

**PROGRAM INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

October 2, 2014  
Report No.: AB7635

<b>Operation Name</b>	First Competitiveness and Fiscal Management Programmatic Development Policy Loan
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Jamaica
<b>Sector</b>	Macroeconomic and Fiscal Management
<b>Operation ID</b>	P151448
<b>Lending Instrument</b>	Development Policy Lending
<b>Borrower(s)</b>	GOVERNMENT OF JAMAICA
<b>Implementing Agency</b>	Ministry of Finance and Planning Government of Jamaica Ministry of Finance and Planning Kingston, Jamaica Tel: 876-932-5416
<b>Date PID Prepared</b>	September 16, 2014
<b>Estimated Date of Appraisal</b>	October 30, 2014
<b>Estimated Date of Board Approval</b>	December 12, 2014
<b>Corporate Review Decision</b>	October 29, 2014

**I. Key development issues and rationale for Bank involvement**

Jamaica has experienced low growth, high public debt, and serious social challenges for almost three decades. For the past 30 years real per capita GDP increased at an average of just 1 percent per annum, making Jamaica one of the slowest growing developing countries. Natural disasters and adverse external shocks in this low-growth environment, coupled with weak fiscal discipline and the materialization of contingent fiscal risks, resulted in persistent fiscal deficits that have kept public debt above 100 percent of GDP since the early 2000s. Combined with high unemployment and rising crime rates, the macroeconomic uncertainty created by Jamaica's sizeable debt burden has depressed investor sentiment and crowded out private sector investment. As a result, Jamaica has faced difficult challenges to lay the foundations for long-term economic growth and sustained reductions in poverty and inequality.

In an attempt to break with the past, the Government of Jamaica (GoJ) has embarked on a journey of economic reform, to restore macroeconomic stability and pave the way for higher growth that benefits all. Important strides have been made in the right direction as the country managed to avert a potential economic crisis in 2013 and is holding steady in the course of difficult reforms. Jamaica entered an IMF Extended Fund Facility (EFF) program in 2013 and has made good progress, successfully completing five reviews of the Program as of September 2014.

This DPL continues to provide Bank support for the Government's reform agenda, with the objective of removing key impediments to the policy and institutional framework thus making it more conducive to supporting future growth. Reversing Jamaica's long record of low growth is not an easy task. It requires that Jamaica simultaneously (i) addresses the macro imbalances that have led to an unsustainable debt level; (ii) improves the business environment to attract strategic investments; and (iii) establishes mechanisms to manage the costs of natural disasters and to build social resilience by improving the delivery of critical social services. The Government is steadily taking steps to address these issues, and this DPL is part of an overall IFI package of support to Jamaica. Using a programmatic, two year framework, this operation includes policy measures to enhance competitiveness, improve the investment climate, and support fiscal consolidation. These reforms, if deepened and sustained, could significantly transform the policy and institutional landscape in Jamaica, attracting new investments that create jobs, improve the institutional arrangements for public service delivery and affording opportunities for all to compete in a global workplace.

## **II. Proposed Objective(s)**

The objective of the proposed Programmatic DPL is to support the Government of Jamaica's structural reform program, in particular those reforms designed to increase competitiveness and improve fiscal management. Reforms aimed at improving competitiveness include investment climate related actions that will reduce delays in the development approvals process, thus unblocking a number of potential construction projects that are in the pipeline. Other competitiveness related reforms include steps to increase the reliability of the power supply, lower costs while diversifying the sources of electricity generation, progress on the Logistics Hub Initiative, and enhancing trade facilitation. Even with significant progress on improving competitiveness, investor confidence will not return unless sustained progress is demonstrated on the fiscal front. This requires success at addressing the key underlying causes of the rigid expenditure patterns that make fiscal adjustment difficult, namely the large wage bill (currently 10.6 percent of GDP), the defined benefit pension program for civil servants that is entirely funded by budgetary outlays, improving the credibility and comprehensiveness of the budgeting process, and the public sector investment program, which is unable to deliver growth dividends in its present, un-prioritized form.

## **III. Preliminary Description**

### *Pillar I: Improving the Investment Climate and Competitiveness*

The DPL proposes to support specific elements of the government's agenda that will improve competitiveness and enable growth. These include addressing (i) long delays in development/construction permit processing by reforming the development approvals process, (ii) the high cost of electricity by developing the strategy for increasing power generation away from high cost imported fuels, and (iii) improving trade facilitation and growth of trade-related industries to support the successful implementation for the Logistics Hub Initiative – identified by the Government as a key growth initiative.

## *Pillar II: Improving Public Financial Management for Sustained Fiscal Consolidation*

Under Pillar II, the DPL proposes to support elements of public sector management for sustained fiscal consolidation. Measures supported address (i) fiscal consolidation and debt management, (ii) improving public expenditure efficiency by improving budgeting and procurement processes and (iii) improving management and planning of public sector investments to ensure a prioritized, strategic and sustainable use of public investment resources.

### **IV. Poverty and Social Impacts and Environment Aspects**

Given the growth supporting nature of the Pillar I activities, and the benefits—particularly to the poor—of lower electricity costs, the Government policies supported in this DPL are expected to have a positive poverty and social impact. Though the cost of fiscal consolidation has impacts throughout the economy, in the medium term, the Pillar II policy actions are expected to lead to more efficient use of scarce fiscal resources.

None of the policies supported by the proposed DPL are expected to have significant effects on Jamaica’s environment, forests and other natural resources. Indeed, the DPL supported improvements in the development approval process will help focus technical resources on larger projects, and the support for the diversification of energy, including to renewables, from imported oil, would be a positive environmental outcome. No environmental safeguards are expected to be triggered.

### **V. Tentative financing**

Source:		(\$m.)
Borrower		0
International Bank for Reconstruction and Development		75
Others (specify)		
	Total	75

### **VI. Contact point**

#### **World Bank**

#### **World Bank**

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#### **Borrower**

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