

PROJECT PROFILE (PP)
JAMAICA

I. BASIC DATA

| | | |
|--------------------------|--|----------------|
| Project name: | Integrated Social Protection and Labor Program | |
| Project number: | JA-L1037 | |
| Project team: | Donna Harris (SPH/CJA); Marco Stampini (SCL/SPH); Jacqueline Mazza (SCL/LMK); Graham Williams (FMP/CJA); Janet Quarrie (CCB/CJA); Javier Jiménez (LEG/SGO); and Martha Guerra (SCL/SPH). | |
| Borrower: | Jamaica | |
| Executing agency: | Ministry of Labour and Social Security | |
| Financing plan: | IDB: | US\$30,000,000 |
| | Total: | US\$30,000,000 |
| Safeguards: | Policies triggered: | N/A |
| | Classification: | C |

II. GENERAL JUSTIFICATION AND OBJECTIVE

- 2.1 **Macroeconomic Conditions.** Jamaica's debt and fiscal situation is unsustainable and the economy is only recovering slowly from the world financial crisis. As a result, Jamaica is negotiating a new program with the IMF, which will have a strong focus on fiscal consolidation. In this situation the Government of Jamaica (GOJ) recognizes the need to protect the most vulnerable population from the downturn and mitigate the risk of increased poverty. Therefore, GOJ is committed to using scarce budget resources more efficiently towards preserving the social protection system and improving its effectiveness.
- 2.2 **Poverty trends.** While Jamaica made progress in poverty reduction during the early part of the decade, much of it has been eroded due to exogenous shocks, increased food prices and macroeconomic instability. The incidence of poverty increased to 17.6% in 2010 (after falling from 19.7% in 2002 to 9.9% in 2007) and is higher in rural areas (23.2%), among children (21.9%) and in female headed households (19.5%). Although more recent estimates are not available, given the country's macroeconomic performance and the unemployment trend, it is expected that poverty has increased since 2010. The diagnostic presented in the following paragraphs focuses on three major problems of Jamaican poor households: health risks for children, gaps in education, and poor labor market outcomes.
- 2.3 **Health related risks affect a significant number of children.** The epidemiologic transition is well advanced in Jamaica. Health indicators related to infectious diseases and under nutrition have steadily improved, while those related to non-communicable diseases (NCDs) have deteriorated. Obesity is a major risk factor for Jamaicans, including young children. In 2008, 5.8% of children birth to five years old was overweight, with children in the poorest two quintiles of per-capita consumption more likely to be overweight.¹

¹ PIOJ, Survey of Living Conditions, 2008.

The prevalence of overweight and obesity increases rapidly with age and is most acute in urban areas, and for females.² Among females in the urban subgroup, 7.7% of girls ages 10 to 12 were overweight while 11.4% of girls ages 13 to 15 were also overweight.³ Poor parenting practices also affect health of children, especially as they relate to abusive parenting and lack of cognitive stimulation for young children, including disabled children.⁴

- 2.4 **Education related deficits are a major risk for poor children.** For poor children, the risk is irregular attendance and early school leaving. In 2009, only 68% of children from the poorest consumption quintile in contrast to 89% of children from the wealthiest quintile attended school on all of the 20 days of the reference period.⁵ Fifty-nine percent of households in the poorest quintile reported that money problems were the reason that children were not sent to school. This is partially explained by the high out of pocket cost of education. In 2009, the per-student cost of secondary education could reach up to 41% of the household food budget (or 26% if the student received free meals).
- 2.5 **Labor market outcomes of the Poor.** Improving labor market outcomes for the poor is particularly challenging given the recent performance of Jamaica's labor market. The contraction of economic activity, coupled with stagnant productivity, led to a decline in overall employment, a rise in unemployment and a small rise in informality. Unemployment climbed from 8% in 2006 to 12.3% in 2011 and 14.3% in 2012, with higher rates for women (16.4%) and youth 20-24 (25%). Eighty-six percent of the wealthiest quintile is employed compared to 73.5% in poorest quintile (quintile 1) and 60% for PATH beneficiaries.⁶
- 2.6 **Non-contributory social protection programs. PATH.** The conditional cash transfer PATH (Program for Advancement through Health and Education) is the main social protection program, representing approximately 0.31% of GDP in FY2011/2012. PATH provides cash transfers targeted to low-income families whose children attend health clinics or school according to prescribed schedules. After 10 years of operation, the program requires investment in several areas to increase operational efficiency and effectiveness in terms of human capital development impacts. First, health conditions for the 1-6 years age group no longer reflect epidemiological patterns and could be significantly improved by introducing nutrition and parenting education co-responsibilities. Second, new technologies could be introduced to deliver social messages and relevant program information with the goal of improving compliance with co-responsibilities and health and education outcomes. Third, modernization of payment systems is needed to reduce administrative costs and transactions costs for beneficiaries. Fourth, investments are needed to provide PATH beneficiary children with disabilities with needed early stimulation. Another critical measure to increase efficiency of PATH is to improve its redistributive performance through: (i) improvements in targeting of new beneficiaries through use of a revised proxy means test of eligibility; and (ii) recertification and graduation of existing beneficiaries.

² The levels of overweight and obesity were determined using the International Obesity Task Force cut-offs for body mass index. Source: Fox, K. and Gordon-Strachan, G. 2007. *Jamaican Youth Risk and Resiliency Behaviour Survey 2005: School-based Survey on Risk and Resiliency Behaviors of 10-15 year olds* USAID, Kingston.

³ Fox, K. and Gordon-Strachan, G. 2007. *Jamaican Youth Risk and Resiliency Behaviour Survey 2005: School-based Survey on Risk and Resiliency Behaviors of 10-15 year olds*. USAID, Kingston.

⁴ UNICEF (2011) Multiple Indicator Cluster Survey, draft, Jamaica.

⁵ PIOJ, Survey of Living Conditions 2009.

⁶ Based on analysis of 2007 Survey of Living Conditions and Labor Force Survey.

- 2.7 **The School Feeding Program (SFP)** provides incentives for improved school attendance through in-kind transfers (food) to students on PATH and represents the second largest item in the GOJ social protection budget (0.21% of GDP in FY2011/12). The program is inefficient due to the lack of a School Feeding Policy, the application of multiple models in different schools, and the absence of monitoring and evaluation systems. The management information system is inadequate and more work is needed to ensure complementarity between PATH and the SFP so as to promote school attendance among PATH beneficiaries. Although the SFP is benefiting from ongoing IDB technical assistance to improve its efficiency additional support is needed to clarify the new strategic direction of the program and to fill the gaps not being covered by the technical assistance.
- 2.8 **Steps to Work (STW).** STW offers training services to working-age members of PATH beneficiary households to enable them to seek and retain employment. STW is still at pilot stage and has yet to achieve a productive integration of training and subsequent employment. STW would need to connect more directly to a labor activation or active labor market system and policy framework so that the poor are better integrated into employment and training opportunities for a wider range of employment.
- 2.9 **Existing Challenges.** PATH plays a key role in protecting the poor from the negative social effects of macroeconomic stabilization. The role of PATH has been historically acknowledged by the IMF, and its budget allocation protected from the contraction of public expenditure. At this time, the Government of Jamaica is in need of support to increase the efficiency and effectiveness of its social protection system. Based on the above analysis, the following actions are required: (i) adjust program conditions for the 1-6 years age group to incorporate parenting skills, particularly nutrition education; (ii) introduce new technologies for payments and the delivery of social messages; (iii) strengthen management information and monitoring and evaluation systems in PATH and SFP; (iv) modernize the operation of the SFP; (v) develop links between PATH and labor market programs; and (vi) strengthen the supply of early stimulation services to PATH beneficiary children with disabilities. At the same time, improved targeting of new beneficiaries and recertification of existing beneficiaries should lead to a reduction of under-coverage and leakage. While these additional measures will be carried out by the GOJ as part of a broader reform, improvements in PATH management information system funded by the proposed investment loan will provide the necessary technological platform for the reform.
- 2.10 **Country Strategy and GCI-9.** In light of the current context of GOJ fiscal compression measures, the proposed operation is essential in order to mitigate the risk of further increases in poverty and unemployment. In this regard, this operation is aligned to the GOJ poverty reduction and social welfare strategy outlined in its National Strategic Plan (Vision 2030) and therefore constitutes a high priority for GOJ. The program is also consistent with the Bank's Strategy for Social Policy for Equity and Productivity, and will contribute to the IDB-9 Indicator (AB-2764), in particular to the number of individuals receiving targeted anti-poverty programs. Finally, the proposed investment loan operation is aligned, in principle, with the strategic objectives set forth in the draft Country Strategy with Jamaica 2012-2014, currently under preparation.
- 2.11 **Previous Bank intervention and lessons learned.** This operation represents a continuation of support by the IDB to the reform of Jamaica's social safety net (SSN). Since 2000, the Bank invested in the SSN to achieve greater equity, efficiency and effectiveness through support to

establish a beneficiary identification system (BIS) that uses a proxy means test (PMT) to target beneficiaries. This assistance was followed by an investment loan in 2009 (1559/OC-JA-1) to finance priority SSN activities that mitigated the adverse effects of the food price crisis on the most vulnerable. In 2010 and 2011, in response to the international financial crisis, the Bank supported GOJ's renewed commitment to the SSN in the face of adverse fiscal conditions by approving two PBLs aimed at protecting social spending. Given the cross-sectoral nature of all Bank support to date (health, education, social security and finance) one lesson learned was the need for a respected coordinating agency playing the role of champion and chief negotiator for change. The PIOJ has fulfilled this role in the past and will continue to play this role through its chairmanship of the Social Protection Steering Committee.

- 2.12 **Objective and Structure of the program.** The general objective of the proposed investment loan of US\$30 million is to support GOJ efforts to protect and improve human capital and labor market outcomes of the poor through strengthening of key social protection programs.
- 2.13 **Retroactive Financing.** In accordance with the Bank's applicable policies on retroactive financing (Operational Policies and Strategies Manual -OP-504-), it is envisaged that the Bank could recognize up to US\$6 million (20% of loan amount) as retroactive financing in expenditures incurred on the program by the Executing Agency (financing of activities eligible under component 1 of the program) after the date of approval of this Project Profile and up to the date of approval of the Loan Proposal. The rationale is founded in the need to support the Government of Jamaica efforts at fiscal consolidation and to mitigate any possible negative effects on advancing social safety net initiatives.
- 2.14 **Institutional Strengthening of an Integrated Social Protection System.** The investment loan would have five components as follows: **Component 1** will finance cash transfers to beneficiaries (for an amount of USD21 million, equivalent to about 50% of the budget allocated by the Government of Jamaica for PATH transfers to households in fiscal year 2012/2013). **Component 2** will promote institutional strengthening of PATH, through: (i) implementation of modified conditions for children 1-6 years old (with particular focus on nutrition and prevention of obesity and on parenting skills) that will build upon a pilot of parenting education sessions to replace part of clinic visits for this age cohort; (ii) introduction of new technologies (payment delivery, delivery of social marketing messages) and improved information systems, and support for an early stimulation center for PATH children with disabilities. **Component 3** will develop the links between social assistance and labor markets through: (i) the consolidation of the Steps to Work program, including the introduction of on-the-job training (OJT) that would place PATH household members in up to six months of private sector OJT with a government training subsidy in return for a private sector commitment to hire a percentage of trainees; (ii) improvements in employment services and establishment of an electronic National Employment Portal. **Component 4** will support modernization of the SFP, including: (i) development of a management information system (MIS) that communicates in real time with the PATH MIS; (ii) strengthening of the administrative structure of the school feeding program within the proposed new organization of the MOE; and (iii) the implementation of a new School Feeding Policy. **Component 5** will support monitoring and evaluation activities including the assessment of: (i) revised conditions for PATH beneficiaries; (ii) OJT under the Steps to Work Program; and (iii) new technology (for benefit payment and delivery of social messages).

- 2.15 **Expected results.** The program is expected to increase the efficiency of the social protection system by enhancing the system of co-responsibilities for better human capital development. The modification of PATH health conditionalities and the introduction of training on nutrition and parenting skills are expected to enhance human capital development impacts, with reduced obesity in the 1-6 year's age cohort and prevention of obesity in later childhood and adolescence. Enhancement of the Steps to Work Program is expected to lead to improved labor market outcomes, with at least 500 PATH beneficiaries employed after attending on-the-job training. Increased coordination between PATH and the SFP, and the development of an integrated MIS is expected to increase the number of PATH primary and secondary students receiving free school meals from 119,000 in 2009 to 177,000 in 2014. This, together with the reform of the school feeding program, is expected to contribute to increasing secondary school enrolment and attendance by reducing the costs of schooling.

III. EXECUTION AND COMPLEMENTARY ACTIVITIES

- 3.1 **Execution.** The MOLSS, through the Public Assistance Division, will serve as executing agency and will be in charge of implementation including all aspects of planning, execution, reporting and monitoring and evaluation. PIOJ will provide oversight to facilitate interagency coordination.
- 3.2 **Risks.** Lack of coordination with the ministries of Education and Health could compromise the effective implementation of nutrition and parenting education co-responsibilities, the reform of the School Feeding Program, and its integration with the PATH. In the case of the Steps to Work program, the main risk is the inability of the private sector to absorb new workers.
- 3.3 **Complementary Activities.** In parallel with preparation of this project, the GOJ and the Bank are implementing two Technical Cooperation Programs being financed by the Bank: JA-T1048 and JA-T1046. Both programs supported the policy reform agenda under the two loans; JA-L1020 and JA-L1031. Activities under these two TCs are ongoing and will support several activities under this program, including the development of policies and procedures for the SPF.

IV. SAFEGUARDS AND FIDUCIARY SCREENING

- 4.1 The operation does not require a social and environmental safeguard classification or an environmental strategy. The safeguard policy filter report (classification "C") concludes that no issues or potential issues were identified nor negative environmental impact. Notwithstanding this classification, support to the school feeding program will take cognizance of foods safety and hygiene in the preparation and delivery of school meals.

V. RESOURCES AND TIMETABLE

- 5.1 Program preparation costs are US\$67,454 from administrative funds. Approximately US\$17,000 will be used for mission travel, including travel cost for the Project Attorney to participate in the Analysis Mission and US\$50,000 to support consultancies for project preparation during 2012. See Annex V. OPC approval is expected by November 9, and Board approval by December 12, 2012.

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SAFEGUARD POLICY FILTER REPORT

This Report provides guidance for project teams on safeguard policy triggers and should be attached as an annex to the PP (or equivalent) together with the Safeguard Screening Form, and sent to ESR.

1. Save as a Word document.
2. Enter additional information in the spaces provided, where applicable.
3. Save new changes.

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|----------------------------|--|---|
| PROJECT DETAILS | IDB Sector | SOCIAL INVESTMENT-POVERTY ALLEVIATION |
| | Type of Operation | Investment Loan |
| | Additional Operation Details | |
| | Investment Checklist | Institutional Development Investment |
| | Team Leader | Harris, Donna Oretha (DONNAH@iadb.org) |
| | Project Title | Integrated Social Protection and Labour Program |
| | Project Number | JA-L1037 |
| | Safeguard Screening Assessor(s) | Harris, Donna Oretha (DONNAH@iadb.org) |
| | Assessment Date | 2012-08-29 |
| | Additional Comments | |

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| SAFEGUARD POLICY FILTER RESULTS | Type of Operation | Loan Operation | |
| | Safeguard Policy Items Identified (Yes) | The operation is in compliance with environmental, specific women's rights, gender, and indigenous laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements). | (B.02) |
| | | The operation (including associated facilities) is screened and classified according to their potential environmental impacts. | (B.03) |
| | | The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations. | (B.07) |

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| | | Suitable safeguard provisions for procurement of goods and services in Bank financed projects may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement. | (B.17) |
| | Potential Safeguard Policy Items(?) | No potential issues identified | |
| | Recommended Action: | Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR. | |
| | Additional Comments: | | |

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| ASSESSOR DETAILS | Name of person who completed screening: | Harris, Donna Oretha (DONNAH@iadb.org) |
| | Title: | |
| | Date: | 2012-08-29 |

SAFEGUARD SCREENING FORM

This Report provides a summary of the project classification process and is consistent with Safeguard Screening Form requirements. The printed Report should be attached as an annex to the PP (or equivalent) and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

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|----------------------------|--|---|
| PROJECT DETAILS | IDB Sector | SOCIAL INVESTMENT-POVERTY ALLEVIATION |
| | Type of Operation | Investment Loan |
| | Additional Operation Details | |
| | Country | JAMAICA |
| | Project Status | |
| | Investment Checklist | Institutional Development Investment |
| | Team Leader | Harris, Donna Oretha (DONNAH@iadb.org) |
| | Project Title | Integrated Social Protection and Labour Program |
| | Project Number | JA-L1037 |
| | Safeguard Screening Assessor(s) | Harris, Donna Oretha (DONNAH@iadb.org) |
| | Assessment Date | 2012-08-29 |
| | Additional Comments | |

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| PROJECT CLASSIFICATION SUMMARY | Project Category: C | Override Rating: | Override Justification: |
| | Conditions/ Recommendations | Comments: | |
| | <ul style="list-style-type: none"> • No environmental assessment studies or consultations are required for Category "C" operations. • Some Category "C" operations may require specific safeguard or monitoring requirements (Policy Directive B.3). Where relevant, these operations will establish safeguard, or monitoring requirements to address environmental and other risks (social, disaster, cultural, health and safety etc.). • The Project Team must send the PP (or equivalent) containing the Environmental and Social Strategy (the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3) as well as the Safeguard Policy Filter and Safeguard Screening Form Reports. | | |

| SUMMARY OF IMPACTS/RISKS AND POTENTIAL SOLUTIONS | Identified Impacts/Risks | Potential Solutions |
|---|---------------------------------|----------------------------|
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| ASSESSOR DETAILS | Name of person who completed screening: | Harris, Donna Oretha (DONNAH@iadb.org) |
| | Title: | |
| | Date: | 2012-08-29 |

ENVIRONMENTAL AND SOCIAL STRATEGY

A. Environment

- 1.1 Following the guidance provided by the Bank's Environment and Safeguards Compliance Policy (OP-703) and applying the Safeguard Policy Filter, this Operation is categorized as "C" based on a consistent application of OP-703. However, the program intends to improve the effectiveness of Jamaica existing and well established safety net system. Most of the intervention would focus on institutional strengthening activities and further analysis will determine the need for minor infrastructure upgrade. In this case, the team would reassess the classification and determine the potential environmental impact of any proposed infrastructure works and, if necessary, revisit the ESR screening.

B Social Impact

- 1.2 This operation represents a continuation of Bank intervention in reforming and strengthening Jamaica's social protection system. It is intended to support the GOJ efforts to enhance the effectiveness of investments in key social protection programs - the conditional cash transfer program, Program for the Advancement Through Health and Education (PATH), and the School Feeding Program (SFP). The overall goal of this assistance is to arrest increasing poverty in the face of macroeconomic instability and promote human capital development. In this regard, the program will not support any activity that would have direct or indirect negative impact on any population group. On the contrary, positive social impacts would be generated primarily in terms of: (i) improved labour market outcomes for PATH beneficiary households; (ii) improved education attainment of school age beneficiaries; and (iii) improvement in health outcomes of children 1-6 years.

INDEX OF COMPLETED AND PROPOSED WORK

| Activity | Description | Estimated date |
|--|---|----------------------------------|
| Contract Social Protection Policy Consultant | Objective: To (i) assist GOJ in defining social protection policies and strategic priorities to support improving effectiveness and efficiency of the PATH program and strategies to promote human capital development; (ii) support the preparation of the program by providing inputs related to suitable policy options for a policy based loan; and (iii) assess the outcome of policies implemented under JA-L1020 (2299/OC-JA) and JA-L1031 (2519/OC-JA). | September – December 2012 |
| Contract Project/Data Analysis Consultant | The work of this consultant will assist in analyzing the risk associated with the program in consultation with key stakeholders and development of the risk matrix and mitigation measures. The consultant will also support analysis of latest social and economic reports (eg. Jamaica Survey of Living Conditions and Labour Force Survey) to generate analytical data for justification of the project. | September – October 2012 |
| Contract Cost Benefit Analysis Consultant | This activity will involve an analytical exercise where costs and benefits of a program are identified and measured in monetary terms to determine the net economic impact of a program. | October 2012 |

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ELIGIBILITY REVIEW MEETING
ERM MINUTES
[Friday, September 28, 2012]

I. Basic information:

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| PROJECT NUMBER: | JA-L1037 |
| PROJECT NAME: | Integrated Social Protection and Labor Program |
| PIPELINE YEAR | 2012A |
| TEAM LEADER: | Donna Harris (SPH/CJA) |
| CHAIRPERSON (VPC MANAGER): | Gerard Johnson (CCB/CCB) <i>u eth</i> |

II. ERM decisions:

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| ELIGIBILITY | YES | | |
| IDB FINANCING AMOUNT AND SOURCE | US\$30,000,000 [Ordinary Capital] | | |
| ENVIRONMENTAL AND SOCIAL CLASSIFICATION | C | | |
| | NEXT ACTIONS | | |
| POD DUE DATE | October 22, 2012 | | |
| TOTAL RESOURCE REQUIREMENTS (US\$) | ADMINISTRATIVE BUDGET | NPC(US\$) | \$66,032 |
| | | PC | 246 days |
| | TC FUNDING | \$ | |
| | TOTAL | | |
| DIVISION CONTRIBUTION | DIVISION 1 | DIVISION 2 | |
| | 100% SCL | · % | |
| TECHNICAL COOPERATION (TC) CLEARED FOR APPROVAL | N/A. | | |

III. Recommendations:

| SUBJECT | RECOMMENDATIONS |
|---|--|
| Physical ERM September 21, 2012 | |
| Overall risk assessment and mitigation strategy | <p>Issue: There is a notable degree of uncertainty with regard to the macroeconomic outlook for the country. Since the operation is being proposed as an investment loan, its approval is not contingent upon determination of macroeconomic sustainability.</p> <p>Recommendation: The project team will remove from the preliminary risk assessment for the PP, the macroeconomic and fiscal sustainability, as well as governance sections.</p> |
| 1.Environmental and Social Strategy | Safeguard policy filter identified no current or potential issues. However, the project team will provide further explanation on the issue of food hygiene in the POD. |

| SUBJECT | RECOMMENDATIONS |
|------------------------------------|---|
| 2. Institutional and policy issues | <p>Issue: The Project Profile (PP) presented to ERM was structured as a hybrid policy-based loan operation for US\$80 million comprising an investment component for US\$30 million and a fast disbursement component for US\$50 million. Some members of the ERM questioned the rationale, the operational and programming basis behind this approach.</p> <p>The ERM Chair explained that, as agreed between Management and the Board of Executive Directors regarding the 2012 Jamaica programming exercise, Management would prepare an investment loan operation for Jamaica (US\$30 million) in the social sector. Management would also continue preparation of 3 Policy-Based Loans (PBLs) (including a US\$50 million loan in the social sector). However, the processing and approval of such operations would depend upon a positive change in the macroeconomic framework of the country. The ERM Chair also noted that, in such a case where approval of PBLs becomes possible, GOJ has indicated its preference to use its entire allocation for budget support, thereby withdrawing its request for approval of the investment loan operation this year.</p> <p>In this context, the Caribbean Country Department (CCB) and the Social Protection and Health (SPH) Division originally agreed to prepare one operation as a hybrid policy-based loan until the time at which a final decision was made on the fast disbursement component. However, after reconsideration by the ERM, both CCB and SPH agreed that for purposes of clarity and alignment with Bank policies and procedures, the PP would only present and prepare an investment loan operation. In this regard, the ERM limited its discussion solely to the investment loan operation.</p> <p>The project team noted that the objectives of the investment loan operation as reflected in the September 21st PP do not need to be changed, given that the investment activities to improve the efficiency and effectiveness of PATH, SFP and STW are separated from the PBL, and directly applicable to the operation's development objectives.</p> <p>Recommendation: The project team will review and re-draft the current PP (by Wednesday, September 26th 2012) so as to present the project as an investment loan operation. A revised version of the PP will be re-distributed to members of the ERM for a virtual 3-day review period with a view to finalizing eligibility by Friday September 28 2012.</p> <p>Additionally, the project team will create and request registration of a new operation in the OPUS corresponding to a PBL operation for \$50M, and present a Project Profile to ERM as soon as possible.</p> |

| SUBJECT | RECOMMENDATIONS |
|---|--|
| 3. Country Strategy | <p>Issue: ERM members inquired as to the linkage between this investment loan operation and the Country Strategy with Jamaica (CS) currently under preparation. Given that earlier this year Senior Management expressed its intention to present a new CS to the Board prior to the approval of any new loans for Jamaica, the Country Department reiterated that the CS will indeed be presented for approval this year prior to the approval of this loan.</p> <p>Recommendation: The project team will liaise with the Country Coordinator on the appropriate language to reflect that the project is aligned, in principle, with the draft Country Strategy with Jamaica. The project team will also present greater evidence of the project's justification based upon its own merits and alignment with country priorities.</p> |
| 4. Bank Engagement in the Sector | <p>Issue: Members of the ERM requested further elaboration on the Bank's experience in the sector to provide context for the current intervention.</p> <p>Recommendation: The project team will provide this additional detail in the re-drafted PP.</p> |
| 5. Poverty Trends | <p>Issue: An ERM member inquired whether more updated data on poverty trends was available than 2010. The project team noted that this was in fact the latest poverty data but that there is more current unemployment data which could be added.</p> <p>Recommendation: The project team will include more updated unemployment data in the re-drafted PP.</p> |
| 6. Executing Agency | <p>Issue: A member of the ERM sought clarification that the executing agency (EA) for the investment loan operation will be the Ministry of Labor and Social Security.</p> <p>Recommendation: The project team will adjust the PP to reflect that the EA will be the Ministry of Labor and Social Security.</p> |
| 7. SPD Comments | <p>Recommendation: The ERM noted that comments from SPD would be incorporated in the POD phase.</p> |
| <p>Virtual ERM Concluded: September 28, 2012</p> | |

| SUBJECT | RECOMMENDATIONS |
|------------------------------------|--|
| <p>1. Macroeconomic Conditions</p> | <p>Issue: With respect to the "Macroeconomic Conditions" section of the Project Profile (PP), we recommend revisiting and adjusting such paragraph so as to make sure that its content is more consistent and in line with the proposed investment loan operation. As presented, the content of the paragraph seems to be more in line for purposes of a policy-based loan operation rather than an investment loan operation. In this regard, if macroeconomic information is needed for purposes of the PP, we recommend: (i) replacing the term "conditions" by "framework"; and (ii) providing more information so as to know, how the proposed operation "fits" within the current macroeconomic situation of the Jamaica and its ability to, notwithstanding such adverse macroeconomic conditions, serve the debt resulting from the potential loan to be provided by the Bank and how such debt falls within the country's current fiscal space.</p> <p>Team Response: Para 2.1 has been modified. Given the brevity of the PP the team will elaborate on the macroeconomic conditions in the POD and address issues related point (ii) there.</p> |
| <p>2. Paragraph 2.9</p> | <p>Issue: LEG recommends revising the very last two sentences of paragraph 2.9 of the PP so that they can read as follows:</p> <p>"While these additional measures will be carried out by the GOJ as part of a broader reform program, improvements in PATH management information system funded by the proposed investment loan will provide the necessary technological platform for the reform."</p> <p>Team Response: Para 2.9 modified accordingly.</p> |

| SUBJECT | RECOMMENDATIONS |
|--|--|
| <p>3. Country Strategy Link</p> | <p>Issue: In connection with the proposed paragraph for purposes of the Country Strategy, LEG recommends revisiting the order on how the information is provided so as to begin by making reference of the own merits of the proposed program and then finalizing by indicating that, in addition to its own merits, the program, as proposed, is in line with the draft Country Strategy for Jamaica currently under preparation. In this regard, paragraph 2.10 could read as follows:</p> <p>“Country Strategy and GCI-9. In light of the current context of GOJ fiscal compression measures, the proposed operation is essential in order to mitigate the risk of further increases in poverty and unemployment. In this regard, this operation is aligned to the GOJ poverty reduction and social welfare strategy outlined in its National Strategic Plan (Vision 2030) and therefore constitutes a high priority for GOJ. The program is also consistent with the Bank’s Strategy for Social Policy for Equity and Productivity, and will contribute to the IDB-9 Indicator (AB-2764), in particular to the number of individuals receiving targeted anti-poverty programs. Finally, the proposed investment loan operation is aligned, in principle, with the strategic objectives set forth in the draft Country Strategy with Jamaica 2012-2014, currently under preparation.”</p> <p>Team Response: Language accepted. Para. 2.10 was adjusted.</p> |
| <p>4. Sequencing of presentation to IDB Board</p> | <p>Issue: Presentation of the proposed loan operation for Jamaica for the consideration of the Board of Executive Directors will be subject to the prior submission by Management to the Board of the new Country Strategy with Jamaica 2012-2014.</p> <p>Team Response: Noted and agreed.</p> |
| <p>5. Retroactive Financing</p> | <p>Issue: For purposes of paragraph 2.13 (Retroactive financing), LEG recommends replacing said text by the following:</p> <p>“In accordance with the Bank’s applicable policies on retroactive financing (Operational Policies and Strategies Manual -OP-504), it is envisaged that the Bank could recognize up to US\$6 million (20% of loan amount) as retroactive financing in expenditures incurred on the program by the Executing Agency (financing of activities eligible under component 1 of the program) after the date of approval of this Project Profile and up to the date of approval of the Loan Proposal.”</p> <p>Team Response: Agreed. See para.2.13</p> |

| SUBJECT | RECOMMENDATIONS |
|-----------------------------|---|
| 6. Risk Mitigation | <p>Issue: In connection with the risks outlined in the paragraph 3.2 of the PP, LEG recommends identifying what the mitigating measures will be.</p> <p>Team Response: The team agrees that mitigating measures should be identified. However, these measure are not required at the PP stage but should be developed for the POD as part of a comprehensive risk assessment in collaboration with key stakeholders. This exercise is scheduled for week of Oct 1, 2012.</p> |
| 7. Complementary Activities | <p>Issue: For purposes of paragraph 3.3, and in light of the comment made in paragraph 2 above, LEG recommend replacing paragraph 3.3 of the PP by the following:</p> <p>"Complementary Activities. In parallel with preparation of this project, the GOJ is implementing two Technical Cooperation Programs being financed by the Bank (JA-T1048 and JA-T1046), which aims at supporting the development of the GOJ policy reform agenda in the sector. Activities under these two TCs are ongoing and will support several activities under this program, including the development of policies and procedures for the SFP."</p> <p>Team Response: There is no substantive difference between the proposed paragraph and the text in the PP. Minor modifications were made. See para 3.3.</p> |
| 8. Annex | <p>Issue: The number of hours assigned to the participation of the attorney to the project should be 20 days instead of 12. In addition, it should be identified that resources allocated to the analysis mission will cover the costs associated with the participation of the project attorney in said mission.</p> <p>Team Response: Agreed and adjusted.</p> |

IV. Next steps

| TOPIC | NEXT STEPS |
|---------------------|--|
| Project preparation | Preparation of re-drafted PP for an investment loan operation; 3-day virtual review period; incorporation of comments. |

ANNEX TO ERM MINUTES

List of invitees/participants

| INVITEES | DEPARTMENT/DIVISION | PARTICIPANTS |
|---|------------------------------|--------------|
| Corresponding VPC Manager | Gerard Johnson (CCB/CCB) | √ |
| Corresponding VPS Manager | | |
| Corresponding Country Representative a.i. | Gerard Johnson (CCB/CCB) | √ |
| Originating VPS Division Chief | Ferdinando Regalia | |
| Other relevant VPS Division Chief (s) | | |
| Corresponding Regional Economic Advisor | Inder Ruprah | |
| Corresponding Operations Advisor | Carina Cockburn | √ |
| Corresponding Country Coordinator | Michael Nelson (CCB) | √ |
| Corresponding Country Economist | Juan Pedro Schmid | √ |
| Corresponding LEG Coordinator | Diego Buchara | √ |
| SPD Manager | | |
| FIN/FSV Chief | | |
| VPC/PDP Chief | | |
| ESG Chief | | |
| Project team members | Donna Harris (SPH/CJA) | √ |
| | Marco Stampini (SCL/SPH) | √ |
| | Jacqueline Mazza (SCL/LMK) | √ |
| | Graham Williams (FMP/CJA) | |
| | Javier Jimenez (LEG/SGO) | √ |
| | Martha Guerra (SCL/SPH) | √ |
| | Janet Quarrie (CCB/CJA) | √ |
| | | |
| Other participants as needed | Harold Arzu (CCB/CJA) | √ |
| | Sebastian Martinez (SPD/SDV) | √ |
| | | |

√ denotes ERM participation