



Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 26-Jan-2021 | Report No: PIDA31167



BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Jamaica	P174531	Jamaica COVID-19 Response and Recovery Development Policy Financing (P174531)	
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
LATIN AMERICA AND CARIBBEAN	18-Mar-2021	Macroeconomics, Trade and Investment	Development Policy Financing
Borrower(s)	Implementing Agency		
Jamaica	Ministry of Finance		

Proposed Development Objective(s)

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

Financing (in US\$, Millions)

SUMMARY

Total Financing	150.00
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DETAILS

Total World Bank Group Financing	150.00
World Bank Lending	150.00

Decision

The review did authorize the team to appraise and negotiate



B. Introduction and Context

Country Context

This proposed COVID-19 Response and Recovery Development Policy Financing (CRRDPF) operation, in the amount of US\$150 million, is an emergency response standalone operation to assist with urgent and necessary actions for COVID-19 response and recovery. Prior to the COVID-19 crisis, the GOJ in 2013 – with the support of its multilateral partners – embarked on a program aimed at stabilizing the economy, reducing debt, and fueling growth. The program, which enjoyed broad public support, was a remarkable success, exceeding all expectations. GOJ sustained primary surpluses above 7 percent of GDP and prudent liability management led to a 50 percentage points decline in public debt to 94 percent of GDP by March 2020. Low and stable inflation was achieved during this period. Unemployment fell to its lowest levels and reserves were comfortably above 6 months of imports. The poverty rate for 2018 was reported to be 12.6 percent, the lowest recorded in 10 years. The local stock exchange was rated as the world’s best performing stock index in 2018 and in 2019, and rating agencies Standard and Poor’s Global Ratings, Fitch Ratings, and Moody’s Corporation upgraded the country’s sovereign rating. Within six months of the completion of a precautionary Stand-By Arrangement with the IMF in November 2019, the country was confronting a severe economic crisis caused by the COVID-19 pandemic. While the health impact of the pandemic in Jamaica has not been as severe as some other countries, the associated socio-economic impact has been significant, pushing the economy into deep recession. This is expected to result in a contraction of 10.1 percent in FY2020/21. Impacts are likely to be uneven across the population which will exacerbate inequality. Immediate negative impacts are likely to be concentrated among informal workers, and workers in the tourism, wholesale, retail, and related services sectors, which represent over a third of the workforce.

Jamaica’s macroeconomic policy framework is sustainable and considered adequate for this development policy financing operation. The country’s track record of prudent macroeconomic policies is strong and is anchored in its fiscal rules, inflation targeting, and flexible exchange rate regimes, and a social partnership spanning two political administrations. The policy and institutional responses to the COVID-19 pandemic are expected to be effective in cushioning the adverse socio-economic impacts of the pandemic and support a swift and resilient recovery. While the debt is expected to increase in 2020, the government remains committed to fiscal prudence with plans to reduce public debt to below 60 percent of GDP by March 2028.

Relationship to CPF

Bank programming in Jamaica is guided by FY2014-17 Country Partnership Strategy (CPS) and the Program and Learning Review (PLR) which extended the CPS to 2019. The proposed operation is aligned with the CPS which focuses on establishing the necessary conditions for broad-based, private-sector-led growth while improving public-sector efficiency and reducing vulnerability. The three pillars of the proposed operation are aligned with the second and third pillars of the CPS: creating an enabling environment for private sector growth and strengthening social and climate resilience.

The World Bank has adapted its program in Jamaica to respond to the COVID-19 crisis. Adjustments have been made to the existing portfolio to better address COVID-19-related needs. In addition, a main shift in the Bank program is the preparation of this proposed DPF, which is aligned with pillars 2, 3, and 4 of the World Bank COVID-19 Crisis Response Approach Paper.

C. Proposed Development Objective(s)

The pillars and development objectives of this operation are (i) protecting poor and vulnerable people; (ii) supporting



sustainable business growth and job creation; and (iii) strengthening policies and institutions for resilient and sustainable recovery.

Key Results

The operation is expected to expand social protection coverage during the pandemic to protect the poor and vulnerable. The expansion of cash and in-kind safety nets reduces the need for negative coping strategies (e.g., reducing nutritional intake, ignoring social distancing to procure income), and thus help preserve human capital. Further, conditional grants to businesses will help to protect jobs and continue economic activity. This operation is also expected to strengthen the institutional mechanisms that underpin financial innovation and inclusion, enhance trade facilitation, and strengthen fiscal, monetary and environmental sustainability.

D. Project Description

The proposed standalone operation continues the close collaboration between the Government of Jamaica and the World Bank. It responds to the Government's request to assist with urgent and necessary actions for COVID-19 response and recovery. The CRRDPF exploits natural synergies with the ongoing Economic Resilience Development Policy Loan (ERDPL) series (the first of two operations was approved in March 2020), other Bank-financed projects, and technical assistance activities. The ERDPL directly addresses several critical economic challenges in Jamaica, including fiscal sustainability and social inclusion, fiscal and financial resilience against climate and natural disaster risks, and improving the investment climate necessary for sustainable growth. The prior action supporting the independent fiscal commission under pillar 3 of this operation is a continuation of the process initiated under the series. As such, the reforms foreseen in this standalone operation continue to build on the fiscal reform agenda, strengthening institutional frameworks resilience in times of crises – be they related to pandemics, natural disasters, climate change, or external economic shocks.

The proposed operation consists of a blend of emergency relief, structural, and institutional measures that are critical for economic recovery as well as those aimed at mitigating the impact of the pandemic in the short term. The reforms supported are expected to minimize job losses and poverty while establishing allowing for a safe reopening of the economy. Pillar 1 includes: (i) emergency financial support to affected individuals and households impacted by the COVID-19 pandemic; (ii) introduction of a social pension for the elderly ages 75 years and older, who are not in receipt of pensions or any other form of financial assistance from the state; and (iii) approval of an interim national deployment and vaccination plan for the COVID-19 vaccine. Pillar 2 supports sustainable business growth and job creation. The repercussions of the COVID-19 pandemic have underscored the importance of jobs and continued economic transformation. Key reforms include measures to assist firms survive the initial crisis shock including financial support tied to job retention. This also includes reforms to boost fintech and promote financial innovation and inclusion as well as efforts to improve the speed and efficiency of cross border trade. Pillar 3 supports reforms aiming to strengthen policies and institutions for resilient and sustainable economic recovery. Key policy actions focus on: (i) advancing legislation for the operationalization of the Independent Fiscal Commission to inform the public on the soundness and sustainability of Jamaica's fiscal position; and (ii) reinforcing the independence of the central bank and its inflation targeting regime. Strengthening climate resilience and sustainability of growth is also an important part of the reform program.

E. Implementation

Institutional and Implementation Arrangements

The Ministry of Finance & the Public Service will be responsible for coordinating, monitoring, and verifying the completion of the prior actions. Various ministries will support program monitoring and evaluation. The World Bank Group has



ongoing programs in Jamaica in many of the policy areas targeted by the proposed operation, and as such, some of the results will be observable by other Bank operations.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Supported measures are expected to have a positive or neutral impact on poverty and social outcomes. Measures supported under the first pillar are expected to limit the negative economic and social impact of the pandemic on the poorest and most vulnerable households, helping to supplement basic needs and limit the loss of assets. The introduction of a social pension will help smooth consumption among elderly poor and strengthen their resilience to shocks. A COVID-19 vaccination plan will contribute to improved public health and help protect workers, including the poor. Pillars 2 and 3 support actions which are intended to ensure a resilient and sustainable post-COVID economic recovery and should have either neutral or positive indirect effects on poverty. The preservation of jobs and the avoidance of firm closures, particularly micro, small, and medium enterprises, will limit the number of households and persons that might otherwise fall into poverty as economic and employment opportunities contract in a pandemic environment. Other policy measures supporting pillar 2 are also expected to increase the provision of financial services to traditionally underserved populations and entrepreneurs to unlock their economic potential. The impact of trade facilitation reforms on households are expected to be neutral in the short term but should contribute to job growth in the medium term as they aim to increase the country's attractiveness as a regional logistics hub. Measures under pillar 3 to strengthen fiscal and monetary resilience will indirectly benefit poor households by bolstering macroeconomic stability, preventing fiscal imbalances that could threaten pro-poor spending, and reinforcing the necessary conditions for accelerated growth and job creation. Policies aimed at promoting economic growth that are more environmentally sustainable and resilient to climate-induced shocks may have neutral or positive social impacts in the medium term.

Environmental, Forests, and Other Natural Resource Aspects

The reforms supported by the proposed operation are not expected to have any significant negative impacts on the country's environment, forests, fisheries, or other natural resources. The operation's prior actions aim to support Jamaica's pandemic response and recovery and do not include policy reforms directly involving production, infrastructure development, or land use changes. Notably, reforms related to the national deployment and vaccination plan are consistent with Jamaica's National Solid Waste Management Act (2002), which specifies that Jamaica takes all such steps as are necessary for the effective management of solid waste in the country in order to safeguard public health, ensure that the waste is collected, stored, transported, recycled, reused or disposed of, in an environmentally sound manner and promote safety standards in relation to such waste. Similarly, reforms related to the updating of Jamaica's nationally determined contribution climate plan is expected to have positive environmental impacts, including related to climate mitigation, adaptation, and resilience, as well as sustainable land and energy use.

G. Risks and Mitigation

The overall risk rating for the proposed DPF is moderate. This reflects a range of macroeconomic, sector strategies and policies, implementation capacity, and other risks. While fiscal consolidation placed the public debt stock on a downward trajectory since 2013, Jamaica's public debt exceeds the average for small developing states and some reversal is expected in the context of the pandemic. The proposed operation and ongoing legislative reforms are intended to promote prudent monetary and fiscal policies, ensuring continued implementation of prudent macroeconomic policies. The design of the operation seeks to mitigate capacity risks by concentrating on policy reforms that have benefitted from or are the subject of ongoing policy dialogue with the Bank, supporting policy reforms that leverage other Bank operations, and providing technical assistance either directly or jointly with other development partners in selected areas. Sustained political commitment to implement difficult and sensitive reforms will be a crucial ingredient for the success of this operation.



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APPROVAL

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Approved By

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