**PROGRAM INFORMATION DOCUMENT (PID)**

**CONCEPT STAGE**

October 10, 2013

 Report No.: 86551

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| **Operation Name** | Foundations For Growth and Resilience Development Policy Loan  |
| **Region** | LATIN AMERICA AND CARIBBEAN |
| **Country** | Jamaica  |
| **Sector** | Central government administration (100%) |
| **Operation ID** | P145995 |
| **Lending Instrument** | Development Policy Lending |
| **Borrower(s)** | Government of Jamaica  |
| **Implementing Agency** | Ministry of Finance, Government of Jamaica Kingston, JamaicaTel: -876-932-5416  |
| **Date PID Prepared** | October 10, 2013 |
| **Estimated Date of Appraisal** | October 28 2013 |
| **Estimated Date of Board Approval** | December 12, 2013 |

1. **Key Development Issues and Rationale for Bank Involvement**

Jamaica is a small upper middle income country with a long history of elusive growth and high debt. It has been one of the world’s slowest growing economies in the past two decades, with real GDP growth below 1 percent on average. This disappointing performance is the result of a combination of factors inhibiting innovation, productivity growth and competitiveness, including: (i) deficiencies in human capital and entrepreneurship; (ii) weak public sector management and widespread perceptions of corruption; the second highest in the LAC region; and (iii) poor and inefficient infrastructure that leads notably to high costs of energy, and limits market connectivity. Furthermore, Jamaica’s public debt overhang has been weighing heavily on its social and economic development. Jamaica is one of the most indebted countries in the world, with a public debt ratio of 148 percent of GDP as of March 2013. The debt overhang is related to chronic public sector deficits, weak budget processes, and contingent liabilities arising from a large number of weakly regulated public bodies, in a context of low growth and high vulnerability to exogenous shocks.These factors have severely limited private sector investments and confidence which play a pivotal role in generating growth and creating jobs.

Reversing the low growth trajectory requires a wide ranging set of reforms that simultaneously improve the business environment, attract strategic investments, establish mechanisms to manage the costs of natural disasters and build social resilience by improving the delivery of critical social services. The reforms envisioned under this DPL support the Government’s implementation of these second generation reforms, which could, over time, significantly transform the policy and institutional landscape in Jamaica, attracting new investments that create jobs, improving the institutional arrangements for public service delivery and affording opportunities for all to compete in a global workplace with better skills and health outcomes.

The proposed multi-sectoral operation combines key policy and institutional reforms to complement the areas covered by the IMF and IDB, and support the Government’s next generation set of reforms that are squarely aimed at reigniting growth.Given the strong focus of the IMF and IDB programs on fiscal policy and tax reform, and the Bank’s comparative advantage in supporting reforms that address the issues of growth, competitiveness and resilience, this operation is focused on this next generation set of reforms in Jamaica, which arguably require some seemingly simple policy changes to jumpstart the process, and will likely have medium term impacts at best. Achieving debt sustainability requires a comprehensive approach and entails a wide range of actions that address the denominator (growth) in the debt ratio. Commensurately, shared prosperity requires that the government plays an important role in delivering high quality, well targeted public services. This DPL series is a critical part of a set of homegrown reforms that can go far in helping Jamaica grow out of its debt problem. To support implementation, the proposed DPL series is complemented by on-going Bank projects and those under preparation, as well as an up-coming Non-Lending Technical Assistance operation, and support through WB managed DFID trust fund.

1. **Proposed Objective(s)**

The operation will support the Government of Jamaica to build the foundations of growth and resilience by implementing a range of policy and institutional reforms to increase competitiveness, improve fiscal efficiency and public sector management, and enhance risk management.

1. **Preliminary Description**

The proposed operation supports the Government of Jamaica’s (GoJ) national reform agenda as detailed in Vision 2030 which sets development goals for human development, security, economic prosperity and management of natural resources.This programmatic series has three reform pillars: (i) building conditions for broad-based, private sector led growth, (ii) improving fiscal efficiency by better managing expenditures, reforming budgetary processes and modernizing the public sector and (iii) reducing vulnerability and enhancing resilience. The three pillars represent a broad range of sectors and reforms needed to address Jamaica’s economic and development challenges.

The first component is focused on strengthening the business environment, promoting new investments through the Logistics Hub Initiative, reforming customs reform and improving the frameworks that guide investment in telecoms and power. The second component will focus on a combination of fiscal efficiency and public sector modernization initiatives, including pension reform, public sector reform, debt management, improvements to the public sector investment program and the establishment of a single anti-corruption bureau. The third component supports measures to strengthen resilience to natural disasters, improved quality and targeting of health and education services, and better coordination of government efforts and reducing crime and violence. Together, these reforms are expected to contribute to greater accountability in how public resources are spent, help achieve greater efficiency in the public sector, improve the business environment, and attract private investments to a range of projects including those planned under the Government’s Logistics Hub Initiative. The reforms would also strengthen the resilience framework by ensuring that necessary regulations such as the Building Code Act, and mechanisms for relief and recovery as envisaged under the Disaster Risk Management Act are firmly in place.

1. **Poverty and Social Impacts and Environment Aspects**

*Poverty and Social Impacts*

The poverty and social impacts of policy measures supported under this DPL series are expected to be either positive or negligible, with some reforms expected to have a more direct positive impact on the poor than others. Pillar I policy reforms, by improving the business climate are expected to promote growth and job creation. Pillar II policy reforms are expected to improve the efficiency and effectiveness of government operations, which will create fiscal space for better service delivery. Pillar III policy reforms more directly affect the poor as these reforms address issues of improving resilience to vulnerability. Likewise, improvements in resilience to natural disasters—would benefit the poor by not diverting resources for reconstruction/disaster away from anti-poverty programs These reforms also improve the targeting effectiveness of government programs, which would allow more public resources to go to the poor.

*Environmental Aspects*

The specific policies supported by the DPL series are not expected to have significant negative effects on Jamaica’s environment, and in some cases provide opportunities to improve environmental management and protection of natural resources.In particular, reforms proposed under Pillar III to address disaster risk management should improve governance on environmental matters. Disaster mitigation measures that may include measures such as slope stabilization and drainage prevent erosion and contamination of freshwater resources. The implementation of the National NCD Strategy, also under Pillar III, is expected to have a positive impact on the environment as the upgrading of medical health infrastructure will take into account the centralized approach to biomedical waste management adopted by the Ministry of Health. The streamlining of construction permits, under Pillar 1, has a potentially positive impact on the environment in that it would enhance conditions for private sector growth that (if managed sustainably through the implementation of an effective regulatory framework) would lead to less environmental degradation through the promotion of sustainable urban development practices. Land titling registration should have positive environmental impacts as it leads to more controlled land use and if preventative measures are in place to avoid conversion of Environmentally Protected Areas, natural habitats, forested areas, and prevent the formalization of human settlement in environmentally hazardous areas.

1. **Tentative financing**

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| Source | ($m.) |
| Borrower | 0 |
| International Bank for Reconstruction and Development | 130 |
|  |  |
|  Total | 130 |

1. **Contact point**

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