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PROJECT PERFORMANCE ASSESSMENT REPORT

WHAT WORKS

JAMAICA

Economic Stabilization and Foundations for Growth Development Policy Loan (DPL)

Report No. 140619

SEPTEMBER 19, 2019

Attribution—Please cite the work as follows: World Bank. 2019. Jamaica—JAMAICA Economic Stabilization and Foundations for Growth Development Policy Loan (DPL). Independent Evaluation Group, Project Performance Assessment Report 140619. Washington, DC: World Bank.

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JAMAICA

Jamaica Economic Stabilization and Foundations for Growth Development Policy Loan (DPL) (P145995) (IBRD-83170)

September 20, 2019

Human Development and Economic Management

Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Jamaican Dollar (J$)

2015	$1.00	J$116.97
2016	$1.00	J$125.10
2017	$1.00	J$127.96
2018	$1.00	J$128.87

Abbreviations

DPF	development policy financing
DPL	development policy loan
EFF	Extended Funding Facility
EPOC	Economic Programme Oversight Committee
GCT	general consumption tax
ICR	Implementation Completion and Results Report
ICRR	Implementation Completion and Results Report Review
IDB	Inter-American Development Bank
IEG	Independent Evaluation Group
IMF	International Monetary Fund
MDAs	ministries and department agencies
MSMEs	micro, small, and medium enterprises
PIOJ	Planning Institute of Jamaica
PPAR	Project Performance Assessment Report

All dollar amounts are U.S. dollars unless otherwise indicated.

Fiscal Year

Government: April–March 31

Director-General, Independent Evaluation	Ms. Alison Evans
Director, Human Development and Economic Management	Mr. Oscar Calvo-Gonzalez
Manager, Country Programs and Economic Management	Mr. Jeff Chelsky
Task Manager	Mr. Željko Bogetić

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This report was prepared by Željko Bogetić (lead economist, task manager) who assessed the project in April-June 2019. Research analysis was provided by Amshika Amar, and Johan Lopez, consultants. The report was peer reviewed by Felix Oppong and panel reviewed by Robert Lacey. Dung Thi Kim Chu and Carla Fabiola Coles provided administrative support.

Principal Ratings

Indicator	ICR	ICR Review	PPAR
Outcome	Moderately satisfactory	Moderately satisfactory	Satisfactory
Risk to development outcome	High	High	Moderate
Bank performance	Moderately satisfactory	Moderately satisfactory	Satisfactory
Borrower performance	Moderately satisfactory	Moderately satisfactory	Satisfactory

Note: The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Global Practice. The ICR Review is an intermediate Independent Evaluation Group product that seeks to independently validate the findings of the ICR. PPAR = Project Performance Assessment Report.

Key Staff Responsible

Management	Appraisal	Completion
Project Team Leader	Francisco Galrao-Carneiro	Sona Varma
Sector Manager or Practice Manager	Auguste Kouame	Abha Prasad
Sector Director or Senior Global Practice Director	Marcelo Giugale	Marcelo Giugale
Country Director	Sophie Sirtaine	Tahseen Khan

Preface

This report evaluates the $130 million Jamaica Economic Stabilization and Foundations for Growth Development Policy Loan (DPL; P145995). This Project Performance Assessment Report (PPAR) was prepared by Željko Bogetić (task team leader) under the supervision of Jeff Chelsky (manager, Independent Evaluation Group [IEG] Economic Management and Country Programs Unit). Research support from Amshika Amar and Johan Lopez, and team assistant support from Dung Thi Kim Chu and Carla Fabiola in the Washington, DC office and Staciann Natasha Cunningham and Melissa Antoinette Wallace in the Kingston, Jamaica office are gratefully acknowledged. The PPAR team wishes to express sincere gratitude to officials of the government of Jamaica, stakeholders, and World Bank staff interviewed, who provided their perspectives and valuable information during this assessment.

The operation was approved by the World Bank's Executive Board on December 12, 2013 and became effective on December 17, 2013. The loan amount was disbursed in full upon effectiveness. The loan closed on June 30, 2014. The World Bank provided the DPL in support of the government of Jamaica's stabilization program and in close cooperation with the International Monetary Fund (IMF) and Inter-American Development Bank.

This report presents findings based on a review and analysis of program documents, IEG's Implementation Completion and Results Report Review (ICRR), IMF reports, and other relevant materials. Interviews of government officials, World Bank and IMF staff, and other stakeholders were conducted, including during an IEG mission to Kingston from April 8–12, 2019 (see appendix C for a list of persons interviewed).

The assessment aims to verify whether the operation achieved its intended objectives, to understand what worked and did not work, and to draw lessons for future operations. It provides additional evidence and analysis above and beyond the ICRR to arrive at a more complete picture of outcomes and the factors that influenced them. By updating data and evidence since the ICRR in 2015, the report provides a longer time perspective and reflection on the sustainability of policy reforms and outcomes.

Following standard IEG procedures, the draft PPAR was sent to the borrower for comment. No comments were received.

Summary

This Project Performance Assessment Report (PPAR) reviews the Economic Stabilization and Foundations for Growth Development Policy Loan (DPL), approved on December 12, 2013.

The objectives of the operation were to improve (i) the investment climate and competitiveness, and (ii) public financial management for sustainable fiscal consolidation. Objectives were highly relevant to country conditions and the need to avoid fiscal insolvency and begin implementing a comprehensive program of stabilization and reform. They were closely aligned with the World Bank's strategy and government priorities. The design of the operation was substantially relevant to challenges, with policy priorities identified based on significant analytical work and nonlending technical assistance. The theory of change was convincing, with clear links among inputs, outputs, and expected results, although some indicators could have been more outcome oriented and clearer in their relation to objectives. One shortcoming of the design was the ambitious time frame for the implementation of some of the reforms related to investment climate and pensions, given the limited institutional capacity and a realistic assessment of the time needed for major legal reforms.

Achievement of both objectives is rated substantial. Under the investment climate objective, reforms targeted improvements in contract enforcement, approval of building permits, and registration of micro, small, and medium enterprises to encourage their participation in the formal sector. Under the public financial management and fiscal consolidation objective, the program targeted progress on pension reform, tax reform, civil service reform, cash management, and public investment management. The impact of all reform actions was measured relative to specific indicator targets, which were substantially achieved or exceeded. These achievements were confirmed by additional quantitative indicators, qualitative gauges, and international benchmarking data. Some reforms, such as those in investment climate and pension reform, took longer than originally envisioned, but they proceeded and deepened over time. Cumulative evidence suggests that the reforms supported by the operation have been sustained and, in several areas, deepened during the past six years. This is reflected in the new development policy financing series supported by the World Bank and the International Monetary Fund Stand-By Arrangement that followed the successful conclusion of the three-year arrangement under the International Monetary Fund's Extended Funding Facility.

Key to these achievements was strong government ownership and commitment reflected in the establishment and continued activities of the Economic Programme Oversight Committee (EPOC), which has played a key role in forging and maintaining

social consensus, monitoring progress, and communicating results to the public. The probable counterfactual to the 2013 reform program—sovereign default—shows that by implementing the reform program, Jamaica likely avoided a massive and socially disruptive recession with dire consequences for the poor. External partners, including the World Bank, contributed to this outcome by providing financing to facilitate fiscal adjustment, supporting the government in considering policy options in setting the policy agenda, and by monitoring implementation.

Achievement of the program's objectives is rated satisfactory. The program-supported reforms continue to yield important results six years after their inception. Public debt-to-gross domestic product (GDP) ratio has fallen from 146 percent of GDP in 2013 to 96 percent in 2019, and the government has maintained primary fiscal surpluses of about 7 percent of GDP. Investment climate indicators have improved. Foreign direct investment in U.S. dollar terms has more than doubled from 2013, and growth since 2016 has accelerated beyond the long-term average over the 1982–2012 period. The country's macroeconomic fundamentals are now far stronger than at the time of the DPL approval, and the economy and budget are more resilient. This represents a significant achievement against considerable odds and reflects the government's strong policy implementation and ownership and support from development partners.

Bank performance is rated satisfactory. Prior diagnostic work, including a comprehensive Country Economic Memorandum, and other fiscal and investment climate–related work (including Public Expenditure and Financial Accountability exercises) underpinned the policy reform agenda and specific program-supported actions. World Bank oversight continued well beyond the implementation of the program and informed the preparation of the subsequent DPL series. Some monitoring and evaluation indicators had moderate shortcomings in that they were output and/or process oriented and not clearly linked to objectives.

The PPAR suggests the following three main lessons:

- Building and maintaining strong political and social consensus through explicit forums and mechanisms such as the EPOC can be critical to gauging and sustaining government, private sector, and civil society ownership and commitment to complex stabilization and reform programs.

- Even high-risk reform programs implemented in times of crisis can succeed when accompanied by strong government ownership and commitment, social consensus, front-loaded adjustment, and well-coordinated support from international financial institutions and other external partners.

- In designing and sequencing complex and high-risk reform programs, it is important to demonstrate quick and important wins to maintain support for reforms with a longer gestation period (for example, investment climate and pension reform) that require more time to build consensus and to prepare and implement legal reforms.

Oscar Calvo-Gonzalez

Director
Human Development and Economic Management Department
Independent Evaluation Group
The World Bank Group

1. Country and Program Context

1.1 For several decades, Jamaica's economy was plagued by slow growth, widespread poverty, and high public sector indebtedness. In the three decades before the operation under review, Jamaica's growth per capita averaged about 1 percent per year. Extreme poverty declined over the 1997–2007 period, from 19.9 percent to 9.9 percent, but the global financial crisis in 2008–09 caused poverty and unemployment to spike to 18 percent and 16 percent, respectively, with youth unemployment of about 30 percent (World Bank 2013). Post-recession recovery was slow. Public debt has historically been very high, exceeding 120 percent of gross domestic product (GDP) during the 2000s. In 2012, Hurricane Sandy devastated the island's infrastructure and its fragile economy, which was largely based on tourism, with damages estimated at about $3 billion, equivalent to about 20 percent of GDP. In 2013, public debt peaked at about 147 percent of GDP, raising concerns about the government's solvency. Jamaica's weak long-term economic performance reflected a combination of shocks and policy-related factors, mainly those related to fiscal management and the investment climate (World Bank 2011).

1.2 The development policy loan (DPL) program objectives explicitly targeted fiscal and growth constraints. The operation's contextual relevance was high given that during preparation, the economy appeared to be heading toward insolvency. Lack of success with earlier attempts at fiscal consolidation contributed to high and rising payments on public debt, despite some restructuring of domestic debt in 2010. This resulted in increasing uncertainty about the government's ability to roll over existing debt obligations. Jamaica's sovereign spreads over the Emerging Markets Bond Index peaked in May 2013 at about 800 basis points (IMF 2013, 10).

1.3 Against this backdrop, a new government took power in 2012 promising to restore macroeconomic stability and growth. In February 2013, the authorities reached an agreement with the International Monetary Fund (IMF) on a four-year arrangement under the Extended Financing Facility (EFF), aimed at the restoration of fiscal discipline through wage controls and other expenditure cuts backed by a multiyear wage agreement. The program targeted a substantial increase in the primary budget surplus from 3.2 percent in 2011/12 to 7.5 percent of GDP over the medium term (2013–17). These measures, together with the national debt exchange aimed at lengthening maturities and reducing the interest burden of domestic debt,[1] were expected to help reverse adverse debt dynamics, restore investor confidence, and lay the foundation for gradual recovery of growth. Given the considerable net repayments due to the IMF and the large financing gap, program financing necessitated close coordination with, and financial support from, the World Bank and the Inter-American Development Bank

(IDB). By October 2013, early EFF program targets had been met, and the first program review was successfully completed as, indeed, was every subsequent review until the arrangement's completion (IMF 2013a and IMF 2016c)

1.4 As of mid-2019, it was evident that the government had managed to sustain significant fiscal consolidation, reverse debt dynamics, and overachieve its debt target. Growth, however, was below expectations, reflecting a muted domestic and international investor response reflecting, in turn, slower than anticipated progress on investment climate reforms (see table 3.1). Growth in credit, investment (domestic and foreign), and overall economic activity were, however, beginning to accelerate in the past few years. Fitch (a credit rating agency) upgraded Jamaica's sovereign credit rating from B− to BB−, Jamaica's highest in more than a decade, while Jamaica's sovereign bond spreads were at historic lows, outperforming emerging market averages.

1.5 Against this backdrop, this Project Performance Assessment Report (PPAR) attempts to identify how well and why the operation (and the reform program it supported) worked during the early phase supported by this operation of what turned out to be a successful macroeconomic stabilization, implemented against considerable odds. The reform program has begun to bear fruit in terms of the long-awaited acceleration of growth and greater investment. The main building blocks of that story are (i) the "structural break" in the determination of the then new government and finance minister, and of the subsequent administration, to avoid insolvency, reverse adverse debt dynamics, and set the economy on a path to recovery; (ii) the creation and maintenance of a social consensus and the key role played by the Economic Programme Oversight Committee (EPOC), which demonstrated strong ownership of the program; and (iii) close coordination among the World Bank, IMF, and IDB in financing and in advisory and policy dialogue with the government of Jamaica.

1.6 This PPAR uses the standard Independent Evaluation Group (IEG) approach, methodology, and ratings that are used to self-evaluate World Bank projects (in Implementation Completion and Results Reports; ICRs) and their IEG validations (in ICRRs). To evaluate program relevance, achievements, and results in a longer-term perspective, the PPAR mission collected additional data as of 2018/early 2019 from the Planning Institute of Jamaica (PIOJ; the government of Jamaica), the IMF, and international comparative indicators, in addition to substantial qualitative evidence from interviews from key stakeholders. (For details on the PPAR approach, methods, and ratings, see appendix D).

2. Relevance of the Objectives and Design

Objectives

2.1 Relevance of objectives is rated **high.** The objectives of the DPL were to improve (i) the investment climate and competitiveness, and (ii) public financial management for sustainable fiscal consolidation (see the policy matrix in World Bank 2013a, pp 27–29). The operation's policy content was based on substantial analysis, especially the World Bank's Country Economic Memorandum "Unlocking Growth" (World Bank 2011). The operation addressed the two core macroeconomic development problems of Jamaica: low growth and weak fiscal management, reflected in, among other things, extensive tax loopholes and an extremely heavy debt burden, with high probability of default. The rapidly worsening fiscal and debt crisis underlined the importance of fiscal management to growth. In addition, the objectives were clearly aligned with the partnership strategy for 2014–17 between the World Bank and the government (World Bank 2014d), and with the national development plan "Vision 2030" and medium-term socioeconomic strategy, which emphasized the need for improving competitiveness and macroeconomic stability (World Bank 2015a).

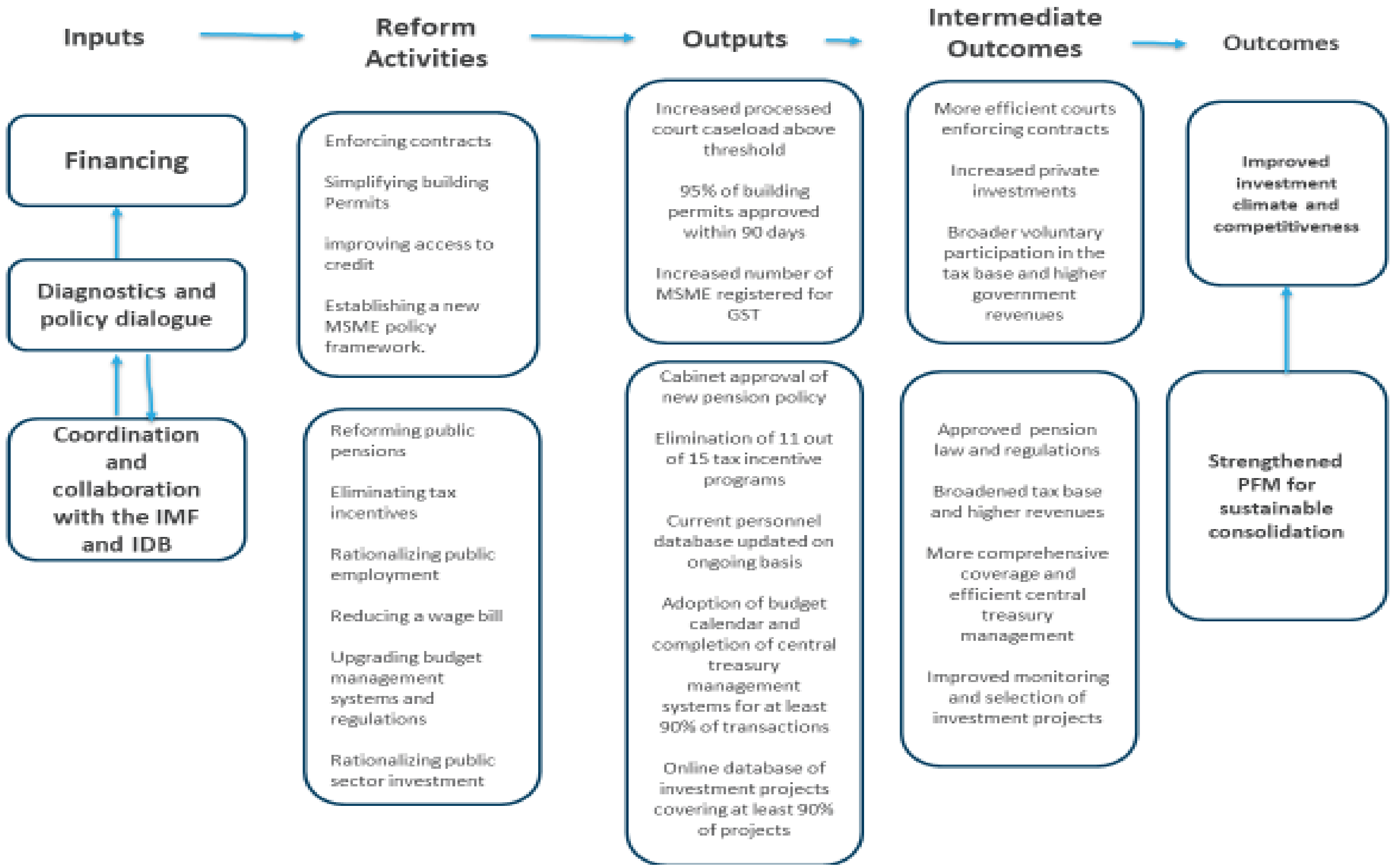
Design

2.2 The relevance of design is rated **substantial.** The theory of change was well articulated and credible. It rested on two pillars corresponding to the two objectives (figure 2.1). The first (improving investment climate and increasing competitiveness) rested on strengthening the enforcement of contracts, simplifying the process of approval of building permits, improving access to credit, and establishing a new policy framework related to small and medium enterprises.[2] These principal constraints were identified through a combination of the World Bank's prior analytical work, Doing Business indicators, and the activities of the Jamaica National Competitiveness Council. The multiplicity of these reforms increased the chances of success in an environment where no single measure alone could be expected to produce tangible results. The reforms were also complementary. For example, simpler and less costly business registration would facilitate tax coverage and compliance.

2.3 Improved public financial management and fiscal consolidation were to be achieved through a range of activities, including reforming the public pension system, eliminating distortionary tax incentives, rationalizing public sector employment to reduce the public wage bill, upgrading budget management systems, and rationalizing the public sector investment program. Distortionary tax incentives, the large public sector wage bill, and weaknesses in budget and public investment management were identified as major fiscal constraints in the Country Economic Memorandum (World Bank 2011). The links between these activities and objectives were identified in the World Bank's analytical work.

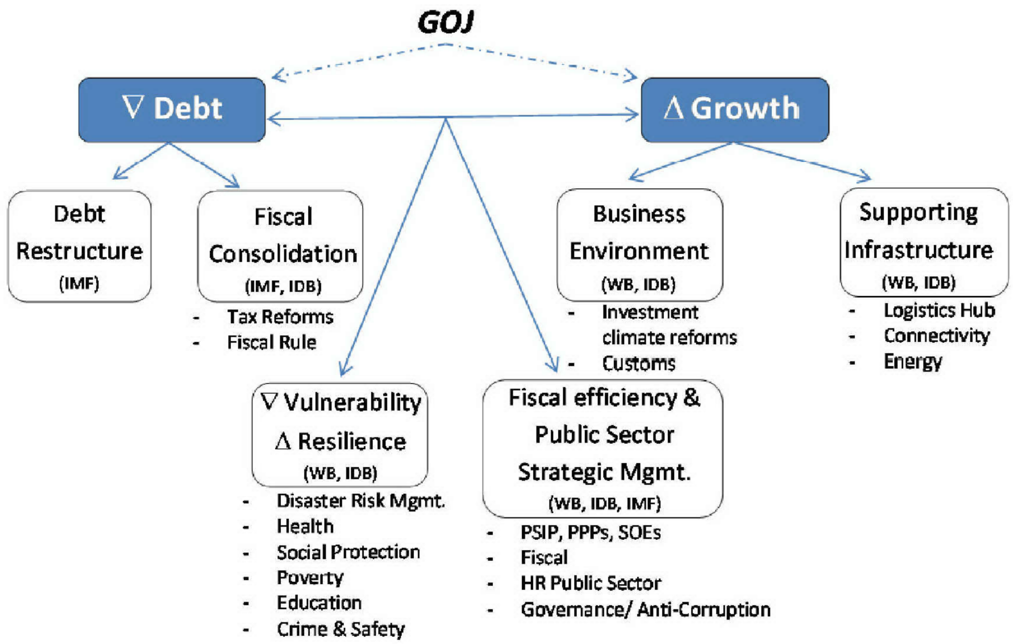
2.4 Though some specific actions (for example, new databases of government personnel) were technical and required further follow-up to sustain progress in public sector employment and investment reform, the overall theory of change presents convincing links among program objectives, pillars, and specific activities and prior actions (figure 2.2).[3] As noted, the actions selected under the DPL were prioritized based on the World Bank's analytical work and policy dialogue with the authorities, in close collaboration with the IMF and IDB.

Figure 2.1. Jamaica Development Policy Loan—Theory of Change



Source: Independent Evaluation Group, Program Document, Implementation Completion and Results Report Review.
Note: GST = Goods and Services Tax; IDB = Inter-American Development Bank; IMF = International Monetary Fund; MSMEs = micro, small, and medium enterprises; PFM = public financial management.

Figure 2.2. Jamaica: Division of Labor among the World Bank, IMF, and IDB



Source: World Bank 2013a.
Note: GOJ = government of Jamaica; IDB = Inter-American Development Bank; IMF = International Monetary Fund; PSIP = Public Sector Investment Program; PPP = public-private partnership; SOE = state-owned enterprise; WB = World Bank.

2.5 **The macroeconomic framework.** At the time of the operation's approval, the macroeconomic framework was adequate for the purpose of the DPL and remained so throughout the review period.[4] The government substantially front-loaded the stabilization program and adopted significant fiscal reforms, including the tax reform, and began significant fiscal consolidation before approval of the operation. The macroeconomic framework was substantially improved as of this assessment. The operation aimed to implement medium-term fiscal consolidation by reducing the overall budget deficit in the first year by 4 percent of GDP, approximately equally split between tax and expenditure measures. Tax measures targeted elimination of sector-specific tax incentives that narrowed the tax base and created significant tax inequities. Expenditure measures included a wage freeze agreed to with the main unions,[5] strengthening public financial management and controls, and rationalization of the public investment program. It was expected that these would result in the reduction in the public debt-to-GDP ratio from over 146 percent of GDP in 2013 to 142 percent in 2014. With the new domestic debt exchange, and assuming sustained consolidation, the program targeted a public-debt-to-GDP ratio under 125 percent of GDP in 2017. Fiscal contraction was also expected to result in improvement in the external current account balance and the replenishment of net international reserves.

2.6 The macroeconomic stabilization program delivered significant results. Two successive governments have persisted in implementing the stabilization program so that by 2019, the economy had turned the corner. Additionally, early data suggest that growth is picking up (real GDP growth of 1.5 percent is projected for 2019) above the long-term average (under 1 percent). According to IMF staff, and based on preliminary data, "The primary surplus in FY18/19 was in excess of 7 percent of GDP for the sixth consecutive year, with public debt falling to about 95 percent of GDP at end-March 2019" (IMF 2019). The Fiscal Responsibility Law anchors the long-term debt-to-GDP target to 60 percent by FY25/26.[6]

2.7 One shortcoming in the design of the operation was the ambitious time frame assumed for the achievement of key targets due to investment climate reforms. PPAR mission discussions highlighted the limitations of Jamaica's institutional capacity and the need for more time to implement reforms, especially those that depend on local government levels (for example, construction permits). Evidence that emerged during the mission confirmed the strength of government ownership of, and commitment to, the reform program, indicating that a more realistic time frame for some reforms would not have undermined the achievement of the program. Ownership and commitment are reflected in the strong implementation of the EFF and the subsequent Stand-By Arrangement, and the implementation of a subsequent development policy financing (DPF) series supported by the World Bank. Moreover, reform implementation bridged two separate governments of opposing parties. Account must also be taken of the importance and sequencing of the two program objectives. The fiscal consolidation objective, with its implications for macroeconomic stability, had a higher priority and urgency than the investment climate objective had and was, in fact, a necessary condition for the achievement of the latter.

3. Achievement of Objectives (Efficacy)

3.1 Achievement of both objectives is rated **substantial**. Strong government commitment to continuing and deepening these reforms suggests a high probability of sustainability. The maintenance of a broad social consensus forged early in the reform program through the creation of the EPOC, maintenance of continuous and candid dialogue among EPOC representatives, and their continued support for the program indicate that the program enjoys the broad support of key domestic stakeholder groups (see box 3.1).

Box 3.1. What Works: Creating and Maintaining Social Consensus for Reform

Political context and creation of social consensus. Jamaica's economic stabilization and reform program would not have succeeded without the creation and maintenance of a strong political and social consensus, which emerged in 2013. Elections in 2012 brought to power a center-left administration led by the People's National Party on a platform of overdue macroeconomic stabilization and a desire to avoid sovereign default. Failed stabilization attempts and fragmented Jamaican politics did not bode well for the creation of consensus for reform. The Economic Policy Oversight Committee (EPOC) is a consultative, nongovernment body created in the memorandum of understanding between the government and representatives of the private sector, the unions, and civil society to monitor program implementation and communication with the public. It played a key role in the initial stage of building and maintaining the consensus among key social partners. Importantly, EPOC was not a government organization. It had broad membership, including from trade unions, financial institutions, and other private sector organizations, each of which had an independent voice. It was co-chaired by Bank of Jamaica governor Bryan Wynter and the president and chief executive officer of Sagicor Group Jamaica Limited, Richard Byles.

In early 2013, when the government was in discussions with the International Monetary Fund (IMF) in preparation for a three-year arrangement under the Extended Funding Facility, it became clear that it could not implement an ambitious program alone. Cooperation of commercial banks who stood to lose from the proposed domestic debt exchange was critical, as was agreement with the unions on wages. A previous debt exchange occurred in 2010, but it was not anchored in a sound fiscal consolidation program. As a result, government credibility in the eyes of the commercial banks was low. In addition, unions had already endured a period of wage freeze, and it was difficult to foresee how they would agree to further restraint. EPOC was created to rebuild trust among social partners, ensure full transparency on the government's intentions, establish a forum for continuous monitoring of the program, and importantly, create a single point of communication related to program progress and issues that needed resolution. A coordinating unit to monitor the program met weekly. EPOC met monthly and issued widely followed public updates and quarterly reports to the cabinet.

Impact on and maintenance of political and social consensus. Regular meetings of the EPOC succeeded in rebuilding trust and in creating an atmosphere of collaboration. Monthly communiqués to the public not only reported on progress but also on difficulties and actions needed for course correction. The IMF, the World Bank, and Inter-American Development Bank, as key external partners and lenders, were consulted regularly. Previously, there had been a tradition of conflict and contentious discussions with external partners. These were now replaced by active cooperation and coordination. A clear precondition for this, confirmed by the Project Performance Assessment Report mission, was that the program was fully owned by the government and its domestic social partners, while being implemented with external support.

Finance Minister Peter Phillips (with the governor of the Central Bank) played an important role in overseeing program implementation. He often appeared in local media to explain the program to the public, take questions, and ensure that the need for the program and its content were understood.

Source: World Bank and IMF documents, and mission and HQ interviews.

Improving the Investment Climate and Competitiveness

3.2 By mid-2019, the government had sustained significant fiscal consolidation, reversed debt dynamics, and overachieved its debt target. However, a muted domestic and international investor response related to slow progress on investment climage returns limited growth (table 3.1). Growth in credit, investment (domestic and foreign), and overall economic activity have accelerated in the past few years.

Table 3.1. Jamaica: Select Economic Indicators, 2012–19 (percentage of GDP, unless otherwise indicated)

Key Indicators	2012	2013	2014	2015	2016	2017	2018	2019 (projected)
Real GDP of growth								
At DPF approval (12/2013)	0.9	−0.7	0.8	1.4	1.8	2.2	1.5	1.5
As of 2019**	0.9	−0.8	1.0	0.2	1.0	1.3	1.7	1.5
Difference***	0.0	0.1	−0.2	1.2	0.8	0.9	−0.2	−0.2
Government revenues								
At DPF approval (12/2013)	25.6	25.8	27.5	27.3	27.4	27.4	30.8	29.4
As of 2019**	25.6	25.8	27.1	26.3	27.0	28.0	29.8	29.4
Difference***	0.0	0.0	0.4	1.0	0.4	−0.6	1.0	0.0
Fiscal balance								
At DPF approval (12/2013)	−6.4	−4.1	−0.5	−0.4	0.3	1.0	0.2	0.2
As of 2019**	−6.4	−4.1	0.1	−0.5	−0.3	−0.3	0.2	0.2
Difference***	0.0	0.0	−0.6	0.1	0.6	1.3	0.0	0.0
Public debt								
At DPF approval (12/2013)	141.6	146.1	142.7	134.5	129.6	124.3	105.1	96.1
As of 2019***	141.9	145.3	139.7	139.7	121.3	122.1	105.0	96.1
Difference***	−0.3	0.8	3.0	−5.2	8.3	2.2	0.1	0.0
Budgetary expenditure								
Primary expenditure	20.4	19.5	18.8	20.6	20.3	21.6	23.8	23.0
Wages and salaries	11.0	10.7	10.2	10.4	10.0	10.0	9.9	9.7
Interest payments	9.5	7.5	8.0	7.4	7.8	7.0	6.8	6.3
Capital expenditures	2.8	2.5	1.5	1.9	2.3	2.4	3.3	3.3

Key Indicators	2012	2013	2014	2015	2016	2017	2018	2019 (projected)
External indicators								
Short-term ext. debt *($, billions)*	1.7	1.4	1.4	1.4	1.6	1.7	—	—
Short-term debt *(% of total reserves)*	88.4	79.1	59.3	51.1	49.5	44.8	—	—
Net intnl. reserves *($, millions)*	884	1,304	2,294	2,416	2,769	3,075	2,834	3,155
Reserve to import ratio	17.0	24.7	42.9	52.3	62.0	63.4	—	—
Inflation, consumer prices *(%)*	6.9	9.3	8.2	3.7	2.3	4.4	2.4	4.9
Current account balance	−8.3	−8.7	−7.0	−2.0	−1.2	−3.0	−2.5	−2.9
Budget balance	−4.1	0.1	−0.5	−0.3	−0.2	0.5	0.2	0.2
Credit rating (Moody's)	B3	B3	B3	Caa3	Caa3	Caa2	B3	B3

Source: International Monetary Fund Jamaica web page (https://www.imf.org/en/Countries/JAM); World Bank Group, World Development Indicators database; and Moody's https://www.moodys.com/Pages/Sovereign-Default-Research.aspx). The 2019 projection is from IMF 2019..
Note: — = not available; DPF = development policy financing; GDP = gross domestic product. "Intnl. reserves' stands for international reserves.
**p < .01
***p < .001

3.3 The operation supported three sets of reforms related to (i) contract enforcement, (ii) approval of building permits, and (iii) registration of micro, small, and medium enterprises (MSMEs) and their participation in the formal sector. These were long-standing areas of weakness in Jamaica's business climate and were identified in the 2010 Country Economic Memorandum and further in the course of the policy dialogue with the World Bank and the IMF during 2013 as weaknesses with potentially substantial impacts on the business climate and competitiveness. Relatedly, World Bank and IDB enterprise surveys for the Caribbean have indicated that among key constraints reported by firms in Jamaica were those related to their activities in the informal sector (IDB 2014a). Advisory support to MSMEs by the International Finance Corporation also informed DPL-supported measures in this area. The conclusion is that the objective was substantially achieved, though results took longer to materialize than anticipated because of the capacity constraints of the Jamaican institutions involved (tables 3.2 and 3.3).

Table 3.2. Jamaica: Competitiveness Index, 2012–18

	2012–13		2013–14		2015–16		2016–18		2017–18	
Indicator[a]	(Rank)	(Value)[b]	(Rank)	(Value)[b]	(Rank)	(Value)[b]	(Rank)	(Value)[b]	(Rank)	(Value)[b]
Ease of access to loans	127	2.0	128	1.9	118	2.2	81	3.6	96	3.5
Soundness of banks	65	5.3	50	5.5	50	5.4	39	5.6	40	5.5

Source: Schwab 2017.
Note: a. The Global Competitiveness Index tracks the performance of about 140 countries on 12 pillars. It is defined as "the set of institutions, policies, and factors that determine the level of productivity of a country."
b. The scale ranges from 1 (lowest) to 7 (highest).

Table 3.3. Jamaica: Ease of Doing Business Ranking, 2013–19

	2013	2016	2019
Global rank (of 190 economies)[a]	90	64	75
Distance to frontier score[b]	4.60	67.27	67.47

Source: World Bank Doing Business database.
Note: a. Ranking of extent to which the regulatory environment is more conducive to the starting and operation of a local firm.
b. Distance to frontier shows the distance to the best performer in terms of the ease of doing business (frontier) on a scale from 1 (worst) to best (100), according to the Doing Business indicators.

3.4 **Contract enforcement.** The government of Jamaica expanded the civil jurisdiction of Resident Magistrates' Courts by increasing (from J$1 million) the ceiling for claims that may be considered in these courts to reduce the backlog of cases. The target was to reach 2,250 cases above J$250,000 processed by the lower courts in 2014. By 2014, there was limited evidence that the lower courts were handling cases above J$250,000 (World Bank 2015a). However, by 2018, this target had been overachieved. In terms of the number of civil claims over J$250,000, 7,928 cases were filed in 2016, increasing to 8,229 in 2018 (table 3.4 and appendix B).

Table 3.4. Achievement of Target on Contract Enforcement

Prior Actions	Baseline Value	Original Target	Value Achieved at Completion of Target Year (2014)	Status (2019)
The government of Jamaica, through the judicature, has expanded the civil jurisdiction of resident magistrates' courts by increasing from J$1 million the ceiling for claims that may be considered in these courts, to reduce the backlog of cases.	0	2,250	n.a.	Number of civil claims filed over J$250,000 in value (Parish Courts): ▪ 2016: 7,928 ▪ 2017: 8,381 ▪ 2018 (December, year to date): 8,229

Source: Planning Institute of Jamaica, government of Jamaica.

3.5 **Construction permit approval**. Construction permits was a long-standing problem holding back construction and housing investments, which has been identified by the World Bank and the IMF during the 2013 policy dialogue. Approvals were to be accelerated by establishing a two-track system: simplified residential applications following a streamlined process and accelerated processing for more complex commercial permits (World Bank 2013a, 15). To that end, the application management and data automation online public system for tracking permit applications has been rolled out in all 14 parishes of the country.[7] Permit applications have been harmonized across all parishes and the required checklists streamlined. The key aim of the prior action has thus been achieved (see appendix B). This was a challenging process because of capacity constraints at the local level and difficulties in coordination between the central and local governments. The outcome indicator target of an increased percentage of permit approvals based on streamlined processes was not met, so that attainment of the subobjective is assessed as partial (table 3.5).

3.6 **Number of MSMEs operating in the formal sector.** The target was to increase the number of MSMEs filing general consumption tax (GCT) returns. In FY13/14, the number of MSME tax filers declined by about 6 percent relative to the average of the two previous years. This was the unintended consequence of a related measure—an increase in the minimum business tax, implemented as part of the IMF program later in 2014—that created incentives to deregister from GCT (World Bank 2015a); the minimum tax was later abolished. Furthermore, in 2019, the GCT threshold for filing a return was raised from J$2 million to J$10 million, providing additional incentives for MSMEs to deregister (IMF 2019, 9). The 2018 data reported by the PIOJ to the PPAR mission showed 8,359 firms registered for GCT, close to 6,000 firms registered for corporate income tax, and more than 9,000 for another tax reported. The number of firms registered for GCT declined below the baseline. However, to the extent that the ultimate objective was to increase revenue (rather than reduce informality or promote greater fairness), revenue performance improved. For example, GCT revenues increased by more than 25 percent (from 4.1 percent of GDP in 2013 to 4.9 percent in 2018) at a time when the tax base grew only slowly due to sluggish GDP growth. This suggests that firms are contributing more to increased GCT revenues (table 3.6 and appendix B). In light of this analysis, the subobjective is considered to have been substantially achieved.

Table 3.5. Achievement of Target on the Approval of Building Permits (percent)

Prior Actions	Baseline Value	Original Target	Value Achieved at Completion of Target Year (2014)	Status (2019)
The government, through the Ministry of Local Government and Community Development, has standardized and harmonized application forms for construction permits across all Parish Councils.	89.6	95.0	79.0	The percentage target was not met. However, the government implemented substantial reforms that expedited the application process. Permit applications were harmonized across all parishes, and the required checklists were streamlined. Because all parishes were reached as required in the prior actions, it is, therefore, expected that the percentage target will be achieved in the near future.

Sources: Independent Evaluation Group, Planning Institute of Jamaica and government of Jamaica.

Table 3.6. Achievement of Target on the Registration of MSMEs (number of registered MSMEs)

Prior Actions	Baseline Value	Original Target	Value Achieved at Completion of Target Year (2014)	Status (2019)
Parliament has approved an MSME and Entrepreneurship Policy to support the growth of MSMEs.	10,460	11,000	n.a.	Corporate income tax: 5,955 General consumption tax: 8,359 Pay as you earn: 9,214 Supplemental information: GST revenue increased from 4.1 percent of GDP in 2013 to 4.9 percent in 2018.

Sources: Independent Evaluation Group, Planning Institute of Jamaica, government of Jamaica, and IMF.
Note: GDP = gross domestic product; GCT = general consumption tax; GST = Goods and Services Tax; MSME = micro, small, and medium enterprise.

3.7 The government has since continued implementing broad reforms designed to improve competitiveness beyond the time horizon of the DPL. These included, for example, those described in the first Growth Agenda Policy Paper (2015) to improve processes for business registration and construction permits, a new Insolvency Act, and amendments to the Company Act (2014 and 2017). A central collateral registry was established to help improve access to credit, and the Jamaica Customs Administration acquired the Automated System for Customs Data to streamline export and import procedures (World Bank 2015a). An online system for business registration and various business services is now operational. Specific prior actions aimed to expand the jurisdiction of magistrate courts, standardize and harmonize application forms for construction permits across all parish councils, and facilitate the parliamentary approval of Micro, Small, and Medium Enterprise and Entrepreneurship Policy to support the growth of MSMEs. (See appendix B for the full list of prior actions and results framework).

3.8 There is convincing evidence that the competitiveness of the Jamaican economy has improved since the operation, though from a low base. The real effective exchange rate depreciated between 2013 and 2017 and has remained stable since, while net international reserves have tripled from under $1 billion in 2014 to almost $3 billion in 2018. Exports of goods have grown annually by double digits since 2016, as have tourism receipts, and the external current account deficit has significantly narrowed. Foreign direct investment increased from $320 million in 2012 to an average of about $750 million annually in the 2016–18 period. World Economic Forum competitiveness indexes for ease of access to, and affordability of, credit have improved, as have Doing Business indicators (see tables 3.1, 3.2, and 3.3 above).

Improving Public Financial Management for Sustainable Fiscal Consolidation

3.9 The operation focused on five preidentified reform areas: pensions, taxation, the civil service reform, government cash management, and public investment management. (World Bank 2011, 2013).[8] Significant progress was made in each area and, in some cases, reforms went beyond what was originally envisioned.

3.10 **Pension reform.** Major progress was achieved with the passage of the Pension Law in 2017 and the implementing regulations in 2018, reforms that can be traced back to policy dialogue with the World Bank and the initial measures taken by the government after its adoption of the white paper on pensions in 2013.[9] Although passage of the law took longer than envisioned, this reflected the often-controversial nature of pension reforms and the time needed to prepare and build domestic consensus. In 2018, the cabinet tabled a white paper in parliament for a reform of the public sector pension that introduces key changes to contain the public cost of pensions.[10] This is a conclusion of reforms that started with the white paper on pension reforms and subsequent reforms supported by the operation. The main changes were as follows:

- Public sector employees' contribution became effective on April 1, 2018, on a phased basis with a 1 percent contribution of employees' salary rising to 5 percent in 2022.
- The retirement age would increase gradually from age 60 to 65 by 2022.
- Changes were made in the formula used to compute pensions (table 3.7 and appendix B).

3.11 **Tax reform.** One of the most far-reaching and fully implemented reforms was of taxation. The reform eliminated a number of tax incentives, expanding the tax base and transparency and increasing collection. New legislation became effective January 1, 2014. It repealed 11 of 15 sectoral tax incentive programs and replaced them with a general and transparent tax incentive framework for investors. The goal was to broaden the tax base and increase revenue collection. Under the Fiscal Incentives Act (2013) for entities in the hotel and restaurant sector,[11] there were 143 entities registered. The PIOJ reports that these entities paid a combined total of J$19.4 billion in tax between 2014 and 2017 (table 3.8).

Table 3.7. Achievement of Target on Pension Reforms

Prior Actions	Baseline Value	Original Target	Value Achieved at Completion of Target Year (2014)	Status (2019)
The cabinet has approved the tabling in parliament of a white paper for a reform of the public sector pension that introduces key changes to contain the cost of pensions to the government.	Cabinet decision drafting	Instructions for the bill issued to the chief parliamentary counsel	Cabinet approved the new policy in October 2014, and drafting instructions were issued in January 2015.	The Pension (Public Service Act) to incorporate pension reform was passed by parliament in 2017. The accompanying regulations were passed in 2018. Elements of the reform are: • Public sector employees' contribution became effective on April 1, 2018, on a phased basis with a 1 percent contribution of employees' salary to eventually 5 percent in 2022. • The retirement age would increase gradually from age 60 to 65 by 2022. • Changes were made in the formula used in computation of pensions.

Source: Planning Institute of Jamaica, government of Jamaica.

Table 3.8. Achievement of Target on Tax Incentives

Prior Actions	Baseline Value	Original Target	Value Achieved at Completion of Target Year (2014)	Status (2019)
In parliament on October 29, 2013, the government of Jamaica tabled the Fiscal Incentives (Miscellaneous Provisions) Act 2013 to transition to a generally competitive business tax regime with the elimination of existing sector-based incentive programs and the introduction of generalized incentives through a rules-based and nondiscretionary system.	n.a.	n.a.	n.a	Registration under the Fiscal Incentives Act for entities in the hotel and restaurant sector stands at 143. These entities have paid J$19.4 billion in taxes during the period from 2014 to 2017.

Source: Planning Institute of Jamaica, government of Jamaica.

3.12 **Civil service reform.** The government aimed to maintain the public sector wage bill at 9 percent of GDP through wage controls and reductions in public sector employment. The results indicator target was to complete the central database of public sector personnel by October 2014. The target was achieved, with some delay, in 2015. Use of the database is expected to improve control and accountability of ministries and department agencies (MDAs) for management of their personnel and facilitate monitoring and downsizing of the civil service. In 2018, the government reported that central personnel information was being updated on an ongoing basis through the MyHR+ system.[12] Currently, 12 MDAs are using the MyHR+ system, which will eventually be rolled out to all government entities. There was increased use of the database for internal controls and accountability of MDAs (table 3.9). The number of public bodies (that is, government organizations according to the definition in the law was reduced from 150 to 109. The Public Bodies and Management Accountability Act (2016), together with related policy measures on categorization and rationalization ofpublic bodies (Jamaica 2016), clarified the definition of such bodies and allowed for some merging and rationalization of some of them to avoid duplication.

3.13 **Cash management**. This cluster of reforms aimed to enhance the efficiency and predictability of the budget process by establishing a regular budget calendar and to improve cash management by strengthening coverage and efficiency of the Central Treasury Management System and the treasury single account. This improved predictability, accountability, and efficiency of the budget process, while improved cash planning reduced the need for additional government borrowing and supported fiscal consolidation. The target was to increase the share of MDA payments performed through electronic fund transfer by the Accountant General's Department from 90 percent in 2013 to 98 percent in 2014. The 98 percent target was achieved for 30 MDAs covered by the treasury system. This share was sustained in 2018 (table 3.10). In both 2018 and 2019, a budget calendar was approved by cabinet.

Table 3.9. Achievement of Target on the Civil Service Reform (percent)

Prior Actions	Baseline Value	Original Target	Percent Achieved at Completion of Target Year (2014)	Status (2019)
The government has clarified the respective roles and responsibilities of the Strategic Human Resource Management Division of the Ministry of Finance and the Public Service and those of public entities in maintaining and using updated central personnel information.	60	100	100	Central personnel information is updated on an ongoing basis through the MyHR+. Currently, 12 ministries and department agencies are using MyHR+, and there are plans in place to eventually roll out the system to all government entities.

Sources: Independent Evaluation Group and data from the Planning Institute of Jamaica and government of Jamaica.
Note: The indicator measured is the percent of central government personnel updated by the MyHR+ system.

Table 3.10. Achievement of Target on Cash Management (percent)

Prior Actions	Baseline Value	Original Targets	Value Achieved at Completion of Target Year (2014)	Status (2019)
The government has taken concrete steps to improve budget management by (i) adopting a budget calendar for FY14/15 that has been approved by the cabinet and (ii) completing the implementation of the CTMS for at least 30 MDAs, resulting in 90 percent of all MDA payments being done through electronic transfers.	90	98	95	A budget calendar was approved by cabinet and adopted for FY14/15 and in for each fiscal year after that. The government of Jamaica is now in the process of formulating the fiscal year 2019/20 budget calendar. Approximately 95 percent of payments made by MDAs are done by electronic transfer through the CTMS. The rest represent payments made by executive agencies that are not on the CTMS and a few MDAs that paid using checks.

Source: Independent Evaluation Group and data from the Planning Institute of Jamaica and government of Jamaica.
Note: CTMS = Central Treasury Management System; MDA = ministries and department agencies.

3.14 **Public investment management.** In this area, the major reform was amendment of the Financial Administration and Audit Act to ensure a common framework for the preparation, appraisal, approval, and management of public investments, irrespective of their source of funding. The target was that the new online database of public investment projects would cover at least 90 percent of projects in 2014 (table 3.11). The actual outcome was 91 percent, though this had fallen to 82 percent in 2018. Nonetheless, the original database has now evolved into a full-fledged public investment management system. There is now an institution, called Planning Investment Management Secretariat under the Ministry of Finance, that coordinates the entire Public Investment Programming (PIP) process and provides advice to the Ministry of Finance. While the Secretariat has generated a solid approval process, capacity constraints persist in line ministries where projects are being prepared. The World Bank is currently supporting additional public financial management (PFM) reforms through a follow-up DPF series.[13] Since 2016, construction, public and private investment, and growth have picked up. With these achievements, the reform is considered substantially achieved.

Table 3.11. Achievement of Target on Public Investment Management (percent)

Prior Actions	Baseline Value	Original Targets	Value Achieved at Completion of Target Year (2014)	Status (2019)
The government has adopted a policy to unify procedures, requirements, and responsibilities regarding public investment projects (Capital A, Capital B, public bodies, and public-private partnerships) and approved the implementation of these new procedures for Capital A and Capital B projects for fiscal year 2014/15 to improve public investment management.	0	90	91	82 Details of performance: Total number of projects: 124; Actual in database: 102; Performance: 82 percent Actual versus total public sector investment program fiscal year 2018/2019 (capital investments in A and B categories: 97 out of 97; public bodies: 5 out of 27)

Source: Independent Evaluation Group and data from the Planning Institute of Jamaica and government of Jamaica.

Links with Current and Future Policy Agendas

3.15 The program-supported policy agenda has been broadly sustained through mid-2019. It has also been broadened and deepened through measures supported by subsequent World Bank DPF series (First and Second Competitiveness and Fiscal Management Programmatic DPFs, approved in 2015 and 2017). Without government reforms supported by the Bank, IMF and the ADB, the outcomes in terms of public debt and growth would have been significantly worse (box 3.2). Jamaica's public sector transformation project has also supported capacity and institution building, especially in public investment management (World Bank 2014e). Though these operations shared the same broad objectives as that under review, specific actions targeted new aspects of investment climate and PFM enhancement consistent with evolving needs. According to the supervision report of the first DPF and PPAR mission interviews, implementation of the series is proceeding well.[14]

Box 3.2. Considering the Counterfactual

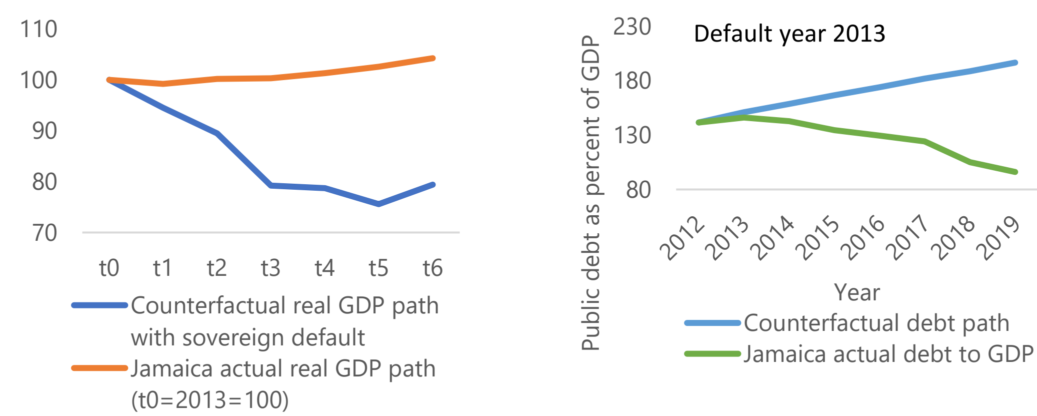
Without the government's 2013 stabilization program supported by the International Monetary Fund, the World Bank, and Inter-American Development Bank, there was a high probability that the country would have experienced a sovereign default (World Bank 2015a).

How would Jamaica's growth path have evolved had the country defaulted in 2013? Figure 3.1 panel a, considers the actual growth path of the Jamaican economy during 2013 (t+1) and

2018 (t+6) against a counterfactual—a possible growth path in case of sovereign default. Multiple and mutually reinforcing channels through which sovereign default would affect growth include adverse impacts on domestic and international investor confidence and, therefore, domestic private investments and foreign direct investment, external financing, trade finance and trade flows, and country ratings by credit rating agencies; the experience with sovereign defaults shows that these factors tend to weigh heavily on economic prospects of a country for a long time after default. The default path was constructed based on a review of sovereign defaults of 14 countries since 1989, all of which experienced negative growth afterward. In Jamaica's case, with growth already weak, a default would likely have pushed the economy into severe recession. It is assumed that the post-default growth path would have been the average of that of the other countries that had experienced defaults. The second panel considers a counterfactual path of debt-to-gross domestic product (GDP) ratio versus actual debt-to-GDP ratio after a hypothetical debt default in 2013. The counterfactual debt path is calculated as a compound accumulation of debt service on top of existing debt starting in 2013. The striking contrast between the two paths indicates both the dismal implications of the counterfactual scenario and a measure of success of Jamaica's fiscal consolidation so far (figure 3.1 panel b; see also appendix C).

Figure 3.1. Jamaica: Actual and Counterfactual (Sovereign Default) Paths of GDP and Debt

Panel a. Real GDP **Panel b. Public debt**



Source: Independent Evaluation Group estimates.
Note: GDP = gross domestic product. This comparison suggests that without the stabilization and reform program, Jamaica would have likely experienced a severe and long recession and a massive buildup of debt with significant social impact.

4. Outcome

4.1 The program's outcome is rated **satisfactory**, reflecting high relevance of objectives, substantial relevance of design, and substantial achievement of both objectives. The DPL, as part of the package of support involving the IMF and IDB, continues to yield important results five years after its closure. The World Bank's financial, analytical, and policy contributions were a critical part of the package of financing support. Without World Bank budgetary support, the reform program would have been seriously underfinanced, particularly given net repayments to the IMF in the early years. World Bank DPL financing accounted for 0.9 percent of GDP (equivalent to about 5 percent of primary expenditures), which was about the size of the targeted budget deficit in 2014. Moreover, close collaboration among the World Bank, the IMF, and IDB was a strength of all three organizations' coordinated response, and they should be jointly credited with contributing to the success of the program.

Risk to Development Outcome

4.2 Risk to the program's development outcome is rated **moderate**. Public debt declined by more than 50 percentage points of GDP since 2013, net international reserves have tripled, and inflation fell to low single digits. Fiscal management improved significantly, as did key indicators of macroeconomic performance and, more recently, investment climate indicators and growth performance have improved. The country also now has fiscal space to respond more effectively to exogenous shocks.

Bank Performance

4.3 Overall Bank performance is rated **satisfactory,** reflecting the same assessment for both quality at entry and supervision with only minor shortcomings, primarily in the definition of some indicators and the upstream, process-oriented nature of one prior action.

Quality at Entry

4.4 Preparation of the DPL was based on considerable analytical work, which helped identify and inform the policy agenda. This included a Country Economic Memorandum (2011), which identified the distortions embedded in fiscal incentives as one of the key constraints to growth. This explicitly linked the fiscal and growth agendas, which the DPL later targeted. The memorandum also analyzed debt sustainability and the constraints to private sector growth, and its policy matrix anticipated many of the key measures on fiscal consolidation and public financial management reforms, including the need for large primary surpluses, control of the wage bill, and the tax reform. Importantly, it also emphasizes the importance of social consensus for a large consolidation program to be successful, presaging the idea of EPOC. The 2012 Public Expenditure and Financial Accountability identified weaknesses in budget planning, monitoring of public expenditures, and public investment processes and programming. These and related issues were identified in a 2012 fiscal economic report and a 2013 note on the public sector investment program. Advisory support to MSMEs by the International Finance Corporation informed DPL-supported measures in this area. In addition, the World Bank analyzed the sustainability of the public sector pension system (World Bank 2013).

4.5 During preparation and implementation of the DPL, there was close cooperation and coordination with the IMF and IDB. Accompanying and financing the government's three-year EFF program with the IMF, the World Bank and the IDB contributed equal amounts of budget support. A clear division of labor was agreed to at the outset with the World Bank taking the lead on PFM and investment climate, the IMF on fiscal consolidation, and IDB on tax reforms (World Bank 2013). The DPL complemented activities undertaken under several World Bank–financed investment projects, including Growth and Competitiveness, Public Sector Financial Management, and the nonlending technical assistance Enhancing PFM Project. A series of two operations on competitiveness and growth followed the DPL and helped the government broaden and deepen policy reform.

4.6 The World Bank's prior engagement and analytical work was also a quick response to the acute crisis and the government's critical financing needs. Interviews with government officials in office at the time (and in mid-2019) indicated a relationship of trust between the World Bank and the borrower and appreciation of the World Bank's intensive engagement.

4.7 There were some weaknesses in monitoring and evaluation design—some results indicators measured process-oriented outputs rather than outcomes, the achievement of which would require further measures. For example, the new government personnel database, while important, was only an upstream step that needed additional measures to ensure progress with civil service reform.

Supervision

4.8 There was one formal supervision mission and corresponding Implementation Status and Results Report, with additional supervision and dialogue continuing under the Public Sector Investment Program and the nonlending technical assistance Public Financial Management Enhancement Project. Oversight continued in the context of the preparation of the follow-up DPL series. Because the broad aims of the new series were unchanged, supervision of the DPL directly informed the preparation of the follow-up series. The World Bank has continued to coordinate closely with the IMF and the IDB, in the context of the Stand-By Arrangement with the IMF, which followed the successful conclusion of the EFF.

Government Performance

4.9 Government performance was **satisfactory.** It was strong throughout the implementation of the DPL and has remained so up to the time of this evaluation. High commitment and ownership were demonstrated through successful reviews of the EFF program and the key DPL reform actions. The authorities' strong performance was founded on social consensus, coordination, and effective public communication through the EPOC. The fact that the comprehensive stabilization and growth-oriented reform program was implemented continuously under the administrations of two different political parties indicates broad political and social consensus.

4.10 Some reforms took longer than envisioned, especially those related to investment climate and pensions. Interviews indicate that these were largely because of capacity constraints in skills, information systems, and institutional development, and because of some underestimation of the time needed to implement sensitive institutional and legal reforms (such as pension reform).

Monitoring and Evaluation

Design

4.11 Overall, monitoring and evaluation was rated **substantial.** Monitoring and evaluation design had moderate weaknesses. As noted, the theory of change was well articulated and credible, and there was a clear link between objectives and results indicators. Objectives were clearly specified. There were weaknesses related to two indicators: one on the investment climate and the other on construction permits; both could have been formulated more precisely and with clearer target indicators. Also, an indicator related to an online database under civil service reform was measuring an important but relatively upstream phase of the process of these reforms, and alternative indicators focused on policy outcomes would have been preferable.

Implementation and Use

4.12 Monitoring data were generally collected in a timely fashion. It has not been possible to document the extent to which monitoring and evaluation data were used for policy making or communication with reform stakeholders, but the government routinely communicated with the reform stakeholders and the public through its own channels and EPOC.

5. Lessons

5.1 The PPAR suggests the following three main lessons:

- Building and maintaining strong political and social consensus through explicit social forums and mechanisms such as the EPOC can be a critical element in gauging and bolstering government and societal ownership and commitment to complex stabilization and reform programs, promoting their chances of success.
- Even high-risk reform programs implemented in times of crisis can succeed when accompanied by strong government ownership and commitment, social consensus, front-loaded adjustment, and well-coordinated support from international financial institutions and other external partners.
- In designing and sequencing major reform programs, it is important to recognize that some may be implemented relatively quickly (for example, fiscal consolidation), giving quick and important wins, while others (such as investment climate and pension reform) require more time to build consensus and to prepare and implement legal reforms.

Endnotes

[1] In February 2013, the government and financial institutions implemented a voluntary domestic national debt exchange to reduce government debt service and provide support to fiscal consolidation. The operation helped the government reduce public debt from 147 percent of gross domestic product in 2013 to 140 percent a year later (IMF 2014a). At the same time, the operation resulted in a reduction in the value and change in maturities of the government bonds held by domestic commercial banks, which resulted in significant liquidity pressure and the freezing of the domestic bond markets. The Bank of Jamaica, in response, introduced repo operations, which over time helped alleviate liquidity pressures.

[2] This agenda is based on the government's national council on competitiveness, which identified priority business climate reforms based on the World Bank's Doing Business indicators assessments and the council's own assessment of key constraints, which included business registration and development permits. For more information, see http://www.jamaicatradeandinvest.org/sites/default/files/resources/JAMPRO_NCCRoundtable_2014.pdf.

[3] The Implementation Completion and Results Report Review expressed concern that some of the policy agenda supported by the development policy loan (DPL) overlapped with the policy agendas of the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB), which raises the question of the World Bank's additionality (World Bank 2015a). However, detailed comparison of prior actions under this DPL and the IMF Extended Financing Facility (EFF) as well as interviews with IMF, World Bank, and IDB staff have shown that there was a clear division of labor in which the IMF and IDB focused on fiscal consolidation and tax reform while the World Bank focused on the structural fiscal and investment climate reforms. For example, key to fiscal consolidation was the short-term control of the wage bill (which was part of the IMF program); but sustainability depended on the full accounting of the public sector personnel and rationalization of government organizations (part of the World Bank's program). There was thematic overlap with the EFF prior actions in only two out of nine prior actions under the DPL (regarding tax reform and small and medium enterprises), but specific DPL actions differed and were, in fact, complementary to those of the EFF. For example, the World Bank program targeted improvement in the government's policy toward micro, small, and medium enterprise (MSMEs) while the IMF's EFF program aimed to ease financing to MSMEs and to roll out the use of mobile money to underserved entities (including MSMEs) in a phased way. Another example is that the World Bank program supported improvement in budget institutions and systems through, for example, adoption and adherence to a transparent budget calendar and the Treasury Management Information System, while the IMF supported the adoption of a fiscal rule to frame the future conduct of fiscal policy.

[4] By the time of the DPL approval in December 2013, the government had previously agreed with the IMF and the World Bank on the 2013 budget, and budget execution was on track. The government completed all the prior actions, as required, and the IMF completed the second review of the EFF program.

[5] The trade unions are the Jamaica Confederation of Trade Unions, Bustamante Industrial Trade Unions, and the National Workers' Union.

[6] Fiscal responsibility legislation was adopted in 2010 and amended in 2014. Furthermore, in 2018, the government launched the preparation for the establishment of a new fiscal institution, Fiscal Council, following good international practice (see Clarke 2018).

[7] The application management and data automation is an online system used to track land development permits and licenses, and support planning and subdivision decisions regarding housing, manufacturing, and a variety of commercial activities. The original system was under development since 2005, but it was extended online and into all parishes during the program period.

[8] One area where there was disagreement with the authorities was the amount of budget support. The government argued forcefully for more support in the short term. The World Bank's decision on the size was driven by the size of the estimated external financing gap and the coordinated dialogue with the IMF and IDB, its own country exposure constraints, and concerns with debt sustainability.

[9] For more information, see the government's white paper on pension sector reformhttps://jis.gov.jm/white-paper-public-sector-pension-reform-tabled/.

[10] The white paper acknowledges in several places the support the World Bank provided in various stages of the pension reform (Government of Jamaica 2018).

[11] Hotels and resorts are an important part of the tourism industry and a major beneficiary of incentives. For more details on government's tax incentives, see: https://www.jamaicatax.gov.jm/fiscal-incentives.

[12] MyHR+ is an integrated pensions and payroll system. Since January 2018, it was transformed into the Public Employees' Pension Administration System, leading to improvement in transaction costs and processing of payrolls and pensions. For more details on myhr, see https://mof.gov.jm/pepas/271-hrm-transformation/2459-hcmes-is-now-myhr.html.

[13] The public financial management reforms that are currently being supported are a public investment management information system, external audit strengthening for the Auditor General's department, rationalization of public bodies, design, and so on (World Bank, 2014e).

[14] For example, some key results indicators were achieved such as the rollout of the application management and data automation software in all 14 parishes of the country, providing citizens and clients of local governments with a single point of access to view the status of applications for subdivision applications, a vast improvement over the previous manually managed process. Also, the target on the key indicator (below 125 percent of gross domestic product) on the public debt was overachieved in 2017 and sustained.

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Appendix A. Basic Data Sheet

Jamaica Economic Stabilization and Foundations for Growth Development Policy Loan (P145995)

Table A.1. Key Project Data

Financing	Appraisal Estimate *($, millions)*	Actual or Current Estimate *($, millions)*	Actual as Percent of Appraisal Estimate
Total project costs	130.0	130.0	100
Loan amount	130.0	130.0	100

Table A.2. Cumulative Estimated and Actual Disbursements

Disbursements	FY13
Appraisal estimate *($, millions)*	130.0
Actual *($, millions)*	130.0
Actual as percent of appraisal	100
Date of final disbursement	June 30, 2014

Table A.3. Project Dates

Event	Original	Actual
Concept review	10/01/2013	10/01/2013
Negotiations	11/07/2013	11/07/2013
Board approval	12/12/2013	12/12/2013
Signing	12/16/2013	12/16/2013
Effectiveness	12/17/2013	12/17/2013
Closing date	06/30/2014	06/30/2014

Table A.4. Staff Time and Cost

Stage of Project Cycle	World Bank Budget Only	
	Staff time *(no. weeks)*	Cost[a] *($, thousands)*
Lending		
Total	43.67	205,558.25
Supervision or ICR		
Total	13.62	69,086.76
Total	**57.29**	**274,645.01**

Note: ICR = Implementation Completion and Results Report.
a. Including travel and consultant costs.

Table A.5. Task Team Members

Name	Title[a]	Unit	Responsibility or Specialty
Lending			
Auguste T. Kouame	Sector Manager	LCSPE	Sector Manager
Francisco Galrao-Carneiro	Lead Economist and Sector Leader	LCSPR	Lead Economist and Sector Leader
Sona Varma	Senior Country Economist	LCSPE	Task Team Leader
Elaine Tinsley	Research Assistant	LCSPE	Team member
Marta Riveira	Junior Professional Associate	LCSPE	Team member
Cecilia Briceño-Garmendia,	Lead Economist	GTIDR	Sector Specialist
Noreen Beg	Senior Environmental Specialist	LCSSD	Sector Specialist
Marcelo Buitron	Consultant	LCSPS	Team member
Shiyan Chao	Consultant	LCHD	Health, Nutrition, and Population Global Practice
Elizabeth Currie	Lead Financial Officer, Sovereign Debt	TRE	Team member
Eric Dickson	Senior Urban Specialist	LCSSD	Sector Specialist
Diego Dorado	Senior Public Sector Mgmt. Spec.	LCSPS	Sector Specialist
Andrea Gallina	Senior Governance Specialist	LCSPS	Sector Specialist
Jose Eduardo Gutierrez	Senior Public Sector Specialist	LCSPS	Sector Specialist
Victor Ordoñez	Senior Finance Officer	CTRL	Team member
Kathy Lalazarian	Senior Public Sector Specialist	LCSPS	Team member
Rohan Longmore	Economist	LCSPE	Team member
Federica Marzo	Economist	LCSPP	Team member
Joan Hoffman	Sr. Social Development Specialist	LCSSD	Sector Specialist
Jorge Lamas	Consultant	LCSSD	Sector Specialist
Helen Mary Martin	Sr. Public Private Partnerships Specialist	TWI	Team member
Harriet Nannyonjo	Senior Education Specialist	LCSHD	Sector Specialist
Gylfi Palsson	Lead Transport Specialist	LCSSD	Sector Specialist
Gonzalo Javier Reyes Htl	Senior Social Protection Specialist	LCSHD	New GSPDR
Doyle Gallegos,	Lead ICT Policy Specialist	TWI	Sector Specialist
Todd Johnson	Lead Energy Specialist	LCSSD	Sector Specialist
Murat Vardal	Economist	LCSPS	Team Support
Thomas Vis	Sr. Private Sector Development Specialist	LCSPF	Team Support
Errol George Graham	Senior Economist	AFTP3	Peer Reviewer
Tony Verheijen	Country Manager	ECCYU	Peer Reviewer
Ganesh Rasagam	Lead Private Sector Development Specialist	AFTFE	Peer Reviewer
Supervision or ICR			

Sona Varma	Senior Economist	LCSPE	Task Team Leader
Elaine Tinsley	Research Assistant	LCSPE	Team member
Md Mozammal Hoque	Senior Financial Management Specialist	LCR	Team member
Yingwei Wu	Senior Procurement Specialist	LCR	Team member

Note: ICR = Implementation Completion and Results Report.
a. At time of appraisal and closure, respectively.

Appendix B. Stabilization and Foundations for Growth

Table B.1. Stabilization and Foundations for Growth

Prior Actions	Baseline Value	Original Targets	Value Achieved at Completion of Target Years	Current Status in 2019
Pillar 1—Improving Investment Climate and Competitiveness *Establishing conditions to facilitate higher and more productive private sector investment*				
Investment Climate				
1. The government of Jamaica, through the judicature, has expanded the civil jurisdiction of resident magistrates' courts by increasing from J$1 million the ceiling for claims that may be considered in these courts to reduce the backlog of cases.	0	2,250	n.a.	Number of Civil Claims filed over $250,000 in value (Parish Courts): ▪ 2016: 7,928 ▪ 2017: 8,381 ▪ 2018 (year to date): 8,229
1. The government of Jamaica, through the Ministry of Local Government and Community Development, has standardized and harmonized application forms for construction permits across all Parish Councils.	89.6%	95.0%	79.0%	The target was not met. However, the government of Jamaica implemented substantial reforms that expedited the application process. In particular, permit applications were harmonized across all parishes, and the required checklists were streamlined.
2. The government of Jamaica, through the Ministry of Finance and the Public Service, has licensed at least one credit bureau, which has begun to issue credit reports.				Two credit bureau licenses were initially approved in March 2012. Three credit bureaus are currently licensed under the Credit Reporting Act.
Micro, Small, and Medium Enterprises				
3. Parliament has approved a Micro, Small and Medium Enterprise and Entrepreneurship Policy to support the growth of micro, small and medium enterprises.	10,460	11,000	n.a.	Corporate income tax: 5,955 General consumption tax: 8,359 Pay as you earn: 9,214
Pillar 2—Improving Public Financial Management for Sustained Fiscal Consolidation *Strengthening fiscal consolidation by supporting efforts to enhance expenditure management, efficiency, and rationalization and bolster revenue mobilization prospects*				
Public Sector Pension Reform				
4. The cabinet has approved the tabling in parliament of a white paper for a reform of the public sector pension that introduces	Cabinet decision drafting	Instructions for the bill issued to the chief	Cabinet approved the new policy in October 2014,	Not met during implementation period

	key changes to contain the cost of pensions to the government.		parliamentary counsel	and drafting instructions were issued in January 2015.	The Pension (Public Service Act) to incorporate pension reform was passed in the Houses of Parliament in 2017. The accompanying regulations were passed in the Houses of Parliament in 2018. Elements of the reform are ▪ Public sector employees' contribution became effective on April 1, 2018, on a phased basis with a 1 percent contribution of employees' salary to eventually 5 percent in 2022. ▪ A gradual increase in the retirement age to 65 by 2022 ▪ Changes in the formula used in computation of pensions
Tax Reform					
5.	In parliament on October 29, 2013, the government of Jamaica tabled a bill called the Fiscal Incentives (Miscellaneous Provisions) Act 2013 to transition to a generally competitive business tax regime with the elimination of existing sector-based incentive programs and the introduction of generalized incentives through a rules-based and nondiscretionary system.	15	4	4	Registration under the Fiscal Incentives Act for entities in the hotel and restaurant sector stands at 143. These entities have paid J$19,136,977,708 during the period of 2014 to 2017. The following data illustrates the yearly contribution of tax revenue for the sector: ▪ 2014: 50,655,320 ▪ 2015: 3,872,030,534 ▪ 2016: 7,349,294,736 ▪ 2017: 7,864,997,116
Public Service Reform					
6.	The government of Jamaica has clarified the respective roles and responsibilities of the Strategic Human Resource Management Division of the Ministry of Finance and the Public Service and those of public entities in maintaining and using updated central personnel information.	60%	100%	100%	Central personnel information is updated on an ongoing basis through the MyHR+. Currently, 12 ministries, departments and agencies are using MyHR+, and the system will be eventually rolled out to all government entities.
Budget Management					

7.	The government of Jamaica has taken concrete steps to improve budget management by (i) adopting a budget calendar for FY14/15 that has been approved by the cabinet and (ii) completing the implementation of the Central Treasury Management System for at least 30 MDAs, resulting in 90 percent of all MDA payments being done by electronic transfers.	90%	98%	98%	A budget calendar was approved by cabinet and adopted for FY14/15. Since then the budget calendar has been approved by cabinet for each consecutive year thereafter. The government of Jamaica is now in the process of formulating the 2019/20 budget calendar. Approximately 95 percent of payments made by MDAs are done by electronic transfer through the CTMS. The remaining 5 percent represents payments made by executive agencies that are not on the CTMS and a few MDAs that paid using checks.
Public Sector Investment Program					
8.	The government of Jamaica has adopted a policy to unify procedures, requirements, and responsibilities regarding public investment projects (Capital A, Capital B, public bodies, and public-private partnerships) and approves the implementation of these new procedures for Capital A and Capital B projects for 2014/15 to improve public investment management.	0	90%	91%	82% Details of performance: Total number of projects: 124 Actual in database: 102 Performance: 82% Actual versus total PSIP 2018/19 (Capital A and B: 97/97; public bodies: 5/27)

Note: CTMS = Central Treasury Management System; MDAs = ministries and department agencies; PSIP = Public Sector Investment Program.

Appendix C. List of Persons Met

Government of Jamaica

Peter Philips	Opposition Leader and former Minister of Finance 2013–16
Devon Rowe	Ministry of Finance, Former Financial Secretary
Richard Byles	EPOC Former Chair
William Mahfood	PSOJ Former Head
Barbara Scott	External Cooperation and Project Division Director, PIOJ
Courtney Williams	Fiscal Policy Unit at the time of DPL

Private Sector

David Noel	Scotiabank President and CEO
Christopher Johnson	Risk Manager, Public Sector and FI Head, Citibank
Keith Duncan	Group Chief Executive Officer, Jamaica Money Market Brokers
Damien King	CAPRI Executive Director

Workers' Unions

Kavan Gayle	Bustamante Industrial Trade Union President
Kurt Fletcher	National Workers Union Acting President

Inter-American Development Bank

Henry Moore	IDB Senior Economist
Juan Pedro Schmidt	IDB Lead Economist

International Monetary Fund

Constant Longkeng Ngouana	IMF Resident Representative

Bilateral Partners

Alexander Sokoloff	U.S. Embassy Counselor Economic
Kevin Gilhooly	Canada High Commission Economic Counselor

World Bank Staff

Auguste Kouame	Former Sector Manager, World Bank
Marcelo Giugale	Former Sector Director, World Bank
Francisco Galrao-Carneiro	Program Leader at the time of the Jamaica Economic Stabilization and Foundations for Growth DPL, World Bank
Galina Sotirova	Country Manager, World Bank
Sona Varma	Task Team Leader, World Bank
Joanna Watkins	Senior Public Sector Specialist, World Bank
Phil Schuler	Senior Country Economist, World Bank
Ali Khadr	Senior Consultant, World Bank

Appendix D. Methodology

About This Report

The Independent Evaluation Group (IEG) assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the World Bank's self-evaluation process and to verify that the World Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20–25 percent of the World Bank's lending operations through fieldwork. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which executive directors or World Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government and other in-country stakeholders, interview World Bank staff and other donor agency staff both at headquarters and in local offices as appropriate, and apply other evaluative methods as needed.

Each PPAR is subject to technical peer review, internal IEG panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible World Bank Country Management Unit. The PPAR is also sent to the borrower for review. IEG incorporates both World Bank and borrower comments as appropriate, and the borrower's comments are attached to the document sent to the World Bank's Board of Executive Directors. After an assessment report is sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: http://ieg.worldbankgroup.org).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current World Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, sector strategy papers, and operational policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared with alternatives. The efficiency dimension is not applied to development policy operations, which provide general budget support. *Possible ratings for outcome:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

Risk to development outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for risk to development outcome:* high, significant, moderate, negligible to low, and not evaluable.

Bank performance: The extent to which services provided by the World Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan or credit closing toward the achievement of development outcomes). The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.

Borrower performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation and complied with covenants and agreements toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for borrower performance:* highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.