

**CARIBBEAN DEVELOPMENT BANK**

**TWO-HUNDRED AND SIXTIETH MEETING OF THE BOARD OF DIRECTORS**

**TO BE HELD IN BARBADOS**

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**COUNTRY STRATEGY PAPER 2014-16 - JAMAICA**

1. The attached Country Strategy Paper (CSP) proposes a Caribbean Development Bank (CDB) assistance strategy for Jamaica over the period 2014-16. The most recent CSP for the country covered 2008-2011. The Strategy is framed against the backdrop of a country that continues to grapple with an acute debt challenge and insufficient growth to quickly reverse debt dynamics or deliver on sustained welfare enhancement of the population.
2. With the support of multilateral creditors, the country is seeking to enhance its debt and growth profile by pursuing bold structural reforms designed to improve public financial management and public sector investment decision-making, as well as reduce the cost of doing business. With financial assistance from CDB the country formulated a long-term growth strategy, Vision 2030, which provides the context and framework for all development assistance. CDB's proposed strategy is nested within Vision 2030 and the accompanying Medium-Term Social and Economic Framework, with common outcomes being pursued.
3. The Strategy is characterised by focus and selectivity and is limited to supporting outcomes of increased equitable access to high-quality education and training; improved capacity for environmental management; climate risk and disaster risk management; and sustainable urban and rural development. These outcome areas represent CDB's own comparative advantages and are consistent with the Bank's strategic objective of supporting inclusive growth and sustainable development. They also provide an opportunity for the Bank to build on important, but unfinished, developmental work in key sectors.
4. The proposed CSP has a particular design feature. Jamaica's fiscal sustainability objectives require that CDB adopt a conservative approach to its lending engagement. The resource envelope is therefore restricted to the allocation under Special Development Fund 8 of Thirty-three point eight million United States dollars (USD33.8 mn), augmented by the country's allocation under Basic Needs Trust Fund 7 of just over USD4.7 mn. However, recognising the critical importance of Jamaica as a Borrowing Member Country and the need for sustained and meaningful engagement, the shorter CSP timeframe of two rather than four years is intended to facilitate a relatively quick reassessment of the country's fiscal and debt performance.

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**CARIBBEAN DEVELOPMENT BANK**

**STAFF REPORT**

**COUNTRY STRATEGY PAPER 2014-16  
JAMAICA**

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## CURRENCY EQUIVALENT

Dollars (\$) throughout refer to United States dollars (USD) unless otherwise stated  
USD1.00 = JMD101.16

## ABBREVIATIONS

%	-	per cent
BMC	-	Borrowing Member Country
BNTF	-	Basic Needs Trust Fund
CARICOM	-	Caribbean Community
CCRIF	-	Caribbean Catastrophe Risk Insurance Facility
CDB	-	Caribbean Development Bank
CG	-	Central Government
CIDA	-	Canadian International Development Agency
CSP	-	Country Strategy Paper
DfID	-	Department for International Development
DRM	-	Disaster Risk Management
DRR	-	Disaster Risk Reduction
ECE	-	Early Childhood Education
ECD	-	Early Childhood Development
EFF	-	Extended Fund Facility
CSEC	-	Caribbean Secondary Education Certificate
EU	-	European Union
FY	-	Financial Year
GDP	-	Gross Domestic Product
GNI	-	Gross National Income
GOJ	-	Government of Jamaica
HDI	-	Human Development Index
HDR	-	Human Development Report
HRD	-	Human Resource Development
ICT	-	Information and Communication Technologies
IDB	-	Inter-American Development Bank
IMF	-	International Monetary Fund
JCF	-	Jamaica Constabulary Force
JSIF	-	Jamaica Social Investment Fund
JSLC	-	Jamaica Survey of Living Conditions
KMA	-	Kingston Metropolitan Area
LOC	-	Line of Credit
MDAs	-	Ministries, Departments and Agencies
MDB	-	Multilateral Development Bank
MDGs	-	Millennium Development Goals
mm	-	millimetres
mn	-	million
m <sup>3</sup>	-	cubic meters
M&E	-	Monitoring and Evaluation
MfDR	-	Managing for Development Results
MOE	-	Ministry of Education
MTF	-	Medium-term Socio-Economic Policy Framework

NDP	-	National Development Plan
NDX	-	National Debt Exchange
NEPA	-	National Environment and Planning Agency
NPGE	-	National Policy for Gender Equality
NRW	-	Non-Revenue Water
PBL	-	Policy-Based Loan
PPI	-	Portfolio Performance Index
PPPs	-	Public-Private Partnerships
SDF	-	Special Development Fund
STEM	-	Science, Technology, Engineering and Mathematics
TVET	-	Technical, Vocational Education and Training
UNDP	-	United Nations Development Programme
USAID	-	United States Agency for International Development
UWI	-	University of the West Indies
WB	-	World Bank
WRA	-	Water Resource Authority

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## COUNTRY DATA: JAMAICA

	2008	2009	2010	2011	2012
PER CAPITA GDP (current market prices; \$)	371,957.0	396,655.4	427,473.7	459,307.1	484,252.7
<b>GROSS DOMESTIC PRODUCT (GDP)</b>					
GDP at Current Market Prices (\$mn)	997,626.0	1,067,955.0	1,153,666.0	1,239,767.6	1,313,051.2
Demand Components:					
Consumption Expenditure	1,050,584.6	1,034,726.8	1,131,142.2	1,260,808.5	1,347,994.0
Gross Domestic Investment	243,190.2	224,196.6	232,899.1	265,369.7	261,162.3
Exports of goods and non-factor services	418,360.8	367,316.8	361,232.6	376,784.6	399,555.2
Imports of goods and non-factors erivces	714,509.6	558,285.2	571,607.9	663,195.2	695,660.4
Gross domestic savings ratio (%)	(5.3)	3.1	2.0	(1.7)	(2.7)
<b>Sectoral distribution of current GDP (%)</b>					
Agriculture	5.6	6.4	6.3	6.6	6.7
Mining & Quarrying	1.9	1.0	1.3	1.5	1.3
Manufacturing	9.2	9.4	9.0	9.1	9.2
Utilities	3.5	3.1	3.4	3.4	3.1
Construction	8.1	7.2	7.3	7.3	7.2
Transport & Communication	11.1	10.7	10.2	9.8	9.0
Hotels & Restaurants	4.7	4.8	4.5	4.3	4.3
Wholesale & Retail Trade	19.2	18.9	18.8	18.9	19.1
Financial & Business Services	21.7	22.3	22.9	22.7	22.8
Government Services	13.4	14.8	14.4	14.3	14.9
Other Services	6.5	6.5	6.5	6.5	6.7
Less Imputed Service Charge	4.8	5.2	4.5	4.3	4.3
GDP at Current Factor Cost (\$mn)	866,802.0	931,430.0	991,018.0	1,066,975.0	1,123,327
GDP at constant 2007 Prices (\$mn)	760,731.0	734,266.0	723,182.0	732,388.0	7,299,458
Annual rate of growth in GDP (%)	(0.8)	(3.5)	(1.5)	1.3	(0.3)
<b>MONEY AND PRICES (\$ mn)</b>					
Consumer prices (av. annual % change)	22.0	9.6	12.6	7.5	6.9
Money supply (M1; annual % change)	(5.2)	7.7	4.1	7.4	10.5
Total domestic credit(net)	361,984.5	373,823.6	319,244.3	345,091.5	385,224.4
Private sector (net)	207,599.6	209,477.9	208,991.0	235,446.5	276,182.2
Public sector (net)	161,042.7	177,538.7	132,266.3	128,952.9	130,471.7
Other Financial Institutions (net)	(8,633.3)	(15,118.4)	(24,014.5)	(19,307.9)	(21,429.6)
Estimated Tourism Expenditure (USD mn)	1,975.5	1,925.4	2,001.5	2,008.4	2,046.5
<b>CENTRAL GOVERNMENT FINANCES (\$ mn)</b>					
Current Revenues	266,744.6	288,694.6	300,769.2	308,423.4	339,712.2
Current Expenditures	310,149.5	387,044.2	333,173.8	349,960.7	361,521.0
Current Account Surplus/ (Deficit)	(43,404.9)	(98,349.6)	(32,404.6)	(41,537.3)	(21,808.8)
Capital Revenue and Grants	9,455.2	11,505.5	14,430.8	14,354.3	4,956.3
Capital Expenditure and Net Lending	41,371.9	34,414.3	55,594.1	53,230.9	37,757.9
Overall Surplus/ (Deficit)	(75,321.6)	(121,258.4)	(73,567.9)	(80,413.9)	(54,610.4)
<b>BALANCE OF PAYMENTS (USD mn)</b>					
Merchandise Exports (f.o.b)	2,743.9	1,387.7	1,368.0	1,664.8	1,746.7
Merchandise Imports (c.i.f)	7,546.8	4,475.6	4,627.4	5,922.4	5,904.7
Trade balance	(4,802.9)	(3,087.9)	(3,259.4)	(4,257.6)	(4,158.0)
Net Balance on services account	428.1	751.9	810.0	669.8	638.9
Income (net)	(568.3)	(586.3)	(494.6)	(518.4)	(433.5)
Transfers (net)	2,149.8	2,045.5	2,010.0	1,989.8	2,047.4
Current Account Balance	(2,793.3)	(876.8)	(934.0)	(2,116.5)	(1,905.2)
Capital and Financial Account	2,793.3	912.4	934.0	2,116.5	1,905.2
Capital Account	18.1	10.4	(22.1)	(9.2)	(26.2)
Capital Transfers	18.1	10.4	(22.1)	(9.2)	(26.2)
General Government	48.6	45.3	4.2	29.0	5.9
Other Sectors	(30.5)	(34.9)	(26.3)	(38.2)	(32.1)
Financial Account	2,775.2	902.0	956.1	2,066.2	1,931.5
Direct Investment	518.6	249.4	967.7	452.7	238.6
Other Investment (incl. errors & omissions)	2,151.8	609.0	430.4	1,408.3	852.3
Reserves	104.8	43.6	(442.0)	205.2	840.5
<b>TOTAL PUBLIC DEBT (USD mn)</b>					
Total public debt	14,691.4	15,115.2	17,544.5	18,826.9	20,369.0
Domestic debt outstanding	8,347.7	8,520.9	9,155.0	10,200.8	11,331.0
Long term	8,189.0	8,415.1	9,057.0	10,097.8	10,617.2
Short term	158.7	105.8	98.0	103.0	713.9
External debt outstanding	6,343.7	6,594.3	8,389.5	8,626.1	9,037.9
Total debt service	3,734.2	4,082.3	...	2,876.2	2,419.0
Amortisation	2,015.8	1,382.4	...	1,482.4	992.6
Interest Payments	1,718.4	2,699.9	...	1,393.8	1426.4
External debt service (actual)	1,040.3	746.2	726.5	1,138.2	1,016.3
External debt service as % of exports of goods and services	11.3	9.2	8.9	10.3	6.4
Total debt service as % of current revenue	93.3	162.9	...	80.8	63.4
<b>AVERAGE EXCHANGE RATE</b>					
Dollar(s) per US dollar	72.92	88.49	87.38	86.08	88.99

Data for 2011 are provisional.

(ii)

**COUNTRY DATA: JAMAICA**

	2008	2009	2010	2011	2012
<b>INTEREST RATES</b>					
Domestic Rate - Deposit (overall av. weighted)	5.2	4.6	5.7	4.4	3.9
Domestic Rate - Loan (overall av. weighted)	16.8	19.2	20.4	18.3	18.4
Foreign Rate - Time Deposit (overall av. weighted)	5.1	4.4	4.5	3.6	2.8
Foreign Rate - Loan (overall av. weighted)	9.0	9.0	8.8	8.2	7.5
Treasury Bill Rate (av. Annual)	14.7	15.5	7.5	6.3	6.4
<b>POPULATION</b>					
Mid-Year Population ('000)	2,692.4	2,698.8	2,703.6	2,709.3	2,711.5
Population Growth Rate (%)	0.5	0.4	0.2	0.2	0.3
Crude Birth Rate	16.7	16.3	15.3	15.2	15.1
Crude Death Rate	6.3	6.5	6.7	6.6	6.5
Infant Mortality Rate	16.7	16.7	16.7	16.7	16.7
<b>EDUCATION</b>					
School Enrollment (No.)					
Primary	315,100	307,800	294,700.0	289,600.0	283,600
Secondary	250,800	266,900	265,100.0	260,400.0	251,700
Pupil-Teacher Ratio					
Primary	25.0	25.0	...	...	---
Secondary	19.0	17.0	...	...	---
<b>LABOUR FORCE</b>					
Unemployment Rate (%)	10.6	11.4	12.4	12.6	13.7
Male	7.3	8.6	9.2	9.3	10.3
Female	14.6	14.8	16.2	16.7	17.8
Participation Rate (%)	65.4	63.6	62.4	62.3	62.7
Male	73.8	71.8	70.4	70.2	70.2
Female	57.5	55.7	54.8	54.9	55.5

	1980	1990	2000	2010
<b>INDICATORS OF HUMAN DEVELOPMENT</b>				
<b>HEALTH AND EDUCATION</b>				
Life Expectancy at Birth (years)	70.8	73.2	70.7	74.1
Male	69.0	...	69.0	...
Female	73.0	...	72.5	...
Dependency Ratio	0.8	0.8	...	
Male	0.8	0.8	...	
Female	0.8	0.8	...	
Adult Literacy Rate (%)	...	...	...	...
Male	...	...	74.0	...
Female	...	...	86.0	...
Human Development Index	...	...	0.665	...
<b>HOUSING AND ENVIRONMENT</b>				
Households with piped water (%)	51.8	59.4	93.0	...
Households with access to flush toilets (%)	34.9	40.2	80.0	...
Households with electricity (%)	48.6	64.7	...	...

Environmental strategy or action plan (year prepared):

HDI RANK- 100th as at 2009; HDI RANK- 80th as at 2010

... not available

Data as at December 31, 2013



# MAP OF JAMAICA



## **EXECUTIVE SUMMARY**

1. This Country Strategy Paper (CSP) covers the period 2014-16 and sets out Caribbean Development Bank's (CDB) strategic thrust in Jamaica over that time horizon. To some extent, the strategy builds on earlier support provided in key sectors in an effort to lock in development gains. The CSP is firmly nested within the country's own development vision as articulated in its medium to long-term development plan, Vision 2030 and the associated Medium-Term Socio-Economic Policy Framework 2012-15, and takes account of the support strategies of the country's key development partners. The country strategy is also well aligned to the Bank's strategic objectives of fostering inclusive growth and sustainable development.

### **Country Context**

2. Jamaica, the "land of wood and water" and a country with vast potential as demonstrated by the strides of its citizens in both the arts and athletics, has had a difficult development path over the past three decades. Notwithstanding its factor endowments, which provided much of the growth impetus in tourism, mining and agriculture in the country's halcyon days, a series of output shocks precipitated by adverse weather; a failed inward-oriented growth model; the resolution of a financial sector crisis; and the deep adverse impact of the recent Great Recession all conspired against country progress. In recent years, Government policy has focused primarily on reducing debt and achieving macroeconomic stability, while implementing structural policies to foster growth and reduce poverty.

### **Development Priorities and Challenges**

3. With financial support from CDB, Jamaica has crafted a comprehensive development planning framework and strategy in Vision 2030. The plan sets out the country's national goals and outcomes which rest on four pillars, *viz*, Jamaicans are empowered to achieve their fullest potential; the Jamaican society is secure, cohesive and just; Jamaica's economy is prosperous; and Jamaica has a healthy natural environment. Some of the core challenges include: (i) fiscal and debt sustainability; (ii) the need to increase growth through competitiveness; (iii) infrastructure deficits; (iv) strengthening human resources development (HRD); and (v) acute vulnerabilities to natural disaster hazards.

### **Caribbean Development Bank in Jamaica**

4. Jamaica is the Bank's single largest borrower accounting for around 24.7 per cent (%) of the total loans outstanding at the end of 2013. The most recent CSP covered the period 2008-2011 and was focused on: (i) improving macroeconomic management and debt dynamics; (ii) strengthening the economic growth prospects through the upgrade of economic infrastructure; (iii) facilitating agriculture and rural development; (iv) supporting HRD through interventions in the education sector; (v) contributing to poverty reduction through CDB's Basic Needs Trust Fund (BNTF) and other direct interventions; and (vi) supporting the mainstreaming of disaster risk management (DRM) and adaptation to climate change, including the establishment of an appropriate regulatory framework. A significant portion of the assistance (59.8%) was geared towards improving macroeconomic management and debt dynamics through a \$100 million (mn) Policy-Based Loan (PBL). The Bank also supported HRD and building climate change resilience with relatively large interventions (as a share of the size of the lending envelope) in the education sector and though loans for rehabilitation. The lessons drawn strongly suggest that strategy utilisation and relevance depend on robust country ownership; the country also remains very vulnerable to natural disasters which may divert scarce resources from other important development interventions; and large variances in project costings may reflect the need for capacity building support at the technical level.

(ii)

## **The Country Strategy**

5. The Strategy for Jamaica rests on three principal planks. First, in supporting the country's development agenda, the Bank must continue to leverage its own comparative advantage and intervene in those sectors where the assistance can have the greatest developmental impact. Second, rebalancing the country's fiscal profile, consistent with the International Monetary Fund (IMF)-supported adjustment programme requires the provision of resources with low coupons and lengthy maturities. While the Bank supports the stance, it also recognises that this will imply a reduced lending envelope over the country strategy cycle. To mitigate this impact, the Bank has designed a strategy covering a much shorter time frame (two years rather than four). This will allow the Bank to reassess the country's progress in the near term and, if possible, augment the assistance envelope. Third, the Strategy will have to be very selective and carefully targeted. The Strategy, therefore, will focus on the critical outcomes of increased and equitable access to high-quality education and training; improved capacity for environmental management, climate risk management and DRM; and sustainable urban and rural development.

## **Country Strategy Paper Financing Strategy**

6. The resource envelope for the CSP will comprise concessionary only and grant resources totaling around \$38.5 mn. This represents Jamaica's allocations under the Special Development Fund (SDF) 8 Cycle (\$33.8 mn) and the BNTF 7 (\$4.7 mn) programme. This funding approach critically supports the country's debt sustainability efforts. Moreover, the well targeted approach of the Strategy leverages the reduced funding pool and promotes an even greater development impact. Recognising the critical importance of Jamaica as a Borrowing Member Country (BMC) and the need for sustained and meaningful engagement, the shorter timeframe of the CSP (two rather than four years) is intended to facilitate a relatively quick reassessment of the country's fiscal and debt performance.

## **Implementation Plan and Responsibilities**

7. A results monitoring framework will be utilised to monitor sector outcomes associated with the Bank's country strategy. The monitoring framework places CDB's interventions within the context of the country's development objectives; the main issues in the sector; the sector outcomes to which the interventions are expected to contribute, including the gender dimension; and the gender-responsive performance indicators against which the results of the interventions will be measured. CDB will continue to monitor the development context in Jamaica and have regular dialogue with country officials in order to ensure that the Strategy is adjusted to reflect any changes in the country's priorities. At the end of the strategy period, CDB will evaluate the implementation of the country strategy.

## **Risk Analysis**

8. There are some risks that have to be considered which may impact the strategy focus. These relate to the impact of weather-related shocks, fiscal vulnerability to output shocks and adverse developments in external environment. The country strategy acknowledges the employment of some level of risk transfer mechanisms including the Caribbean Catastrophe Risk Insurance Facility (CCRIF). In relation to fiscal vulnerabilities, it will be important for the country to stay the course with its reform agenda and to build adequate fiscal buffers.

## 1. COUNTRY CONTEXT

### Development Trends Challenges and Outlook

1.01 Jamaica, the “land of wood and water” and a country with vast potential, as demonstrated by the strides of its citizens in both the arts and athletics, has had a difficult development path over the past three decades. It is a middle-income country with a heavy debt burden, which has significantly constrained its growth potential. Its population is estimated at around 2.7 mn with a per capita income of around \$5,289 at the end of 2012.<sup>1/</sup> Jamaica’s Human Development Index (HDI) value of 0.73 placed it 85<sup>th</sup> out of 187 countries in 2012.<sup>2/</sup> The economy is characterised by small size, openness and extreme vulnerability to natural disasters. The Gender Inequality Index, which reflects gender-based inequalities in reproductive health, empowerment and economic activity dimensions, positions Jamaica 87<sup>th</sup> out of 148 countries. In comparison, Trinidad and Tobago and Dominican Republic are ranked at 50<sup>th</sup> and 109<sup>th</sup>, respectively, on this Index.

1.02 Notwithstanding its factor endowments which provided much of the growth impetus in tourism, mining and agriculture in the country’s halcyon days, a series of output shocks precipitated by adverse weather; a failed inward-oriented growth model; the resolution of a financial sector crisis; and the deep adverse impact of the recent Great Depression all conspired against country progress. Development has been particularly challenging and growth has been slow. During the period 1996-2013, real Gross Domestic Product (GDP) grew at an average rate of 0.4%. Consequently, the impact of the global financial crisis has exacerbated Jamaica’s woes by reducing the opportunity for output growth. Since 2008, GDP contracted every year, except 2011, with the average contraction over the period amounting to 0.8%.

1.03 In recent years, government policy has focused primarily on reducing debt and achieving macroeconomic stability, while implementing structural policies to foster growth and reduce poverty. Recent reforms have been undertaken to improve financial management and tax administration, broaden the tax base and transform loss-making public sector entities. Steps have also been taken to implement strategic investments to accelerate growth, including road development and other physical infrastructure; agriculture; access to health care and education; as well as reducing vulnerability to natural disasters. However, with the impact of the international global financial crisis on growth, fiscal performance and the debt situation became increasingly unsustainable. Jamaica remains one of the most highly-indebted countries in the world with public debt at about 146%<sup>3/</sup> of GDP at the end of 2013 and interest payments taking up nearly 50% of budgeted expenditure over the last four fiscal years.

1.04 Going forward, it will be critical that Jamaica stays the course in relation to the implementation of its reforms and growth strategy, while addressing the acute social issues that the country faces. It will be critical that Jamaica raises its growth rate above the 2% ceiling that has characterised its economic history for most of the last four decades. Enhancing capital expenditure, mostly from a qualitative perspective, will be a critical component of such efforts. Moreover, multilateral financing will be important to Jamaica, given its potential to contribute to improved debt dynamics.

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<sup>1/</sup> Gross National Income (GNI) converted at the average exchange rate.

<sup>2/</sup> United Nations Development Programme (UNDP) Human Development Report (2013). *The Rise of the South: Human Progress in a Diverse World*. Published for the UNDP.

<sup>3/</sup> IMF estimate.

## Macroeconomic Context

### (a) Recent Economic Performance 2008-2013

1.05 Output volatility continued to be the hallmark of performance over the period 2008-2013. Real GDP declined at an average rate of 0.8% during the period, contracting every year except 2011. The economy was severely affected by the Great Recession and the transmission channel was mainly through the Mining and Quarrying sector. The global demand for aluminum plummeted in 2009, as the demand for consumer durables fell, causing output in this sector to fall by 50% in 2009 – output did not recover fully thereafter. The construction sector recorded an average decline of 4.3% during the period, largely reflecting a precipitous drop in foreign direct investment flows. Hotels and restaurants grew at an average of 2.2% per year, but this was a fall from an average growth of almost 5% in the previous five-year period. However, the performance of this sector, which is predominantly dependent on tourism, bucked the regional trend as a result of effective marketing. Output performance was reflected in labour market indicators, as unemployment rose constantly throughout the period reaching 14.9% (10.6% for males and 18.3% for females) by October 2013. With respect to prices, inflation trended downward during most of the period since 2009, after rising sharply in 2008 as a result of the increase in international commodity prices.

1.06 The external sector was marked by an improvement and subsequent deterioration of the current account of the balance of payments. Although tourist arrivals increased throughout the review period, heavy discounting reduced expenditure so that travel receipts did not keep pace with GDP. Remittances declined in relation to GDP for the entire period, but remained significant as a percentage of GDP.

1.07 Public finance performance in Financial Year (FY) 2008/09 to FY 2012/13 was marked by an initial deterioration as the effects of the Great Recession took root and subsequent improvements as the Government of Jamaica (GOJ) implemented a number of fiscal reforms. In spite of GOJ's relatively large fiscal effort, implicit in its primary balances, public debt as a percentage of GDP remained on an upward trend. This largely reflected the adverse dynamics created by the large size of the debt ratio, together with the negative growth rate *vis-a-vis* the average negative GDP growth rate. A major plank of Jamaica's development strategy involves redressing the debt problem in order to unlock fiscal resources to fund economic growth. Part of its programme involves reducing debt-servicing costs by relying more on multilateral development bank (MDB) funding to support government financing needs. Moreover, GOJ is continuing to pursue a broad set of policy and institutional reforms aimed at enhancing economic efficiency and stability with support from the IMF and the MDBs. The support was initially undergirded by a Standby Arrangement with the IMF, which went off track in 2011 but renegotiated in 2013 under an Extended Fund Facility (EFF). See Appendix 1 for a fulsome discussion of recent macroeconomic developments and Appendix 2 for details on the EFF.

### (i) *Economic Outlook*

1.08 A recovery appears to be underway, driven by agriculture, construction and mining. However, domestic consumption remains weak on account of the high unemployment and a fall in real wages. Tourist arrivals, which had started to pick up, could be adversely affected by the uncertainty in the United States market, which remains the largest source market for tourists despite the rise of Canadian arrivals over the last five years. Growth in FY 2013/14 is expected to be 0.8%, increasing to 1.4% in the following fiscal year. The depreciation of the exchange rate is expected to push inflation to 10% but expectations are that the rate will start to recede in the middle of 2014. Over the medium term, the growth agenda will be supported by the recently established National Competitiveness Council which is leading on a set of reforms to improve the country's business climate, including fast tracking of the processing and granting of

construction permits (through the application of customised new software, (Application Management and Data Analysis); expediting land titling under the Land Administration and Management Programme; and also streamlining the insolvency proceedings through the passage of a new Insolvency Act. Policy effort is also well on the way to pursue the country's opportunities as a logistics hub through the phased development of Caymanas Economic Zone, as well as the privatisation of the Kingston Container Terminal. The country is also seeking to diversify its energy mix and reduce its high cost of energy with the construction of a new 360 megawatt plant by 2016.

1.09 The fiscal reforms that are being undertaken by GOJ are paying dividends and it is expected that revenue will increase as a percentage of GDP in the medium term. These reforms are designed to allow the tax system to become more supportive of the growth imperatives and spurring employment creation. The tax system is rightly being simplified, reducing economic distortions and making the tax incentive regime more transparent and predictable by removing ministerial discretion (tax expenditures to fall from 6% of GDP to 2.5%).<sup>4/</sup> The tax base is being expanded by the soon to be introduced Minimum Business Tax (set at \$60,000); the amalgamation of the statutory payroll taxes, (including Human Employment and Resource Training, the National Insurance Scheme and National Housing Trust); and the Education Tax, while reducing the rates. The introduction of rules-based fiscal policy is also designed to lock in the gains in fiscal consolidation and promote greater predictability. These gains will be consolidated by the introduction of a fiscal rule effective FY 2014/15, along with a few other reforms on both the revenue and expenditure sides. Appendix 1 highlights selected macroeconomic indicators, including the outlook.

## **Social Context**

### (a) Demographic Developments

1.10 Jamaica's population at the end of 2011 was estimated at 2,697,983 (50.78% female and 49.22% male).<sup>5/</sup> The annual population growth rate has been consistently at or below 0.5% for the past decade and was reported at 0.2% in 2011.<sup>6/</sup> The rate of natural increase was 8.6 per 1,000, with estimated births and deaths at 41,200 and 17,900, respectively, and net external movements at 17,800. The net migration rate was -6.6 per 1,000 population. As expected, migration continued to have an impact on the population growth and structure, as well as other social and economic factors.

1.11 Jamaica is currently at an intermediate stage of the demographic transition process, evidenced by ageing of the population (with a majority of women over 60 years old). The effects of the ageing population structure are apparent in the declining 0-14 age group and the increasing working age, 15-64, and dependent elderly (65+) age groups. These changing demographic characteristics will continue to have social and economic implications and will inform GOJ's efforts to make appropriate policy, as well as planning and programmatic decisions, especially with respect to services and social protection measures to meet the needs of the population at the different stages of the lifecycle. A number of development challenges will emerge as a result of these population dynamics. These include: (i) the need for investments in response to changing demands for services offered in the social sector, including services for the elderly, the differently-abled and their caretakers; (ii) the provision of affordable housing solutions for poor households living informally and low-income earners; (iii) the integration of security, accessibility and mobility concerns in

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<sup>4/</sup> A new Charities Act (2013); an Income Tax Relief (Large Scale Projects and Pioneers Industries) Act (2013) and the Fiscal Incentives (Miscellaneous Provisions) Act 2013 all provide guidance as to the scope and extent of tax expenditure making the system far more transparent and predictable.

<sup>5/</sup> Population and Housing Census (2011).

<sup>6/</sup> *Economic and Social Survey, Jamaica (2011)*. Published by the Planning Institute of Jamaica: 20.2.

the design of social infrastructure; (iv) the increasing need for expansion in the formal labour market subsectors in support of economic development; and (v) increased employment opportunities.

(b) Poverty and Social Development

1.12 According to the Jamaica Survey of Living Conditions (JSLC), the prevalence of poverty has increased to 17.6% in 2010, up from 16.5% in 2009, with the highest prevalence of poverty in rural areas<sup>7/</sup> (Table 3).

**TABLE 3: PREVALENCE OF POVERTY BY REGION**

% (2001-2010)

Region	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Kingston Metropolitan Area	7.6	10.4	9.5	14.3	9.6	9.4	6.2	7.0	12.8	14.4
Other Towns	13.3	18.7	15.8	7.8	7.2	9.2	4.0	10.7	10.2	11.6
Rural Areas	24.1	25.1	24.2	22.1	21.1	19.8	15.3	17.0	22.5	23.2
Jamaica	16.9	19.7	19.1	16.9	14.8	14.3	9.9	12.3	16.5	17.6

*Source: Compiled by Planning Institute of Jamaica from data supplied by Statistical Institute of Jamaica, 2001-2010 in JSLC: 2010.*

1.13 The poverty rates declined incrementally during the intervening years from 2002 to 2007 but poverty levels were on an upward trajectory, thereafter. Jamaica recorded higher poverty levels among female household heads (14%) in relation to their male counterparts (11%). This increase in poverty coincided with, and reflects the adverse effects of the global economic crisis and national events that precipitated contraction of the economy leading to increased unemployment and hardship, particularly among households in the lower quintiles.

1.14 Despite declining over the decade, the level of inequality increased from 0.3667 in 2009 to 0.3813 in 2010, representing inequitable consumption of goods and services among the population quintiles. Despite the challenges of the global economic crisis, GOJ embarked on the reform of the social protection system aimed at protecting the vulnerable, whilst consolidating existing programmes such as the Programme of Advancement through Health and Education<sup>8/</sup> to improve benefits and widen the scope and reach of social assistance in an efficient and cost-effective manner. In addition to improving the efficiency of its social protection programme, GOJ recognises the imperative of addressing the historically challenging issue of inequality in a way that encourages greater participation, improved access and economic empowerment of those located on society's periphery. This is fundamental to facilitating greater levels of inclusive growth, necessary for sustainable human and social development, gender equality and poverty reduction.

1.15 According to the 2013 Human Development Report (HDR),<sup>9/</sup> Jamaica remained in the high human development category of the HDI with a value of 0.73 and a rank of 85 out of 187 countries. Closely

<sup>7/</sup> JSLC: 2010.

<sup>8/</sup> Programme of Advancement through Health and Education is a conditional cash transfer programme funded by GOJ and World Bank (WB) and is aimed at delivering benefits by way of cash grants to the most needy and vulnerable in the society. It was introduced island-wide in 2002 to rationalise the operations of three then existing income-transfer programmes in order to eliminate duplication, reduce administrative costs, streamline the use of resources and increase the effectiveness of programme delivery to the poor.

<sup>9/</sup> *Sustainability and Equity: A Better Future for All*. The country's performance in the four categories assessed was: life expectancy at birth – 73.1 years, expected years of schooling – 13.8; mean years of schooling – 9.6; and GNI per capita at \$6,487.

associated with the HDI is the country's performance in achieving the Millennium Development Goals (MDGs). While some of the indicators associated with the HDR and MDGs have improved, Jamaica experienced social problems such as an increase in poverty, incidents of crime and violence and issues related to poor housing conditions, particularly of poor households living in informal settlements in urban and rural communities. According to the most recent MDGs review,<sup>10/</sup> Jamaica has achieved the goal of universal primary education and is on track for ensuring environmental sustainability and eradicating extreme hunger. Significant progress has been made in primary education enrollment and in eliminating gender disparities in education. However, the country has lagged in relation to improving maternal health and urban living conditions, as well as in reducing infant mortality. In addition, the country's efforts are expected to be further constrained by a number of factors including *inter alia*, its vulnerability to natural hazard impacts, the vagaries of the local and international economy and the high level of income inequality and concomitantly social exclusion which continue to place unrelenting pressure on the poor to transcend poverty.

(c) Gender

1.16 GOJ has recently made policy strides in the promotion of gender equality. In 2011 the National Policy for Gender Equality (NPGE) was approved, replacing the previous 1987 document. The policy goals are founded in the human rights framework and include: (i) a multi-faceted and multi-sectoral approach to gender equality; (ii) the transformation of prevailing gender ideologies, inequitable gender relations and gendered governance practices at all levels of public sector organisations; and (iii) the creation of a socio-economic, political and legal environment free of discrimination on the basis of sex; where females and males, at all stages of the life-cycle, can enjoy their full human rights and develop their full potential as citizens. Jamaica has also ratified/adopted several international instruments on gender equality.<sup>11/</sup> The legislative framework and international instruments form the basis of a rights-based approach to the promotion of gender equality.

1.17 Jamaica's 2012 Economic and Social Survey indicates that the key issues currently prioritised as a result of efforts for implementing the NPGE include, *inter alia*, efforts to appoint Gender Focal Points across government Ministries Departments and Agencies (MDAs); enhanced MDAs capacity to address gender issues in all programmes, projects and policies; strengthened focus on women's economic empowerment; improved data collection mechanisms with corresponding gender specific indicators; and rights-based mechanisms to prevent and tackle gender-based and other forms of violence.

(d) Crime

1.18 The incidence of crime in Jamaica is one of the highest in the world and weighs heavily on the pace of growth and development. Nationally, homicides per 100,000 of population peaked at 61.6 in 2009, falling to 52.2 in 2010. The rate in Kingston was 26.8 per 100,000 in 2009.<sup>12/</sup> The events in West Kingston in May 2010<sup>13/</sup> brought to the fore the gravity of the security problem that the country has faced for decades and how it has permeated vulnerable communities island-wide. The United Nations Economic Commission

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<sup>10/</sup>National Report of Jamaica for the United Nations Economic and Social Council Annual Ministerial Review (2009).

<sup>11/</sup>Namely Convention of the Elimination of All Forms of Discrimination Against Women; the Convention on the Rights of the Child; the International Convention on Economic, Social and Cultural Rights; and the MDG which states that '*Men and women have a right to live their lives and raise their children in dignity, from hunger and fear from violence, oppression and injustice*'

<sup>12/</sup>United Nations Office on Drugs and Crime: Global Study on Homicide 2011.

<sup>13/</sup> Protests and civil disorder leading to 72 deaths and damage to police stations and other property in Western Kingston.



for Latin America and the Caribbean<sup>14/</sup> has estimated the cost of the damage and losses arising from the unrest at \$258.8 mn and the event underscored the need to deal with the underlying causes of crime. Of all prison admissions, 1,359 persons (1,214 males) were new and 567 (552 males) were recidivists. The majority of females admitted (55.6%) was for Breaches of the Dangerous Drugs Act, while the majority of males admitted (20.6%) was for Larceny; 17.5% for Breaches of the Dangerous Drugs Act; and 11% for felonious wounding. 73 males were admitted for sexual offenses. The data does not indicate the rates for domestic violence.

1.19 The causes of crime are related to a number of factors including *inter alia*, destabilising family structure, including socialisation patterns that correlate to aggressiveness and masculinity and promote violence, risk-taking and exertion of power as expected behaviour among boys and young men; the decline in values and attitudes across society; inequality in income distribution; a chronic drug culture leading to the availability of illegal firearms; and growing levels of illiteracy.<sup>15/</sup> GOJ, as part of its development efforts, has placed high priority on tackling the nuanced and complex issues of crime and violence given their negative impacts on the country's overall socio-economic development. In November 2013, GOJ commenced a phased rollout of its Community Renewal Programme which is intended to promote community empowerment and address risk factors for violent crime, including poor basic infrastructure and living conditions, in selected vulnerable communities.

## **Critical Development Challenges**

### **(a) Fiscal and Debt Sustainability**

1.20 In the early 1990s, Jamaica made significant progress in improving its fiscal and debt dynamics. Tight fiscal policy was at the core of the overall macroeconomic strategy to stabilise the economy; stimulate growth; and tackle existing high levels of poverty. During the period 1990-96, Government's concerted fiscal effort, coupled with significant Paris Club and bilateral debt restructuring, precipitated a marked reduction in the public sector debt stock. As a percentage of GDP, total debt declined from 138.3% in 1990 to 79.1% in 1996 with external debt averaging approximately 69% over the period. The resolution of the financial crisis of the mid-1990s, together with sizable downturn in real sector activity, led to a sharp reversal in Government's fiscal performance and debt position. In response to the massive financial crisis, the Government replaced financial institutions' non-performing loans and non-core assets with government securities. While this policy response protected depositors, it also generated a substantial increase in the Government's domestic and total debt stock. Total debt stock in relation to GDP surpassed the 100% threshold after the financial sector bail-out, reaching a high of 123.1% in 2003. Debt levels subsequently fell to around 114.1% of GDP by 2007. Despite further attempts since 2008 to address debt sustainability, total public sector debt has continued to increase, amounting to about 146.1% of GDP by the end of 2012.

1.21 This massive debt overhang has severely compromised the country's growth performance. Debt servicing needs have limited GOJ's ability to engage in some of the developmental expenditures that are needed to propel the Jamaican economy above the growth levels that would increase real per capita income. In order to reduce the level of indebtedness, GOJ has implemented a number of fiscal reforms aimed at increasing revenue, containing expenditure and improving debt management since 2008. These reforms included actions to rationalise and strengthen controls on public sector entities; increase the efficiency of financial management and budget processes; and enhance revenue systems. The actions also included two debt restructuring exercises – one in 2010 and another in 2013. The debt restructuring exercises reduced

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<sup>14/</sup> Macro Socio-economic Effects on the Events in Western Kingston Area, May 22 - June 7, 2010.

<sup>15/</sup> Report of the National Committee on Crime and Violence (2002).

the interest cost on GOJ's domestic debt. Such efforts have increased the primary balance and reduced interest payments, improving debt dynamics significantly. However, the debt-to-GDP ratio is not expected to drop below the 100% threshold before 2020 unless growth picks up. This means that GOJ will need to maintain strong discipline on expenditure, especially wages and salaries. This notwithstanding, growth will be a critical factor in bringing down debt to manageable levels. The structural policies that GOJ is implementing as part of the reform programme in its EFF will be critical in facilitating growth. However, it will also be important to focus the limited fiscal space on programmes and projects that contribute most to growth and development.

(b) Increasing Growth through Competitiveness

1.22 Jamaica has been trapped in a low-growth vortex for the better part of two decades, which has kept the standard of living of its citizens stagnant since the 1990s, when judged on the basis of real per capita income. Jamaica has also fallen behind the rest of the world in the process, with its GDP accounting for 0.03% of total global GDP in 2012, compared with 0.06% in 1990. It is widely accepted that a country's competitiveness is a key driver of improvements in the well-being and sustaining of prosperity of its citizens. The Global Competitive Index, which uses 12 pillars to rank the competitiveness of countries, ranked Jamaica 94<sup>th</sup> out of 148 countries in the Global Competitiveness Report 2013-14. This placed Jamaica below Barbados, which ranked 47<sup>th</sup>, and Trinidad and Tobago which ranked 92<sup>nd</sup>, but higher than Guyana (102<sup>nd</sup>) and Suriname (106<sup>th</sup>). While this represented an improvement from the 97<sup>th</sup> ranking in the 2012-13 Report, Jamaica's score was pulled down by its performance in relation to the pillars covering the basic requirements for competitiveness – institutions, infrastructure, the macroeconomic environment and health and primary education. The index sub-scores also suggest that improvement needs to be made in relation to the quality of higher education and training; the efficiency of goods markets; technological readiness; and innovation. As part of the report preparation, business executives were asked to identify the five most problematic factors hindering the conduct of business and the five top factors were listed as inefficient government bureaucracy, crime and theft, corruption, tax rates and access to finance. Jamaica ranked 94<sup>th</sup> out of 189 countries surveyed in the 2014 Doing Business Report. Jamaica ranks below the average in relation to paying taxes (168<sup>th</sup>), getting electricity (132<sup>nd</sup>), enforcing contracts (131<sup>st</sup>), trading across borders (118<sup>th</sup>), registering property (114<sup>th</sup>) and getting credit (109<sup>th</sup>). Improvements in the general environment for the operation of businesses is critical to advancing development in the country.

(c) Infrastructure Deficits

1.23 Jamaica's infrastructure gaps are manifested in the severity of impacts triggered by weather-related events. Among other places this is concentrated in the Kingsland commercial environs. The growth and development of the Kingston Metropolitan Area (KMA), has been facilitated by the development of the Sandy Gully Drainage and Flood Control Scheme which began in the 1960s. In the last four decades the Liguanea Plain has seen a tremendous increase in population density, fuelled by high rates of rural-urban migration. This has led to rapid and steady development of the surrounding steep and unstable slopes and, today, the KMA covers over 450 square kilometres; is a significant economic hub, incorporating critical national infrastructure (ports and airport), commerce, manufacturing and financial services; and accounts for nearly a third of the island's population.

1.24 Flooding is a major natural hazard for Jamaica and especially the KMA. Average annual rainfall in the KMA varies from 1,000 millimetres (mm) to just over 1,500 mm on the surrounding steep slopes.

About 200 to 300 mm of rainfall in 24 hours initiates landslides in Jamaica.<sup>16/</sup> This amount of rainfall is expected once in 2-5 years over the hilly areas of the KMA. The original catchment area for the gully network at the time of construction was some 5,500 hectares, covering the western and north-western part of the city and incorporating tributary gullies.

1.25 There has been little investment in periodic or routine maintenance of this vital piece of infrastructure, despite the higher population and development densities and the fact that the surface area of much of the city now offers much less permeability. The drainage network also carries high volumes of domestic waste, as well as debris and sediment load from the upper watersheds, which obstructs the system and increases erosive capacity. This, in turn, damages the infrastructure and increases the flood risk. The worsening hydrologic and environmental situation has been further exacerbated by the steady incursion and capture of lands in the upper reaches of the gullies and along much of the five-metre right-of-way of the main drainage channels. These lands house informal settlements, as well as formal and more affluent housing developments – a result of lax enforcement of development control and poor planning practices. Today, a large portion of the KMA’s population is vulnerable to multiple hazards including earthquakes; mudslides; debris flow and flooding.

1.26 Flooding in the KMA has significant indirect and direct impacts on the city’s social and economic development. In the last two decades there has been an average of one major flood episode every two years, creating serious social and economic dislocation, with the destruction of critical physical and social infrastructure (i.e. loss of bridges, erosion of gully embankments, utility installations, damage to schools health centres and other public facilities). Additionally, the vital internal transport network within the city has been blocked and, often, links to primary arterial roads to the rest of the country have been severed. Jamaica has already been identified as one of the Caribbean countries most likely to be impacted by climate change and sea level rise and, given the primacy of the KMA in the country’s urban hierarchy, its low-lying coastal location and its already high level of vulnerability, this is likely to worsen severely.

1.27 Over the last decade, after each major flood episode, GOJ has committed significant expenditure to repair damaged areas and restore some functionality to the drainage system. However, the value of these “one-off” investments could seriously be diminished and even compromised, if a more systematic and rationalised approach is not taken to maintenance of the infrastructure. GOJ recognises the need for a more comprehensive approach to disaster risk reduction (DRR) at the national level. A more comprehensive flood-risk-reduction approach is also required at the level of the KMA to prevent the increasing frequency of economic and social dislocation associated with flood events. A shift from an emergency reactive response to a more comprehensive risk-reduction approach will require initiatives that will: (i) increase the awareness of citizens about the multi-hazard risks of the city; (ii) promote modification of behaviours that currently contribute to increased and heightened flood risk; (iii) strengthen capacities of responsible institutions and agencies, investment and maintenance of drainage infrastructure, buildings and physical planning and development control; and (iv) develop and prioritise the financing of an action programme of investment for the short, medium and long term to finance structural and non-structural measures for drainage and flood mitigation<sup>17/</sup> in the KMA.

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<sup>16/</sup> Ahmad, Rafi (2008) PowerPoint presentation - Climate Change Induced Natural Hazards in the Caribbean; Disasters Unit, Mona, the University of the West Indies (UWI), Jamaica.

<sup>17/</sup> It should not only identify those housing and critical social infrastructure determined to be most vulnerable, but also identify potential opportunities for risk reduction by removal and/ or retrofitting and systematically addressing issues of maintenance of the infrastructure, enforcement of regulations while encouraging the full engagement of all stakeholder groups.

1.28 Adoption of this approach could provide substantial fiscal and efficiency benefits and help improve the city's productivity and competitiveness by reducing the increasingly high recurring costs from flood damage.

(d) Human Resources Development

1.29 HRD has been a priority for successive governments, maintaining, by developing country standards, consistently high levels of annual investment for education and training averaging 20% of recurrent expenditure and 6% of GDP. This has resulted in notable achievements in the education sector including: near universal access to education up to lower secondary level; an increase in the number and quality of passes at the Caribbean Examinations Council examinations; an internationally recognised Technical, Vocational Education and Training (TVET) model and a model approach to the coordination of Early Childhood Development (ECD); and the achievement of tertiary gross enrolment ratio of 33% which has surpassed the Caribbean Community's (CARICOM) target of 15% by 2015. Several supporting structures are in place to help sustain and improve on these gains. An appropriate legal and regulatory framework for operations across the various levels of education has been in place, complemented by quality assurance systems such as the National Education Inspectorate, the Jamaica Tertiary Education Commission and the Jamaica Teaching Council. Reliable funding support for TVET is available through a 3% employers' levy and a wide range of student support services, particularly for the economically disadvantaged students. These factors lend themselves to support an operational framework for inclusive education. The Ministry of Education (MOE) is in the process of implementing its 2011-2020 National Education Strategic Plan which seeks to create and maintain effective schools.

1.30 Policy concerns are therefore concentrated around improving the quality of output, reducing system inefficiencies and achieving more equitable access to education services. With 23% of the labour force certified and continued low mastery levels in national examinations [less than 30% of students achieve the matriculation requirements for tertiary education<sup>18/</sup> and 32% pass in Caribbean Secondary Education Certificate (CSEC) Mathematics], systemic improvement is necessary for workforce readiness and participation. This is compounded by persistent under-participation and performance of males throughout, including accounting for 32% of enrolment in tertiary education. Based on the 2013 School Inspection Report, key indices of school effectiveness bespeak a need for institutional transformation. School leadership, management and teacher support was rated unsatisfactory or needing immediate support in 44% of schools, 56% of students were rated as progressing unsatisfactorily and 56% of schools were assessed as ineffective.<sup>19/</sup> Issues of educational access and quality, notwithstanding the achievement of some critical standards, contribute to this unsatisfactory state. These include: inadequate readiness for school due to limited access to quality ECD services; irregular attendance at the primary level (80% in secondary); irrelevant curricula and inadequate access to quality learning resources and limited access to quality TVET and Science, Technology, Engineering and Mathematics (STEM) related disciplines. A major issue is limited teacher effectiveness – weaknesses in pedagogical strategies, particularly differentiating instruction and inadequate assessment approaches – despite a high level of certified teachers in basic education (88%) and favourable pupil-teacher ratios (20:1). These all signal the need for the focus on improving educational processes and outcomes and not merely inputs for the achievement of a 'world class education and training system'.

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<sup>18/</sup> Five CSEC subjects including English.

<sup>19/</sup> Effective schools are defined by the following characteristics: strong leadership, a clear school mission, quality teaching and learning, a safe and orderly climate, transparent and effective monitoring of student's progress, high expectations and parental involvement. (Source: Jamaica National Education Inspectorate Report, 2013).

(e) The Environment

1.31 Environmental issues are cross-cutting in nature and are impacted by economic activity, social interactions, as well as by natural phenomena.<sup>20/</sup> In Jamaica, the major issues include: watershed and forestry resource degradation; loss of biodiversity and biological resources; degradation of critical coastal and marine resources (coral reefs, wetlands and nearshore fisheries); increasing pollution threat to groundwater and surface water resources; imbalanced spatial development; high vulnerability of the main economic sectors (agriculture, tourism), critical infrastructure and large segments of the population to increasing frequency and intensity of meteorological hazards which may be further exacerbated by environmental degradation and climate change; and an overall weakness in institutional capacity to plan and effectively improve the country's environmental performance and attain its sustainable development objectives.

1.32 The main policy instruments used include environmental planning, land-use planning, protected areas management, environmental impact assessment and physical planning permit and monitoring system. Generally, the use of these instruments has been partial and uneven because of limited capacity to oversee implementation and insufficient integration with wider economic and sectoral policies. The National Environment and Planning Agency (NEPA) has also developed a number of management policies and action plans for specific environmental issues. However, these policies remain as drafts for extended periods and are rarely articulated in either sector policies or public sector investment programmes.<sup>21/</sup> Many of those approved lack the specificity necessary for quantification of performance and achievements. Increasing development pressures; inadequate financial resources; ineffective inter-agency coordination; and the application and use of policies inconsistent with environmentally sustainable development objectives both spatially and over planning horizons have all contributed to increasing degradation of the island's natural resources.

(f) Hazards

1.33 Due to its geographic location and geotectonic characteristics, Jamaica is exposed to a range of natural hazards. 96.3% of the population and 94.8% of the country is exposed to two or more hazards.<sup>22/</sup> In the 20 years prior to 2011, there were approximately 20 major disasters which resulted in average annual losses of 2 to 3% of GDP and total losses in excess of three trillion Jamaica dollars. Hurricanes, tropical storms and floods have had the greatest impact, with severe landslides experienced during periods of extreme precipitation. Records suggest that in the last 100 years the country has experienced destructive floods once every four years. The country is also exposed to and has experienced a history of destructive earthquakes and tsunamis. The most notable earthquakes included the 1692 earthquake that destroyed Port Royal, the 1907 Kingston earthquake, the 1993 Woodford earthquake and the 2010 Haiti earthquake.

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<sup>20/</sup> The main environmental issues confronting Jamaica were distilled from the situational analysis of the first drafts of the Vision 2030 National Development Plan (NDP), sector plans for Tourism, Urban and Regional Planning, Natural Resources and Environmental Management, Hazard Risk Reduction and Climate Change.

<sup>21/</sup> Watershed Policy (Draft), National Land Policy (1996), National Policy on Ocean and Coastal Zone, 2000 (White Paper, Policy for Jamaica's Protected areas, 1997 (White Paper), Forest Policy, 2001 (White Paper), Beach Policy for Jamaica, 2000 (Green Paper) Environmental Management System Policy, 2001 (Green Paper) Coral Reef Protection and Preservation Policy and Regulations, 1997 (Draft), Mangrove and Coastal Wetlands Protection Draft Policy, 1998(Draft), National Policy for the Conservation of Sea Grass, 2001 (Draft), National Solid Waste Management Policy, 2000(Draft), Jamaica Coral Reef Action Plan, 1998, Biodiversity - 2001, National Forest Management and Conservation Plan - 2001, Water Sector Policy, 1999.

<sup>22/</sup> Global Facility for Disaster Reduction and Recovery (2010).

On average approximately 200 earthquakes per year occur in and around Jamaica most of which are minor and having magnitudes of less than 4.0 on the Richter scale. Average annual loss from earthquakes is estimated at \$30 mn and maximum probable loss for a 1 in 250 year event at \$1.46 billion from the recent Inter-American Development Bank (IDB) country risk profile. Concerns over the seismic vulnerability of the KMA, have recently resurfaced due to the purported discovery of a new fault in the Kingston harbour that is an extension of the Caymans system and connected with the Plantain Garden river basin fault zone, which has been linked to Hispaniola. Jamaica also has volcanoes, which are currently inactive.

1.34 With higher levels of poverty, poor women are more vulnerable to the impact of natural hazards. They are also likely to bear the heaviest burdens when there are disasters from these natural hazards. A post-Hurricane Ivan assessment concluded that women faced challenges linked to the destruction and delays in restoring livelihoods, which threatened women's ability to meet the livelihood needs of themselves and their families. Children's vulnerabilities were found to be linked to poor living conditions in remote rural areas, overcrowded inner city slums and poor households dependent on female wage earners.<sup>23/</sup>

1.35 Jamaica, as for other BMCs, is also predicted to be quite vulnerable to the effects of global climate change. Currently, 82% of the island's population is considered resident within coastal areas. Future climate change for Jamaica is forecasted to be characterised by increasing temperatures, declining levels of precipitation and sea level rise. Regional climate models project mean annual temperatures to increase by 1 to 2 degrees Celsius by the 2090s and mean annual rainfall to decrease by this period. Climate change is likely to have adverse effects on the country, among them being an increase in the intensities of natural hazards; increased drought; sea levels rise; and weakened, more fragile ecosystems. Climate change is an additional stress that is expected to compound the level of impacts on the island's natural ecosystems and their species. Ecosystems most vulnerable to climate change impacts include coral reefs, highland forests, and coastal wetlands. Jamaica's biodiversity is already under stress from human impacts, including land use change, pollution, invasive species and over-harvesting of commercially valuable species. Impacts are also expected to the tourism, water resources and agriculture sectors.

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<sup>23/</sup> Senior, K. Dunn, L. Enhancing Gender Visibility in Disaster Risk Management: Jamaica Country Assessment. United Nations Development Plan/UWI (2009).

**2. THE GOVERNMENT’S STRATEGY**

**Development Goals and Strategy**

2.01 GOJ’s planning process is underpinned by its long-term development plan for the country: Vision 2030 – NDP, which is the country’s first long-term development plan. The Plan, which was approved by Parliament in 2009, envisages Jamaica achieving developed-country status by 2030. The NDP then provides the platform upon which a series of three-year MTFs are to be prepared. The MTF 2012-15 is the second in this series of MTFs, but this MTF is also based on GOJ’s Medium-Term Economic Programme for FY 2012/13 – FY 2015-16 and the Growth Inducement Strategy. The NDP is built on four strategic goals which are mapped onto 15 national outcomes. These are included in Table 1.

**TABLE 1: VISION 2030 – NATIONAL GOALS AND OUTCOMES**

National Goals	National Outcomes
Jamaicans are empowered to achieve their fullest potential	1. A Healthy and Stable Population 2. World-Class Education and Training 3. Effective Social Protection 4. Authentic and Transformational Culture
The Jamaican society is secure, cohesive and just	5. Security and Safety 6. Effective Governance
Jamaica’s economy is prosperous	7. A Stable Macro-economy 8. An Enabling Business Environment 9. Strong Economic Infrastructure 10. Energy Security and Efficiency 11. A Technology-Enabled Society 12. Internationally Competitive Industry Structures <ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Manufacturing</li> <li>• Mining and Quarrying</li> <li>• Construction</li> <li>• Creative Industries</li> <li>• Sport</li> <li>• Information and Communications Technology (ICT)</li> <li>• Services</li> <li>• Tourism</li> </ul>
Jamaica has a healthy natural environment	13. Sustainable Management and Use of Environmental and Natural Resources 14. Hazard Risk Reduction and Adaptation to Climate Change 15. Sustainable Urban and Rural Development

2.02 The Medium-Term Economic Programme, sits on the platform of the NDP, but focuses on two phases of inter-related specific reforms and growth initiatives. The first phase of reforms is targeted at improving the environment for doing business by enhancing processes for registering businesses, obtaining development approvals and accessing credit, while undertaking critical labour market reforms. These efforts also include increased use of natural gas and renewables, attempts to increase the resilience to natural disasters through specific public sector projects and the pursuit of public-private partnerships (PPPs) and privatisation. The second phase comprises some key strategic investments that would, *inter alia*, establish

the country as an integrated multi-modal hub; complete the highway network by advancing north-south and east-west links to Highway 2000; create vertically integrated agro-parks that stabilise the agriculture supply chain; establish ICT facilities; and redevelop downtown Kingston. Other initiatives include reform of the tax, pension, debt management and fiscal systems.

2.03 The Growth Inducement Strategy, which is aligned with the NDP, establishes a strategic framework and identifies policy actions for robust short and medium-term growth. This Strategy, which was developed in early 2011, seeks to address the binding constraints to growth by tackling a number of key areas. These areas include:

- (a) tax reform aimed at reducing tax distortions, simplifying the tax code and reviewing the external tariff structure;
- (b) building international competitiveness by reducing the cost of production and capital, improving productivity of the workforce and promoting technical innovation through research and development;
- (c) exploiting the full potential of the business-network model to promote synergies within and among targeted clusters of economic activity, reduce transaction costs and realise economies of scale;
- (d) protecting and strengthening the resilience of infrastructure;
- (e) combining community renewal programmes with increased access to lending for micro and small enterprises to spur economic growth, reduce crime and pursue social inclusion; and
- (f) reform the private sector in a manner that pulls back its activities to those related to its core functions and allows it to facilitate private-sector-led growth.

2.04 Based on these three documents, the Medium-Term Socio-Economic Policy Framework (MTF), 2012-15, focuses on four themes for achieving inclusive growth and sustainable development:

- (a) development and protection of human capital;
- (b) national security and justice;
- (c) economic stability, competitiveness and employment; and
- (d) environmental resilience and climate change response.

2.05 These themes, which are aligned with the four national goals of the NDP, filter into priority national outcomes and, in turn, priority areas. The priority areas are shown in Appendix 4 and form the basis for a number of actions intended to address the most critical issues. During the strategy period, GOJ intends to focus strongly on improving the health and well-being of its population by strengthening disease surveillance, mitigation, risk reduction and the responsiveness of the health system; strengthening primary secondary and tertiary prevention measures; and promoting good health. GOJ also intends to focus on developing planning systems for health care human resource management; and governance mechanisms for the sector. Government also intends to build human capital by strengthening its Early Childhood



Education (ECE) and ECD programmes; putting mechanisms in place to address the psychosocial needs of children; and improving the access to, and quality of the learning environment in primary and secondary schools. There are also plans to configure curricula to better prepare school leavers to access decent jobs and implement outcome-based systems in the management of the education sector. The Strategy also focuses on improving social protection by making poverty and vulnerability cross-cutting issues in public policy.

2.06 In light of the impact of security and safety concerns on Jamaica's development, improving national security plays a critical role in the Strategy. GOJ is focusing on strengthening the ability of communities to participate in creating a safe and secure society. However, there is also a focus on modernising law enforcement systems. Strengthening governance systems is also a critical area of focus, with GOJ intent on improving its performance on various governance indices by taking actions aimed at reforming the justice system; strengthening accountability and transparency mechanisms; and fostering gender equity.

2.07 GOJ will continue to focus on stabilising the economy by reducing the fiscal deficit; reducing the budgetary cost of public sector entities; developing an efficient and equitable tax system; and maintaining price stability. Moreover, government intends to improve the environment for doing business by undertakings relating to the regulatory and institutional framework for business development; access to finance; investment promotion; the labour market; and small and medium-sized enterprise development. A large part of the strategic focus of GOJ over the medium-term relates to infrastructure. A major component of the medium-term strategy is to develop Jamaica as a multi-modal regional logistics hub in order to exploit the opportunities that could result from the expansion of the Panama Canal. This will involve major port development, as well as upgrade of the road transport network. GOJ also intends to develop its energy infrastructure and diversify energy sources into renewables in order to enhance energy security.

### **Caribbean Development Bank's Assessment of the Government's Strategy**

2.08 GOJ has sought to focus its strategy squarely on addressing the binding constraints to the country's development. The strategic process is built on a Management for Development Results platform, with sectoral indicators and targets. Jamaica has set itself the target of achieving developed-country status by 2030. If this goal is to be realised, Jamaica will have to enhance its competitiveness in order to generate the type of investment and growth that will be required to achieve and afford the type of standard of living that developed-country status implies. In this regard, Jamaica seems to be tackling all of the deficiencies that have been identified in the Global Competitiveness Index. There is a strong focus on building human capital, improving health care, strengthening institutions, and creating a stable macroeconomic environment. GOJ has recognised the importance of preparing the groundwork to exploit its advantages and to capitalise on emerging opportunities. In this regard, the infrastructure plans are important and timely. Many recent studies are showing the importance of certain classes of infrastructure in accelerating growth,<sup>24/</sup> and if Jamaica is to raise its growth rate above the 2% threshold, infrastructure will be critical. At the same time GOJ is seeking to undertake those critical reforms that will improve governance structures at the sectoral and macro levels. These structures will facilitate a greater focus on results, more efficient resource use and better planning.

2.09 Given the tight fiscal situation faced by GOJ, creative methods will have to be found to finance the implementation of the Strategy. GOJ has recognised this and is seeking to engage in PPPs as a critical

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<sup>24/</sup>Serven, Luis and Cesar Calderon, "The effects of infrastructure development on growth and income distribution" WB Policy Research Working Paper Number 3400, September 2004.

mode of financing. The fiscal constraints could also affect the human resource needs of the Strategy, as GOJ has committed itself to performance criteria that depend heavily on wages and salaries expenditure. Economic growth will be critical in creating fiscal space to accommodate the required increase in wages and salaries.

### **3. CARIBBEAN DEVELOPMENT BANK IN THE COUNTRY**

#### **Assessment of 2009-2011 Strategy**

##### Design Process and Quality at Entry

3.01 The most recent CDB Country Strategy for Jamaica was approved in December 2008. The planning horizon extended from 2009-2011. The assistance strategy was formulated against the backdrop of a difficult macroeconomic and fiscal setting in Jamaica. The year 2008, marked the beginning of the Great Depression with the collapse of Lehman Brothers (September 15, 2008), in part, sparking a global financial meltdown and a protracted downturn in the world economy.<sup>25/</sup> Jamaica's heavy reliance on capital market support for its development financing needs, coupled with its substantial debt overhang, translated into significant rollover risks during the period of CSP formulation. The CSP preparation phase also coincided with changes in political leadership in the country, as well as the formulation of a very comprehensive development planning framework and strategy. These two events are noteworthy to the extent that they provided unique opportunities for CDB and other development partners to coalesce behind bold public policy action, designed to tackle the high-debt low-growth scenario in a fairly significant manner.

3.02 Against this background therefore, the CSP was informed by the following realities. First, improving the debt dynamics as a necessary measure in strengthening the country's medium-to-long term growth prospects required urgent action. Second, expanding productive capacity for sustained income expansion demanded higher and more targeted levels of capital formation from both public and private sector sources. In this regard, a more conducive environment needed to emerge in order to spur private sector-oriented investment. Third, decades of protracted low growth and high poverty levels had given rise to a difficult crime situation. To respond to the poverty challenge, given its multi-faceted and endemic nature and its obvious links to anti-social behaviour, a sustained multi-pronged approach comprising both direct and indirect interventions was deemed critically important to its reduction. Fourth, promoting environmental sustainability required policy action that responded to the country's physical development, particularly with respect to commercial spaces, alongside weak regulatory oversight and severe climate change impacts.

3.03 The envelope contemplated resources of \$180 - \$200 mn over the strategy period with a focus on six objectives. These were: (i) improving macroeconomic management and debt dynamics; (ii) strengthening the economic growth prospects through the upgrade of economic infrastructure; (iii) facilitating agriculture and rural development; (iv) supporting HRD through interventions in the education sector; (v) contributing to poverty reduction through CDB's BNTF and other direct interventions; and (vi) supporting the mainstreaming of DRM and adaptation to climate change, including the establishment of an appropriate regulatory framework.

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<sup>25/</sup> The fallout, triggered by the blowout of the subprime mortgage market in 2008, continues to be felt today as the balance sheets of households and firms in some markets are still impaired.

3.04 The Strategy also recognised the need for front-loaded assistance to Jamaica in light of the acute financing needs in early days of the financial crisis. Within this context, a package of assistance was approved in December 2008 that was negotiated as a critical component of CDB’s intervention in the country over the strategy period. (Table 3.1)

**TABLE 3.1: LOANS AND GRANTS APPROVED (GROSS) – COUNTRY STRATEGY PAPER PERIOD AND POST-COUNTRY STRATEGY PERIOD**

Approval Date	Project	Loan	Grant	Total	Undisbursed Balances
Dec. 2008	PBL	100,000,000		100,000,000	0
Dec. 2008	Agriculture Support Line of Credit (LOC)	7,800,000		7,800,000	0
Dec. 2008	Norman Manley Upgrade and Expansion (Add Loan)	9,000,000		9,000,000	0
Dec. 2008	Tropical Storm Gustav	30,000,000		30,000,000	4,952,000
<b>Total - December 2008</b>		<b>146,800,000</b>		<b>146,800,000</b>	<b>4,952,000</b>
May 2009	Agriculture Support		50,000	50,000	0
Aug. 2009	Preparation of a National Spatial Plan		687,000	687,000	687,000
May 2010	Student Loan	20,000,000		20,000,000	0
May 2010	Improving CARICOM market access for Jamaican goods and services (the Caribbean Aid for Trade and Regional Integration Trust Fund support to the Private Sector Organisation of Jamaica)		217,000	217,000	0
Nov. 2010	Disaster Management Emergency Relief Grant: Tropical Storm Nicole		200,000	200,000	0
Dec. 2010	Tropical Storm Nicole Rehabilitation <sup>26/</sup>	(26,000,000)		(26,000,000)	-
Mar. 2011	Immediate Response Loan	750,000		750,000	0
Mar. 2011	Consultancy Services - Tropical Storm Nicole		20,000	20,000	0
May 2011	Support for procurement of online banking software at Development Bank of Jamaica BNTF 6 <sup>th</sup> Cycle (2009-2013)		34,000	34,000	0
			4,700,000	4,700,000	678,000
<b>Total CSP Period (2009-2011)</b>		<b>167,250,000</b>	<b>5,908,000</b>	<b>173,158,000</b>	<b>1,356,000</b>
Dec. 2012	Second Student Loan	20,000,000		20,000,000	5,000,000
Mar. 2013	Micro, small, and medium enterprises Training Workshop		23,000	23,000	0
May 2013	Emergency Relief Grant Hurricane Sandy		200,000	200,000	0
<b>Total Post-CSP (2012-13)</b>		<b>20,000,000</b>	<b>223,000</b>	<b>20,223,000</b>	<b>5,000,000</b>
<b>GRAND TOTAL</b>		<b>187,250,000</b>	<b>6,131,000</b>	<b>193,381,000</b>	<b>11,308,000</b>

Source: CDB

3.05 The design of the CSP was highly relevant given Jamaica’s context. The objectives of the Strategy were well anchored on some of the more pressing development challenges that were identified within the context of the country’s own development plans (in particular Vision 2030) and also mapped closely with the Bank’s own strategic thrust. Further, frank and open conversations with key development partners allowed for effective donor coordination and promoted complementarity of effort. Some of the more

<sup>26/</sup> Reallocation of undisbursed balances under Hurricane Dean Rehabilitation Works (Approved \$20.5 mn: Reallocated (\$17 mn); Tropical Storm Gustav Reallocated Rehabilitation Works (Approved \$30 mn: Reallocated \$9 mn).

critical areas of support, including interventions targeted at improving macroeconomic stability and growth and strengthening economic infrastructure, were pursued jointly with other development partners (WB, IDB and the European Investment Bank).

3.06 With respect to the outcomes of the Strategy, the Results Framework Matrix lacked specific measurement of performance indicators and no baseline data was captured. In general, the expected results of the Strategy were limited to highlighting the results areas where change was targeted. Admittedly, the timing of the formulation of the CSP came when the Bank was making very early steps in relation to Managing for Development Results (MfDR) and embedding a more rigorous results culture in the organisation. This was a shortcoming in the design of the Strategy. The major lessons learnt include:

- (a) Strategy utilisation and relevance depend on strong country ownership and buy-in. The resources provided to Jamaica were in excess of 90% of the target programme and is the bulk of the sectors identified during CSP formulation. Furthermore, the collaboration with important development partners allowed for robust harmonisation.
- (b) The country's acute vulnerability to natural disasters is quite evident. Storm impacts tend to be costly and divert resources from critical areas that are required to lift the country's growth potential. Particular attention will have to be paid to incorporating strong DRM elements in infrastructure projects.
- (c) Project delays due to incorrect tendering processes or issues in relation to incorrect cost estimates point to technical capacity deficits that must be strengthened across the board. (Appendix 5 provides details of the assessment of Jamaica's portfolio performance under the last CSP).

#### **4. CARIBBEAN DEVELOPMENT BANK'S COUNTRY STRATEGY**

##### **Country Strategy**

4.01 The Strategy for Jamaica rests on three principal planks. First, in supporting the country's development agenda, the Bank must continue to leverage its own comparative advantage and intervene in those sectors where the assistance can have the greatest developmental impact; rebalancing the country's fiscal profile, consistent with the IMF-supported adjustment programme requires the provision of resources with low coupons and lengthy maturities. While the Bank supports the stance, it also recognises that this will imply a reduced lending envelope over the CSP cycle. To mitigate this impact, the Bank has designed a strategy covering a much shorter time frame (two years rather than four). This will allow the Bank to reassess the country's progress in the near term and, if possible, augment the assistance envelope; and the Strategy will have to be very selective and carefully targeted. The Strategy therefore will focus on the critical outcomes of increased and equitable access to high-quality education and training; improved capacity for environmental management, climate risk management and DRM; and sustainable urban and rural development.

4.02 In order to ensure evidence of gender equality results in all the CSP sectors, CDB and GOJ commit to include gender analysis elements and sex-disaggregated data in planning, implementation, monitoring and evaluation (M&E), at the sector, programme and project levels. This entails that the budgets have sufficient resources allocated for conducting gender analysis throughout the development cycle, including,

but not limited to, situation analyses, appraisal and supervision reports, project completion reports and evaluation exercises; the baselines, indicators and targets will be disaggregated by sex.

4.03 In addition to the systematic conduct of gender analysis, special attention will be given to the effective engagement of a critical mass of stakeholders of both sexes, as well as gender-related groups, in the needs assessments, prioritisation processes, project management committees, implementation, M&E of projects.

4.04 Whenever possible, gender analysis will also identify existing risks of gender-based violence specific to the projects' contexts and recommend mitigation measures to be pursued by the corresponding projects.

### **Strategy Implementation and Results Framework**

#### *(a) Programme Overview*

4.05 The Strategy focuses on three areas where CDB and GOJ anticipate optimal use of the limited resources. These areas relate to education and training; hazard risk reduction; and urban community renewal. The Results Framework Matrix is captured on Pages 22-24.

#### *(b) Development Results*

##### ***Outcome 1: World Class Education and Training***

4.06 CDB-supported interventions, including BNTF 7, will focus on access as well as improving educational quality specifically as it relates to teacher effectiveness. This will be done by supporting the institutionalisation of teaching standards and quality assurance and complement ongoing initiatives in lower secondary curricula reform and expanding access to quality and relevant TVET and STEM programmes. The immediate outcome will be an increased proportion of effective schools. The interventions will support:

- (i) teacher training including the effective delivery of the curriculum, particularly TVET, STEM and English;
- (ii) the quality of instructional supervision;
- (iii) effective teaching, including the provision of pedagogical resources to support gender-responsive, differentiated instruction and key disciplines; and
- (iv) student loans scheme at the tertiary level.

4.07 The proposed interventions are consistent with the Bank's strategic objectives of fostering inclusive growth and sustainable development, as well as the country goal of empowering Jamaica to achieve their greater potential. The interventions also designed to allow the country to benefit from the Bank's successes and experience in rolling out TVET-related assistance in other BMCs.

***Outcome 2: Hazard Risk Reduction and Adaptation to Climate Change***

(a) *Kingston Metropolitan Area Drainage Rehabilitation and Upgrade*

4.08 The Bank proposes to support the country's efforts in strengthening resilience and reducing vulnerabilities to natural hazard events by focusing effort on improving the critically important drainage infrastructure in the KMA. This development assistance is designed to build on interventions that began during the previous strategy. Considerable support is still required given the significant size and strategic importance of the KMA. Further, the large number of ordinary Jamaicans who have inhabited the gullies places many lives at risk. The intervention will also seek to promote increased productivity and competitiveness the intervention of KMA by reducing the increasingly high recurring costs from flood damage. The constituent components of the intervention involves:

- (i) rehabilitation, restoration and protection of critical sections of KMA drainage channels;
- (ii) increased awareness of citizens about the multi-hazard risks of the city; and
- (iii) modified behaviours that currently contribute to increased and heightened flood risk.

4.09 The interventions will be designed to promote the involvement of small contractors and, to the extent possible, increase gender balanced employment in the operation. Opportunities for employment will also be pursued with respect to marginalised youth.

***Outcome 3: Sustainable Urban and Rural Development / Security and Safety***

(a) *Community Renewal*

4.10 Tackling crime, citizen insecurity, youth at risk and low income shelter constitute urgent priorities for the country and for the Bank alike. As such, the Bank, through the BNTF 7 modality and lending activity proposes to support the Government of Jamaica's Community Renewal Programme (CRP). The CRP is intended to provide a means by which residents of volatile, marginalised and vulnerable communities can reach their potential as productive citizens, achieve their aspirations and have a sense of dignity and pride in their communities. The Bank's intervention will be hinged on the basic tenets of:

- (i) enhancing the quality of access to services for communities,
- (ii) transforming the physical environment,
- (iii) enhancing citizen security, and
- (iv) further improving the national and local governance capacity.

4.11 Based on this, emphasis will be placed on physical transformation and gender-responsive, sustainable, community development; including increased access to basic infrastructure and social services and expanded economic opportunities for residents in selected communities. Additionally, the interventions will ensure that sex-disaggregated and gender responsive information guides decision-making

on formulating strategies for addressing socio-economic issues in poor/vulnerable communities in Jamaica. The investment project will be prefaced by preparation work, to be financed through a TA grant, which will ensure that the design complements existing initiatives being undertaken by GOJ.

### **The Country Strategy Paper Financing Strategy**

4.12 The approach to funding the Bank's strategy in Jamaica over 2014-16 must take on board the country's own absorptive capacity; its quest to enhance its fiscal profile by both spurring GDP growth, as well as reducing borrowing costs to the extent possible; and the Bank's own internal risk framework and sovereign exposure considerations.

4.13 Jamaica's debt dynamics are particularly sensitive to growth shocks, as well as borrowing costs. While the forecast primary balance (consistent with IMF's EFF) is in the order of 7.5% of GDP, high borrowing costs which is equivalent to larger than forecast average effective interest rates, may also impact negatively on the evolution of the debt to GDP ratio thereby undermining the country's fiscal and debt sustainability efforts. On the Bank's side, Jamaica remains the Bank's single largest sovereign borrower and accounted for 24.7% of total loans at the end of 2013. As the Bank seeks to continue supporting its total borrowing membership, it will be critically important to diversify its lending strategy in a manner that reduces risk concentration and minimises balance sheet vulnerabilities. As such, the resources envelope for the CSP will comprise concessionary-only and grant resources totaling around \$38.5 mn. This represents Jamaica's allocations under the SDF 8 Cycle (\$33.8 mn) and the BNTF 7 (\$4.7 mn programme). See Appendix 6 for details of BNTF 7. This funding approach critically supports the country's debt sustainability efforts. Moreover, the well targeted approach of the strategy leverages the reduced funding pool and promotes an even greater development impact. Beyond this, the Bank also recognises the critical importance of Jamaica as a BMC and the need for sustained and meaningful engagement. The shorter timeframe of the CSP (two rather than four years) is intended to facilitate a relatively quick reassessment of the country's fiscal and debt performance.

#### (a) Risk Analysis

4.14 There are some risks that have to be considered which may impact the strategy focus. These relate to the impact of weather-related shocks, fiscal vulnerability to output shocks and adverse developments in external environment.

##### (i) *Weather-related shocks*

4.15 The frequent incidents of natural disasters, particularly hurricanes, over the past two decades have weighed heavily on the country's development efforts. The fiscal costs required for rehabilitation were significant and the loss of agricultural production caused spikes in inflation and aggravated rural poverty. GOJ is currently pursuing several policy initiatives to mitigate this risk. These include Jamaica's participation in CCRIF, as well as ongoing efforts to mainstream DRR in the agriculture sector and develop a parametric risk insurance product for the agriculture sector.

##### (ii) *Fiscal Vulnerability to Output Shocks*

4.16 Despite the significant primary balances that GOJ continues to generate, the high debt levels make debt dynamics very sensitive to the performance of the economy. The already-high primary balances that are being generated by GOJ limit the extent to which GOJ can engage in developmental expenditures. Any output shock would limit this space even further and could alter priorities in a significant manner. GOJ is

attempting to mitigate this risk by building additional space into its medium-term policy framework, as well as seeking to find alternative modes of financing for its capital programme.

(iii) *Adverse International Developments*

4.17 As a small, open economy with a narrow production base, Jamaica is particularly vulnerable to the vagaries of the international economy. The global economic recession since 2008 and the ensuing slow recovery and lingering financial risk particularly with respect to the United States and the European economies has constrained Jamaica's effort to reduce the debt overhang and continues to threaten the country's ability address its development challenges. Reversal of ongoing recovery in the global economy could also adversely impact the country's adjustment efforts.

(b) Coordination of Diverse Actors and Other Development Partners

4.18 There are a number of development partners assisting GOJ in the implementation of the MTF 2012-15. In terms of resources, the most significant of these donors are the European Union (EU), IDB, WB and the United States Agency for International Development (USAID). As shown in the donor matrix (Appendix 7), the EU is assisting in eight national outcomes. Activities include grants supporting debt reduction and growth and budgetary support for the sugar industry. Other major EU activities include support for poverty reduction through JSIF and for reforms related to citizen security. IDB's lending activity is also spread across 10 national outcomes. The bulk of its resources is directed at enhancing primary education, youth development, citizen security, water supply and agriculture. WB strategic focal areas include health, ECD, capacity building in education the provision of basic services for the poor in inner cities through JSIF, energy security and agriculture, and these are contributing to six national outcomes. USAID is focusing its resources on six national outcomes and activities include health, education, citizen security and justice, agriculture.

4.19 CDB has worked very closely with the major development partners in Jamaica, and will continue to do so, especially in the area of basic education. The Bank will also engage its partners in dialogue about the general development thrust, challenges, advocacy and policies.

(c) Implementation Plan and Responsibilities

4.20 The results monitoring framework will be utilised to monitor sector outcomes associated with the Bank's country strategy. The monitoring framework places CDB's interventions within the context of the country's development objectives; the main issues in the sector; the sector outcomes to which the interventions are expected to contribute, including the gender dimension. The project level results framework will be fully specified during project design. CDB will continue to consult with GOJ with respect to its development strategy. Effective implementation of country strategy requires monitoring to ensure that the projects indicated in the country strategy are submitted for financing, are appraised by CDB and, once approved by CDB's Board of Directors, the funds will be disbursed expeditiously to facilitate implementation by GOJ. In pursuit of these standards, CDB will liaise with GOJ to follow up on these stages. This consultative process will be cross cutting including both the Ministry of Finance, as well as key line ministries.

4.21 Moreover, CDB will continue to monitor the development context in Jamaica and have regular dialogue with country officials in order to ensure that the Strategy is adjusted to reflect any changes in the country's priorities. At the end of the strategy period, CDB will evaluate the implementation of the country strategy. This evaluation will not only discuss the extent to which projects identified in the country strategy



are implemented as planned, but examine any divergence therefrom, as well as the circumstances surrounding those departures and make recommendations for strengthening the strategy for the next period. Further, given the narrow time horizon of the proposed strategy, it will be critically important for CDB to be in a sustained project identification mode. The expected improvement in Jamaica's macroeconomic fundamentals and supported by uplifts in its credit rating will support a deeper engagement going forward.

## SUMMARY MATRIX OF PROPOSED STRATEGY AND RESULTS FRAMEWORK

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Sector Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
<b>PILLAR I: ACCELERATED SUSTAINED INCLUSIVE GROWTH (Medium-Term Socio-Economic Framework (MTF) Medium-Term Theme 1)</b> <i>(Aligned with the Bank's Strategic Objective of Inclusive Growth and Sustainable Development)</i>					
<b>Outcome 1: World Class Education and Training (MTF National Outcome 2)</b>					
Empowering Jamaicans to achieve their greatest potential	<ul style="list-style-type: none"> <li>• Poor performance and attendance of children at the primary and secondary levels.</li> <li>• Gender differentiation in performance.</li> <li>• Violence in schools and inadequate access at the tertiary level.</li> <li>• Misalignment of educational courses with labour market demands.</li> <li>• Largely untrained workforce.</li> <li>• Insufficient promotion of entrepreneurship.</li> <li>• Fragmented delivery of training.</li> </ul>	<p>Country priorities include:</p> <ul style="list-style-type: none"> <li>• create and implement a standards-driven and outcome-based education system</li> <li>• improving performance in poor performing schools and in the areas of English and Mathematics; and</li> <li>• strengthen training programmes for increased productivity, with special focus on providing solutions for unattached youth.</li> <li>• To increase access to tertiary education by qualified students from poor and vulnerable households</li> </ul>	<ul style="list-style-type: none"> <li>• Grade Four literacy rates: Baseline: 2012 All: 75 Male: 65 Female: 86</li> <li>• Target: two years after implementation: All: 81 Male: 74 Female: 88</li> <li>• Percentage of schools rated as effective: Baseline: 44% (2012) Target: 50% (2018)</li> <li>• Percentage of labour force that is certified: Baseline: 25% (2012) Midterm: 30% (2015) Target: 33% (2017)</li> <li>• Percentage of cohort achieving passes in STEM-related disciplines (by sex).  Baseline (2012) and Targets by sex:  <i>Mathematics</i> Male: 37 - 40% Female: 43 - 46%  <i>Physics</i> Male: 14 - 16% Female: 9 - 11%</li> </ul>	<ul style="list-style-type: none"> <li>• Expanding quality in basic education: <ul style="list-style-type: none"> <li>(a) Supporting teacher effectiveness for improved teaching and student learning outcomes: <ul style="list-style-type: none"> <li>(i) teacher training, including effective curriculum delivery;</li> <li>(ii) improving instructional supervision; and</li> <li>(iii) supporting teaching, including the provision of pedagogical resources.</li> </ul> </li> <li>(b) BNTF interventions focused on improved quality of/access to basic education. <ul style="list-style-type: none"> <li>(i) rehabilitation and expansion of primary schools;</li> <li>(ii) quality enhancements.</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Delayed implementation of complementary interventions such as the functioning of the Teaching Council: <ul style="list-style-type: none"> <li>(i) Coordinated approach to implementation of all interventions;</li> </ul> </li> <li>• Teacher effectiveness interventions are not sustained beyond project implementation: <ul style="list-style-type: none"> <li>(i) Formalise teacher effectiveness intervention in the Ministry of Education (MOE) supervision protocols</li> <li>(ii) Revise teacher education programmes to address teacher effectiveness gaps in training courses and programmes.</li> </ul> </li> <li>• The size of BNTF sub-projects may restrict the extent to which quality enhancement needs can be addressed. <ul style="list-style-type: none"> <li>(i) Include BNTF schools as beneficiaries of CDB-funded project.</li> </ul> </li> </ul>

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Sector Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
			<p><i>Chemistry</i> Male: 10 - 13% Female: 12 - 14%</p> <p><i>Biology</i> Male: 10 - 13% Female: 16 - 18%</p> <p><i>Integrated Science</i> Male: 14 - 16% Female: 15 - 17 %</p> <ul style="list-style-type: none"> <li>• BNTF</li> <li>• Increasing attendance rates. Baseline and Target: To be determined for each sub-project during project appraisal.</li> <li>• Improved performance on standardised tests. Baseline and Target to be determined for each sub-project during project appraisal.</li> </ul>		
<b>PILLAR II: ENVIRONMENTAL RESILIENCE AND CLIMATE CHANGE RESPONSE (MTF Medium-Term Theme 3)</b> <b>(Aligned with the Bank's Strategic Objective of Inclusive Growth and Sustainable Development)</b>					
<b>Outcome 2: Hazard Risk Reduction and Adaptation to Climate Change (MTF National Outcome 14)</b>					
Jamaica has a healthy natural environment	<ul style="list-style-type: none"> <li>• Drainage infrastructure has generally exceeded its design life. Insufficient rehabilitative efforts have therefore resulted in significant structural failure at numerous sections within the drainage network</li> <li>• Increasing frequency of economic and social dislocation associated with high volume runoff flood events.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced risk and improved resilience focusing primarily on poor and vulnerable communities as result of strengthened national capacity for mitigation, management and response to hazards.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost of damage caused by disasters as a percentage of GDP.  Baseline: 2.5% (2012) Midterm: 1.5% (2015) Target: 1% (2017)</li> </ul>	<ul style="list-style-type: none"> <li>• KMA Drainage Rehabilitation and Upgrade</li> </ul>	Limited fiscal space to provide counterpart funding. This is ameliorated by sustained implementation of ongoing macroeconomic and fiscal reforms.

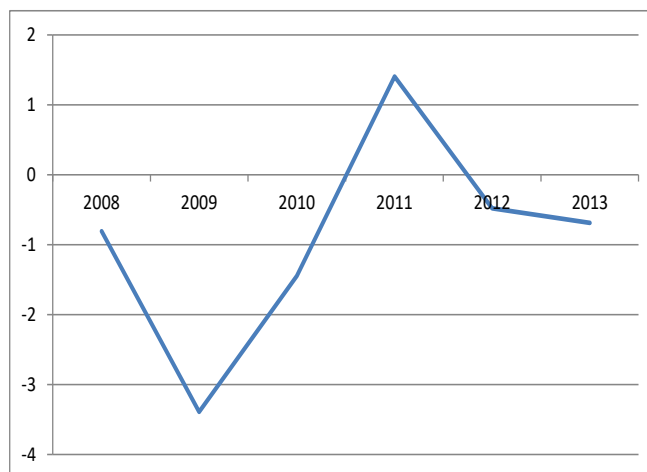
Country Development Goals	Sector Constraints	Expected Sector Outcomes	Sector Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
	<ul style="list-style-type: none"> <li>• Proliferation of informal settlements within the “no-build” zone adjacent to major drainage channels.</li> <li>• Indiscriminate dumping of refuse in drainage channels exacerbated by insufficient sensitisation to proper waste disposal methods.</li> <li>• Potential for structural failure and collapse of drain side walls poses an immediate threat to persons and property throughout the drainage network.</li> </ul>				
<b>PILLAR III: ENVIRONMENTAL RESILIENCE AND CLIMATE CHANGE RESPONSE (MTF GOAL IV)</b> <i>(Aligned with the Bank’s Strategic Objective of Inclusive Growth and Sustainable Development)</i>					
<b>Outcome 3: Sustainable Urban and Rural Development (MTF National Outcome 15)</b>					
<p>Strengthen the capacity of communities to participate in creating a safe and secure society.</p> <p>Create sustainable urban centres, including urban renewal and upgrading.</p>	<ul style="list-style-type: none"> <li>• Persistently high levels of violent crime.</li> <li>• The existence of political garrison communities.</li> <li>• High levels of domestic violence, sexual violence and violence against children.</li> <li>• High involvement of youth and males in criminality.</li> <li>• Poor physical and social infrastructure and limited employment opportunities in some urban areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Support the process of achieving security of tenure for the poor and reduce the number of informal human settlements.</li> <li>• Strengthen the capacity of communities to participate in creating a safe and secure society.</li> <li>• Support existing Community Renewal Programme.</li> </ul>	<ul style="list-style-type: none"> <li>• Contribute to reduction in Murder Rate per 100,000 population. <ul style="list-style-type: none"> <li>○ Baseline 41.86 (2011)</li> <li>○ Target 35 (2015)</li> </ul> </li> <li>• Contribute to percentage of population with secure housing tenure. <ul style="list-style-type: none"> <li>○ Baseline 80.9% (2010)</li> <li>○ Target 85% (2015)</li> </ul> </li> <li>• Percentage of households in targeted vulnerable communities with access to potable water within 15 minutes of walking (BNTF)</li> </ul> <p>Baseline and target to be determined for each sub-project during project appraisal.</p>	<ul style="list-style-type: none"> <li>• Physical transformation and gender-responsive, sustainable community development; including increased access to basic infrastructure and social services.</li> <li>• BNTF interventions in basic community access (eg. roads, footpaths, bridges and drainage improvement) and water and sanitation systems enhancement.</li> </ul>	<p>Limited fiscal space to provide counterpart funding. This is ameliorated by sustained implementation of ongoing macroeconomic and fiscal reforms.</p>

**MACROECONOMIC CONTEXT**

**Recent Economic Performance 2008-2013**

1. Output volatility continued to be the hallmark of performance over the period 2008-2013. As is shown in Figure 1, real GDP declined at an average rate of 0.8% during the period, contracting every year except 2011. The economy was severely affected by the Great Recession and the transmission channel was mainly through the Mining and Quarrying sector. The global demand for aluminum plummeted in 2009, as the demand for consumer durables fell, causing output in this sector to fall by 50% in 2009 – output did not recover fully thereafter. The construction sector recorded an average decline of 4.3% during the period, largely reflecting a precipitous drop in foreign direct investment flows.

**FIGURE 1: PERCENT CHANGES IN REAL GROSS DOMESTIC PRODUCT**

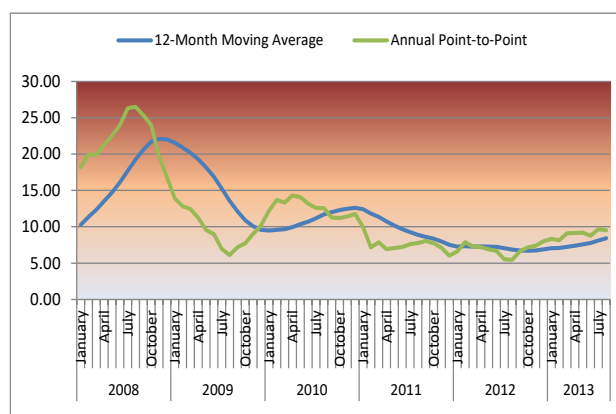


*Source: Statistical Institute of Jamaica*

2. Hotels and restaurants grew at an average of 2.2% per year, but this was a fall from an average growth of almost 5% in the previous five-year period. However, the performance of this sector, which is predominantly dependent on tourism, bucked the regional trend as a result of effective marketing. The main reason for the performance was growth in Canadian arrivals, which more than doubled during the period. Agriculture, forestry and fishing also experienced growth, gaining an average of 4% per year. Output was volatile from year to year as a result of adverse weather impacts but, on the whole, the sector benefited from a number of initiatives that improved productivity. Despite the performance challenges, the largest employer sectors in 2012 were Wholesale and Retail, Repair of Motor Vehicle and Equipment (20%), followed by male-dominated Agriculture, Hunting, Forestry and Fishing (18%) and Construction (7.3%). Comparatively, females accounted for the majority of workers in the public sector, at 59.6% and males accounted for 51.2% of the employed in the private sector.

3. Output performance was reflected in labour market indicators, as unemployment rose constantly throughout the period (Figure 2) reaching 14.9% (10.6% for males and 18.3% for females) by October 2013. The average weekly earnings of all employees was sluggish and actually declined in 2010 before resuming its gentle upward slope. There was some evidence of the discouraged-worker phenomenon, with the labour force participation rate falling for most of the period (Figure 3), with lower participation rates for women (55.5%) than for men (70.2%). Consumer price inflation trended downward during most of

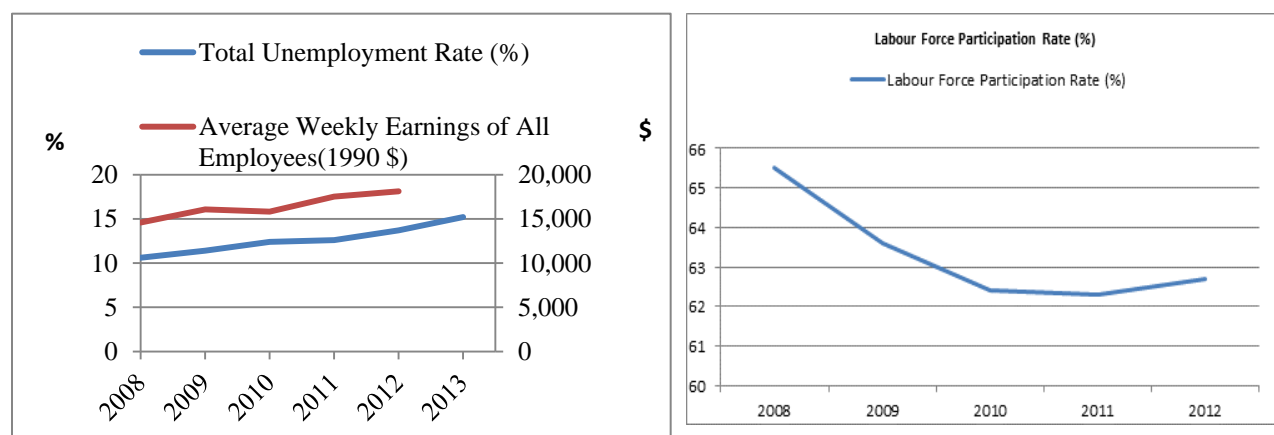
**FIGURE 2: INFLATION**



*Source: Statistical Institute of Jamaica*

the period since 2009, after rising sharply in 2008 as a result of the increase in international commodity prices. Greater stability in the exchange rate accounted for the predominantly-downward trend. However, with uncertainty ushered in by the protracted negotiations between the IMF and GOJ over the new arrangement, the exchange rate began to depreciate in 2012, causing a rise in the inflation rate since mid-2012.

**FIGURE 3: SELECTED LABOUR MARKET INFORMATION**



*Source: Statistical Institute of Jamaica*

4. The external sector was marked by an improvement and subsequent deterioration of the current account of the balance of payments. The precipitous increase in commodity prices in 2008 led to a large current account deficit and although the price of Jamaica’s exports also increased, production disruptions prevented Jamaica from benefiting from the impact of the price increases. Subsequently, the onset of the Great Recession in 2009 lowered commodity prices and domestic demand, which contained the current account deficit until 2010 when commodity price began to increase again. Although tourist arrivals increased throughout the review period, heavy discounting reduced expenditure so that travel receipts did not keep pace with GDP. Remittances declined in relation to GDP for the entire period, but remained significant as a percentage of GDP.

5. The Central Government’s performance in FY 2008/09 to FY 2012/13 was marked by an initial deterioration as the effects of the Great Recession took root and subsequent improvements as GOJ implemented a number of fiscal reforms. Revenue declined as a percentage of GDP for most of the period, primarily reflecting the contraction of the economy. On the expenditure side, Government was unable to contain wage growth, but significant interest savings were made as a result of the debt exchange at the beginning of 2010 and, later, a reduction in capital expenditure.

6. In spite of GOJ’s relatively large fiscal effort, implicit in its primary balances, public debt as a percentage of GDP remained on an upward trend. This largely reflected the adverse dynamics created by the large size of the debt ratio, together with the negative growth rate *vis-a-vis* the average negative GDP growth rate. The debt exchange in 2010, which reduced the average effective interest rate on debt, helped to improve debt dynamics but with negative growth and a high debt ratio this was not enough

7. Jamaica has comfortably met the quantitative performance criteria and structural programme conditionalities for the first and second reviews (end-June and end-September 2013). However, revenue is under-performing in relation to the budgeted aggregate but not to an extent that would compromise the achievement of the targets. Steps have been taken to reduce waivers and increase tax compliance among the reforms agreed to as part of the EFF and these are paying dividends. Expenditure is also running below budget and, as such, the overall deficit is running below the budgeted amount. The National Debt Exchange (NDX) has assisted in lowering the level of interest payments significantly.

*(iv) Economic Outlook*

8. A recovery appears to be underway, driven by agriculture, construction and mining. However, domestic consumption remains weak on account of the high unemployment and a fall in real wages. Tourist arrivals, which had started to pick up, could be adversely affected by the uncertainty in the United States market, which remains the largest source market for tourists despite the rise of Canadian arrivals over the last five years. Growth in FY 2013/14 is expected to be 0.8%, increasing to 1.4% in the following fiscal year. The depreciation of the exchange rate is expected to push inflation to 10% but expectations are that the rate will start to recede in the middle of 2014. Over the medium term, the growth agenda will be supported by the recently established National Competitiveness Council which is leading on a set of reforms to improve the country's business climate, including fast tracking of the processing and granting of construction permits (through the application of customised new software, (Application Management and Data Analysis); expediting land titling under the Land Administration and Management Programme; and also streamlining the insolvency proceedings through the passage of a new Insolvency Act. Policy effort is also well on the way to pursue the country's opportunities as a logistics hub through the phased development of Caymanas Economic Zone, as well as the privatisation of the Kingston Container Terminal. The country is also seeking to diversify its energy mix and reduce its high cost of energy with the construction of a new 360 megawatt plant by 2016.

9. The fiscal reforms that are being undertaken by GOJ are paying dividends and it is expected that revenue will increase as a percentage of GDP in the medium term. These reforms are designed to allow the tax system to become more supportive of the growth imperatives and spurring employment creation. The tax system is rightly being simplified, reducing economic distortions and making the tax incentive regime more transparent and predictable by removing ministerial discretion (tax expenditures to fall from 6% of GDP to 2.5%).<sup>1/</sup> The tax base is being expanded by the soon to be introduced Minimum Business Tax (set at \$60,000); the amalgamation of the statutory payroll taxes, (including Human Employment and Resource Training, the National Insurance Scheme and National Housing Trust); and the Education Tax, while reducing the rates. The introduction of rules-based fiscal policy is also designed to lock in the gains in fiscal consolidation and promote greater predictability. These gains will be consolidated by the introduction of a fiscal rule effective FY 2014/15, along with a few other reforms on both the revenue and expenditure sides. The following table highlights selected macroeconomic indicators, including the outlook.

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<sup>1/</sup> A new Charities Act (2013); an Income Tax Relief (Large Scale Projects and Pioneers Industries) Act (2013) and the Fiscal Incentives (Miscellaneous Provisions) Act 2013 all provide guidance as to the scope and extent of tax expenditure making the system far more transparent and predictable.

**SELECTED MACROECONOMIC INDICATORS**

<b>Item</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Real Gross Domestic Product (GDP)	(0.6)	0.9	(0.7)	0.8	1.4	1.8	2.2
Nominal GDP	7.5	7.5	6.1	10.9	11.4	10.9	10.9
Consumer price index (average)	11.4	7.3	7.2	10.0	9.9	9.0	8.5
Budgetary revenue and grants	26.8	25.6	25.5	27.3	27.1	27.2	27.2
Budgetary expenditure	33.2	32	29.9	27.2	27.3	27	26.3
of which: Wage and salaries	10.9	11.1	11	10.6	9.8	9.1	9.0
of which: Interest	10.9	9.6	9.5	7.5	7.5	7.1	6.4
Domestic	7.5	6.5	6.6	4.6	4.8	4.5	4.0
External	3.4	3.1	2.9	2.8	2.8	2.6	2.4
Budget balance	(6.3)	(6.4)	(4.4)	0.1	(0.2)	0.2	0.9
Of which: Primary budget balance	4.6	3.2	5.1	7.5	7.3	7.3	7.3
Public sector debt	143.2	141.6	146.2	138.3	132.5	127.3	122.1
Of which: Direct debt	124	121.8	125.1	121.6	115.6	110.9	105.9



**THE INTERNATIONAL MONETARY FUND - SUPPORTED PROGRAMME**

Central Government's budget for Financial Year 2013/14 was formulated within the context of an Extended Fund Facility (EFF) arrangement with the International Monetary Fund. Under the arrangement, Jamaica will be provided with Special Drawing Rights 615 mn (\$958 mn), along with significant support from other development partners. The EFF rests on four main pillars:

- (a) structural reforms to boost growth and employment;
- (b) actions to improve price and non-price competitiveness;
- (c) upfront fiscal adjustment supported by extensive fiscal reforms;
- (d) actions to place debt on a sustainable path, including the National Debt Exchange (NDX) that was completed in March 2013; and
- (e) improved social protection programmes.

The four-year EFF involves prior actions, quantitative targets and structural benchmarks, including:

- (a) the passage of the Public Debt Management Act by Parliament;
- (b) reform of tax policy and tax administration to enhance revenue collection and efficiency;
- (c) a Wage Restraint Agreement with unions representing at least 70% of public sector workers;
- (d) the NDX to secure fiscal savings by exchanging high cost debt for new instruments with lower coupons and longer maturities;
- (e) the achievement of an average primary surplus of 7.5% of GDP over the life of the EFF;
- (f) the achievement of a debt-to-GDP ratio of 96% by FY 2019/20;
- (g) legislative and regulatory reforms to reduce systemic risks to the budget and financial system and to strengthen the overall resilience of the economy; and
- (h) enhancement of the social safety net to protect the poor and vulnerable.

**GOVERNANCE**

1. Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them. Good governance is critical for poverty reduction and the development of social and economic policies in the pursuit of broad-based sustainable economic growth.

2. In assessing the quality of governance of a society the Worldwide Governance Indicators reports on the following six indicators for over 200 countries.

- (a) *Voice and accountability* – measuring political, civil and human rights;
- (b) *Political instability and violence* – measuring the likelihood of violent threats to, or changes in government, including terrorism;
- (c) *Government effectiveness* – measuring the competence of the bureaucracy and the quality of public service delivery;
- (d) *Regulatory Quality* – measuring the incidence of market-unfriendly policies;
- (e) *Rule of law* – measuring the quality of contract enforcement, the police and the courts, as well as the likelihood of crime and violence; and
- (f) *Control of corruption* – measuring the exercise of public power for private gain, including both petty and grand corruption and state capture.

3. Jamaica's progress between 2003 and 2012 has been mixed. Political Stability/Absence of Violence Rule of Law and Control of Corruption continue to be below the 50<sup>th</sup> percentile, reflecting the endemic nature of crime in the country. However, Voice and Accountability, Government effectiveness and Regulatory Quality, remain above the 50<sup>th</sup> percentile reflecting Government's policy efforts to strengthen the regulatory environment and broad governance systems in support of its growth objectives.

**MEDIUM-TERM SOCIO-ECONOMIC FRAMEWORK: 2012-15**

**NATIONAL PRIORITIES MATRIX**

Medium Term Theme	Priority National Outcomes	Priority Areas	Priority Actions
<b>National Goal # 1: Jamaicans Are Empowered To Achieve Their Fullest Potential</b>			
<b>Development and Protection of Human Capital</b>	A Healthy and Stable Population	Primary Health Care	Improve Health Centres
			Strengthen maternal and child health
		Health Promotion Approach	Establish health promotion in 60 pilot-testing schools
		Disease Surveillance and HIV/AIDS	Strengthen surveillance systems for effective response to emerging and re-emerging health conditions including HIV/AIDS
		International Migration and Development	Complete and implement National Policy on International Migration and Development
	Undertake modernisation of the Civil Registration and Vital Statistics System		
	World Class Education and Training	Early Childhood Development	Increase access to publicly funded early childhood institutions
			Strengthen the legislative framework through review and revision of legislation, policies and standards for early childhood education institutions
			Increase parental involvement and support to influence educational outcomes
		Educational System Reforms	Improve teacher quality through legislation, regulatory policies, teaching standards and quality assurance
			Promote developmentally appropriate involvement of parents at all levels
			Increase access to quality places in classrooms at all levels to accommodate learners in safe and comfortable environments
			Increase the use of media and ICT in the delivery of relevant and current curricula and assessment for improved educational outcomes
		Training	Improve targeting of training programmes to meet needs of priority growth industries
			Establish three new Workforce Colleges and three new TVET institutes
	Improve access to training programmes for unattached and at-risk youth		
	Effective Social Protection	Social Welfare and Social Security	Develop comprehensive Social Protection Strategy
Increase the coverage of NIS and private pension schemes			
Poverty Reduction		Establish National Poverty Reduction Coordinating Unit	
Persons with Disabilities		Expand Steps To Work Programme	
		Review and update the national policy for persons with disabilities and pursue the enactment of the disability bill	

Medium Term Theme	Priority National Outcomes	Priority Areas	Priority Actions
<b>National Goal # 2: The Jamaican Society Is Secure, Cohesive and Just</b>			
<b>National Security and Justice</b>	Security and Safety	Jamaica Constabulary Force (JCF) Reform	Adopt an intelligence-led total policing strategy
			Strengthen accountability frameworks within law enforcement agencies
			Improve the JCF capacity for financial investigation
			Strengthen police capability in community policing
			Improve conditions of police stations and motor vehicle fleet
		Anti-Crime Strategy	Improve national security communication and information technology infrastructure
			Disrupt transnational and organised crime, gangs and criminal structures
			Ensure that containers and other shipments entering ports are scanned
		Community Renewal Programme Protection and Care for Children and Youth	Undertake phased implementation of Community Renewal Programme
	Improve state care and state detention of children and youth		
	Strengthen the use of diversionary sentencing options for children and youth		
	Ensure that children in need of care and protection are kept in separate facilities from adults accused and/or convicted of crimes		
	Effective Governance	Justice System Reform	Undertake reconstruction and rehabilitation of selected courthouses on priority basis
			Increase the use of technology in the courts
			Establish National Human Rights Institute
Strengthen and modernise the Office of the Parliamentary Counsel			
Establish consolidated anti-corruption body			
Implement recommendations for the modernisation of the Office of the Director of Public Prosecutions			
Local Governance		Approve and promulgate the Strategic Laws and selected Operational Laws for Local Government Reform	
	Fully operationalise the Local Public Accounts Committees		
<b>National Goal # 3: Jamaica's Economy Is Prosperous</b>			
<b>Economic Stability, Competitiveness and Employment</b>	A Stable Macroeconomy	Fiscal Consolidation	Complete implementation of Central Treasury Management System
			Strengthen Fiscal Responsibility Framework
			Undertake public sector pension reform
			Implement public sector wage agreement
			Rationalise public sector including divestment of loss-making public entities
			Implement Privatisation and Public-Private Partnership policies
		Debt Management	Implement Debt Management Strategy
	Strengthen treasury management of the public debt		

Medium Term Theme	Priority National Outcomes	Priority Areas	Priority Actions				
		Tax Reform	Approve White Paper on Tax Reform				
			Improve and rationalise tax administration and payment processes				
			Carry out reform of waivers and incentives system				
	An Enabling Business Environment	Competitive Business Environment		Streamline process and reduce the processing time for development planning applications			
				Streamline settlement of commercial court cases			
				Streamline the process of incorporation of companies			
				Accelerate land registration and titling			
				Undertake Probate Reform			
				Pass new Patents and Design Bill, revise Copyright Act and complete Jamaica's accession to the Madrid Protocol			
				Complete the phased implementation of the Export Fast Track Facility			
				Pass the Secured Obligations Act			
				Establish Jamaica Venture Capital Eco-System			
				Develop and promulgate New Trade Policy			
				Strengthen the involvement of the Jamaican Diaspora in national development			
				Complete and promulgate new Micro, Small and Medium Enterprises and Entrepreneurship Policy			
				Labour Market and Productivity			Implement arrangements for Flexibility in Working Time
							Establish Unemployment Insurance Scheme
	Undertake comprehensive labour market reform						
	Targeted Employment Programmes			Implement the Jamaica Emergency Employment Programme			
				Expedite development of the National Employment Policy			
	Priority Economic Projects	Infrastructure Development		Advance the construction of the North-South and East-West Links for Highway 2000			
				Undertake implementation of South Coast Highway Improvement Project			
		Agroparks			Develop nine agro parks to strengthen the agricultural value chain		
		ICT Parks			Develop ICT Parks at Portmore, UWI, Montego Bay and other locations		
		Logistics Hub			Complete the privatisation of the Kingston Container Terminal		
					Establish Jamaica as an International Shipping Centre		
					Prepare Master Plan for development of Logistics Hub		
Undertake development of Gordon Cay/South Terminal							
Tourism				Undertake development of the Caymanas Economic Zone			
				Develop new tourism market segments including sports tourism, health and wellness tourism, heritage tourism and community tourism			
	Develop diversified geographic source markets including Latin America and the Far East						
			Promote and facilitate major tourism hotel accommodation projects				

Medium Term Theme	Priority National Outcomes	Priority Areas	Priority Actions
		Creative Industries and Sport	Complete new National Cultural Policy and new National Sports Policy
			Complete establishment of Jamaica Music Museum and permanent Sports Museum
			Establish National Centre for the Performing Arts with the Edna Manley College of the Visual and Performing Arts
		Urban Renewal	Implement the Kingston Lifestyle Centre
			Develop economic and affordable housing projects
		Energy	Implement Liquefied Natural Gas diversification project
<b>National Goal # 4: Jamaica Has a Healthy Natural Environment</b>			
<b>Environmental Resilience and Climate Change Response</b>	Hazard Risk Reduction and Adaptation to Climate Change	Hazard Risk Reduction	Develop mechanisms that integrate DRR in development planning
		Climate Change Adaptation and Mitigation	Develop Climate Change Policy/Policy Framework
			Implement Climate Change Department/Unit
			Engage in negotiation of new international climate change treaty

Source: MTF 2012-15: Toward Inclusive Growth and Sustainable Development

**ASSESSMENT OF 2009-2011 STRATEGY**

Design Process and Quality at Entry

1. The most recent Caribbean Development Bank (CDB) Country Strategy for Jamaica was approved in December 2008. The planning horizon extended from 2009-2011. The assistance strategy was formulated against the backdrop of a difficult macroeconomic and fiscal setting in Jamaica. The year 2008, marked the beginning of the Great Depression with the collapse of Lehman Brothers (September 15, 2008), in part, sparking a global financial meltdown and a protracted downturn in the world economy.<sup>1/</sup> Jamaica's heavy reliance on capital market support for its development financing needs, coupled with its substantial debt overhang, translated into significant rollover risks during the period of CSP formulation. The CSP preparation phase also coincided with changes in political leadership in the country, as well as the formulation of a very comprehensive development planning framework and strategy. These two events are noteworthy to the extent that they provided unique opportunities for CDB and other development partners to coalesce behind bold public policy action, designed to tackle the high-debt low-growth scenario in a fairly significant manner.

2. Against this background therefore, the CSP was informed by the following realities. First, improving the debt dynamics as a necessary measure in strengthening the country's medium-to-long term growth prospects required urgent action. Second, expanding productive capacity for sustained income expansion demanded higher and more targeted levels of capital formation from both public and private sector sources. In this regard, a more conducive environment needed to emerge in order to spur private sector-oriented investment. Third, decades of protracted low growth and high poverty levels had given rise to a difficult crime situation. To respond to the poverty challenge, given its multi-faceted and endemic nature and its obvious links to anti-social behaviour, a sustained multi-pronged approach comprising both direct and indirect interventions was deemed critically important to its reduction. Fourth, promoting environmental sustainability required policy action that responded to the country's physical development, particularly with respect to commercial spaces, alongside weak regulatory oversight and severe climate change impacts.

3. The envelope contemplated resources of \$180-\$200 million (mn) over the strategy period with a focus on six objectives. These were: (i) improving macroeconomic management and debt dynamics; (ii) strengthening the economic growth prospects through the upgrade of economic infrastructure; (iii) facilitating agriculture and rural development; (iv) supporting HRD through interventions in the education sector; (v) contributing to poverty reduction through CDB's Basic Needs Trust Fund (BNTF) and other direct interventions; and (vi) supporting the mainstreaming of disaster risk management (DRM) and adaptation to climate change, including the establishment of an appropriate regulatory framework.

4. The Strategy also recognised the need for front-loaded assistance to Jamaica in light of the acute financing needs in early days of the financial crisis. Within this context, a package of assistance was approved in December 2008 that were all negotiated as critical components of CDB's intervention in the country over the strategy period. (Table 1)

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<sup>1/</sup> The fallout, triggered by the blowout of the subprime mortgage market in 2008, continues to be felt today as the balance sheets of households and firms in some markets are still impaired.

**TABLE 1: LOANS AND GRANTS APPROVED (GROSS) – COUNTRY STRATEGY PAPER PERIOD AND POST-COUNTRY STRATEGY PAPER PERIOD**

<b>Approval Date</b>	<b>Project</b>	<b>Loan</b>	<b>Grant</b>	<b>Total</b>	<b>Undisbursed Balances</b>
Dec. 2008	Policy-Based Loan (PBL)	100,000,000		100,000,000	0
Dec. 2008	Agriculture Support Line of Credit (LOC)	7,800,000		7,800,000	0
Dec. 2008	Norman Manley Upgrade and Expansion (Add Loan)	9,000,000		9,000,000	0
Dec. 2008	Tropical Storm Gustav	30,000,000		30,000,000	4,952,000
<b>Total - December 2008</b>		<b>146,800,000</b>		<b>146,800,000</b>	<b>4,952,000</b>
May 2009	Agriculture Support		50,000	50,000	0
Aug. 2009	Preparation of a National Spatial Plan		687,000	687,000	687,000
May 2010	Student Loan	20,000,000		20,000,000	0
May 2010	Improving CARICOM market access for Jamaican goods and services (CARTfund support to PSOJ)		217,000	217,000	0
Nov. 2010	Disaster Management Emergency Relief Grant: Tropical Storm Nicole		200,000	200,000	0
Dec. 2010	Tropical Storm Nicole Rehabilitation <sup>2/</sup>	(26,000,000)		(26,000,000)	-
Mar. 2011	Immediate Response Loan	750,000		750,000	0
Mar. 2011	Consultancy Services- Tropical Storm Nicole		20,000	20,000	0
May 2011	Support for procurement of online banking software at Development Bank of Jamaica BNTF 6 <sup>th</sup> Cycle (2009-2013)		34,000	34,000	0
<b>Total CSP Period (2009-2011)</b>		<b>167,250,000</b>	<b>5,908,000</b>	<b>173,158,000</b>	<b>1,356,000</b>
Dec. 2012	Second Student Loan	20,000,000		20,000,000	5,000,000
Mar. 2013	MSMEs Training Workshop		23,000	23,000	0
May 2013	Emergency Relief Grant Hurricane Sandy		200,000	200,000	0
<b>Total Post-CSP (2012-13)</b>		<b>20,000,000</b>	<b>223,000</b>	<b>20,223,000</b>	<b>5,000,000</b>
<b>GRAND TOTAL</b>		<b>187,250,000</b>	<b>6,131,000</b>	<b>193,381,000</b>	<b>11,308,000</b>

*Source: CDB*

5. The design of the CSP was highly relevant given Jamaica’s context. The objectives of the strategy were well anchored on some of the more pressing development challenges that were identified within the context of the country’s own development plans (in particular Vision 2030) and also mapped closely with the Bank’s own strategic thrust. Further, frank and open conversations with key development partners allowed for effective donor coordination and promoted complementarity of effort. Some of the more critical areas of support, including interventions targeted at improving macroeconomic stability and growth and strengthening economic infrastructure, were pursued jointly with other development partners (WB, IDB and the European Investment Bank). With respect to the outcomes of the Strategy, the Results Framework Matrix lacked specific measurement of performance indicators and no baseline data was

<sup>2/</sup> Reallocation of undisbursed balances under Hurricane Dean Rehabilitation Works (Approved \$20.5 mn: Reallocated (\$17 mn); Tropical Storm Gustav Reallocated Rehabilitation Works (Approved \$30 mn: Reallocated \$9 mn).



captured. In general, the expected results of the Strategy were limited to highlighting the results areas where change was targeted. Admittedly, the timing of the formulation of the CSP came when the Bank was making very early steps in relation to MfDR and embedding a more rigorous results culture in the organisation. This was a shortcoming in the design of the Strategy.

### **Strategy Utilisation**

6. The Bank's actual interventions reflected the sectoral and strategic direction of CSP. With respect to improving macroeconomic management and debt dynamics, the Bank provided support through a \$100 mn PBL. This represented the bulk of assistance (59.8%) over the CSP period. The PBL was part of a wider assistance package provided by WB (\$200 mn) and IDB (\$600 mn) that was aimed at providing the authorities with access to development finance designed to spur growth, improve the country's debt dynamics and ease poverty levels. PBL, anchored on a common policy matrix agreed to by CDB, WB and the authorities, rested on three pillars:

*Pillar 1:* “Promoting fiscal sustainability through the control of public sector balances and debt” which included the finalisation and approval of a Fiscal Responsibility Framework, as well as the pursuit of a debt exchange that was designed to reduce fiscal costs by lengthening maturities and reducing coupons;

*Pillar 2:* “Increasing the efficiency of financial management and the budget process” surrounded amendments to the Public Bodies Management and Accountability Act in order to control the debt generation outside of CG; and

*Pillar 3:* “Reducing distortions and enhancing the efficiency of the tax system” principally through a reduction in tax expenditures, as well as initiatives designed to strengthen tax administration.

7. The PBL is a critically important intervention in Jamaica and with the support of the other MDBs helped to identify important first generation structural reforms on which much of the recent fiscal gains have been premised. The impact of the global crisis stalled the speed of implementation. This notwithstanding, the direction of the current reform agenda was built on this initial support. In relation to strengthening economic growth prospects through the upgrade of economic infrastructure, the Bank supported the expansion of the critical airport facilities in order to accommodate larger projected air and passenger traffic, reduce logistical bottlenecks and enhance social and economic benefits. In an effort to stimulate small scale agricultural output, particularly in the non-traditional agriculture and livestock, to support income generation, and also consistent with the objective of facilitating agriculture and rural development, CDB approved an important LOC for the sector. Consistent with the strategic thrust, the Bank also supported HRD and building climate change resilience with relatively large interventions (as a share of the size of the lending envelope) in the education sector (\$20 mn Student Loan) and Rehabilitation Loan (\$30 mn Tropical Storm Gustav).

8. Out of a projected \$180 mn or the lower range of the envelope, the Bank provided resources of \$173.2 mn or some 96.2%. This is highly commendable. The frequency and relatively significant impact of natural disasters exposed the country's acute vulnerability and also influenced the composition of the package of assistance over the CSP horizon.

**Project Performance**

9. With respect to portfolio performance, Jamaica has been a good performer. The Jamaica portfolio has consistently performed above the average of the entire portfolio. Relative to CDB's other BMCs, the country has been consistently above the average. In 2010, 2011 and 2012 the Portfolio Performance Index (PPI) stood at 6.2, 6.2 and 6.0, respectively, compared with 6.1, 5.9 and 5.6 for the entire portfolio (Table 2).

**TABLE 2: PORTFOLIO PERFORMANCE INDEX BY COUNTRY  
AS AT DECEMBER 31, 2010-12<sup>3/</sup>**

Country	2010		2011		2012	
	No. of Projects	PPI	No. of Projects	PPI	No. of Projects	PPI
Anguilla	2	6.8	1	6.7	1	6.7
Antigua and Barbuda	5	5.8	5	5.3	4	5.2
Bahamas	1	5.8	1	5.8	1	5.8
Barbados	7	5.5	5	5.2	7	5.1
Belize	8	6.0	9	6.0	2	5.8
British Virgin Islands	1	5.5	1	5.3	8	5.8
Cayman Islands	-	-	-	-	-	-
Dominica	7	5.9	6	6.0	10	6.0
Grenada	12	6.1	11	5.8	9	5.7
Guyana	4	6.2	5	6.1	5	5.9
<b>Jamaica</b>	<b>16</b>	<b>6.2</b>	<b>12</b>	<b>6.2</b>	<b>10</b>	<b>6.0</b>
Montserrat	-	-	1	6.3	1	6.2
St. Kitts and Nevis	8	5.1	8	5.6	8	5.4
St. Lucia	9	6.3	10	5.7	10	5.7
St. Vincent and the Grenadines	8	6.6	6	6.4	8	6.3
Trinidad and Tobago	1	5.3	-	-	-	-
Turks and Caicos	3	5.0	2	5.0	1	3.9
Regional	4	6.1	4	6.1	4	5.7
<b>Total</b>	<b>96</b>	<b>6.1</b>	<b>87</b>	<b>5.9</b>	<b>80</b>	<b>5.6</b>

*Source: CDB*

10. It is also instructive to consider the performance of the individual projects. Table 3 below shows that most projects, with the exception of support for Tropical Storm Gustav and the development of the National Spatial Plan, received an acceptable score. In particular, the scores assigned for strategic relevance, as well as poverty relevance have been consistently high. However, cost efficiency and sustainability provided relatively uneven scores. In particular, rehabilitation support post-Tropical Storm Gustav underperformed. The loan was approved in December 2008 for the purpose of rehabilitating and restoring sections of the KMA, in particular, drainage infrastructure damaged by the storm. All the works

<sup>3/</sup>The Annual Review of the Project Portfolio for 2009 did not analyse PPI by BMCs and the 2013 PPI was unavailable at the time of writing.

identified under the project were completed. However, approximately \$14 mn of the original loan was undisbursed as a result of foreign exchange savings and the contingency allocations which were not required. The efficacy of this project was therefore quite low. In addition, approved support for the spatial development plan did not materialised during the planning period on account of difficulties in the tendering process. This, however, remained fundamentally important to guide orderly physical development in the country.

**TABLE 3: PROJECT PERFORMANCE INDEX SCORES**

Project Title	Strategic Relevance	Poverty Relevance	Efficacy	Cost Efficiency	ID Impact	Sustainability	PPI Score
PBL	7.5	6.5	7.5	7.0	7.5	6.5	7.2
Agriculture Support Line of Credit	8.0	7.0	6.5	6.0	5.0	6.0	6.4
Norman Manley Upgrade	7.5	5.5	6.0	5.0	0.0	6.5	6.0
Student Loan	8.0	9.0	7.5	6.0	0.0	7.0	7.6
Tropical Storm Gustav	7.0	6.0	3.0	5.0	0.0	4.0	4.6
National Spatial Plan Development	N/A	N/A	N/A	N/A	N/A	N/A	0.0
Second Student Loan	7.5	9.0	7.0	6.0	0.0	7.0	7.4

Source: CDB

11. In addition to loans, the BNTF programme has been a major component of CDB’s Jamaica portfolio. The BNTF 6 Programme, approved on July 24, 2008, is currently under implementation and encompasses a holistic approach to poverty reduction. Table 4 shows the grant amounts approved under BNTF 6 programme within the various categories during the period 2010-13. Over the period, the major investment (84%) occurred in four sectors in poor vulnerable communities, viz: education enhancement (48.4%), water supply improvement (16.7%), production-related infrastructure (10%) and improvement in access (8.9%). The remaining 16% was programmed in skills training and enhancement (7.2%); vulnerable groups (5.2%); and health facilities (3.5%). At December 31, 2013, 100% of resources were committed for BNTF 6 and the project was 88% disbursed.

**TABLE 4: BASIC NEEDS TRUST FUND GRANT FUNDING APPROVED TO JAMAICA 2010-13**

Sector/Sub-sector	2010	2011	2012	2013	Total
Access - Roads and Footpaths		137,132	217,419		354,551
Education Facilities		155,600	1,775,110		1,930,710
Health Facilities		139,200			139,200
Production Related Infrastructure			400,000		400,000
Water and Sanitation	117,668		549,636		667,304
Vulnerable Groups			208,207		208,207
Skills Training		288,901			288,901
<b>Total</b>	<b>117,668</b>	<b>720,833</b>	<b>3,150,372</b>	<b>0.00</b>	<b>3,988,873</b>

Source: BNTF – Social Sector Division/CDB

(a) Net Flows

12. Net resource flows to Jamaica has been mixed. Following negative flows in 2008 of \$5.8 mn, resource flows turned positive in 2009, 2010 and 2011 (Table 5) reflecting the three tranche disbursements of \$33.3 mn during those years for the PBL. However, the portfolio has aged and with a planned reduction in the scale of support, even though very well targeted, resource flows are expected to be negative in the near term.

**TABLE 5: NET RESOURCE FLOWS**

(2008-2013)

<b>Item</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b><u>Outflows</u></b>						
Loans	23,221,047	56,495,845	62,671,899	62,274,994	20,872,769	38,583,180
Grants	420,523	70,385	164,944	272,949	162,760	1,731,626
<b><u>Inflows</u></b>						
Interest Payments	10,929,338	10,691,318	11,533,190	10,754,579	11,462,270	12,270,441
Principal Repayments	18,137,804	14,115,679	14,953,248	16,529,550	17,060,138	22,803,400
Commitment Fees	379,352	734,504	969,714	690,661	342,113	281,186
Other Charges	28,630	210,849	322,937	5,753	4,950	696,782
Net Resource Flows	(5,833,554)	30,813,880	35,057,753	34,567,399	(7,833,941)	4,262,997

**Lessons Learnt**

13. The experience of the previous country strategy interventions, as well as the review of the current portfolio provides useful lessons:

- (a) strategy utilisation and relevance depend on strong country ownership and buy-in. The resources provided to Jamaica were in excess of 90% of the target programme and is the bulk of the sectors identified during CSP formulation. Furthermore, the collaboration with important development partners allowed for robust harmonisation;
- (b) the country continues to be quite vulnerable to natural disasters. Storm impacts tend to be costly and divert resources from critical areas that are required to lift the country's growth potential. Particular attention will have to be paid to incorporating strong DRM elements in infrastructure projects; and
- (c) project delays due to incorrect tendering processes or issues in relation to incorrect cost estimates point to technical capacity deficits that must be strengthened across the board.

14. Going forward, these lessons will be critically important in informing CDB's engagement with Jamaica, as well as helping the Bank reflect on its own internal procedures.

**JAMAICA: SEVENTH CYCLE OF BASIC NEEDS TRUST FUND**

The Seventh Cycle of BNTF (BNTF 7) will continue to focus on community development initiated in BNTF 6 with the exclusion of health facilities and vulnerable groups. BNTF 7 was launched in July 2013 in Kingston and focuses on three key strategic development priorities:

- (a) Education and Human Resources Development.
- (b) Water and Sanitation.
- (c) Community Access Roads and Drainage.

2. There will be increased financial support by reduction of the counterpart funding requirement from 20% to 5% for sub-projects; increase in local project management cost; and budgetary support for capability enhancement, M&E and fiduciary management. There will also be an increase in the upper limit for large sub-projects from \$500,000 to \$600,000, taking account of inflation and accommodating comprehensive design features, higher performance specifications, sector-specific and environmental/DRM standards and, where possible, renewable energy technology. A portfolio approach to sub-project preparation and appraisal will be encouraged to achieve both efficiency and effectiveness gains. The allocation for Jamaica is \$6,890,058 which is 15% of the total grant amount for the BNTF 7<sup>th</sup> Cycle. The project is being implemented by the Jamaica Social Investment Fund on behalf of GOJ. The funds will be allocated according to the following.

<b><u>BASIC NEEDS TRUST FUND 7 ALLOCATIONS</u></b>	
<b><u>(USD)</u></b>	
<b><u>Programme Component</u></b>	<b><u>Amount</u></b>
<i>Country Projects</i>	
Sub-projects	5,736,683
Project Management Support	271,738
Institutional Development	60,386
M&E	<u>217,390</u>
<b><i>Sub-Total</i></b>	<b><i>6,286,197</i></b>
<b>Implementation Support</b>	<b>603,861</b>
<b>TOTAL</b>	<b>6,890,058</b>

**DONOR MATRIX BY NATIONAL OUTCOME**

<b>National Outcome</b>		<b>Development Partners</b>
1.	Healthy and Stable Population	Global Fund for AIDS, USAID, the Pan-American Health Organisation, EU, WB
2.	World Class Education and Training	Canadian International Development Agency (CIDA), Brazil, WB, IDB, USAID, CDB
3.	Effective Social Protection	WB, EU, IDB, CDB (BNTF)
4.	Authentic and Innovative Culture	
5.	Safety and Security	IDB, WB, DFID, USAID, EU,
6.	Effective Governance	EU, CIDA, IDB, UNDP, United Kingdom - Department for International Development (DFID), CDB
7.	A Stable Macro-economy	EU, China, IDB,
8.	An Enabling Business Environment	IDB, DFID (CARTFund), CIDA, DFID, USAID,EU, IDB
9.	Strong Economic Infrastructure	IDB, China, CIDA, CDB
10.	Energy Security and Efficiency	WB, United Nations Development Programme (UNDP)
11.	A Technology-Enabled Society	IDB
12.	Internationally Competitive Industry Structures	IDB, the Food and Agriculture Organisation, EU, CIDA, USAID, WB, the International Atomic Energy Agency
13.	Sustainable Management and Use of Environmental and Natural Resources	CDB
14.	Hazard Risk Reduction and Adaptation to Climate Change	CIDA, EU, the United Nations Framework Convention on Climate Change, UNDP, Japan Trust Fund, IDB
15.	Sustainable Urban and Rural Development	Korea International Cooperation Agency, CDB