirements of legitimate business expense deductions are complicated and even ambiguous, and reporting requirements are occasionally duplicated. This makes doing business very costly and time consuming.¹¹ The first two operations achieved interim benchmarks in the action plan for simplifying tax administration and improving collection. Under the third operation the remaining benchmarks were achieved.

b) State involvement in inefficient enterprises and projects

1.12 Expenditure rationalization is essential to reduce high government debt levels and deficits. The budget needed to be reduced by divesting loss-making state-owned enterprises (SOEs). In 2007, the budgetary support for SOEs was at US\$170 million,¹² plus an additional US\$100 million for Air Jamaica. Around 9.83% of GDP was allocated to transfers and subsidies in 2007.¹³ With the first two operations, a partial reduction of budget support with the partial divestiture of the Sugar industry was achieved. The third operation included the divestiture of the Sugar industry, the divestiture of Air Jamaica and the approval of a PPP policy.

⁸ Two of these deductions are the contributions to the Human Employment and Resource Training (HEART) trust fund and the Education Tax.

⁹ Does it pay to register for taxes? The impact of formality on a firm Profitability. McKenzie, Syhabou Sakho. Journal of Development Economics. 2010

¹⁰ The condition of reduction of Stamp Duties and Transfer Taxes was surpassed, but later reverted to the 2009 levels, complying with the initial conditionality.

¹¹ Holden (2006) Private Sector Assessment.

¹² There were five payroll deductions, separately administered and with separate rate and base structures Source: Ministry of Finance: Estimates of Revenues and Expenditure for Public Bodies.

¹³ Ministry of Finance. Budget Reports on State Owned Enterprises

1.13 Inadequate use of private capital and expertise for financing infrastructure.

Jamaica tried to overcome the infrastructure investment gap with PPP projects, mainly in water and transportation. These projects yielded long-term negative fiscal impacts and did not meet expectations. Water programs at the municipal level had to be taken over by the public sector as a result of financial difficulties. The Highway 2000 road, even though it was built in record time and met standards, required a government guarantee of a US\$130 million bond issue and the assumption of all environmental and geological risks.¹⁴ A more streamlined PPP framework was needed to promote private investment in major projects. This area was tackled in the third operation by the approval by Cabinet of an institutional framework for PPPs.

c) Access to finance and financial market development

1.14 Limited Access to Finance. Access to finance by the private sector was limited by the high costs of borrowings, that resulted in limited credit to the private sector (28% of GDP), and only 35% of the population with access to a Bank account.¹⁵

Studies done as part of the Program show that female entrepreneurs are the most affected by limited access to finance.¹⁶ While Jamaica has some unique characteristics around gender dynamics, it shares many of the same issues around financial empowerment of women at the lower economic strata around inequities of employment, income, caretaker burden, and greater financial vulnerability overall. Mobile financial services begins to address some of these issues since it increases access to remote areas, provides control and privacy to the individual, enables new financial services to the previously unbanked, and provides efficiency gains around the replacement of cash to digital payments.¹⁷ In addition, the elimination of financial constraints, in particular for smaller firms, will have an increase in profits and returns to capital with a larger effect in smaller firms.¹⁸ The limited access to finance is evidenced in lack of framework for secured transactions, lack of credit information and low banking penetration.

1.15 Lack of framework for Secured Transactions. Although the Jamaican legal system allows for various forms of secured lending in Jamaica, each has restrictions on the type of collateral, the type of debtor and the type of creditor, and has different costs and procedures. Each option has its own set of rules for creating security, some of which are very extensive.¹⁹ Some of the options are

¹⁴ “PPPs in the Caricom”, Nicholas Livingston. 2009.

¹⁵ Source: World Bank Development Indicators. World Bank Financial Indicators.

¹⁶ Holden, Paul. 2010. Reforming Jamaica’s Collateral Framework to Increase Access to Credit for Women. And Hossein, Caroline Shenaz. 2009. Access and Microfinance in Kingston, Jamaica. [IDBDOCS-#38250331-Gender Access to Finance\(29jan2010\)](#)

¹⁷ Mpay connect. 2010. Jamaica Gender and Mobile Financial Services Report.

¹⁸ Experimental evidence in Returns to Capital and Access to Finance in Mexico. 2008. McKinsey and Woodruff. Oxford University Press. Through a randomized control trial experiment, the study found that financially constrained firms can increase their return to capital (10-20% for small to medium sized firms) when given access to capital. Furthermore, the results show how constraints on finance affect productivity.

¹⁹ Holden, Paul, Welsh Allen (2008) Policies and Options for Secured Transactions

subject to the Stamp Duty Act and some are only available to corporations, excluding smaller companies. Commercial banks exclude substantial classes of borrowers and financial instruments that are commonplace in other countries.²⁰ Thus, a legal framework to enable corporations or entrepreneur to use movable property to access credit under much simpler and less costly conditions for SMEs was needed. The first two operations supported the consensus building activities with stakeholders to enable the legislative framework. For the third operation the Secured Transactions legislation was enacted and consultations carried out and the Insolvency Bill was submitted to Parliament.

- 1.16 **Lack of Credit Information.** When the program started no formal system for Credit information was in place, such as would be provided by credit bureaus, for assessing applicants' payment histories and creditworthiness. Empirical evidence in similar reforms in the region suggest that the reduction of asymmetries in credit information will result in an increase in access to credit for new borrowers and firms, as well as an increase in loan size for solidarity groups.²¹ The first two operations supported the submission of the Credit Reporting Legislation and the enhancement of the Central Bank's capacity for supervision of Credit Bureaus. The third operation supported the enactment of the legislation, the implementation of the regulatory system and the awarding of licenses for two Credit Bureaus.
- 1.17 **Low banking penetration.** Only 35% of the adult population has access to a bank account.²² Limited access to financial services to the SMEs, and the need for money transfers between urban and rural consumers and producers call for the use of electronic banking services.²³ M-banking was not available in Jamaica when the program started, and the available initiatives represented only a portion of the full potential. Regulatory gaps and restrictions inhibited transformational m-banking from emerging and reforms were required for industry players to engage in m-banking, in particular by addressing money laundering issues.²⁴ The first two operations supported the approval of an action plan for the implementation of mobile banking, the regulatory framework for Electronic Transactions and the drafting instructions for the amendment of the Financial Act regarding e-payments. The third operation supported the achievement of the remaining benchmarks for the provision of mobile devices for financial transactions, the

²⁰ Welsh., Allen (227) Implementation of Regulatory Reform in Secured Transactions: Action Plan

²¹ The Supply and Demand side of Credit Market Information. 2013. January, McIntosh and Sadoulet. Journal of Development Economics. Evidence is provided through a randomized experiment on how the implementation of a Credit Bureau in Guatemala and the reduction of asymmetric information generated a large increase in turnover of clients, introduced new borrowers to the system, increased loan size for small and solidarity debtors and a dramatic increase in payment performance.

²² World Bank Development Report (2013)

²³ Several studies have found that implementing m-banking schemes has a positive impact on countries' economic growth and improves access to finance for the unbanked population. (Mitha, Aize..2007. Financial Services through Mobile Devices; Issues and Options for Jamaica, Holden, Paul.2008. Cell Phone Banking in South Africa. Financial Services for the Poor.)

²⁴ MPayconnect (2010) Assessment of Jamaica Regulatory Issues for M-Banking

enactment of the National Payment Systems, e-payment regulations and the issuance of guidelines for Electronic Payments of Retail Services.

d) Costly and cumbersome land titling and registration

- 1.18 In Jamaica, 45% of the rural land markets have no legal title and 55% of the current titles have flawed arrangements. There are also 595 squatter settlements, of which 83% are urban.²⁵ Weak land property rights and burdensome registration and titling procedures hinder private investment and the use of land as collateral for financing new businesses while creating a bottleneck for investors that need space to operate their businesses. The process for registering a parcel of unregistered land includes a cumbersome number of steps and the transactions costs are extremely high, making it prohibitively costly for Jamaicans to register their land.²⁶ Transfer taxes and stamp duties account for about 13% of the value of the transaction, and professional fees may amount to an additional 12%. These factors limit the development of real estate markets and the value of the assets, in particular since they cannot be utilized as collateral for business endeavors.
- 1.19 Developing countries have made efforts to improve land property right systems, based on the precept that increased security in the land title will improve productivity by increasing access to finance, investment and land productivity.²⁷ Empirical evidence shows that relationship between land registration and credit access is based on the use of registered property to secure credit for SMEs. Studies have shown that between 50% and 80% of credit providers will not approve a small enterprise credit proposal if collateral is not provided.²⁸ With the first two operations, the conditions to facilitate Land Titling and Registration have been improved by reducing the cost and time and now an average of 1,100 titles have been produced between 2007 and 2009 (compared to a baseline of 6 titles a year) with three out of the 14 parishes declared LAMP areas. The reduction in cost and time for an average parcel can be up to 75% of the total cost and in time from six to two weeks.²⁹ With the third operation 13 of the 14 parishes were declared LAMP areas and a PPP for the implementation of LAMP II is in place.
- 1.20 When JCEP started, the basic legislation for promoting business activity (access to finance, affordable land titling and ease of paying taxes) was not in place, while the GoJ had a considerable burden with inefficient enterprises. A substantial effort was made to set up the institutional and legislative framework to enable a business climate that fosters private sector-led growth.

²⁵ GoJ. Discussion Paper for the National Planning Summit 2007.

²⁶ Campbell, Delrose (2007) Action Plan for Land Titling Reform.

²⁷ Feder. G. Nishio. A. 1998. The Benefits of Land Registration and Titling: Economics and Social Property. Land Use Policy.

²⁸ Domehers, D. Abdulai. R. 2010. Land Registration and Access to Small Enterprise Credit: Preliminary Findings. Liverpool John Moores University

²⁹ Ministry of Agriculture. 2010. Lamp Progress Report. IDBDOCS-#38250526-Land Titling and Access to Credit.

- 1.21 **Program Alignment.** The present operation is consistent with the IDB's Country Strategy with Jamaica 2013-2014 (GN-2694-2), which includes financial and private sector development as priority areas and recognizes the importance of addressing business climate and access to finance issues for future growth. This program is aligned with the objective of the Ninth General Increase in the Resources of the IDB (AB-2764) to support small and vulnerable countries and institutions for growth and social welfare. The program will contribute to the regional goal of increasing the ratio of actual to potential tax revenue and percentage of firms using banks to finance investments. The Program is aligned with Jamaica's National Development Plan, Vision 2030.³⁰ In addition, this program complements the Fiscal Structural Program for Economic Growth (JA-L1038) as it provides the analytical bases for comprehensive tax reform, and with Public Sector Efficiency Program (JA-L1046) since it supports the enacting of legislation of the Companies' Registry. The EFF includes benchmarks on business climate reforms that correspond to the continuation of the activities fostered by JCEP in access to finance and lowering the cost of doing business. The updates of the Matrix reflect on that progress.
- 1.22 **Lessons Learned.** The Bank's experience with the Programmatic instruments in Jamaica, in particular the lessons learned from the first two operations, shows the need to maintain continuous technical dialogue with the various stakeholders to support the GoJ in making informed decisions on relevant policies and the need for technical support for assisting the GoJ. The value added of the operation consisted in technical support in the different components to facilitate informed decision making and consensus building. The coordinated effort with other donors has strengthened technical and political support for the institutional changes required. Furthermore, a sound macroeconomic policy is crucial for private sector led growth and to enhance the business climate.
- 1.23 The Bank has been coordinating efforts with the IMF under the EFF programme, and with the World Bank, who prepared a Development Policy Loan (DPL) in the amount of US\$130 million that was approved on December 12, 2013. This DPL aims at improving the investment climate and public financial management in a broader scope. The DPL complement the JCEP by building continuity on the reforms initially formulated in 2008 in the areas of access to finance (implementation of Credit Bureaus) and SME policy. The EFF programme contains reforms regarding access to finance and facilitating business registration that build on reforms proposed by JCEP at its starting point. The IDB has taken the lead on the business climate reforms by providing the GoJ with all the technical support for informed decision-making and consensus reaching, thus promoting macroeconomic stability by fostering private-sector lead growth.

³⁰ In particular in the Competitiveness Pilar, the areas of Access to Finance and Tax Reform are highlighted. In the pillar of Asset Mobilization the issues of Land Registration and Titling are declared a priority as well.

B. Objective and Program Structure for the Third Operation

1. Objective

1.24 The objective of the program is to improve competitiveness by promoting reforms that expand access to credit and reduce distortions in the tax system as well as government participation in inefficient enterprises and projects, and lower business costs through more efficient land titling and registration. The activities are detailed below and are listed in the attached Policy Matrix. The GoJ has implemented all of the Policy Reforms agreed in the initial Policy Matrix to date and has surpassed the original agreements in some areas (see [Comparison of First and Third PBL Policy Matrices](#)).

2. Components

1.25 **Component 1: Macroeconomic Policy Framework.** The objective of this component is to maintain an appropriate macroeconomic policy framework is congruent with the program's objectives.

1.26 **Component 2: Competitiveness implementation framework.** As a condition for disbursement, the GoJ will submit evidence that the forum for public-private dialogue NCC (National Competitiveness Council) is in operation and holding regular meetings, the priority activities have been set in place and the Technical Secretariat is operating the monitoring Forum Agenda, and the recently created PfJ is operational with support from the Technical Secretariat at JAMPRO.

1.27 The NCC, in charge of leading and monitoring the public-private dialogue in areas of competitiveness, housed at JAMPRO, has continued its operation. The NCC has developed an agenda for reforms for the 2012-2015,³¹ which has been monitored by the Secretariat and some of the priority actions are completed. In July 2013, the Partnerships for Jamaica (PfJ) agreement was signed by the government, private sector, academia and civil society, with the objective of promoting and reaching consensus on reforms and actions for economic growth and meeting have taken place.

1.28 **Component 3: Tax reform.** The GoJ is committed to reduction of distortions in the tax system. As a condition for disbursement the Ministry of Finance and Planning (MoF&P) will submit evidence of progress in implementation of legislative initiatives to reduce distortions in the tax system and the institutional

³¹ The last NCC agenda for reforms include the coordination and monitoring of the agenda for reforms that are included in this Program, such as access to finance, reduction of the cost of doing business, paying taxes (electronic filing and amalgamation), opening and closing a businesses, property registration as well as others that are included in the Doing Business Report such as getting electricity, trading across borders and enforcing contracts.. The NCC follows the progress on the IMF agreement in the areas of Business Climate, such as enacting of secured transactions, insolvency law and legislation for enabling business registration.

strengthening in the tax policy area, including: (i) CIT rationalization³² and amalgamation of payroll taxes (Phase I and Phase II); (ii) utilization of tax policy modeling; (iii) preparation and dissemination of the 2013 tax expenditure report; and (iv) approval of a new methodology for collection of income tax information.

- 1.29 The GoJ made progress in the compliance of the conditions: (i) the amalgamation of labour tax payments has been achieved with Parliament's approval of regulations enabling one payment, completing Phase I and II of the implementation process; (ii) training for officials on tax policy modeling and tax expenditure reporting has been carried out and the tax policy models have been used in preparing the GoJ's "Growth-Inducement Strategy"; (iii) comprehensive tax expenditure report was prepared for 2009, and has been published on a yearly basis up to 2013; and (iv) the new methodology for collection of income tax information was approved by MoF&P. In addition, a Provisional Tax Order amended temporarily the Income Tax Act as of July 2013 in which the CIT and the PIT were harmonized at the rate of 25% for unregulated companies.
- 1.30 The GoJ is committed to simplification of tax administration. As a condition for disbursement the MoF&P will submit evidence of compliance with the agreed action plan in the following areas: (i) implementation of an Electronic Drop Box to pick up official receipts; (ii) operation of E-payment kiosks; (iii) broadening the application of the third party collection project; and (iv) risk analysis of the Forensic Data Mining Intelligence Unit in operation. The GoJ has fully complied with all the conditions for simplifying and lowering the cost of paying taxes as agreed on the initial Action Plan. In this regard, the following has been accomplished: (i) the Electronic Drop Box has been implemented and is currently in operation, procedures have been fine-tuned, and advertised; (ii) the E-payment portal is in operation, the existing software and hardware has been upgraded, and self-employed and corporate individuals can now file electronically; (iii) the Third Party Collection Project's technical component is completed and new service providers are being evaluated in order to reduce costs; and (iv) a Forensic Data Mining Intelligence Unit has been established.
- 1.31 **Component 4: Elimination of budgetary burden for SOEs.** The GoJ is committed to government expenditure rationalization. As a condition for disbursement, the GoJ will demonstrate achievement of benchmarks of the action plan for the rationalization of public enterprises by submitting evidence of elimination of budget support for at least one state-owned enterprise and the approval by Cabinet of the institutional framework for PPPs. The GoJ has made substantial progress in reducing support for state owned enterprises: (i) the sugar industry has been fully divested, as Cabinet approved the purchase of the remaining sugar entities by COMPLANT International Sugar; and (ii) the full

³² The amendment of the Income Tax harmonized CIT and PIT through a Provisional Tax Order under the IMF EEF program, the GOJ will enact a comprehensive tax reform that will make this adjustment permanent by December 31. This tax reform is part of the Programmatic Operation (JA-L0138).

divestiture process of Air Jamaica was completed in 2010 with Caribbean Airlines (CAL) taking full financial responsibility for Air Jamaica. Cabinet approved an institutional framework for carrying out PPPs in 2012, involving the MoF&P, implementing mandatory evaluation and assessment of fiscal contingencies and strengthening of the capacity of the Development Bank of Jamaica (DBJ).

- 1.32 **Component 5: Improving access to finance.** As conditions for disbursement: (i) progress will be made in achieving the remaining benchmarks for secured transactions, including: (a) Cabinet approval of the issuance of drafting instructions for the Security Interest on Personal Property Bill, (b) consultation with stakeholders, and (c) enactment of the legislation; (ii) a functioning framework for the regulation and supervision of credit bureaus, including: (a) enactment of the Credit Reporting Bill and regulation, (b) implementation by Bank of Jamaica of its action plan for supervision of Credit Bureaus, (c) two licenses for Credit Reporting Operators awarded and one Credit Bureau Operating, and (d) awareness campaign implemented; and (iii) progress in achieving benchmarks for use of mobile devices for financial transactions including: (a) consultation with stakeholders, (b) elaboration of an appropriate policy framework, (c) initiation of a pilot project for provision of payments to Programme of Advancement through Health and Education (PATH) beneficiaries through m-banking and consultations initiated, (d) the assessment of regulations for addressing anti-money laundering in m-banking and issuing of guidelines for Electronic Payment of Retail Services, e) the National Payment System in effect, (f) E-payments regulations in effect, (g) the SME Policy approved by Cabinet, and (h) Legislation for recognition of Registration Form enacted.
- 1.33 **Secured transactions framework.** Consultations with Cabinet and private sector stakeholders have taken place. Cabinet approved the issuance of drafting instructions and the draft Bill was prepared during 2012, including consultations with stakeholders. The Bill was tabled in Parliament in June 2013 and passed in December 2013. The insolvency Bill was tabled in Parliament in December 2013.
- 1.34 **Creation of credit bureaus.** The GoJ has achieved the benchmarks of the agreed action plan as follows: (i) the Credit Reporting legislation and the legislation was put into effect on October 1, 2010 and Regulations were Tabled in 2011; and (ii) the Bank of Jamaica has achieved the milestones in the Action Plan and strategy for the supervision of Credit Bureaus, including: (a) a public education campaign, (b) establishing a unit for the supervision of credit bureaus under the Financial Institutions Supervisory Division, (c) implementation of the licensing process, (d) an on-going supervision plan, and (e) external due diligence. At present, two licenses have been granted and one Credit Bureau is in operation.
- 1.35 **Facilitating electronic transactions.** A Working Committee was established with the MoF&P, BoJ and the Planning Institute of Jamaica (PIOJ), for the implementation of M-Banking. A pilot program for electronic payment of conditional cash transfers was initiated, including the PATH, National Insurance Scheme (NIS) pensions, and student transfers. The cost benefit analysis of the

pilot program was carried out, and an action plan for addressing the regulatory issues regarding money laundering was finalized. The BoJ issued the guidelines for the provision of mobile services, the Electronic Payment Retail System Guidelines and approved to pilot projects for M-Banking with the DBJ and the Jamaica Credit Union League and a pilot project is currently being implemented by the DBJ. Consultations with stakeholders have taken place for the implementation of mobile payments for PATH.

- 1.36 Parliament approved the Payment Clearing and Settlement Act in 2010, providing the foundation for the National Payment System. The BOJ has made progress in: (i) implementing the Real Time Gross Settlements (RTGS) mechanism; (ii) creating the Central Security Depository; and (iii) creating an enabling legal framework with the Government Securities Dematerialization Bill. The BoJ currently has 99% of all government securities in electronic form. The MSME policy has been approved by Cabinet³³.
- 1.37 **Component 6: Reduction of business costs through expedited land titling.** As a condition for disbursement, the GoJ will have achieved the remaining benchmarks regarding land property rights including: actions for reducing registration and land titling costs; the reduction in fees, commissions and duties for land transactions compared to the 2008 baseline; and the PPP for Lamp II implementation in place.
- 1.38 The Ministry of Agriculture has reduced land titling and registration costs by declaring all the parishes as Land Administration and Management Program (LAMP) areas under the Special Provision Act, with the exception of three Parishes that are part of LAMP II. In LAMP areas, the cost of registering a new title has been reduced by 75% and the time has been reduced from seven to two weeks for a typical parcel and under LAMP I, two thousand three hundred and sixty one (2,361) new titles have been registered between 2011 and August 2013. Under LAMP II, four hundred and seventy (470) new titles have been issued.³⁴ Since the IT capacity of the National Land Agency to process cadastral maps is severely limited, the GoJ launched the LAMP II program in 2010, in which the GoJ has formed a public-private partnership with a local Jamaican firm, Geoland Title Company, and the Korea Cadastral Survey Corporation (KCSC).
- 1.39 **Cost.** This third operation of the JCEP policy Loan amounts to US\$60 million.

C. Key Results Indicators

- 1.40 The key indicators are defined by the policy commitments and conditions made by the borrower with respect to each of the three Programmatic Operations and the evidence of successful compliance with these commitments (see [Results](#)

³³ The MSME Policy includes: (i) creating an enabling environment for SMEs; (ii) promoting access to finance; (iii) enhancing business development; and (iv) fostering a culture of entrepreneurship and innovation

³⁴ A total of 4727 have been granted for LAMP I since its inception in 2006 and 427 for LAMP II.

[Matrix](#)). The expected impact of the program is improved environment for private sector activity and competitiveness. This will be achieved through the following outcomes: (i) expanded access to credit; (ii) reduction in distortions in the tax system; (iii) reductions in budgetary burden of State Owned Enterprises; and (iv) reductions in Business costs through expedited land titling.

- 1.41 The Programs direct beneficiaries will be: (i) private sector companies, in particular SMEs that are the most adversely affected by an inadequate framework for doing business and accessing finance; (ii) the informal sector that lacks incentives for formality; and (iii) individual entrepreneurs that will benefit with increased access to finance through modernized technological and legal framework. Increased access to finance, through the secured transactions, credit information and mobile banking legislative reform, will have a social and gender impact as they increase access to finance by MSME's and female entrepreneurs. In addition, strengthening land property rights, will give an incentive to owners to promote productivity enhancing investment. The counterparts, Ministry of Industry and Commerce and the Office of the Prime Ministry were strengthened to carry out informed decision making in these issues and their effect on MSMEs.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 The JCEP is structured as a Policy-Based Loan under a programmatic approach (PBP) with three independent but technically related operations , this one being the third and last. Financing for this third operation will utilize the Ordinary Capital resources of the Bank in a single tranche.

B. Environmental and Social Safeguard Risks

- 2.2 In view of the nature of this operation and its potential indirect environmental and social effects, no upstream analytical work will be required, but the parallel technical support for the program will include the relevant analytical work for specific activities. The program is expected to have positive social impacts by fostering access of the poorer segments of the population to financial services and to productive endeavors via the mobile banking and improved land titling initiatives. According to the Environmental and Safeguard Compliance Policy (OP-703, B.13), this operation does not require classification.

C. Other Key Issues and Risks

- 2.3 The conditions for the disbursement of the third operation are the continuation of a long-term commitment to reforms to foster private sector development and to improve the conditions of small and medium firms. The risk of a macroeconomic crisis, exacerbated by the high level of debt and low growth as a result of the external shocks has been mitigated by the coordinated actions of the IMF and other multilateral donors, as well as by IDB operations that address the tight fiscal situation (JA-L1038). Adhering to the EFF and implementing its structural reform program is central for Jamaica's macroeconomic stability. This operation

is part of a joint concerted action with the World Bank and the IMF, and both have provided the necessary support by approving the EFF review without waivers and the World Bank by providing a disbursement. The disbursement of the present operation in February, if approved by the Board, is a key part of the financial plan. The risk of the complexity of the reforms has been mitigated by technical cooperation programs (JA-T1020, JA-T1021, JA-T1042, JA-X1002, and RG-X1044). The implementation risks were mitigated by contracting a dedicated person at the PIOJ in charge of project coordination and monitoring. The operation provided for the institutional mechanisms for the sustainability of the policy measures by supporting the National Competitiveness Council (NCC) and the Partnerships for Jamaica PfJ, that are in charge of providing for the public-private dialogue that built the required consensus and that will continue to monitor the implementation of the reforms.

III. IMPLEMENTATION AND MANAGEMENT PLAN

- 3.1 **Summary of Implementation Arrangements.** The Planning Institute of Jamaica (PIOJ), as in the previous operations has being designated as the responsible entity for program implementation. Other GoJ agencies involved in the program are the Bank of Jamaica (BoJ), the Ministry of Industry, Investment and Commerce MIIC), the National Land Agency (NLA) and the Office of the Prime Minister (OPM), as well as stakeholders from the private sector.³⁵ The current public private dialogue forums, include relevant private sector stakeholders, have been active in promoting reform implementation.
- 3.2 **Summary of Arrangements for Monitoring Results.** The PIOJ monitors the progress of the components of the Policy Matrix and Results framework in coordination with the team. The PIOJ allocated a full-time official to carry out the coordination and monitoring activities and coordinates with the Growth Agenda. The PfJ, and the NCC have technical secretariats responsible for monitoring key policy actions of the reform agenda, in a coordinated manner. The team and the GoJ have agreed in carrying out an evaluation of the operation and the impact of the reforms. A PCR will be carried after the third operation to evaluate the scope of the actions and generate lessons learned.

IV. POLICY LETTER

- 4.1 The Bank and the GoJ have agreed on the macroeconomic and sector policies set in the [Policy Letter](#), describing the GoJ's strategy being implemented in the programme's areas of action described in this document.

³⁵ PIOJ convened a steering committee involving key stakeholders from the public and private sector during program execution. The mechanisms that the program supported, for Public – Private Dialogue were used as part of the consultation and implementation of reforms. The private sector organizations involved included the PSOJ, Jamaica Manufacturers Association, the Banker's association and the Small Business Bureau.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Lending to small and vulnerable countries.		
Regional Development Goals	i) Percent of firms using banks to finance investments, ii) Ratio of actual to potential tax revenue.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	Public financial systems implemented or upgraded.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2694-2	i) Modernize revenue systems including rationalization of the waiver system and tax reform, ii) Strengthen public expenditure management system, iii) Support implementation of public sector transformation, and iv) To reduce business costs particularly through expedited land titling.	
Country Program Results Matrix		Document under revision.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability			
	Evaluable	Weight	Maximum Score
	7.9		10
3. Evidence-based Assessment & Solution	9.6	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	3.6		
3.3 Results Matrix Quality	3.0		
4. Ex ante Economic Analysis	8.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	2.5		
4.2 Identified and Quantified Benefits	2.0		
4.3 Identified and Quantified Costs	2.0		
4.4 Reasonable Assumptions	0.0		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation	6.1	33.33%	10
5.1 Monitoring Mechanisms	2.3		
5.2 Evaluation Plan	3.8		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B.13		
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/PDP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and reporting, External Control, and Internal Audit.	
Non-Fiduciary			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	The issues of Gender Access to Finance were addressed and included in the preparation of the new legislation to support Secured Transactions, with the TC that supported Women's Access To Finance (JA-T1042).	
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

The objective of the program is to improve competitiveness by promoting reforms that expand access to credit, reduce distortions in the tax system and lower business costs through more efficient land titling and registration.

The operation is aligned with the Bank Lending Program of lending to small and vulnerable countries. It is also aligned with the following Regional Development Goals : i) Percent of firms using banks to finance investments, and ii) Ratio of actual to potential tax revenue. The operation contributes to the Results Framework output of public financial systems implemented or upgraded. The loan is aligned with the country strategy. The diagnosis presents adequate information on Jamaica's macroeconomic conditions and the vertical logic is appropriate. The proposed indicators allow measuring the project's results.

The cost-benefit analysis is adequate and quantifies the benefits of the various components of the program.

The Monitoring and Evaluation Plan is adequate, and an ex-post validation of the estimated benefits is planned.

The document identifies the operation's risks and presents mitigating measures.

Policy Matrix

Objectives	Commitments for first operation (2008)	Commitments for second operation (2010)	Commitments for third operation
I. Macroeconomic Sustainability			
To support and facilitate the implementation of the Program.	✓ Maintenance of an appropriate macroeconomic policy framework is congruent with the program's objectives.	✓ Maintenance of an appropriate macroeconomic policy framework	✓ Maintenance of an appropriate macroeconomic policy framework.
II. Competitiveness Implementation Framework			
To promote a sustainable forum for public-private dialogue to improve competitiveness.	✓ A Public-Private-Trade Union Steering Committee with representation of government, private sector & trade unions officials to monitor the program is operating.	<ul style="list-style-type: none"> ✓ Public-Private-Trade Union Forum created. ✓ Technical Secretariat to Forum created and providing support to Forum. ✓ Agenda to Promote Competitiveness agreed by Forum. 	<ul style="list-style-type: none"> ✓ Forum holding regular meetings. ✓ The priority activities for the second year of the Competitiveness Agenda have been carried out. ✓ Monitoring and coordination mechanisms have been set in place and the Technical Secretariat is operating monitoring the Forum Agenda. ✓ <i>Partnership for Jamaica agreement signed by Government, Private Sector, Trade Unions and Civil Society</i>
III. Tax Reform			
A. Reduce distortions in the current tax systems.	<ul style="list-style-type: none"> ✓ Time bound Action Plan approved by the Ministry of Finance and Planning (MoFP) for reduction of distortions, including as a minimum: <ul style="list-style-type: none"> • A legislative agenda for tax reform, including: <ul style="list-style-type: none"> ○ Reform of Stamp Duties and CIT rationalization. ○ Rationalization of labor taxes. • TORs for Study on tax 	<ul style="list-style-type: none"> ✓ Tax reform interim benchmarks achieved, including but not limited to: <ul style="list-style-type: none"> • Reform of Stamp Duties and implementation of tax measures aimed at improving revenue collection. • Document on rationalization of labor taxes approved by the MoFP. ✓ Preparation and dissemination of tax expenditure report. ✓ Training on tax modeling for 	<ul style="list-style-type: none"> ✓ Satisfactory progress in implementing legislative initiatives to reduce distortions in tax system, including but not limited to: <ul style="list-style-type: none"> • Corporate Income Tax (CIT) rationalization • Amalgamation of labor taxes (Phase I and Phase II) ✓ Tax policy modeling being utilized. ✓ Preparation and dissemination of tax expenditure report ✓ New methodology for collection of income tax information approved.

Objectives	Commitments for first operation (2008)	Commitments for second operation (2010)	Commitments for third operation
	expenditure. <ul style="list-style-type: none"> • Training of key government officials in tax policy modeling. 	government officials.	
B. Simplification of tax administration.	<ul style="list-style-type: none"> ✓ MoFP implementation of initiatives to improve taxpayer services, including ‘easy payment’ facilities, and ‘out-bound call center.’ ✓ Time bound Action Plan approved by MoFP to simplify and facilitate the submission of tax returns. 	<ul style="list-style-type: none"> ✓ Interim tax collection simplification benchmarks achieved. 	<ul style="list-style-type: none"> ✓ Remaining tax collection simplification benchmarks achieved including but not limited to: <ul style="list-style-type: none"> • Adjustments in the implementation of the Electronic Drop Box to pick up official receipts. • Operation of e-payment kiosks. • Broadening of the application of the third party collection project. • Risk analysis of the forensic data mining intelligence in operation.
IV. Reduction in Budgetary Burden of State Owned Enterprises			
Expenditure Rationalization.	<ul style="list-style-type: none"> ✓ Action Plan approved by the MoFP for the rationalization of public enterprises with a view to reduce government support for these entities. 	<ul style="list-style-type: none"> ✓ Reduction of government budget support for at least one state-controlled enterprise. 	<ul style="list-style-type: none"> ✓ Elimination of government budget support for at least one state-controlled enterprise. ✓ <i>Cabinet approval for institutional framework for PPPs</i>

Objectives	Commitments for first operation (2008)	Commitments for second operation (2010)	Commitments for third operation
V. Improving Access to Finance and Financial Market Development¹			
A. Reform of the secured transactions framework.	<ul style="list-style-type: none"> ✓ Time bound Action Plan approved by the MoFP for consultation with private sector stakeholders and submission to Cabinet to build consensus on legislative and regulatory reforms needed to enable secured transactions framework and creation of central registry of pledged assets. 	<ul style="list-style-type: none"> ✓ Interim secured transaction benchmarks achieved in building consensus on legislative reforms to enable secured transactions framework and creation of central registry of pledged assets. 	<ul style="list-style-type: none"> ✓ Remaining secured transactions benchmarks achieved in building consensus on legislative reforms to enable secured transactions framework and creation of central registry of pledged assets, including but not limited to: <ul style="list-style-type: none"> • Issuance of drafting instructions approved by Cabinet. • Consultation with stakeholders • <i>Security Interest in Personal Property Bill has been enacted</i> • <i>Awareness Campaign launched</i> • <i>Insolvency Bill Tabled in Parliament.</i>
B. Creation of Credit Bureaus.	<ul style="list-style-type: none"> ✓ Submission to Cabinet by the Minister of Finance and the Planning of currently proposed credit reporting legislation. ✓ Time bound action plan approved by the MOFP for implementation including regulation and the establishment of an institutional framework for supervision. 	<ul style="list-style-type: none"> ✓ Interim benchmarks achieved including, but not limited to: <ul style="list-style-type: none"> • Bank of Jamaica capability to supervise credit bureaus is enhanced. • Assessment completed of provision for voluntary reporting of credit histories to Credit Bureaus. • Joint select Committee Agreement of the Credit Report Bill reached and Bill reported back to full Parliament for final vote. 	<ul style="list-style-type: none"> ✓ Remaining benchmarks achieved for a fully functioning framework for the regulation and supervision of credit bureaus, including but not limited to. <ul style="list-style-type: none"> • Credit Reporting Bill enacted and regulations in place. • Bank of Jamaica has implemented the Action Plan for supervision of Credit Bureaus. • <i>Regulations for Credit Reporting</i> • <i>Two licenses for Credit Reporting Operators awarded.</i> • <i>One Credit Bureau operating</i> • <i>Awareness Campaign implemented</i>

¹ New actions since 2011 are included in italics.

Objectives	Commitments for first operation (2008)	Commitments for second operation (2010)	Commitments for third operation
C. Facilitating Electronic Transactions.	<ul style="list-style-type: none"> ✓ New Electronic Transactions Act enacted. ✓ Minister of Finance submission to Cabinet of a legislative proposal for a National Payments System. ✓ Draft e-payment regulations completed and consultations done. 	<ul style="list-style-type: none"> ✓ Approval by the Financial Secretary of the Ministry of Finance and Planning of a time bound action plan for implementation of legal, regulatory and institutional framework for use of mobile devices for financial transactions. ✓ Electronic Transactions Act fully in force, including enacting regulations. ✓ Submission to Cabinet by the CPC of National Payments System legislation. ✓ Drafting instructions for amendments to FAA regarding E-payments by Cabinet to CPC. 	<ul style="list-style-type: none"> ✓ Benchmarks achieved for implementation of legal, regulatory and institutional framework for use of mobile devices for financial transaction, including but not limited to: <ul style="list-style-type: none"> • Consultation with stakeholders • Elaboration of appropriate policy framework • Initiation of the implementation of Pilot Project for provision of payments to PATH beneficiaries through m-banking and consensus reaching activities initiated. • Assessment of regulations for addressing anti-money laundering for m-banking completed. ✓ National Payment System in effect. ✓ E-payment Regulations in effect. <ul style="list-style-type: none"> • <i>Guidelines for Electronic Payment of Retail Services, including provisions for anti-money laundering regarding mobile services in effect.</i>
D. Facilitating credit to MSMEs. (new)	✓	✓	<ul style="list-style-type: none"> ✓ <i>White Paper Policy on MSME approved by Cabinet.</i> ✓ <i>Legislation for Recognition of Business Registration Form enacted</i>

Objectives	Commitments for first operation (2008)	Commitments for second operation (2010)	Commitments for third operation
VI. Reduction of Business Costs Through Expedited Land Titling			
Strengthening land property rights.	<ul style="list-style-type: none"> ✓ Time bound Action Plan approved by the Ministry of Agriculture to: <ul style="list-style-type: none"> • Allow low-cost registration and titling of currently informal land holdings. • Reduce fees, commissions and duties for land transactions. 	<ul style="list-style-type: none"> ✓ Interim benchmarks achieved to strengthen land property rights, including but not limited to: <ul style="list-style-type: none"> • Actions for reducing registration and land titling costs. 	<ul style="list-style-type: none"> ✓ Remaining land property rights benchmarks achieved, including but not limited to: <ul style="list-style-type: none"> • Reductions in fees, commissions and duties for land transactions by 5% compared to 2008 baseline. • PPP for implementation of LAMP II in place.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/1_

Jamaica. Loan _____/OC-JA to Jamaica
Competitiveness Enhancement Program III

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Jamaica, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a competitiveness enhancement program III. Such financing will be for an amount of up to US\$60,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on __ _____ 201_)

JA-L1014
LEG/SGO/CCB/IDBDOCS#38313475-13