



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 12-Dec-2020 | Report No: PIDC30153



**BASIC INFORMATION**

**A. Basic Project Data**

Country Jamaica	Project ID P174531	Project Name Jamaica COVID-19 Response and Recovery Development Policy Financing (P174531)	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Board Date Mar 18, 2021	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance	Implementing Agency 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) support the emergency response to save lives, protect poor and vulnerable people, ensure business continuity and protect jobs; and (ii) strengthen policies, and institutions for resilient and sustainable recovery.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	150.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	150.00
World Bank Lending	150.00

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context**

Country Context



**1. Poverty in Jamaica has declined recently and is likely to experience some reversal with the impact of COVID-19.**

The poverty rate for 2018 was reported to be 12.6 percent, the lowest recorded in 10 years. Poverty reduction has not been continuous and increases in the poverty rate between 2012 and 2013; 2014 and 2015 and 2016 and 2017 underscore the population's vulnerability to short-term shocks. The shock to the economy resulting from the COVID-19 pandemic is expected to affect the welfare of households through reductions in labor income. 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 40 percent of the workforce. If unmitigated, the impact of these shocks on poverty is expected to push between 400,000 and 1.1 million Jamaicans into poverty.

**2. 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 it has built buffers in the form of adequate foreign exchange reserves. Jamaica's macroeconomic policy framework is anchored in its fiscal rules, inflation targeting, and a flexible exchange rate regime. This has enabled sustainable public debt levels and predictable inflation. The macroeconomic policies and crisis response measures are expected to be effective in absorbing part of the COVID-19 shock and supporting economic recovery. While the debt is expected to increase in 2020, the authorities are committed to fiscal prudence and are prepared to anchor this commitment by the amended fiscal responsibility law.

Relationship to CPF

**3. The proposed operation seeks to advance and protect recent gains made in Jamaica toward the WBG's twin goals.**

Strengthening social protection, progress on fiscal sustainability, and support to businesses, particularly medium, small and micro enterprises (MSMEs) are essential to generate and protect employment. Further, improving financial inclusion and trade facilitation is vital to accelerate economy-wide growth and ensure a robust rebound in the recovery period. The operation builds on the measures supported under the FY2014-19 Country Partnership Strategy CPS which focuses on establishing the necessary conditions for broad-based, private-sector-led growth while improving public-sector efficiency and reducing vulnerability. The two 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 proposed operation is also aligned with the Bank's commitments on climate change, including those that are emphasizing mainstreaming green and sustainable growth.

**C. Proposed Development Objective(s)**

**4. The pillars and program development objectives are to (i) support the emergency response to save lives, protect poor and vulnerable people, ensure business continuity and protect jobs; and (ii) strengthen policies and institutions for a resilient and sustainable recovery.**

The operation is closely aligned with the priorities of the Government and its response to the pandemic and complements other activities to address support to vulnerable individuals, households and firms. The program also responds directly to the Government's intention to boost financial innovation and inclusion. Specifically, this operation supports actions related to the following stated national outcomes: effective social protection, effective governance, stable macroeconomy, enabling business environment and climate change adaptation.

Key Results

**5. Policies supported under this operation are expected to have significant results over a wide-ranging set of indicators.** The expected impact from policies under Pillar 1 include: expanded social protection coverage amidst the



pandemic to protect the poor and vulnerable; increasing firm liquidity and supporting employment with conditional grants to thousands of businesses; and, approval of a national vaccination plan and protocols for the safe re-opening of the economy, especially the tourism sector. Pillar 2 supports the Government’s post COVID-19 pandemic recovery agenda reinforcing and entrenchment of macroeconomic stability with the establishment of a fiscal commission and the approval of legislation to strengthen the independence of the central bank. This is complemented by improvements in the business landscape that drive financial innovation and inclusion. It also aims to improve trade facilitation, reducing both the number of days and steps required for export or import. Mainstreaming low-carbon and climate resilient action is also a part of the operation, with the approval of an ambitious climate action plan (updated Nationally Determined Contribution) under the Paris Agreement.

#### D. Concept Description

**6. The proposed operation consists of a blend of 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 by this operation are expected to minimize death, 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 poor over 75, who are not in receipt of pensions or any other form of financial assistance from the state; (iii) approval of a national vaccination plan for the rollout of the COVID\_19 vaccine, as well as, regulations and guidelines to strengthen health, hygiene and safety standards including for the safe reopening of the hospitality industry; and (iv) emergency liquidity support to small businesses, and in particular, businesses in the tourism sector, to cope with the economic impacts of COVID-19. Pillar 2 supports reforms to strengthen policies and institutions for resilient and sustainable economic recovery. Key policy actions focus on: (i) approval of legislation for the operationalization of the fiscal commission to inform the public on the soundness and sustainability of Jamaica’s fiscal position; (ii) reinforcing the independence of the central bank and its inflation targeting regime; (iii) strengthening the legal framework for microcredit institutions to support responsible lending to MSMEs by the sector; (iv) guidelines for the operation of “Regulatory Sandboxes” including eligibility criteria and oversight to promote financial innovation and inclusion; (v) modernizing the trade infrastructure and promoting export competitiveness, and (vi) strengthening climate resilience and sustainability of growth.

**7. The Government’s program has been adapted to respond to the pandemic, including a greater emphasis on protecting lives and livelihoods while laying the base for a stronger and more resilient financial sector.** The Government established a special taskforce comprising key ministries, agencies and the private sector, to adapt its program and coordinate the country’s response and recovery efforts. There are plans to improve the [provision and adequacy of](#) social protection systems by establishing a “social protection floor” that ensures members of vulnerable or disadvantaged groups have recourse to basic income security and essential social services. Other key elements include health sector reforms and accelerated support to MSMEs. Further, measures to inspire innovation and financial inclusion are being advanced in parallel with reforms to strengthen the central bank’s (BOJ) independence and to formalize its responsibility for the overall stability of the financial system. Reforms to enhance trade facilitation to increase efficiency and to promote further investment and business opportunities for Jamaica, especially in the areas of shipping, logistics and international trade are under consideration. The GOJ’s program has demonstrated efforts to transition towards low carbon development pathways and its policy framework is currently being assessed and revised to include the considerations of the Paris Agreement and to incorporate the Paris Agreement Work Program.

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

Poverty and Social Impacts



**8. The poverty and social impact analysis of the policies supported by this operation is expected to be positive or neutral or in the short run and positive in the medium and long-term.** The analysis relies on official data, the ongoing PSIA for the economic Resilience DPL (P170223), recent ASAs and a review of academic literature. Measures supported under Pillar 1 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 vaccination plan and strengthening health, hygiene and safety standards, will contribute to improved public health and help protect workers, including the poor. The preservation of jobs and the avoidance of firm closures, particularly medium, small and micro 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. Pillar 2 supports 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 measures to strengthen fiscal, monetary and financial resilience (prior actions 5 and 8) 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. The policy measures supported under this pillar are also expected to increase the provision of financial services to traditionally underserved populations and entrepreneurs to unlock their economic potential. The impact of the trade facilitation reforms on households are expected to be neutral in the short term but are expected to contribute to job growth in the medium-term as they aim to increase country's attractiveness as a regional logistics hub. Policies aimed at promoting economic growth that is 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

**9. The prior actions 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. In particular, the PAs focused on social protection (1 and 2) and financial support to businesses (4) aim to provide benefits to vulnerable populations to provide stop gap financial support during the COVID-19 pandemic. These prior actions are not expected to promote or result in negative environmental impacts, but rather provide subsistence and business continuity support during this economic downturn. Prior actions related to fiscal, monetary and financial environments (5-8) are also not expected to result in significant increases in production, infrastructure development, land use change, or natural resource use, but rather further modernize these systems. PA3 is related to health protocols, including for the hospitality industry 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.<sup>1</sup> Prior action 10 focuses on updating Jamaica's NDC, which is expected to have positive environmental impacts, including related to climate mitigation, adaptation, and resilience, as well as sustainable land and energy use.

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<sup>1</sup> Jamaica National Solid Waste Management Act (2002). <https://moj.gov.jm/laws/national-solid-waste-management-act>



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**APPROVAL**

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