



Country Program Evaluation

Jamaica

2009-2014

This document presents an evaluation by the Office of Evaluation and Oversight (OVE) of the Country Program of the Inter-American Development Bank (IDB, or the Bank) with Jamaica over the period 2009-2014. It is OVE's third independent assessment of the Bank's program in Jamaica. Past evaluations covered the periods 1990-2002 (RE-310, October 2005) and 2003-2008 (RE-365, June 2010).

According to the Bank's Protocol for Country Program Evaluations (CPEs) (RE-348-3), the main function of a CPE is "to provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance." Like other CPEs, this evaluation examines Bank support to the country, with the dual purpose of strengthening accountability and facilitating learning.

The assessment in the CPE covers a portfolio that includes all the operations approved between 2009 and July 2014, together with those approved previously but implemented during this period. The details of the portfolio are provided in the annexes to this document.

In preparing this document, OVE interviewed some 130 people, including the Bank's main counterparts among the Jamaican authorities, project execution units, members of civil society and the private sector, representatives of multilateral agencies with presence in Jamaica, the Bank's General Manager for the Caribbean Region Department, the Bank's current and former Representatives in Jamaica, and IDB staff at the Bank's Country Office and at Headquarters. The mission also visited the sites of IDB-supported projects to assess implementation progress and challenges.

Country Program Evaluation:

Jamaica 2009-2014

Office of Evaluation and Oversight (OVE)



Inter-American Development Bank
November 2014



This work is distributed under a Creative Commons license (CC BY-NC-ND 3.0). You are free to copy, distribute and transmit this work to third-parties, under the following conditions:



Attribution - You must attribute the work in the manner specified by the author or licensor (but not in any way that suggests that they endorse you or your use of the work).



Non-Commercial - You may not use this work for commercial purposes.



No Derivative Works - You may not alter, transform, or build upon this work.

Waiver - Any of the above conditions can be waived if you get permission from the copyright holder.

© Inter-American Development Bank, 2014

Office of Evaluation and Oversight
1350 New York Avenue, N.W.
Washington, D.C. 20577
www.iadb.org/evaluation

RE-468-1

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

ACKNOWLEDGEMENTS

EXECUTIVE SUMMARY

1. CONTEXT OF THE COUNTRY PROGRAM.....	1
A. Structural issues	1
B. Developments over the Evaluation Period, 2009-2014.....	3
C. Prospects for the Medium Term	5
2. THE BANK'S PROGRAM	7
A. Relevance of Strategic Documents	7
B. Relevance of the Implemented Program.....	9
1. Overall program	9
2. Performance of the investment loan portfolio	13
3. Coordination with other development partners	14
4. Country office staffing.....	15
3. PROGRAM EFFECTIVENESS	17
A. Strategic Objectives and Approach	17
B. Results by Strategic Objective	19
1. Fiscal sustainability	19
2. Social protection and safety	22
3. Financial sector and business climate	26
4. Use of country systems	28
5. Infrastructure and agriculture	28
6. Summary.....	31
4. CONCLUSIONS AND RECOMMENDATIONS.....	33

NOTES

ELECTRONIC ANNEXES:

[TABLES AND GRAPHS](#)

[COUNTRY STRATEGY RESULTS MATRIX](#)

SECTOR NOTES:

[IDB SUPPORT FOR THE SOCIAL PROTECTION SECTOR IN JAMAICA, 2009-2014](#)

[IDB SUPPORT FOR THE FISCAL AND COMPETITIVENESS SECTORS IN JAMAICA,
2009-2014](#)

ABBREVIATIONS

CCB	Caribbean Subregion
CEP	Competitiveness Enhancement Program
CPD	Country Program Document
CS	Country Strategy
CSJP	Citizen Security and Justice Program
EFF	Extended Fund Facility
ESSJ	Jamaica Economic and Social Survey
FAMP	Fiscal Administration Modernization Program
FCP	Fiscal Consolidation Program
FISPEG	Fiscal Structural Program for Economic Growth
FMM	Fiscal and Municipal Management
FY	Fiscal year
GDP	Gross domestic product
GoJ	Government of Jamaica
IDB	Inter-American Development Bank
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
LAMP	Land Administration and Management Program
NSG	Non-sovereign guaranteed
OVE	Office of Evaluation and Oversight
PATH	Programme of Advancement through Health and Education
PBP	Policy-based program
PESP	Primary Education Support Project
PPD	Programming Preview Document
PSEP	Public Sector Efficiency Program
SBA	Standby Arrangement
SCF	Structured and Corporate Finance Department
SD	Structural depth
SECCI	Energy and Climate Change Initiative
SFP	School Feeding Program
STW	Steps to Work
SG	Sovereign guaranteed
TC	Technical cooperation
WB	World Bank

ACKNOWLEDGEMENTS

This evaluation was prepared by a team consisting of Agustina Schijman, Ali Khadr, Monika Huppi, Ricardo Marto, Paola Buitrago, Peter Freeman, and Andrea Florimon, under the general direction of Cheryl W. Gray (OVE Director).

The team would like to thank all who contributed to this CPE. First, we would like to acknowledge the help we received from the Jamaican authorities and other counterparts in Jamaica. They were generous with their time and provided data and documentation, as well as candid views on the Bank's work. Second, we extend our gratitude to Bank Management and staff—particularly to the staff at the country office in Jamaica. Finally, we would like to thank our colleagues at OVE who provided valuable inputs: Cesar Bouillon, Hector Conroy, Michelle Fryer, Roland Michelitsch, Juan Manuel Puerta, Leslie Stone, and David Suarez.



Over the past decade, Jamaica has grown at an annual average rate of 0.54%, less than all other countries in Latin America and the Caribbean.

Executive Summary

CONTEXT

Jamaica, a small, open, middle-income economy, is among the world's most indebted countries. The public debt-to-GDP ratio has stood above 125% since the early 2000s, and remarkably high domestic interest rates have inflated interest payments, which have been among the highest in the world.

Along with the debt overhang, Jamaica has had weak growth performance. Over the past decade, Jamaica has grown at an annual average rate of 0.54%, less than all other countries in Latin America and the Caribbean. Striving to avoid continuing increases in public debt, Jamaica has had to run primary surpluses averaging 6.7% of GDP over the last 10 years, mainly at the expense of public investment. Tax distortions, particularly the opaque pattern of tax waivers that prevailed before the 2013 tax reform, and crime and violence have also been consistently identified as factors that adversely affect the economic activity. During the evaluation period, Jamaica made significant efforts to reduce its debt burden and enhance its fiscal sustainability. In early 2010, Jamaica reached agreement on a 27-month Stand-by Arrangement (SBA) with the IMF, but it did not meet some of the program's fiscal targets, and the program was effectively finished by the end of 2011. In 2012 the political administration changed and in May 2013, the Government reached a four-year agreement with the IMF under the Extended Fund Facility (EFF)—supplemented by financial support from the Inter-American Development Bank (IDB, or the Bank) and World Bank of US\$510 million each. The fifth review of the program was concluded in September 2014, and program performance is on track.

THE BANK'S PROGRAM

Since 2009, the IDB's relationship with Jamaica has been guided by two updates of a 2006-09 Country Strategy (CS) and one new CS (2013-14), with a 2.5 year CS vacuum in the middle. Rather than being genuine strategy updates, the CS updates served mostly

to increase the lending envelope, yet lacked the analytical basis to justify the increases. Overall, Bank priorities showed broad continuity and were generally of high relevance. The 2006-09 CS defined private sector development, better value for money, and reducing vulnerability to natural disasters as priority areas. The priority areas and strategic objectives under the 2013-14 CS were similar but more focused and better defined: fiscal sustainability, social protection and safety, and financial sector and business climate.

The program as implemented was substantially larger than that covered by the previous CPE. From 2009 to July 2014, the Bank approved roughly US\$1.58 billion in 22 loans, including two non-sovereign-guaranteed (NSG) operations, and US\$17 million in 43 technical cooperation operations (TCs). Approvals became increasingly concentrated in the areas of public finance followed by the social sectors, in line with Jamaica's most pressing needs. Infrastructure also remained a core area of work.

Over three-fourths of sovereign-guaranteed (SG) approvals took the form of policy-based program (PBP) series—a substantially larger share than in comparable country groups or than in Jamaica itself in previous periods. Driven by budget support, the delivered program yielded record SG disbursements of about US\$1.3 billion from January 2009 through mid-2014—an annual average of 1.6% of GDP, which helped cover almost one-tenth of the Government's gross financing needs. IDB disbursements peaked in 2010 at roughly US\$625 million, driven by the Bank's decision to front-load lending in support of the SBA; this sum is among the largest the Bank has ever disbursed to a borrowing country in a single year, both in per capita terms and as a share of GDP. The Bank assumed a more cautious stance once the SBA began showing signs of going off-track. All in all, IDB's financial relevance increased over the period, as did its exposure: Jamaica now accounts for 1.9% of total Bank exposure to client countries, in comparison to 1.1% in 2008.

IDB contributed both technically and financially to improving the profile of Jamaica's debt. From a technical perspective, Bank advisory input was influential in securing a voluntary domestic debt exchange in early 2010 that significantly lowered domestic interest costs and lengthened maturities. From a financial perspective, IDB contributed to increasing the multilateral share in total debt from 7.3% to 18.6% between March 2008 and 2014. Although this change has not been associated with any improvement in the maturity structure of the external debt, interest costs fell from an average of 6% to 4%.

The areas covered by policy-based lending were largely aligned with the Government's reform agenda, and the focus of reform measures was appropriate. Several of the disbursement triggers in Bank PBPs were well integrated with IMF program benchmarks. Despite some delays in reform implementation, only one of six PBP series has been truncated, and its reforms continued under a subsequent PBP. The TCs complemented the lending portfolio, and in many cases were designed to prepare diagnostic work and to help Jamaica comply with PBP disbursement triggers.

In line with overall trends at the Bank, project preparation times and implementation performance of investment loans improved. However, several impediments to project execution persisted and implementation timeframes continued to exceed plans. In a context of tightly constrained public investment, most investment loans have been affected by the lack of space in the national budget, and in some cases oversized loans have accentuated the vulnerability of the investment portfolio.

PROGRAM EFFECTIVENESS

For this Country Program Evaluation, the Office of Evaluation and Oversight (OVE) analyzed program effectiveness against the strategic objectives set by the Bank. Given the large size of the policy-based portfolio, OVE complemented the analysis of results with an analysis of the “structural depth” (SD) of the more than 200 reform measures that served as disbursement triggers in the Bank’s PBP series. OVE’s findings on SD point to three broad conclusions. First, nearly half of the measures were of low SD—by themselves, they would not bring about meaningful changes, although they could possibly serve as stepping stones for significant reforms. Second, in any given PBP series, measures in a later operation generally had greater SD than those in an earlier operation. This substantiates the idea that an initial operation typically features procedural measures that prepare the ground for more meaningful reforms to follow in a later operation. Third, the areas of revenue policy and administration, education, and public expenditure management tended to have more measures with high and medium SD.

Progress toward the strategic objectives that the Bank set itself was uneven, and many reforms remain a work in progress that need follow-up to show results. In the priority area of fiscal sustainability, the objective of decreasing debt accumulation appears now to be on a relatively favorable—if still risky—track, even though the aspirational CS target has not been attained. While for the most part concrete results cannot yet be seen, the Bank has also helped advance the objective of modernizing revenue systems, notably through technical support leading up to a major tax reform in late 2013. However, revenue administration remains in need of attention. The IDB also worked toward strengthening public expenditure management systems, where some progress has been achieved. Public sector transformation has moved rather slowly, bringing some process-related gains.

In the priority area of social protection and safety, the IDB advanced its objectives of strengthening and improving the impact of the social safety net, mainly by supporting a large expansion of coverage and promoting some efficiency gains, although not all the aspirational CS targets have been attained. The Bank has also helped advance reforms toward improved education quality, which appear to have contributed to better learning outcomes. With continuing Bank support, the objective of increasing safety and security was advanced: murders and shootings decreased, and satisfaction with crime prevention increased.

In the financial sector and business climate priority area, the objective of increasing access to finance has been advanced, although for the most part it is too early to see outcomes. Regarding the objective of reducing business costs, some gains in land titling and registration—but little improvement in the overall business climate—can be seen. There has been little progress toward the objectives related to infrastructure and agriculture.

CONCLUSIONS AND RECOMMENDATIONS

Heavily skewing Bank lending toward budget support was an appropriate response to Jamaica's need (and continual efforts) to tighten its fiscal stance and address the debt overhang, in a context of scant public investment. IDB lending did, however, exhibit pronounced ups and downs; greater steadiness might have been preferable. With the benefit of hindsight, the front-loading of lending around the first IMF program may have been excessive and was certainly not sufficiently justified in the relevant CS update. Going forward, the Bank has decided on greater caution by modulating its disbursements over the EFF's life (a total of US\$510 million) to those of the World Bank, thus circumscribing its exposure to Jamaica.

The concentration of the Bank's program on public finance was also justified. Almost one-third of the approvals between 2009 and July 2014 were related to public finance, an area in which the IDB and the IMF collaborated closely. The 2013 tax reform is expected to reduce distortions and encourage private sector development as an engine of growth. IDB's efforts to help Jamaica enhance social protection were also timely, and they complemented other partners' support. Looking forward, close collaboration among Jamaica's main development partners and the Government will continue to be paramount, both under the EFF program and beyond it.

Continuing implementation problems and Government financing needs have undermined the investment portfolio. The limited fiscal space, complex project design, lengthy procurement processes, and other constraints have impeded portfolio execution. For the most part, the constraints are not new and have typically led to project extensions of three to four years, during which funds were needlessly tied up. In spite of this, some of the Bank's new investment lending was approved in sectors (notably water and sanitation) where existing operations were underperforming, and was over-dimensioned and overly complex. In this context, the Government has requested reallocations of project proceeds, most often in favor of budget support.

The Bank's strategic framework for engaging with Jamaica was discontinuous, and the monitoring of strategy results was weak. Because the evaluation period was marked by frequent changes in Jamaica's circumstances, Bank strategy documents—when they existed—tended to be sparse and short-lived. The 2013-14 CS made little reference to the potential results of the substantial portfolio of investment (and TC) operations that was carried over. In addition, while this is hardly unique to the Jamaica program,

there was little reflection on potential synergies between the Bank’s public sector program and the Bank Group’s private sector windows. Finally, with some exceptions, monitoring and evaluation of program results was weak.

Going forward, OVE recommends that the Bank:

- 1. Ensure the continuity of CSs and better justify lending envelopes.** The Bank needs to avoid lapses in the validity of the strategic documents (CSs or CS updates) that frame its engagement in Jamaica, regardless of lending. Strategy documents—which could usefully scan a longer-term horizon, even if future revisions are likely—should thoroughly justify lending envelopes, whether changing a previously approved envelope or setting it anew, by analyzing scenarios and explaining how expected cash flows match Jamaica’s financing needs.
- 2. Focus policy-based lending on deepening public finance reforms.** Even under the best scenarios, Jamaica will for several years continue to need a tight fiscal stance to bring down its debt. Under such conditions, the Bank’s intent to continue devoting a share of new lending to programmatic budget support operations in public finance is justifiable. Such operations have supported important reforms, though in many cases these reforms need to be further pursued to show results. The Bank should also strive to maintain the continuity of the ongoing PBP in the education sector.
- 3. Ensure appropriate sizing of new investment loans.** The limited fiscal space over the next several years restricts the scope for new Bank investment lending. Any new investment lending that is undertaken should be structured in a way that is mindful of fiscal restrictions, possibly using multiphase loans or modular design, as the previous CPE suggested. As a general rule, it would also be good practice not to approve new operations in a sector in which existing operations are underperforming.
- 4. Strengthen monitoring and evaluation.** There should be more regular monitoring and stocktaking of how the Bank’s overall program is contributing to the targeted CS outcomes. In addition, there should be greater emphasis on assessing how individual operations are contributing to the specific outcomes in their results frameworks.



Tourism has accounted for about 27% of GDP over the past 10 years, and it is one of the main sources of foreign exchange, tax revenue, and employment.

© Chris Ford, 2011
Creative Commons License

1

Context of the Country Program

A. STRUCTURAL PROBLEMS

Jamaica is a small, middle-income economy with a dominant services sector and major receipts from tourism and remittances. With a population of nearly 2.8 million people and a GDP of US\$14 billion, Jamaica is the second-largest economy in the English-speaking Caribbean, after Trinidad and Tobago. Based on purchasing power parity, the country's GDP per capita is about US\$9,000, less than half the average of the other Caribbean member countries.¹ Traditionally relying on agriculture and mining (notably bauxite), the economy has over the past few decades been shifting toward the service sector, headed by a growing tourism industry² —a shift accelerated by the erosion of trade preferences in the 2000s. Tourism has accounted for about 27% of GDP over the past 10 years, and it is one of the main sources of foreign exchange, tax revenue, and employment.³ About a quarter of Jamaican households receive remittances, which represent up to 16% of GDP (Table A.1).⁴ Jamaica has enjoyed stable two-party parliamentary democracy and a strong civil service since independence in 1962, despite recurring bouts of political violence and social polarization and a rank below the regional average on most governance indicators (Table A.2).

Jamaica's economy is open, and the country is highly vulnerable to external economic and climatic shocks. External trade in goods and services amounts to more than two-thirds of GDP and is concentrated in a few markets, exposing the country to

the business cycle in major trading partners.⁵ As a net importer of food and energy (oil imports account for around 16% of GDP), the country is further exposed to commodity price volatility. In addition, Jamaica is located in the hurricane belt and is prone to storms, floods, and droughts,⁶ whose effects have put additional strain on scarce fiscal resources and on key climate-dependent sectors such as agriculture and tourism.

Jamaica has had a chronic debt problem and is among the world's most indebted countries, with interest payments absorbing over one-tenth of GDP over the past decade (Figure A.1). Jamaica's public sector debt increased steadily beginning in the 1970s and continuing in the 1980s. After a temporary decline, the debt-to-GDP ratio doubled between 1996 and the initial years of this century (reaching around 140% of GDP), when the Government of Jamaica (GoJ) assumed non-performing loan portfolios to shore up distressed financial institutions following the liberalization and subsequent crisis in the financial sector (Box A.1). The debt-to-GDP ratio has remained above 125% since the early 2000s and has experienced substantial year-on-year fluctuations. Just over half the debt is domestic.⁷ Remarkably high domestic interest rates have inflated interest payments, which have been among the highest in the world, peaking at 17.3% of GDP—only 7 percentage points below tax revenues—in FY09-10.⁸ External debt has been held chiefly by bondholders and other private creditors since 2001. Multilateral debt had declined in importance (from 35% of external debt in 1999 to 19% in 2008) until the 2008-09 global crisis (Figure A.2). The Inter-American Development Bank (IDB, or the Bank) is the largest multilateral lender, with almost half of multilateral debt and 15.4% of total external debt at end-2013; the World Bank (WB), the second-largest multilateral lender, accounted for 30% of multilateral debt and 9.4% of total external debt.

The debt burden and other constraints on business—notably tax distortions and crime and violence—have contributed to weak economic growth.⁹ Over the past decade, Jamaica has grown at an annual average rate of 0.54%, less than all other countries in Latin America and the Caribbean (LAC). In an effort to avoid continuing increases in public debt, Jamaica has had to run primary surpluses averaging 6.7% of GDP over the last 10 years, mainly at the expense of public investment, which has fallen from 9% of GDP in the 1980s to around 2% over the last two years. Even though total fixed capital investment has averaged 24% of GDP over the past decade,¹⁰ its productivity has been very low, as reflected in a high incremental capital-output ratio. To a large extent, this has been a result of inefficiencies in resource allocation. Likely contributing factors include significant tax-related distortions, particularly the opaque pattern of tax waivers that prevailed prior to the 2013 tax reform, which have stimulated investment in projects that would otherwise provide lower returns.¹¹ Moreover, there are numerous other business constraints, ranging from high electricity cost to limited access to credit.¹² For the past decade crime and violence has been identified as a top obstacle to doing business.¹³ Since the mid-1990s, Jamaica has had the highest homicide rate in the Caribbean (Figure A.3), and it is the fourth most violent country in LAC, with violence

being the leading cause of death among young Jamaican males. Crime has created incentives for emigration and driven investment into “enclave” activities (mining and tourism).¹⁴ High public spending on crime control has been required.

Despite fluctuations in poverty, there has been progress in key aspects of social development. The population living below the national poverty line fell substantially between the early 2000s and 2007 but increased thereafter, reaching 19.9% in 2012.¹⁵ The rural population and youth are disproportionately represented among the poor. In the early 2000s, Jamaica reformed its safety net scheme and launched the Programme of Advancement through Health and Education (PATH), a conditional cash transfer that covers approximately 45% of the poor. Income inequality—as measured by the Gini index—has decreased since then and is low by LAC standards.¹⁶ Jamaica has also made steady progress on other key indicators. For example, infant mortality rates decreased by almost one-third and maternal mortality rates went down from 88 in 2000 to 80 in 2013.¹⁷ Similarly, the literacy rate grew from 80% to 87% between 2002 and 2009.¹⁸ Nevertheless, education outcomes are low and the school dropout rate is high, a concern aggravated by the high youth unemployment (see Section B). Jamaica also has a significant informal economy—for instance, informal sector workers were estimated at 38% of the employed labor force in 2012—that is thought to have expanded during the 2008-09 global recession.¹⁹

B. DEVELOPMENTS OVER THE EVALUATION PERIOD, 2009-2014

Economic and social indicators deteriorated over much of the period, fueled in part by the global recession. Jamaica endured three years of decline in real GDP after 2007, with the sharpest contraction (3.4%) occurring in 2009. Foreign currency inflows fell severely, triggering a 23% depreciation of the Jamaican dollar between FY08-09 and FY13-14 and a drain in reserves.²⁰ However, inflation offset much of the nominal depreciation (Table A.1), and price competitiveness has not significantly improved. In 2014, Jamaica ranked 86th out of 144 countries on the Global Competitiveness Index, compared with 86th out of 134 in 2008. In the fiscal accounts, the debt-to-GDP ratio averaged 143% between 2009 and 2013, and debt amounted to US\$18 billion at the end of 2013. The global recession had other lasting effects. Poverty doubled, and the rise in food prices affected mostly the bottom 40% of Jamaicans. Unemployment climbed from roughly 10% to 15.2% (2013), and youth unemployment grew from 26% to 33% (January 2014).

In early 2010, the GoJ conducted a debt exchange and entered into an IMF program, which ultimately went off track. In an attempt to stabilize the economy, the GoJ reached agreement on a 27-month Stand-by Arrangement (SBA) in early 2010, the first IMF program in 14 years. The SBA was premised on unprecedented multilateral support (about 25% of GDP over its life), and was preceded by a voluntary domestic



Jamaica is located in the hurricane belt and is prone to storms, floods, and droughts, whose effects have put additional strain on scarce fiscal resources and on key climate-dependent sectors such as agriculture and tourism.

© Ricardo Marto, 2014

debt exchange, as a result of which annual interest payments fell by about 3.5% of GDP (Box A.2). However, the GoJ did not meet expenditure targets, notably on the wage bill, and the SBA began to unravel during 2011, with only three of the seven planned reviews completed. The failure to comply with the program entailed a temporary cessation of multilateral budget support and fueled a further reduction in reserves. The last few months of 2011 also saw political uncertainty, setting the stage for early elections.

Elections in late 2011 returned the opposition to power, and in May 2013 the GoJ reached a new agreement with the IMF; performance has remained on track. The general election in December 2011 resulted in a landslide victory for the opposition.²¹ In early 2013, the GoJ conducted a second domestic debt exchange, and shortly thereafter, the IMF—conscious that Jamaica's challenges required a longer adjustment period—approved a four-year arrangement under the Extended Fund Facility (EFF), covering April 2013 to March 2017, with renewed IDB and WB support. In addition to the debt exchange, the EFF has centered on fiscal consolidation to reduce public debt to 100% of GDP by 2020, underpinned by reforms to support a primary surplus in excess of 7% of GDP. Key measures taken to date include a wage restraint agreement with trade unions, a major tax reform to broaden the tax net and reduce distortions, and other public and financial sector reforms. As of October 2014, the program remained on track with five reviews completed, and a primary surplus of 7.6% of GDP had been achieved for FY13-14, despite a minor shortfall in tax revenue. The economy has also shown incipient signs of recovery, with growth in FY13-14 estimated at 0.9%.

C. PROSPECTS FOR THE MEDIUM TERM

While the performance under the IMF program is encouraging, the path to reducing Jamaica's debt is long and fraught with risks; nurturing growth will be crucial and challenging. Public sector debt as a share of GDP is projected to continue declining as long as the GoJ is able to sustain a high primary surplus. Continued efforts will be needed to improve revenue collection (currently 23.6% of GDP), contain primary expenditures (19.5% of GDP), reform the public pension system (currently in actuarial deficit), and secure a downward trend in interest payments (7.6% of GDP). Any adverse shocks affecting tourism, remittances, and other funding sources, or oil and food prices, pose risks for the success of the EFF. Current projections under the EFF suggest modest growth prospects reaching 2.3% by FY16-17, underpinned by tourism, construction, and a firming of bauxite prices. Since reforms under the EFF may entail adjustment costs before growth accelerates and poverty declines, it is crucial for the GoJ to maintain broad public support for the program and to engage the private sector in growth-enhancing investments. The GoJ has recently launched an initiative to establish Jamaica as a logistics hub with the expansion of the Panama Canal, and this is offering new opportunities for private investment and public-private partnerships. Business processing and creative industries have also recently emerged as possible avenues for private sector development.



In the Basic and Primary Education Program III, procurement for the construction of schools delayed execution for almost four years, while inflation significantly increased the cost of civil works.

© Agustina Schijman, 2014

2

The Bank's Program

A. RELEVANCE OF STRATEGIC DOCUMENTS

Reflecting changes in economic conditions and in IMF program status, the Bank frequently changed its plans for engaging with Jamaica through multiple short-lived documents.

Since 2009, the IDB's relationship with Jamaica has been guided by two updates of a 2006-09 Country Strategy (CS) and one new CS, with a 2.5 year CS vacuum in the middle (Figure 2.1). In late 2008, the Bank framed its engagement with Jamaica in a 13-month CS update (GN-2422-3) of the 2006-09 CS (GN-2422-1) which, in response to the GoJ's willingness to engage with multilaterals, proposed a substantial increase in lending for 2009 (Table A.3). In early 2010, following the agreement on the SBA with the IMF, the IDB approved a second update (GN-2570) that extended the CS to September 2010 and more than tripled the lending envelope for that year. Once this second update expired, a 2.5-year CS vacuum ensued and programming documents became the only vehicles setting out the Bank's intended program. In 2011, the relevant vehicle was the Country Programming Document (CPD), and starting in February 2012, the Programming Preview Document (PPD) became the key vehicle; with the SBA abandoned, the Bank's assessment of Jamaica's macroeconomic sustainability led to a suspension of normal programming and the PPD became a mandatory step in programming (Jamaica was in fact the first IDB member to have a PPD).²² In March 2013, the Bank approved a new CS for 2013-14 (GN-2694). Guidelines notwithstanding, the lending envelope was approved separately, only after the GoJ had entered into the EFF in May 2013 and normal programming had been resumed. The envelope reflected IDB's commitment to disburse US\$510 million over the four-year life of the EFF, matching the amount to be provided by the WB (Box 2.1).

2009	2010	2011	2012	2013	2014
CS Update I	CS Update II			2013-2014 CS	
			Normal prog. suspended		
	27-Month SBA	<i>de facto</i> off track		4 Year EFF	
Jamaica Labour Party (Oct 07 - Dec 11)			People's National Party (Jan 12)		

FIGURE 2.1
IDB Strategy Timeline

Despite the frequent changes in plans, the Bank's priorities showed broad continuity and were generally of high relevance. The 2006-09 CS defined private sector development, better value for money, and reducing vulnerability to natural disasters as priority areas. Although (as the previous CPE noted) these strategic objectives were relevant, in many cases they were not well focused or specified. The two CS updates maintained those priority areas, and the second one added public finance—which, while amply justified, was not adequately explained. The priority areas and strategic objectives under the 2013-14 CS were similar but more focused and better defined. With the intent to “support GoJ in mitigating the challenging economic and fiscal situation [...] while simultaneously protecting the poor and the vulnerable,” the CS defined fiscal sustainability, social protection and safety, and financial sector and business climate as priority areas. This was the first CS to elevate citizen security to a strategic pillar. Consistent with pressing issues of the time, disaster risk management and climate change adaptation were identified as cross-cutting themes. The 12 strategic objectives under the three priority areas were aligned with major country priorities, as reflected in Jamaica’s long-term development plan, Vision 2030 Jamaica, and its derivative medium-term frameworks, as well as with the EFF (Box A.3).

Rather than being genuine strategy updates, the CS updates served mostly to increase the lending envelope, yet they lacked adequate explanations to justify the increases. The motivation for the first CS update was that “the fundamental changes in Jamaica’s economic and political landscapes warrant an update”; however, it remains unclear why an entirely new CS was not warranted. The update substantially increased the financing envelope, but without a proper analysis of Jamaica’s financing needs. The second update served a *fortiori* as little more than a vehicle to increase the envelope. Despite tripling it for 2010, the update provided virtually no diagnosis of the country context or explanation of Jamaica’s financing needs—in fact, there was not even a reference to the SBA that had been agreed on two months earlier. Similarly, the envelope for the 2013-14 CS period was not accompanied by any analysis of alternative financing scenarios, a surprising omission in light of Jamaica’s lack of compliance with the SBA in 2011 and IDB’s subsequent suspension of normal programming.

The 2013-14 CS was relevant in that it responded pragmatically to the uncertainties of the time, although it left key issues unaddressed. The 2013-14 CS, which offered a way out of the CS vacuum, was envisioned as a two-year transitional strategy. It was prepared and approved while normal programming was under suspension (largely based on the analytical work underpinning an aborted 2011-15 CS draft),²³ and while the GoJ was in discussions with the IMF on the EFF. One of its main drawbacks was that the strategic objectives focused predominantly on new lending and not on how the existing portfolio could combine with new lending to contribute to results. For instance, the existing loans in agriculture and energy—key sectors because of their impact on Jamaica’s import bill and competitiveness—had no

associated objectives. And the CS did not pay sufficient attention to how it might use the Bank's private sector windows as an integral part of its strategy in the context of limited public investment.

BOX 2.1. THE IDB, THE WB, AND THE IMF-SUPPORTED PROGRAMS

Under the SBA, signed in February 2010, the IMF agreed to provide financial support of some US\$1.3 billion, and the IDB and the WB together agreed to provide another US\$1.1 billion over the 27-month life of the program. Unlike the WB, the IDB substantially front-loaded its support in the first year of the program. After the program began to show signs of going off-track in 2011, the IDB held back budget support, eventually suspending the normal programming of its lending in early 2012 (restored in mid-2013).

In the spring of 2013, when the IMF was finalizing the financing plan under the EFF, the Bank was asked to clarify its lending plans. Drawing on its experience under the SBA, the Bank decided to tie its financing over the EFF period to projected WB financing, giving rise to a "burden-sharing" arrangement. As a result, the IDB made a commitment to disburse US\$510 million over a four-year period ending in March 2017.^a The WB has capped its budget support at 50% of its total financing (see WB's Country Partnership Strategy FY 2014-17). The IDB, through the financing envelope for its 2013-14 CS, has established that 76% of the US\$184 million in approvals takes the form of budget support. The share of budget support for the remaining years of the EFF program (2015-March 2017) has yet to be confirmed.

^a Key country authorities interviewed during OVE's mission suggested that under these plans, the IDB is not being as flexible as it could be in responding to the country's financing needs. This belief, which appears to have strained relations, has been reinforced by their perception that the details of the financing commitment under the EFF were not clearly conveyed to them.

B. RELEVANCE OF THE IMPLEMENTED PROGRAM

1. Overall program

The program as implemented was substantially larger than that covered by the previous CPE. From 2009 to July 2014, the Bank approved roughly US\$1.58 billion in 22 loans, including two non-sovereign-guaranteed (NSG) operations, and US\$17 million in 43 technical cooperation operations (TCs).²⁴ Overall, the amount approved was more than five times that approved between 2003 and 2008 (which included a lending hiatus of almost three years). In addition to new approvals, the implemented program also encompassed US\$164 million in the remaining balances of previously approved loans.

Sovereign-guaranteed (SG) lending was skewed toward budget support. SG lending accounted for 95% of the amount approved, and most of it was budget support. The 2006-09 CS (and its updates) emphasized the Bank's intent to rely on policy-based

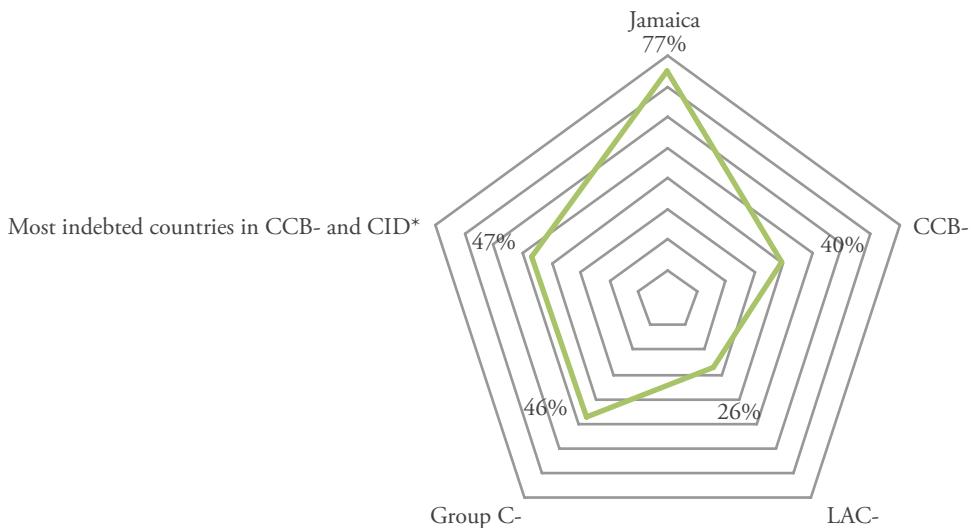
lending, which “would avoid the fiscal constraints upon investment projects [...] and could also help debt management by reducing the average cost and extending the average maturity of external debt.” In the evaluation period, over three-fourths of SG approvals took the form of 10 programmatic operations under six policy-based program (PBP) series—a substantially larger share than in comparable country groups (Figure 2.2) or than in Jamaica itself in previous periods (Figure A.4 and Table A.5). Since the 2008 global financial crisis, the WB, the European Union, and the Caribbean Development Bank have also favored fast-disbursing instruments in Jamaica, though on a smaller scale (Box A.4). Several IDB investment loans in the social sectors also included large components that disbursed promptly. A case in point is the Integrated Social Protection & Labour project (JA-L1037), approved while normal programming was suspended. With 67% of proceeds financing PATH cash transfers, the loan disbursed two-thirds of its resources almost concomitantly with approval.

FIGURE 2.2

Budget Support as a share of SG Loans, 2009-March 2014

Source: OVE based on OVEDA and WEO, IMF

Note: *Based on 50% of GDP threshold as of 2012 (WEO, IMF). It includes Barbados, Belize, Guyana, El Salvador, and The Bahamas



Driven by budget support, IDB’s financial relevance and exposure to Jamaica increased over the evaluation period. The delivered program yielded record SG disbursements of about US\$1.3 billion from January 2009 through mid-2014—an annual average of 1.6% of GDP, which helped cover almost one-tenth of the GoJ’s gross financing needs (Table A.6). IDB disbursements and net cash flow peaked in 2010 (at roughly US\$625 million and US\$534 million, respectively), driven by the Bank’s decision to front-load lending in support of the SBA. These sums are among the largest the Bank has ever disbursed to a borrowing country in a single year, both in per capita terms and as a share of GDP. The Bank’s more cautious stance once the SBA began unravelling explains the ensuing two-year plunge in disbursements, when net cash flow became negative (Figure 2.3). The larger IDB financing raised IDB’s aggregate exposure to Jamaica from US\$659 million at end-2008 to US\$1.47 billion as of end-June 2014, a comparatively high level in relation to GDP and population.²⁵ Jamaica now accounts for 1.9% of total Bank exposure to client countries, in comparison to 1.1% in 2008 (Figure A.5).

In terms of improving the debt profile, IDB's contribution was both technical and financial. From a technical perspective, Bank advisory input was very influential in securing the voluntary domestic debt exchange in 2010 that lowered domestic interest costs and lengthened maturities (Box A.1). From a financial perspective, IDB contributed to increasing the multilateral share of total debt from 7.3% to 18.6% between 2008 and 2014. As of end-2013, IDB accounted for 15.4% of total external debt, compared to 9% at end-2008. Contrary to the expectations set out in the 2006-09 CS, this change has not been associated with any improvement in the maturity of the external debt, but interest costs have fallen from an average of 6% to 4%.²⁶

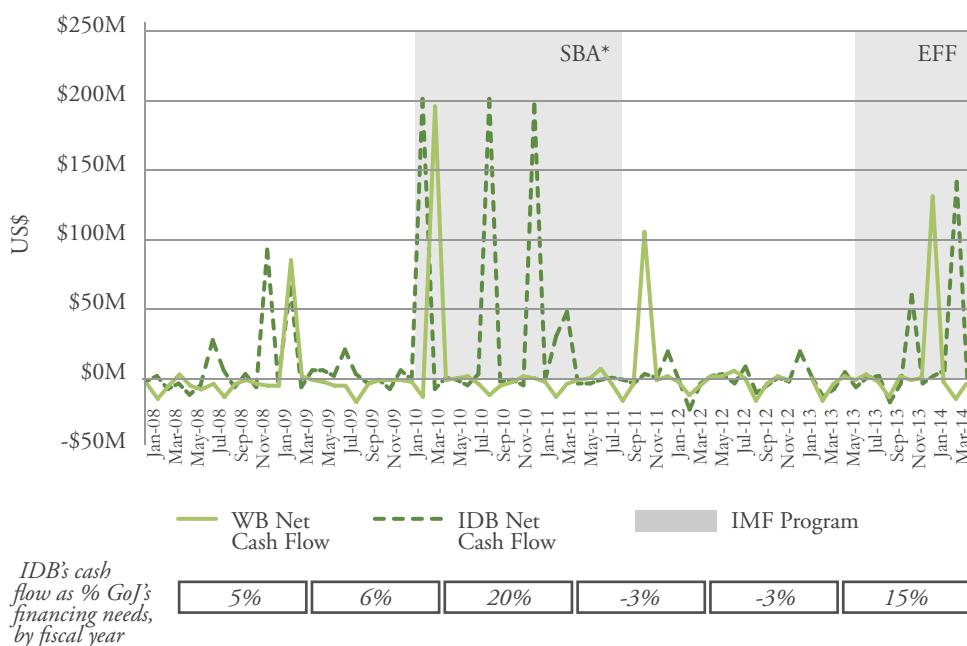


FIGURE 2.3
Net Cash Flow to Jamaica, IDB and WB, 2008-March 2014

Source: OVE based on IDB and WB data warehoused.

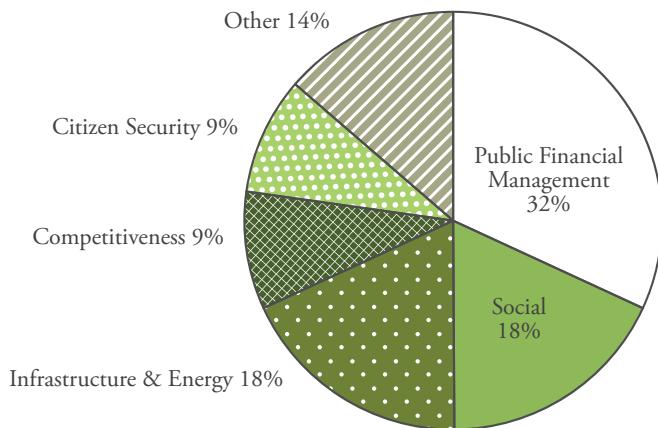
Note: *SBA formally expired in mid-2012 but by mid-2011 it was *de facto* abandoned

SG lending was more focused than in previous periods (Box A.5), and its emphasis on public finance was justified given the country's development needs at the time. The downsizing of the Bank's active portfolio through cancellations in 2004-2005 and the 2005-2007 lending hiatus provided an opportunity to refocus lending approvals. Driven by the prominence of policy-based operations, approvals became concentrated in the areas of public finance, followed by the social sectors, in terms of both number of operations and lending amounts (Figure 2.4 and Table A.7). Through investment loan approvals, infrastructure remained a core area of work. Combining inherited projects with new approvals, public finance, social sectors, and infrastructure remained the focal areas. The preeminence of operations related to public finance, which reflected the Bank's leadership in supporting tax policy and administration, was appropriate, given the country's need to reduce its debt burden. Concomitant Bank efforts to support protection and enhancement of social spending also constituted the right approach, especially in light of the deterioration in social indicators (para. 1.6). Some lending responded to shocks: following the food price crisis in 2008, the Bank

reformulated an underperforming loan (JA0114) to provide rapid support for the PATH program. Similarly, the Bank swiftly approved an emergency program in 2009 to provide liquidity to the financial sector during the global crisis.

FIGURE 2.4
Distribution of SG Lending by Theme, Approvals 2009-July 2014

Source: OVE based on OVEDA data



The areas covered by policy-based lending were largely aligned with the GoJ's reform agenda; reforms were generally in the right direction, and reform momentum was typically sustained. The reform measures that served as disbursement triggers in the 10 programmatic operations under the six PBP series were mainly related to debt, revenue and expenditure management, public sector transformation, financial sector reform, competitiveness, education, and PATH. Several of the reforms were well integrated with the structural benchmarks in the IMF programs; in fact, some of these benchmarks were grounded in IDB PBP disbursement triggers and prior technical work carried out through the TC package.²⁷ Moreover, the education and social safety net reforms were mostly aligned with an ongoing education transformation agenda and the restructuring of the social protection system launched in the early 2000s. IDB and other partners contributed technical support, but they were typically not the initiating force—a key factor for the sustainability of reforms. Nevertheless, the timing and specification of some of the disbursement triggers—for example, the capping of tax waivers in the Fiscal Consolidation Program series—involved protracted discussions with country authorities. This said, despite some delays in reform implementation, only one of the six PBP series has been truncated, and its reforms have been continued under a subsequent PBP (Table A.8).

There was some direct (NSG) financing to the private sector, although it was weakly integrated with the rest of the portfolio. Since the 1998 CS, the Bank has identified private sector development as a key area of focus in Jamaica. During the evaluation period, the Bank's approach to supporting the private sector has mainly taken the form of measures to improve the business climate through policy-based loans. In terms of direct financing to the private sector, IDB approved two Structured and Corporate Finance Department (SCF) NSG loans totaling US\$77 million, one in

transport and one in tourism. As a ratio of GDP and per capita, NSG amounts approved in Jamaica are in line with the LAC average, and are larger than the Caribbean subregion average (Figure A.6). In addition, interviews conducted by the Office of Evaluation and Oversight (OVE) reveal that the suspension of normal programming in 2012 slowed the pace of negotiations with private sector firms. The Multilateral Investment Fund approved six grants and two loans, and a few other grants approved previously were still active, while the Inter-American Investment Corporation approved eight operations totaling US\$32 million. Since 2010, the Bank has also used the Compete Caribbean initiative to promote grants for small businesses and entrepreneurs, capacity building initiatives, and regional discussions on competitiveness (Box A.6).

The TC package complemented lending operations well, although in some cases greater emphasis on programming TCs may have been warranted. Much of the amount approved in TCs was approved concomitantly with lending approvals and tended to support the same areas (Table A.9). This is partly explained by the fact that many TCs were designed to prepare diagnostic work and to help Jamaica comply with PBP disbursement triggers.²⁸ In some cases, greater TC coverage may have been justified; in other cases, the technical assistance program went beyond the areas covered by the loan portfolio to include areas such as resilience to climate change. Between 2009 and 2014, the share of Bank-implemented TCs remained roughly the same in comparison to 2003-2008 (48% vs. 43%, respectively), but a tendency toward Bank-executed TCs has emerged since 2011.²⁹ The Bank also made strategic use of special grants totaling US\$55.8 million to support citizen security, energy, public sector, and competitiveness.

2. Performance of the investment loan portfolio

In line with overall trends at the Bank, project preparation times and implementation performance in Jamaica improved. For the investment loans approved between 2009 and May 2014, the average time from pipeline inclusion to approval—12.3 months—was less than half of the 25.8 months for the period 2002 to 2008. This is partly explained by the swift preparation of several operations in times of crisis. The Bank average declined from 20.9 to 15.4 months during the same timeframe. Total and partial cancellations as a share of approvals decreased from 64% (2006-2008) to 11% (2009-2013). The disbursement profile of investment loans improved, and the relationship between cumulative disbursements and portfolio age is now in line with that in other CCB countries (Figure A.7). However, the improvement was partly a result of social sector loans with large components directed at financing the GoJ's cash transfer program or scholarships, which disbursed quickly.

Despite these advances, several impediments to project implementation persisted. Eight of the nine loans that have closed since 2009 were extended for an average of three years (four years in the case of infrastructure projects). Of the projects in

the active portfolio, 30% have already been granted extensions. Jamaica's lengthy procurement processes are a major source of delays. For example, in the Basic and Primary Education Program III (JA0059), procurement for the construction of schools delayed execution for almost four years, while inflation significantly increased the cost of civil works. Such issues have led other development partners like the WB to avoid financing civil works. Excessive complexity, including requirements of strong coordination among a large number of stakeholders (sometimes without a clear champion), has also slowed project execution—for example, in the National Irrigation Program (JA-L0106). Incorrect assumptions of ready local availability of skills and a practice of completing project design during execution have also caused delays and costs overruns, especially in agriculture and water and sanitation operations. These issues are not new; they suggest that the Bank did not sufficiently heed the lessons of implementation experience.

Limited fiscal space and oversized loans have also accentuated the vulnerability of the investment portfolio. In a context of tightly constrained public investment, virtually every investment loan has been affected by the lack of space in the national budget. Fiscal space restrictions generate incentives that further hinder project execution. First, they can translate into lax project management. GoJ counterparts explain that, anticipating fiscal space constraints, project managers do not expect implementation to be on schedule and thus have little incentive to try to meet deadlines. Second, the expectation that execution delays will result in leaving funds idle for a long period of time leads GoJ to request project reformulation, typically in favor of operations that can disburse quickly. The reformulation of the water and sanitation operation in favor of the Food Crisis Subprogram (JA0114) is one example, but the most salient illustration occurred in late 2011. After the SBA had gone off track and a couple of months before the suspension of normal programming, the Bank approved three investment loans (one in energy, one in water and sanitation, and one in fiscal administration) totaling US\$215 million. According to country authorities, at least the third loan was larger than they had suggested; the water and sanitation loan was clearly also over-dimensioned (para. 3.26). A very few months later, the GoJ requested the reformulation of these two loans to cover social expenditures. Though the Bank ultimately rejected the request, this exemplifies the vulnerability of contentiously sized loans, given the GoJ's financing needs.

3. Coordination with other development partners

There has been generally close collaboration among partners, particularly around IMF programs. While the Bank has been the largest single provider of finance to Jamaica, many other multilateral agencies have provided assistance. Since 2009, lending and grants approvals have totaled some US\$2.5 billion, mostly directed to supporting financial management and macroeconomic stabilization (Box A.7). In that context, the IDB and the IMF have collaborated closely—with the Bank assuming a leading role in the area of tax reform—through meetings with IDB's

Fiscal and Municipal Management (FMM) team and joint missions. The Bank also worked closely, if less intensively, with the WB to secure concerted financing under the EFF. Since early 2013, an IDB group (comprised of CCB and FMM) together with the IMF and the WB has convened a technical group to discuss EFF-related issues. The Bank's country office has also maintained dialogue with civil society organizations. Sector-specific engagement has been close with the Caribbean Development Bank in agriculture; the WB in social protection, education, labor, and climate change; and the United Kingdom and Canadian development agencies in citizen security.

4. Country office staffing

Jamaican counterparts value the increased deployment of sector specialists to the country office and the reduced response times. According to project execution units, regular face-to-face interaction with sector specialists is one of the Bank's main assets. Before the Bank's Realignment (2007), only the transport and water and sanitation sectors had specialists in the country office; but since 2009, almost all sectors in which the Bank is actively engaged have a resident specialist in Jamaica (Box A.8). Since 2009, the operations and procurement staff have also been reinforced, which likely helps explain why the response times for both procurement and non-procurement requests declined markedly during the evaluation period (as evidenced by official notes via SISCOR)—a more pronounced decline than in other CCB countries (Table A.10). Finally, execution units have expressed appreciation for IDB's efforts to train them in Bank procurement procedures.



3

IDB has been the main multilateral partner financing civil works related to education, with the goal of reducing classroom overcrowding and the use of shifts. At the primary level, IDB funds helped refurbish five schools, adding 2,415 primary places.

© Patricia Rincon Mautner, 2013

3 Program Effectiveness

A. STRATEGIC OBJECTIVES AND APPROACH

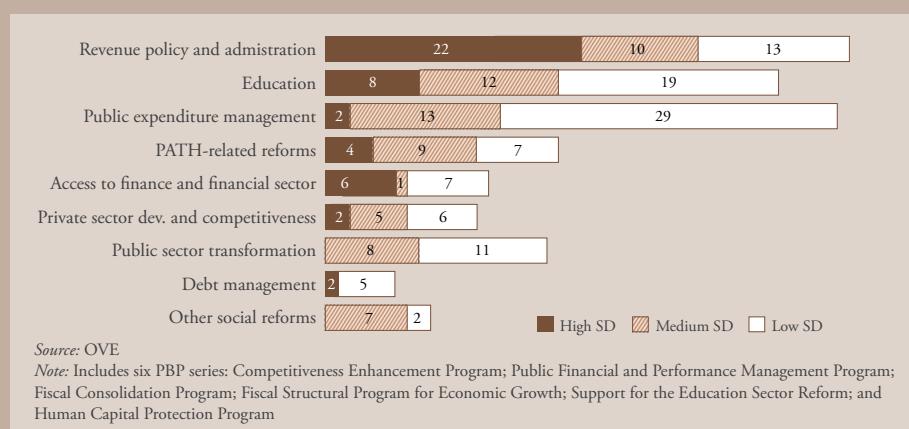
Program effectiveness was analyzed against the Bank's strategic objectives. The 2013-14 CS matrix put forward 12 strategic objectives under fiscal sustainability, social protection and safety, and financial sector and business climate, plus 3 on the use of country systems—an improvement over the 2006-09 matrix.³⁰ For the most part, the objectives were clearly stated and related to the Bank's program, and each of them was associated with expected outcomes and indicators with baseline and aspirational target values, although in some cases there was a lack of clarity in the objective or in its relationship with the Bank's intended program.³¹ The main deficiency, however, was the limited monitoring of the CS indicators during the evaluation period, which reduced the usefulness of the CS matrices. In terms of OVE's analysis of program effectiveness, the strategic objectives in the 2013-14 CS provided the frame of reference and the analysis encompassed loans and grants approved since 2009 as well as those that were approved prior to the period but that disbursed at least 30% of their original proceeds during it (Tables A.11 and A.12).³² In most areas, these objectives were more clearly defined than, and served as adequate proxies for, those in the 2006-09 CS.

OVE's approach also reflects the large size of the policy-based portfolio. In many cases, the Bank addressed the strategic objectives by supporting reforms through policy-based lending, typically in parallel with other multilateral financing. In this

context, two difficulties arise in assessing the Bank's contribution to results: the extent to which reforms can be attributed to Bank budget support, and the link between IDB-supported reforms and the results sought. The analysis that follows addresses the first difficulty by viewing Bank support as "contributing" to policy reforms (rather than "attributing" reforms to it). While there is no satisfactory way of addressing the second difficulty, OVE complemented the analysis of results with an analysis of the "structural depth" (SD) of the 209 reform measures that served as disbursement triggers in the Bank's PBPs, a separate proxy for their "merit" (Box 3.1).³³

BOX 3.1. STRUCTURAL DEPTH OF REFORMS SUPPORTED BY BANK PBPS

Based on an approach developed by the IMF's Independent Evaluation Office, OVE assigned a "structural depth" (SD) rating (low, medium, or high) to each of the 209 measures that served as disbursement triggers to capture the extent and durability of the structural change that implementation of the measure in itself can be expected to bring about (Box A.9). This enabled OVE to identify specific areas in which reforms that the Bank supported are likely to bring about lasting change. OVE's findings point to three broad conclusions. First, nearly half (99) of the measures were of low SD (as shown in the figure below): by themselves, they would not bring about meaningful changes, although they may serve as stepping stones for significant reforms. Second, in any given PBP series, measures in a later operation generally have greater SD than those in an earlier operation. This substantiates the conventional intuition that an initial operation typically features procedural measures (ministerial sign-off on a draft law, say) that prepares the ground for more meaningful reform (passage of the law by the legislature) to follow in a later operation. However, the Fiscal Consolidation Program is an exception.^a Third, more measures with high and medium SD tended to be found in the areas of revenue policy and administration, education, and public expenditure management.^b



^a The FCP series included a package of rate increases aimed at generating additional revenue, which confers greater depth on the initial loan than one might otherwise expect.

^b Reforms under debt management are largely institutional/organizational, and therefore of generally low SD; however, several measures of high and medium SD classified under other headings also affect public debt accumulation and could therefore have been classified under debt management.

B. RESULTS BY STRATEGIC OBJECTIVE

1. Fiscal sustainability

a. Decrease public debt accumulation

Bank policy-based lending and advisory support helped improve Jamaica's public debt profile and—together with investment lending—debt management. As Chapter 2 explained, IDB policy-based operations provided better terms than alternatives. In addition, both through its analytical and advisory input and through the disbursement conditions under the Fiscal Consolidation Program (FCP) series (JA-L1032 and JA-L1034, totaling US\$400 million), the IDB supported the completion of the domestic debt exchange in 2010, which significantly improved the terms of that debt. The Fiscal Structural Program for Economic Growth (FISPEG) (JA-L1038; US\$80 million), approved in February 2014, strengthened safeguards against debt accumulation by supporting preparations for March 2014 legislative amendments establishing a Fiscal Rule that specifies deficit and debt reduction targets. At the institutional level, the FCP also featured the creation of policy- and technical-level committees to oversee and guide debt placement and management, as well as the start of restructuring of the Debt Management Branch. This restructuring is also being supported by the Fiscal Administration Modernization Program (FAMP) (JA-L1039; US\$65 million) through its financing of the development of procedures and IT systems, although initial start-up of the project was significantly delayed.

With strengthened debt management, a more favorable trend for the debt-to-GDP ratio is emerging. Legal and institutional reforms, in part supported by the Bank, have strengthened the management and oversight of public debt. In addition, the Bank-supported 2010 debt swap and a successor domestic debt exchange in 2013 have helped reduce the interest burden of the debt and the rollover risk associated with it (Box A.2). Although its trend was unclear over much of the evaluation period, the debt-to-GDP ratio fell by almost 7 percentage points in FY13-14, mostly a result of the high primary fiscal surplus (7.6% of GDP, driven by an increase in non-tax revenue and a reduction in primary expenditure) and the lower interest paid on debt following the 2013 swap (Figure A.8). The two-year moving average of the change in the debt-to-GDP ratio declined more modestly (about 0.5%), still short of the aspirational CS target of 4% in 2014. Nevertheless, the emerging trend is favorable, and the EFF—which aims to keep the debt-to-GDP ratio on a declining trajectory—remains on track.

b) Modernize revenue systems

The Bank has been a major partner on tax policy and administration over the evaluation period, with Jamaica's efforts culminating in a comprehensive tax reform. The FCP series supported one-time revenue-increasing measures already agreed under the SBA, as well as administrative measures to reduce and cap discretionary and new statutory tax waivers. The original FCP design foresaw a third operation supporting the enactment of this tax reform. Amid the increasing signs of off-track performance under the SBA program in 2011, the Bank truncated the series after the second operation, and tax reform was put off. However, a TC approved in 2011 (JA-T1066) allowed for continued engagement, providing detailed input on tax policy and administration prior to the finalization of a comprehensive tax reform package passed by the Parliament in late 2013. The FISPEG featured tax reform triggers that had been implemented by then. The reforms, embodied in several legislative instruments, rationalized tax incentives for business, reduced the corporate income tax rate, and simplified customs duties, reducing higher rates as well as the dispersion in rates. This major (if long-gestating) achievement bolsters the *raison d'être* of the Bank's support in this area—which has been widely acknowledged, despite some criticism.³⁴ Tax policy reforms featured in Bank PBP^s had significant SD, as Box 3.1 shows. Several of the PBPs also contained measures to strengthen tax administration, improve services to taxpayers, and modernize customs. Integrated tax and customs administration systems are now being installed under the FAMP.

Sustained revenue increases have been elusive, and it is too early to assess the impact of the recent tax reform. Measures under the FCP (and to a lesser extent the Competitiveness Enhancement Program, or CEP) series appear to have had modest success in reducing the amounts of taxes waived, which declined to under 6% of GDP in 2012, compared with 7% in 2009. Revenue-boosting measures under the FCP also had some success, although no sustained favorable trend in the tax revenue-to-GDP ratio can be discerned. The impact of the 2013 tax reform cannot yet be gauged, although it is expected, among other things, to limit new tax incentives and waivers granted annually to around 1.5% of GDP. On the revenue administration side, Bank support may have contributed to emerging signs of improved filing and payment, particularly for large taxpayers. In addition, the *Doing Business* measure on paying taxes registers a reduction in time required to pay taxes, suggesting that some of the triggers under the CEP series aimed at facilitating payment of taxes may have made a positive difference.³⁵

c) Strengthen public expenditure management systems

While the wage bill has not fallen significantly, Bank support helped reduce public bodies' budgetary burden. In support of the first IMF program, the FCP featured a policy commitment not to grant wage increases and to defer the

payment of prior increases. Ultimately, however, there were slippages in wage costs (11% of GDP in FY11-12), causing the program to go off track. Similarly, under the current IMF program, the GoJ is working to reduce its wage bill to 9% by FY15-16, with progressive reductions envisioned in the FISPEG series. Thus far, wage bill limits in Bank PBPAs have relied largely on wage restraint and the wage bill has not yet fallen decisively. Regarding public bodies, the CEP supported the elimination of budget support to at least one state-owned enterprise,³⁶ and GoJ divestment efforts have helped improve the public entities balance from -3.4% of GDP in FY07-08 to near-balance in the last three FYs.³⁷

The Bank has contributed to strengthening fiscal responsibility and public expenditure management processes, but results have been limited. The Public Financial and Performance Management (PFPM) series (JA-L1013 and JA-L1026; US\$60 million each) featured a succession of legislative amendments that established and refined the Fiscal Responsibility Framework, making fiscal governance more rules-based. Measures under the FISPEG foreshadowed a further (March 2014) amendment encapsulating a fiscal rule that triggers automatic correction mechanisms in cases of deviations from targets and requires parliamentary approval to relax the fiscal stance. With respect to public expenditure management, both the PFPM and the FCP series, complemented by a TC (JA-T1067), helped prepare for the implementation of a central treasury management system, now mostly complete, and use of a treasury single account. Through the FAMP, the Bank is supporting the modernization of physical and technological infrastructure in the Accountant-General's Department, although this is widely seen as falling short of needs. In addition, the PFPM series, the European Commission-funded grant component of the Public Sector Efficiency Program (PSEP) (JA-X1007), and a TC (JA-T1078) have helped strengthen internal audit and control as well as the Auditor General's Department. The Bank has supported procurement reform, and is also doing so through the PSEP grant, albeit on a somewhat longer schedule than originally envisioned. For the most part, however, the public expenditure management reforms that have been undertaken need to be further developed to be fully effective. Also, there have been few attempts to quantify the ultimate benefits of these reforms.

d) Support implementation of public sector transformation

Bank support sought to help strengthen public sector performance management and service delivery. The Bank has ranked among the most significant development partners supporting Jamaica's public sector transformation agenda. Agency-specific support from the Bank for revenue administration has of course contributed to the overall transformation effort. In addition, the PFPM series featured measures and frameworks to strengthen performance management and accountability, including the piloting and rollout of the

AMANDA system for processing development applications at the parish level, and of a performance monitoring and evaluation system (PMES) in government departments.³⁸ Two TCs (JA-T1024 and JA-T1064) have provided hands-on support for the implementation of Jamaica's Medium-Term Action Plan (which set out the agenda for implementing transformation during 2008-12), including consulting services and tools to help develop the PMES. Moreover, the PSEP investment loan (JA-L1046; US\$25 million) is helping to streamline the application and approval process for electricity connections and to establish a "one-stop shop" for business registration, in addition to supporting the initial development of shared corporate services.

The Bank has contributed to some positive process-related outcomes, but the ultimate benefits of public sector transformation are not yet clear. Ten of the 17 ministries and 32 departments and agencies now have a fully functioning PMES and regularly produce reports and medium-term expenditure frameworks (exceeding the targets of the 2013-14 CS), although issues of quality and timeliness still arise. Process outcomes aside, however, there has been little focus on the ultimate benefits of the PMES—for instance, whether it has had an impact in terms of improved services or lower costs of service delivery. It is too early to judge the effectiveness of autonomy in customs and tax administration, because their transformation is ongoing. The *Doing Business* indicator specific to dealing with construction permits registered a drop in 2014, which suggests that the AMANDA system may have had some impact in terms of reducing the time to obtain a permit. However, government effectiveness under the WB's Worldwide Governance Indicators deteriorated between 2009 and 2012.

2. Social protection and safety

a) Strengthen and improve the impact of the social safety net

The social protection portfolio was well focused on a set of core policy issues, although little emphasis was placed on the fiscal sustainability of the safety net scheme. In the evaluation period, the Bank approved two operations under the Human Capital PBP series (JA-L1020 and JA-L1031, US\$100 million) and the Integrated Social Protection & Labour investment loan (JA-L1037, US\$30 million), and it disbursed the Food Crisis Subprogram (JA0114, US\$15 million), approved in December 2008.³⁹ The lending package was accompanied by five well-paired TCs totaling US\$2.1 million. The Bank's program was mostly geared to supporting the GoJ's efforts to expand and fine-tune the PATH and two main complementary programs, the School Feeding Program (SFP) and the Steps-to-Work (STW) program. Although the IDB's program was consistent with the GoJ's agenda and the needs of the time, greater attention to the fiscal impact of expanding the safety net scheme would have strengthened its relevance.

Coverage of the main social programs expanded to benefit a larger share of the poor. The IDB joined the GoJ and the WB to finance an increase in PATH coverage by 35% since 2008, reaching over 407,000 beneficiaries in 2012. According to OVE's estimates, IDB resources represent over 20% of PATH expenditure that went *directly* as cash transfers between 2009 and 2013.⁴⁰ The Food Crisis Subprogram also supported the development of a new cut-off for the urban population, underpinning the expansion in the share of PATH beneficiaries living in urban areas from 8% to 16%, exceeding the 12% target. Bank support also helped PATH to better reach subgroups like pregnant and lactating women and the elderly (Table A.13). This rapid expansion of PATH has increased the share of the poor covered under the program from 39% in 2006 to 47% in 2010 (a period in which the poverty rate almost doubled). Since 2010, the Bank has helped expand SFP coverage to 7,000 pre-primary PATH children in public schools (underpinned by the approval of the National School Feeding Policy). The Bank has also helped expand the STW program; however, completion rates of the program courses are low, and the evidence suggests that the program is not enhancing beneficiaries' labor market performance.⁴¹

The purchasing power of PATH cash benefits was maintained and some efficiency gains were achieved, but no advances were made in piloting decentralization of SFP management. The Bank supported the development and implementation of a mechanism to review and adjust PATH cash benefits in 2010. This allowed the real value of the transfer to remain fairly constant over time (covering nearly 7% of the pre-transfer household consumption).⁴² IDB loans and TCs also helped modernize PATH's management information system and relocate its main office; according to the interviews conducted by OVE, these changes contributed to reducing the average waiting period between enrolment and first payment from six to four months.⁴³ The Bank also supported the introduction of a web-based management information system for the SFP, allowing the integration of the SFP and PATH databases and leading to more timely availability of data. In this regard, the number of primary and secondary SFP beneficiaries selected through the PATH proxy-means test increased from 119,000 in 2009 to 199,675 in 2013, surpassing the CS target. However, although IDB emphasized piloting a decentralized management system for the School Feeding Unit—the agency responsible for the SFP—this issue remained largely unaddressed.⁴⁴

b) Enhance quality and access to education

The Bank pursued this objective through three loans and three TCs supporting the Jamaican Education Transformation Process. In 2008, the Bank approved supplemental financing for the Primary Education Support Project (PESP, JA-L1021, US\$14 million) to complete civil works that were

not completed under the original PESP approved in 2000. A TC (JA-T1009) completed activities on school absenteeism that had been cancelled under the original PESP. In 2008, the IDB also approved the first operation of the Education Sector Reform PBP (JA-L1002, US\$30 million), a series designed to support the GoJ's Education Transformation strategy—an initiative based on the decentralization of the education system launched in 2004. The second loan of the PBP series was approved in 2010 with a policy-based loan component (US\$30 million) and an investment component (US\$15 million) to finance civil works in secondary schools. The PBP package was accompanied by a TC (JA-T1028) that helped the country comply with some of the disbursement triggers. In 2010, IDB also approved a TC to generate knowledge in early childhood development (JA-T10154). In general, the Bank's education portfolio experienced substantial delays (usually incurring cost overruns), mostly because of fiscal constraints and procurement related to the infrastructure components.

IDB financed substantive quality assurance and accountability activities that contributed to improving learning outcomes. During the evaluation period, the PBP continued a line of work initiated in the 1980s, supporting the update and implementation of the countrywide primary and secondary curricula. With IDB and WB support, the Ministry of Education developed and implemented the National Literacy and Mathematics strategies for primary and secondary students, and a Lower Secondary Strategy for grades 7 to 9. The Bank also contributed, through the PBP, to the creation of several key agencies. One is the National Education Inspectorate, which has trained over 240 inspectors and conducted over 770 school inspections since 2012, exceeding the initial target of 150. Another is the Jamaican Teaching Council; created to regulate and promote the teaching profession, it started the teacher registration process in 2012 and developed a Master Training Plan and Teaching Standards. However, the process for licensing teachers is still pending. To date, the GoJ's efforts have led to increased qualification among teachers: the percentage of trained graduate teachers in public primary schools climbed from 30% in 2009 to 55% in 2013, and the share in public secondary schools rose from 38% to 52% in the same period.⁴⁵ Overall, the GoJ's program has resulted in improved learning outcomes since 2001, and further gains were achieved in the evaluation period. The share of students with mastery in the Grade Four Literacy Test and Numeracy Test increased by 10.9% and 16.7% between 2009 and 2013, respectively, surpassing the CS targets.⁴⁶

In terms of access, IDB contributed to the provision of additional places in primary and secondary schooling, though targets were not met. IDB has been the main multilateral partner financing civil works, with the goal of reducing classroom overcrowding and the use of shifts. At the primary level, with 84%

of the resources disbursed, the supplementary PESP (JA-L1021) refurbished five schools, adding 2,415 primary places.⁴⁷ Taking into account the places financed under the original PESP between 2000 and 2007, the program added 3,780 primary spaces, compared to an original target of 5,145. Yet the additional spaces have not led to discontinuing the use of shifts, as was originally envisioned. At the secondary level, the investment portion of the PBP aimed to construct two secondary schools for a total of 2,100 additional spaces. The loan financed a new school with capacity for 1,200 students, but in late 2013, with 36% of the balance undisbursed, a decision was made not to pursue a second school as originally planned. Instead, the remaining funds will finance the expansion of classroom blocks of about six schools, meant to add capacity for a total of 1,800 spaces.

c) Increase safety and security

A pioneer working on crime and violence in Jamaica, the Bank adopted a preventive approach 15 years ago. The IDB approved the Citizen Security and Justice Program I (CSJP I) in 2001, CSJP II in 2009 (JA-L1009, US\$21 million), and CJSP III in July 2014 (JA-L1043, US\$20 million). CSJP II's objective was to contribute to a reduction in crime and violence and an increase in the perception of safety across eight parishes (Map A.1), by financing prevention activities. Originally planned to cover 28 low-income and high-crime communities (an expansion from the 26 covered under CSJP I), CSJP II was able to expand to 50 communities by using substantial external grant resources. The project disbursed faster than expected, partly because it provided scholarships for at-risk youth (over 20% of loan resources), and benefited from a high degree of continuity in the executing unit team.

Murder and shooting rates decreased and satisfaction with crime prevention increased. Under CSJP II, the National Restorative Justice Policy was adopted; to date 11 communities are being serviced by restorative justice programs, exceeding the original target of 10. Moreover, an interagency integrated management system was fully implemented to allow for better data gathering and integration of information from different agencies. CSJP II also financed training activities, including scholarships for 9,000 secondary and tertiary at-risk youth and preventive antiviolence and parenting courses for 28,000 beneficiaries. Moreover, continuing a line of work initiated under CSJP I, over 50 Community Action Committees were established, helping communities set up governance systems and delivering a variety of services ranging from policing to trash collection. Together with other initiatives funded by the GoJ and WB in the same areas, this likely contributed to an increase in the satisfaction of the residents of CSJP II communities with crime prevention by police (from 53% to 68% between 2011 and 2013) as well as to a decline in crime and violence figures since 2009. Between 2009 and 2013, murder and

shooting rates declined 31% and 35.4%, respectively, in the CSJP parishes, compared to 29% and 26% nationally.⁴⁸ Despite this progress, the initial targets for the CSJP parishes were not met.

The work on crime and violence was complemented with initiatives on unattached youth, but to date results are scant. Approved in 2008 and designed with support from JA-T1035, the Youth Development Program (JA-L1005, US\$11 million) aimed to enhance training and life skills of out-of-school and out-of-work youth. Even though the approach was relevant, the IDB did not foresee political and policy environment changes and a consequent weakening of the institutions dealing with this sector in Jamaica. These changes led to slowed execution and the cancellation of several activities. With over 70% of the resources disbursed, few outputs have been achieved.⁴⁹

3. Financial sector and business climate

a) Improve access to finance

Bank support focused on legal and regulatory improvements to enhance access to credit and financial services, as well as on providing liquidity during the global financial crisis. The CEP featured key measures to establish a secured transactions framework, which led to the passage of the Security Interests in Personal Property Act in late 2013, broadening the range of assets usable as collateral and creating a central registry of pledged assets. It also foreshadowed the April 2014 enactment of the Bankruptcy and Insolvency Bill. In addition, the CEP supported the establishment of a framework to facilitate credit reporting and information-sharing, along with the licensing of credit bureaus, and a series of measures aimed at facilitating electronic transactions. Bank support for these reforms helps explain the incidence of high-SD measures under access to finance. Several TCs complemented this line of work.⁵⁰ With the onset of the financial crisis, the Bank drew on the SG emergency facility it had created in November 2008, the Liquidity Program for Growth Sustainability, to provide liquidity for Jamaica's banking system (JA-L1023; US\$300 million). Ultimately, only a third of the resources were drawn upon, because the needs of the approved financial intermediaries had been overestimated. The credit line benefited 77 firms, channeling resources mainly into the tourism, manufacturing, and agro-processing sectors to finance capital needs.

Although the Bank helped maintain financial system liquidity during the global crisis, robust increases in credit have yet to materialize. The new frameworks for secured transactions, bankruptcy and insolvency, credit reporting, and electronic transactions may foster financial market development, but given the short elapsed time it is too early to see any effects in indicators of access to

credit. Moreover, as a share of GDP, credit to the private sector toward the end of the evaluation period differed little from its level at the start of the period, although its growth may well have been held back by the lingering effects of the global financial crisis. As a result of the steps to facilitate electronic transactions, the financial sector is now better geared to using electronic means to process financial transactions by both consumers (through ATMs and at point-of-sale) and financial institutions (through JamClear).⁵¹ Furthermore, the Liquidity Program for Growth Sustainability helped alleviate the credit crunch in 2009, and while the operation offered no outcome indicators to assess its impact, it reportedly had a confidence-boosting effect by signaling to capital markets the domestic financial system's ability to cope with the crisis-induced liquidity shortfalls.

b) Reduce business costs, particularly through expedited land titling

Bank support for improving the business climate sought to facilitate land registration and foster public-private dialogue. Through the CEP series, the Bank supported the extension of the Land Administration and Management Program (LAMP), an initiative to facilitate registration and titling of informal land holdings.⁵² The program, launched in 2000, was expanded in 2010 from 7 to 13 of Jamaica's 14 parishes, and a public-private partnership was established for its implementation in 8 parishes. Disbursement triggers under the CEP also included the consolidation of platforms for public-private dialogue; in this area, the operationalization of the National Competitiveness Council facilitated public-private discussions on the business climate and on future avenues for growth. In addition, the CEP featured the establishment of the Partnership for Jamaica in 2013, which, among other things, renews consensus among key actors on the need for fiscal discipline. Moreover, JA-X1002 provided technical assistance to strengthen the framework for public-private partnerships and assisted in the preparation of a strategy for micro-, small- and medium-sized enterprises, approved by the Cabinet in 2013 and featured as one of the policy conditions in the third CEP operation.⁵³

Costs and time to register and title land fell over the evaluation period, but this change has not translated into overall business climate improvements. The LAMP ran into several implementation constraints, and as of April 2014, it had produced 4,590 new titles and regularized 2,746 existing titles—most of them during the evaluation period. These figures are far below the initial target of 12,500 new titles between 2010 and mid-2012. On the positive side, the cost and time of registering and titling land holdings have been substantially reduced—by up to 75% and down from seven to two weeks (thereby meeting the 2013-14 CS targets) under the LAMP. The *Doing Business* indicators under “registering property” also show some overall improvement during the evaluation period, though less pronounced than under the LAMP,

although registration costs (% of property value) show a slight reversal in 2014. However, Jamaica's standing on global competitiveness indices does not appear for the most part to have improved over the period, missing the CS target and suggesting that Bank support for land titling has had limited relevance to the overall business climate.⁵⁴

4. Use of country systems

- a) Increase use of national procurement, validated public financial management, and monitoring and evaluation subsystems in IDB portfolio**

Jamaica became the only CARICOM country to gain IDB approval of the country shopping subsystem. At the end of 2013, the IDB accepted the use of Jamaica's shopping subsystem in Bank-financed operations, and it is expected that the Bank's entire portfolio will use this modality by 2015. The Bank also validated Jamaica's Informative System for procurement. In contrast, use of Jamaica's public financial management subsystems in Bank projects has not increased compared to the CS baseline for 2010, and no governmental monitoring and evaluation system to track IDB operations has been developed to date.

5. Infrastructure and agriculture

- a) Support the efficiency and effectiveness of public infrastructure provision through an emphasis on maintenance**

IDB support for transport infrastructure—focused on emergency response and on road maintenance and safety—achieved some results, but sustainability remains at risk. The program included an Emergency Assistance in Response to Flood Damage project (JA-L1015, US\$10 million) and a Transport Infrastructure Rehabilitation project (JA-L1016, US\$50 million), both approved in 2008, as well as a Road Improvement project (JA-L1027, US\$10 million) approved in 2009. Three TCs complemented the projects. The Bank's approach has been relevant, though implementation has been slow, mainly because of procurement issues and lack of fiscal space. Through the emergency loan, the Bank swiftly helped restore services and basic mobility in 446 primary road sections. However, in keeping with Bank guidelines for emergency loans, it was unable to support resilience-improving investments, some of which were consequently financed under JA-L1016. In terms of maintenance and safety, the Bank financed training activities for performance-based maintenance and strengthening the capacity of the National Works Agency. Achievements include 430km of a targeted 500km of roads now maintained under performance-based contracts, and the implementation of a new results-based Road Maintenance Policy for these segments (currently

under trial). Nevertheless, the share of the main road network in good or fair condition has not improved since 2005 (48%),⁵⁵ and despite Bank efforts to help institutionalize sufficient funding for maintenance, sustainability of the road systems (including sections rehabilitated with Bank support) remains at risk.⁵⁶ JA-L1027 also financed an automated crash database, institutional strengthening of the Road Safety Unit, and a major public awareness campaign, among other safety measures. This contributed to a decline in road fatalities, which reached their lowest level in 20 years (260 deaths) in 2012, but rebounded somewhat after the public campaign ended in 2013.

Bank lending in water and sanitation has not achieved its leakage reduction targets, and reforms to ensure the financial viability of the public operator remain incomplete. The initial Kingston Water and Sanitation project (JA0114, US\$40 million), approved in 2004, experienced major implementation delays and was only completed in 2013, after US\$15 million from its leakage reduction component were reallocated to respond to the food price crisis in late 2008. Despite implementation problems, the Bank approved a large—arguably significantly over-dimensioned—second water and sanitation operation for the Kingston Metropolitan Area in 2011 (JA-L1035, US\$133 million), complemented by JA-T1069 to help revise the sector policy and the tariff structure. With less than a quarter of each disbursed to date, their implementation has likewise been slow. Their alignment with country priorities was brought into question several months after approval, when the GoJ requested a reformulation of JA-L1035 to redirect US\$20 million to finance reimbursement of expenditures in the education sector.⁵⁷ Although Bank support has resulted in some improvements in sanitation and water quality under the first operation, achievement of leakage reduction was deferred from JA0114 to JA-L1035, and it is too soon to see results. From an institutional standpoint, Bank lending and technical support helped improve the finances of the National Water Commission, the public operating body.⁵⁸ Nevertheless, the Commission remains one of the most significant loss-makers among public entities, and more concrete steps need to be taken toward sustainability by formalizing its autonomy and commercial orientation.

Bank support in energy was well oriented toward increased efficiency, but it is too soon to see results. The program included an Energy Efficiency and Conservation investment loan (JA-L1025; US\$20 million) approved in 2011 and designed with the help of JA-T1044, and two grants financed by the SECCI trust fund approved in 2009. With less than 20% of its proceeds disbursed, the loan has produced only modest pilot results to date, and a misprocurement issue has further slowed execution.⁵⁹ Other results have been achieved under JA-X1001, which has helped improve the operations of a wind turbine farm subsidiary of the state-owned Petroleum Corporation of Jamaica.

b) Support private provision of infrastructure

There has been some private provision of infrastructure services, although financial sustainability has not been ensured. During the evaluation period, the Bank approved two SCF investment loans. One loan was to ensure a more viable debt arrangement for a highway toll road concession (JA-L1022, US\$70 million). Conversion of this debt to longer-term instruments is in process, and an expansion of 10.5 km has been completed (out of the initial 17 km planned). However, traffic has been decreasing by 1.3% per year—in contrast to an expected increase of 3% a year—and revenues are nearly 23% less than originally estimated. The second SCF loan, approved in 2012, was for the construction of a hotel catering to business travelers in Kingston (JA-L1045, US\$6.8 million); no proceeds have yet been disbursed. Bank support for private provision of infrastructure has also come through JA-T1065, which is helping to prepare the privatization of Kingston's Norman Manley International Airport.⁶⁰

c) Improve agricultural productivity

Bank projects do not appear to have achieved their expected outcomes related to productivity and farmers' income, and sustainability of irrigation appears at risk. Although the Bank has not identified agriculture as a priority sector since the 1998 CS, two loans were active in the evaluation period. The Agricultural Competitiveness project (JA-L1012, US\$15 million), designed with the assistance of JA-T1052 and approved in 2010, aimed to increase farmers' access to markets. Slow implementation characterized the first two years of the program and by 2013, with 14% of the resources disbursed, the main outputs achieved were the National Food Safety and the Animal and Plant Health policies. In 2013, the IDB agreed to the GoJ's request to rescope the project in order to support the establishment of four Agro-Parks⁶¹—a flagship initiative that is part of the growth-enhancing reforms under the EFF. The yields from small pilots to grow nontraditional crops are encouraging, but it is still too soon to see major results. Over the evaluation period the Bank also continued to execute the National Irrigation Program (JA0106, US\$16.8 million), an overly ambitious project approved in 2004 that suffered from long delays largely due to design issues and weak capacity of the executing unit.⁶² These delays led to the cancellation of 30% of the amount approved. Under the project, the area irrigated increased by 656 hectares, below the target of 1700, and the uptake of the irrigation water is roughly half the potential. The cost recovery model overestimated farmers' willingness to pay, and a proposed new tariff structure has not yet been implemented, putting sustainability at risk. Overall, the target increases in crop yields, cropping intensity, and net income were not achieved.

6. Summary

Progress toward the Bank's strategic objectives that the Bank set itself was uneven, and many reforms remain a work in progress that need follow-up to show results (Annex B). Under the priority area of fiscal sustainability, the objective of decreasing debt accumulation appears now to be on a relatively favorable—if still risky—track, even though the aspirational CS target has not been attained. While for the most part concrete results cannot yet be seen, the Bank has also helped advance the objectives of modernizing revenue systems and of strengthening public expenditure management systems, although revenue administration remains in need of attention. Public sector transformation has moved rather slowly, bringing some process-related gains. Under the priority area of social protection and safety, the IDB helped expand the social safety net and achieve some efficiency gains, though not all the aspirational CS targets have been attained. The Bank has also helped advance reforms toward improved education quality, which appears to have contributed to better learning outcomes. With continuing Bank support, the objective of increasing safety and security was advanced: murders and shootings decreased, and satisfaction with crime prevention increased. Under the financial sector and business climate priority area, the objective of increasing access to finance has been advanced, although again outcomes are not yet visible for the most part. Regarding the objective of reducing business costs, modest gains in land titling and registration—but little improvement in the overall business climate—can be seen. There has been little progress toward the objectives from the 2006-09 CS in infrastructure and agriculture.

4



Policy-based lending and advisory assistance reforms displayed structural depth that arguably entailed significant change, especially in the areas of tax policy, education, and access to finance.

© Omar Rainford, 2013

Conclusions and Recommendations

The dominance of policy-based lending in the Bank's program during the evaluation period was justifiable. Heavily skewing Bank lending towards budget support was an appropriate response to Jamaica's need (and continual efforts) to tighten its fiscal stance and address the debt overhang, in a context of scant public investment.

Using policy-based lending and advisory assistance, the Bank helped reduce the interest costs of Jamaica's domestic and external debt while supporting policy reforms. These reforms, many of which the Bank supported with untruncated PBP series, displayed structural depth that arguably entailed significant change, especially in the areas of tax policy, education, and access to finance. The lengthy gestation period for many of the reforms—often a source of frustration for the Bank—has also built relatively broad country ownership and bodes well for their sustainability, although in some areas (business climate, for instance) it has had costs in terms of Jamaica's progress relative to other countries. IDB lending did, however, exhibit pronounced ups and downs, and greater steadiness might have been preferable. With the benefit of hindsight, the volume of lending around the first IMF program, and especially its heavy front-loading in 2010, may have been excessive and was certainly not sufficiently justified in the relevant CS update. Going forward, the Bank has decided on greater caution by modulating its disbursements over the EFF's life (a total of US\$510 million) to those of the WB, thus circumscribing its exposure to Jamaica. Because the grace period under the loans approved in 2010 ends in 2015, debt service to the IDB is expected to increase sharply, peaking in 2017. Under the current pipeline and disbursement projections in the remaining years of the EFF, net cash flow will average close to zero over 2015-17.

The concentration of the Bank's program on public finance was also justified, and the collaborative efforts in the area of tax policy reaped major benefits in 2013. Almost one-third of the approvals between 2009 and July 2014 were related to

public finance, an area in which the IDB and the IMF collaborated closely. The IDB, in fact, took the lead among development partners in the area of tax policy and provided technical support for the tax reform approved in 2013. This reform is expected to reduce tax distortions and encourage private sector development as an engine of growth. IDB's efforts to help Jamaica enhance social protection were also timely and complemented other partners' support. Looking forward, close collaboration between Jamaica's main development partners and the GoJ will continue to be paramount, both under and beyond the EFF program.

Continuing implementation problems and government financing needs have undermined the investment portfolio. The limited fiscal space, complex project design, lengthy procurement processes, and other constraints have impeded portfolio execution. Many of the constraints are not new, and they have typically led to project extensions of three to four years, during which funds were needlessly tied up. In spite of this, some of the Bank's new investment lending (notably in water and sanitation) was approved in sectors in which existing operations were underperforming, and was over-dimensioned and overly complex. In such contexts, the GoJ has requested a reallocation of project proceeds, most often in favor of budget support.

The Bank's strategic framework for engaging with Jamaica was discontinuous and results monitoring was weak. Because the evaluation period was marked by frequent changes in Jamaica's circumstances, Bank strategy documents—when they existed—tended to be sparse and short-lived. The 2013-14 CS made little reference to the potential results of the substantial portfolio of investment (and TC) operations that was carried over. In addition, while this is hardly unique to the Jamaica program, there was little reflection on potential synergies between the Bank's public sector program and its private sector windows. Finally, with some exceptions, monitoring and evaluation of program results was weak.

Going forward, OVE recommends that the Bank:

- 1.** Ensure the continuity of CSs and better justify lending envelopes. The Bank needs to avoid lapses in the validity of the strategic documents (CSs or CS updates) that frame its engagement in Jamaica, regardless of lending. Strategy documents—which could usefully scan a longer-term horizon, even if future revisions are likely—should thoroughly justify lending envelopes, whether changing a previously approved envelope or setting it anew, by analyzing scenarios and explaining how expected cash flows match Jamaica's financing needs.
- 2.** Focus policy-based lending on deepening public finance reforms. Even under the best scenarios, Jamaica will for several years need a tight fiscal stance to bring down its debt. Under such conditions, the Bank's intent to continue

devoting a share of new lending to programmatic budget support operations in public finance is justifiable. Such operations have supported important reforms, though in many cases they need to be further pursued to show results. The Bank should also strive to maintain the continuity of the ongoing PBP in the education sector.

3. Ensure appropriate sizing of new investment loans. The limited fiscal space over the next several years restricts the scope for new Bank investment lending. Any new investment lending that is undertaken should be structured in a way that is mindful of fiscal restrictions, possibly using multiphase loans or modular design, as the previous CPE suggested. As a general rule, it would also be good practice not to approve new operations in a sector in which existing operations are underperforming.
4. Strengthen monitoring and evaluation. There should be more regular monitoring and stocktaking of how the Bank's overall program is contributing to the targeted CS outcomes. In addition, there should be greater emphasis on assessing how individual operations are contributing to the specific outcomes in their results frameworks.

- ¹ IMF, World Economic Outlook, April 2014. The Latin America and the Caribbean average (excluding Jamaica) is US\$12,429 and the CCB average is US\$19,804. At current prices, Jamaica's GDP per capita is roughly US\$5,100.
- ² Services currently account for 72% of GDP, followed by industry (21%), and agriculture (7%).
- ³ This includes the direct and indirect contribution to GDP, as defined by the World Travel and Tourism Council. Tourism's contribution to employment averaged 25% over 2003 - 2013.
- ⁴ In this regard, 80% of tertiary graduates emigrate.
- ⁵ The lion's share of Jamaica's trade is with the US, Canada, the UK, and other EU countries. Note that although the economy is open, there is a high nominal rate of protection on several agricultural goods (see, for instance, "Jamaica. Review of agricultural sector support and taxation," FAO Investment Center, 2014).
- ⁶ Hurricane Sandy in 2012 caused damage worth some US\$100 million.
- ⁷ Public and publicly guaranteed domestic debt is held mostly by domestic securities dealers, commercial and merchant banks and building societies, and insurance companies.
- ⁸ IMF, World Economic Outlook.
- ⁹ See Greenidge, K., R. Craigwell, C. Thomas, and L. Drakes, "Threshold Effects of Sovereign Debt: Evidence from the Caribbean," IMF Working Paper, June 2012.
- ¹⁰ STATTIN. Gross fixed capital formation decreased from 26.1% of GDP (2003) to 21% (2013).
- ¹¹ See also IDB, "Productive policies in Jamaica," 2010.
- ¹² Jamaica pays US\$0.34 per kWh, compared to US\$0.03 in Trinidad and Tobago, its main competitor in the region for light manufacturing (see WB, 2010-2013 Strategy). Jamaica ranks 132 out of 189 countries on the ease of getting electricity, far below the LAC rank (WB, *Doing Business 2014*).
- ¹³ Global Competitiveness Index Report, from 2005-2006 to 2014-2015.
- ¹⁴ World Bank. 2011. Jamaica - Country Economic Memorandum: Unlocking Growth.
- ¹⁵ 2013 Jamaica Economic and Social Survey (ESSJ).
- ¹⁶ The Gini value decreased from 0.483 to 0.455 between 2002 and 2004 (World Development Indicators), and reached 0.381 in 2010 (See IDB Social Protection Sector Note, May 2012).
- ¹⁷ World Health Organization, 2014. Maternal Mortality indicates the number of women who die during pregnancy and childbirth, per 100,000 live births.
- ¹⁸ Education Report Card 2012, reporting figures for 2009.
- ¹⁹ Note that the employment figure excludes agricultural sector and domestic household workers. According to recent estimates, when these activities are included, the informal economy is larger. See T. Christie (2013), "Pension Coverage in Jamaica." Indications of expansion following the global recession are from JA-T1076.
- ²⁰ Reserves fell from 18.6 weeks of imports in March 2010 to less than 12 three years later. More recently, reserves have picked up, reaching 14 weeks in March 2014.
- ²¹ The incumbent Jamaica Labour Party, in power since 2007, lost the elections and the opposition Peoples' National Party obtained a large victory.
- ²² While useful as programming tools, the CPDs (for which formal guidelines do not currently exist) for Jamaica have displayed certain gaps. First, the CPDs have contributed little to CS monitoring, consistently putting off providing updates in relation to CS indicators. Second, the CPDs (like CSs) have not consistently accounted for active projects carried over from previous CS cycles. Third, the added value of the CPD while a PPD was in effect is not clear (particularly as the CPD was not adequately used to monitor CS indicators), adding to the list of issues surrounding the macroeconomic sustainability assessment process (see RE-434-3).

NOTES

- ²³ Attempts to process a new CS were made during this period. By the fall of 2011, a new CS covering the period 2011-2015 had been drafted, but the Bank shelved it following the Prime Minister's resignation. More recently, initial work on a new CS for the remaining years under the EFF (2015-2017) was suspended. Deferral of CS Board presentation—which has consistently kept the CS cycle out of alignment with the political cycle—is not unique to this evaluation period.
- ²⁴ Because of the repeated changes in the lending envelope and the short lapse of time between planning and lending approvals, approvals tended to reflect closely the amounts planned (Table A.4).
- ²⁵ In terms of GDP, Jamaica's debt outstanding to the Bank is now—at 10.6%—the third largest among IDB borrowers, after Guyana and Nicaragua. In per capita terms, the Bank was owed US\$527 at end-June 2014 (against US\$242 at end-2008) for every Jamaican, a level comparable to Guyana's.
- ²⁶ At end-2008, 20.5% of the external debt was due in 5 years or less, and 49.1% was due in more than 10 years. At end-March 2014, the equivalent figures were 25.1% and 50.8%. However, this is heavily influenced by repayments due to the IMF (of proceeds from the 2010-11 SBA) in the short term.
- ²⁷ For instance, IMF benchmarks on the fiscal responsibility framework and the secured transactions framework were foreshadowed in two previously-approved PBP series. By the same token, IDB dialogue on competitiveness (e.g., public enterprise divestiture) has also been reflected in IMF program conditionality.
- ²⁸ A case in point is the technical support to the Human Capital PBP series that was provided by the TC Modernizing the School Feeding Program (JA-T1046).
- ²⁹ Of the TCs approved in 2011, 31% were executed by the IDB; in 2012, 2013, and 2014 (through end-March), the equivalent figures are 50%, 60%, and 100%, respectively.
- ³⁰ As OVE pointed out in a previous evaluation (RE-365), the 2006-09 CS matrix underperformed with respect to indicators and monitoring compared with 10 CSs prepared at that time.
- ³¹ For instance, 2 of the 12 strategic objectives (“improve the operational efficiency and sustainability of the Student Loan Bureau” and “reduce financial system risks”) had no associated Bank support.
- ³² The CPE reports original amounts approved.
- ³³ This includes the disbursement triggers of the 10 operations approved since 2009, plus 3 other operations approved in 2008 that were part of the PBP series.
- ³⁴ The criticism, voiced by several public and private sector counterparts, typically cites provision of technical expertise unfamiliar with Westminster systems and traditions and CARICOM regulations, as well as insufficient willingness to cater to Jamaica's peculiarities in entertaining reform proposals.
- ³⁵ The Bank may also have contributed to the reduction in time through JA0116 (which helped establish a system for online payment of taxes).
- ³⁶ Divestiture of the Air Jamaica in 2010 and Jamaica Sugar Company in 2011 fulfilled the policy condition. A TC (JA-T1037; US\$0.35 million), approved in late 2008 to help map out a strategic plan for the Air Jamaica divestiture, was thereby made redundant and canceled.
- ³⁷ In addition, a TC (JA-T1076) approved in 2012 is helping assess the viability of another public body, the National Insurance Scheme (NIS)—a preparatory step for NIS reform under the FISPEG.
- ³⁸ The AMANDA system pilot covered 4 of the 14 parishes, and in July 2013 it was extended to 4 more.
- ³⁹ This was a performance-driven loan whose proceeds were derived from the reformulation of the Kingston Metro Water Supply Rehabilitation approved in 2004 (JA0114, US\$ 40 million).
- ⁴⁰ OVE calculations are based on PATH accounting for, on average, 0.3% of GDP in the period, and having 10% administrative costs (following IEG 2010); they use the Bank of Jamaica's historical exchange rate data. Note that this estimate excludes IDB resources from PBP operations.
- ⁴¹ See Rosen, H. (2013), “An Evaluation of Jamaica’s Steps-to-Work Program” (draft). Importantly, under JA-L1037, an On-the-Job training pilot is being designed aimed at correcting this situation.
- ⁴² Bedoya, G. and Leslie Stone (2013). Heterogeneity of Beneficiaries Within the CCTs. Using administrative data to learn more about participants' behavior and schooling outcomes: The case of Jamaica (draft).

- ⁴³ Since WB has also worked on improving the capacity of the Ministry of Labour and Social Security, these results cannot be solely attributed to IDB support.
- ⁴⁴ One of the factors contributing to this delay is related to the Education Transformation Process and other changes within the Ministry of Education (see Social Sector Note). The Integrated Social Protection and Labor loan (JA-L1037) is expected to work towards the said decentralization.
- ⁴⁵ ESSJ 2013 data.
- ⁴⁶ ESSJ 2013 data. Note that numbers went up from the 2009 baseline of 68.9% in Grade Four Literacy Test and 45% in Grade Four Numeracy Test, to 76.4% and 58%, respectively, in 2013.
- ⁴⁷ The loan was also intended to build two new schools. However, because of insufficient funds, only one of the two schools was built; and shortly after its inauguration, the GoJ decided to convert it into a secondary school. The remaining funds are being used to expand nine primary schools.
- ⁴⁸ Ministry of National Security, CSJP Project Execution Unit. “CSJP II: Eighth Semester Report. Jul-Dec 2013,” Jamaica Constabulary Force.
- ⁴⁹ Some of the outputs achieved to date include a new National Youth Policy draft (Cabinet approval is still pending), upgrades of 11 National Youth Information offices, and the establishment of two (of the five initially planned) youth information centers. A TC approved in 2010 (JA-T1050) complemented this line of work, financing research on the profile of student dropouts.
- ⁵⁰ For instance, JA-X1002 provided technical assistance for the drafting of the secured transactions bill, while JA-T1021 helped assess the requirements for the provision of m-banking services. In addition, a TC (JA-T1040) was used to assess the framework for agricultural insurance; another (JA-T1042) was used to diagnose bottlenecks faced by women entrepreneurs in accessing financial services and to propose improvements to the ongoing secured transactions reform. Jamaica also benefited from a regional grant (RG-T1761) to upgrade the methodology for the overall assessment of financial stability. IDB efforts to strengthen finance-related aspects of the business environment were complemented by two Multilateral Investment Fund loans and six grants.
- ⁵¹ The volume of ATM and point-of-sale transactions increased by 24% between 2009 and April 2014, while the volume of real-time electronic transactions increased by 228% over the same period.
- ⁵² Informal land holdings in Jamaica have been estimated at some 400,000 plots.
- ⁵³ Other Bank-supported measures, notably divestment of public bodies (par. 3.7), have also furthered the objective of reducing business costs.
- ⁵⁴ In particular, Jamaica's ranking on the Ease of Doing Business Index was 94th out of 189 countries in 2014, compared with the CS target of 75th in 2015.
- ⁵⁵ There has been no assessment since 2005, but evidence suggests that its condition is likely worse.
- ⁵⁶ The original intent under JA-L1027 to earmark part of the proceeds of a special fuel levy to the Road Maintenance Fund was recently thrown off-kilter by the GoJ's decision to set aside the funds to service debt incurred for the construction of the North-South toll road.
- ⁵⁷ IDBDocs, 37244549. Note that the IDB rejected the request.
- ⁵⁸ For example, the National Water Commission's internal net cash generation, which covered 20% of its capital expenditures in 2004, increased to cover 31% in 2013 (see Project Completion Report).
- ⁵⁹ The Bank recently declared misprocurement on \$234,000 of transactions under the project, and a consequent decision was made to require its *ex ante* approval for procurement.
- ⁶⁰ More recently, the Bank was considering funding a 381MW power plant, but negotiations stalled over issues related to the bidding process.
- ⁶¹ Importantly, these Agro-Parks are located in areas where irrigation schemes were developed under the IDB-financed National Irrigation Program (JA0106), described below.
- ⁶² Examples of design issues include an unrealistic requirement that ownership of at least 80% of the parcels in the targeted areas had to be regularized prior to disbursement and lack of feasibility studies before project approval. Staff turnover in the executing unit, lengthy procurement processes, and an increase in oil prices also affected execution.