

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

JAMAICA

HUMAN CAPITAL PROTECTION PROGRAMME II

(JA-L1031)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Policy Letter http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35581522
2.	Means of Verification http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35584213
3.	Results Matrix http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35584456
OPTIONAL	
1.	Poverty in Jamaica http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35582068
2.	Changes in the Policy Matrix of JA-L1031 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35584289
3.	Monitoring and Evaluation Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35600262
4.	CB Analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35736307

ABBREVIATIONS

BIS	Beneficiary Identification System
CCT	Conditional Cash Transfer
CHP	Child Health Passport
FY	Fiscal Year
GDP	Gross Domestic Product
GoJ	Government of Jamaica
IMA	Independent Macroeconomic Assessment
IMF	International Monetary Fund
JA	Jamaica
LAC	Latin American and Caribbean
MFI	Multilateral Financial Institutions
MLSS	Ministry of Labor and Social Security
MOE	Ministry of Education
MOFPS	Ministry of Finance and Public Service
MOH	Ministry of Health
MTF	Medium Term Socio-Economic Policy Framework
PATH	Program of Advancement through Health and Education
PBL	Policy Based Loan
PIOJ	Planning Institute of Jamaica
PMT	Proxy Means Test
SBA	Stand-By Agreement
SFP	School Feeding Programme
SLC	Survey of Living Conditions
SSN	Social Safety Net
TC	Technical Cooperation
TWG	Technical Working Group

PROJECT SUMMARY
JAMAICA
HUMAN CAPITAL PROTECTION PROGRAMME II
(JA-L1031)

Financial Terms and Conditions			
Borrower: Jamaica		Amortization period:	20 years
Executing Agency: Planning Institute of Jamaica (PIOJ)		Grace period:	5 years
		Disbursement period:	12 months
Source	Amount	Interest rate:	LIBOR based
IDB (OC)	US\$50,000,000	Supervision and inspection fee:	*
		Credit fee:	*
Total	US\$50,000,000	Currency:	US dollars Single Currency Facility
Project at a Glance			
<p>Project objective/description: The objectives of the overall Human Capital Protection Programme are to: (i) protect basic health, education and safety net spending during the economic downturn; and (ii) improve the effectiveness of reforms to key safety net programmes to reduce vulnerability of the poor. The specific objectives of this second and last loan operation (JA-L1031) of the programmatic series are to: (i) continue protecting non-salary spending on health, nutrition, early childhood, education and the Social Safety Net (SSN); and (ii) advance safety net reforms via: (a) improved targeting and efficiency of safety net programmes, (b) expanded coverage of the Conditional Cash Transfer (CCT) programme, while introducing recertification and graduation procedures; and (c) continued support to innovative programmes that protect vulnerable groups. The components proposed in this operation are the same as those contained in the first loan operation in order to provide continuity towards the achievement of the overall objectives of the Human Capital Protection Programme. The Bank's strategy for the sector also includes concomitantly financing two Technical Cooperations (TC) to perform upstream analytical work related to the social reforms supported by the programmatic PBL series and beyond, and evaluate operational innovations as well as some of the policy reforms promoted by the PBL series.</p> <p>Special contractual clauses: See Policy Matrix</p> <p>Exceptions to Bank policies: None</p> <p>Project qualifies for: SEQ <input checked="" type="checkbox"/> PTI <input type="checkbox"/> Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/></p>			

(*) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy on lending rate methodology for ordinary capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, justification

1. Macroeconomic and social context

- 1.1 Jamaica (JA) has long struggled with low economic growth and high public debt. Over the last 15 years, the economy grew under 1% per year, well below the average growth rate of 3.9% in Latin American and Caribbean (LAC). The global financial crisis hit JA when the country was already struggling with the effects of Hurricane Ivan in 2006 and with the sharp rise in commodity prices of 2006-2008. Thus, the global downturn affected JA early, with growth rates turning negative at the end of 2007. Public debt, which was already high as a share of Gross Domestic Product (GDP), increased substantially. Total debt to GDP ratio is currently about 140%, and around one third of total spending is destined to interest payments alone, limiting the range of policy options to respond to the economic downturn.
- 1.2 The Government of Jamaica (GoJ) is proactively addressing this challenging situation. In January 2010 it launched a debt exchange operation which improved the short-run debt profile and reduced the cost of serving the domestic debt. It also signed a Stand-By Arrangement (SBA) with the International Monetary Fund (IMF), aimed at promoting growth through fiscal consolidation, debt reduction and spending cuts in several sectors while protecting the poor and vulnerable during the adjustment period. The GoJ recognize that the prolonged recession, possibly followed by a sluggish recovery, and the tight fiscal situation jeopardize the gains made in health, education and social protection and in poverty reduction in the last 25 years (see [poverty in JA](#)). The SBA is in support of GoJ policy objectives to reflect at least a 25% increase in social assistance spending provided through better targeted programmes that promote investments in human capital of children, namely the conditional cash transfer (CCT) programme, PATH, and the School Feeding Programme (SFP).
- 1.3 Macroeconomic conditions leading to recovery are on track, as evidenced by recent reviews of the SBA and the November 2010 IMA, and prospects are improving: bauxite production, remittances and tourism are picking up, and growth in FY 11/12 is forecast at 1.8% of GDP. But JA has not yet climbed out of a prolonged recession. Growth for the first quarter of 2011 is estimated at 1.3% which would result in an overall contraction of 0.5% for FY 10/11. In addition, with the economy still contracting in 2010 and food and transport prices increasing, there is a risk that poverty might have increased beyond the 2009 level. The GoJ continues to face serious challenges controlling and managing the budget deficit given competing sector priorities. Despite this and despite low economic activity and limited fiscal space, the GoJ remains committed to the strategic priorities of protecting social spending and improving efficiency and effectiveness of key social programmes. While the IMF programme remains broadly on track, it continues to demand high primary fiscal surpluses required to bring down JA's high debt ratios. This places a burden on the economy which

also limits economic recovery. This poses risks on two fronts: either growth is lower than predicted and hence the debt to GDP ratio does not decline, or there is slippage in the tight fiscal programme. In either case, if markets respond by demanding higher interest rates the debt dynamics will suffer. This tight fiscal situation will continue for several years to come, beyond the expiry date of the current SBA, until its debt ratios have fallen substantially.

- 1.4 **The need to protect spending in education, health and nutrition in JA.** Essential social services need to remain available during crisis times. Evidence from LAC shows that as labor markets contract, labor supplied by children of poor households falls and children will tend to stay in school, thereby maintaining or increasing the demand for these services^{1,2}. Further, quality of education is an issue in JA³ and protecting non-salary education spending during the crisis could also guard against deteriorations in the quality of services, including textbooks and infrastructure⁴. Regarding health and nutrition, there is strong evidence from LAC that investment in these services drops during crisis times, curtailing inputs such as vaccines, availability of services and quality of care⁵. Table I-2 shows how overall health spending has declined in JA since 2008. Similarly Table I-3 shows how spending in primary care has also declined as a proportion of GDP⁶. Ensuring continued non-salary spending in health services, particularly in primary care, could help guarantee continued availability of quality crucial care for the beneficiaries of the SSN⁷.
- 1.5 An ex ante cost benefit analysis of the programme was performed covering mostly Component 2, Protection of Social Sector Spending, which operates mainly through the PATH programme and human capital accumulation services for its beneficiaries. The most relevant results are those related to the potential education effects to PATH's beneficiaries. The partial sensitivity analysis on these results shows that under specific and realistic assumptions the benefit/cost ratio is higher than one. More specifically, under the best case scenario the benefit/cost ratio is 1.5.
- 1.6 **Social context.** JA has made significant social progress but challenges remain in coverage and quality of services to improve outcomes. Gross enrolment for early education (for children 3 and older) and for grades 1-6 was nearly universal in 2007, 96.8% and 94.6% respectively,⁸ but not so for children in secondary education. Some health gains are also noticeable, with life expectancy rising from 68 years in the 1970s to 74.3 years in 2009 and infant mortality declining from

¹ "Social and Labor Market Policies for Tumultuous Times: Confronting the Global Crisis in Latin America and the Caribbean." Washington, D.C.: Inter American Development Bank, no date.

² Bedoya, G. "Noncompliance with schooling conditions in JA's CCT Programme, PATH", manuscript, 2010, shows that attendance patterns of PATH students, although cyclical, are not impacted by the crisis.

³ IDB Education Sector Note for Jamaica, July 2010.

⁴ IDB, n.d., Ibid footnote 4.

⁵ IDB, n.d., Ibid, footnote 4.

⁶ The GoJ adopted a policy of free and universal health care in 2008.

⁷ IDB, n.d, Ibid, footnote 4.

⁸ PIOJ. Economic and Social Survey, Jamaica 2007.

28/000 live births in 1980s to 16.7/000 live births in 2006. Yet, the maternal mortality ratio, although falling, was 94.8/000,000 live births in 2009.⁹

- 1.7 **Social spending.** Overall spending in health, education, and social security and welfare, including PATH, has increased as a proportion of GDP over the last 5 FYs, including the 3 FYs of crisis. in part because GDP has fallen (Table I-2) Although spending in education accounts for the greatest share of social expenditures, increases in social security and welfare spending, driven by increases to PATH's budget, are proportionately greater than increases in health and education.

Table I-1. Spending in Social Sectors by Sector and FY, as % of GDP

Sector	05/06	06/07	07/08	08/09 ^r	09/10 ^e
Education and Cultural Development ²	5.39%	5.68%	5.86%	6.26%	6.48%
Health	2.06%	2.40%	2.63%	2.83%	2.70%
Social Security and General Welfare ³	0.39%	0.41%	0.44%	0.50%	0.54%
Housing	0.02%	0.04%	0.04%	0.04%	0.04%
Other Social and Community Services	0.74%	1.07%	1.04%	0.75%	0.64%
Total	8.6%	9.6%	10.0%	10.4%	10.4%

Source: Economic and Social Survey Jamaica (2004-2009), Bank of Jamaica Notes: ¹. Expenditure data for all except FY 09/10 which are approval figures. GDP figures are for calendar year (Jan-Dec) and budget figures are for fiscal year (Apr-Mar). ². Includes support for SFP. ³. Includes PATH. r: revised. e: estimated (only first approval and does not include any additional approvals during the FY).

- 1.8 Table I-2 shows non-salary budget allocations for specific social programmes, expressed as a share of GDP for FYs 09/10 and 10/11 and as percentages of the previous FY's allocations for FY10/11. Budget approvals for health, early childhood and education decreased as a proportion of GDP between FYs, while allocations to SFP and PATH increased. In nominal terms allocations for FY 10/11 increased from the previous year for most programmes but when adjusted for inflation allocations for health, early child care and education dropped. A challenge going forward will be to strike a balance between increasing allocations to targeted SSN programmes agreed with the IMF and protecting¹⁰ non-salary budget allocations to key social services to preserve their availability and quality and to facilitate synergies with the SSN.

Table I-2. Non-Salary Budget Approvals for Selected Social Programmes, FYs 09/10 & 10/11

Programme	09/10 as % of GDP	10/11 as % of GDP	10/11 as % of 09/10 (nominal)	10/11 as % of 09/10 (real)
Primary Health Care	0.050%	0.047%	103%	90%
Early Childhood Development	0.144%	0.137%	105%	92%
Prim., Sec. & Special Edu.	0.502%	0.432%	95%	83%
School Feeding	0.206%	0.224%	114%	100%
PATH	0.243%	0.275%	125%	109%

Source: GOJ 2009/2010 and 2010/2011 approved budgets.

⁹ Vision 2030 Jamaica National Development Plan, Health Sector Plan, 2009.

¹⁰ Expressed in nominal terms.

- 1.9 **Poverty in JA.** After falling consistently from 19.7% in 2002 to 9.9% in 2007 the poverty rate rose again, reaching 12.3% in 2008 and 16.5% in 2009. Poverty is concentrated in rural areas and among the young. The majority of poor people work, mostly in the informal sector, and their productivity is low. In any given year about half of poor households are “new poor”, having fallen below the poverty line. PATH has a mitigating effect on poverty. A simulation of the welfare impacts of PATH suggests that in 2008 the overall poverty rate would have been around 1 percentage point higher without the programme, or about 12.9%. This effect could improve with better targeting to reduce gaps in under coverage and leakages. Optional link 1 further analyzes [poverty in JA](#).

2. Justification

- 1.10 **Recent progress in JA’s SSN reform.** Starting in 2000 the SSN benefitted from a Bank supported reform to achieve greater equity, efficiency and effectiveness of social spending through, inter alia, a beneficiary identification system (BIS) using a proxy means test (PMT) to target poor beneficiaries. Three welfare programmes were merged into one consolidated CCT programme, PATH, to target households living below the poverty line. PATH’s objectives are to support school attendance and increase attainment, and stimulate preventive health care among young children. With additional Bank support¹¹ PATH achieved the following in 2008-2009: (i) it increased coverage from 245,000 to 288,000¹²; (ii) it introduced a higher cut-off point of the PMT to better target the urban poor¹³, resulting in increased coverage of the urban poor to 10.2%¹⁴ of total beneficiaries; (iii) it implemented a differentiated benefit scheme to improve incentives for school attendance among older and male students; and (iv) it achieved 82% compliance of the school and health attendance co-responsibilities. Concurrently the Ministry of Education (MOE) adopted a policy to improve pro-poor targeting of the SFP’s subsidized meals, following a 100% increase in the SFP’s FY 07/08 budget to provide funds for a feeding subsidy to PATH students.
- 1.11 The GoJ has renewed its commitment to the SSN and to the associated reform agenda, even in the face of adverse fiscal conditions. In 2009 Cabinet tabled the Vision 2030 JA National Development Plan and its Medium Term Socio-Economic Policy Framework (MTF) for 2009-2012. The first document reiterates the objective of protecting the poor and vulnerable: children, elderly and disabled individuals. The second proposes to continue strengthening effective targeting of vulnerable groups, rolling out adequate benefit levels, and expanding opportunities for the poor to engage in sustainable livelihoods. Two targets adopted, relevant to this operation, are the reduction in the poverty rate from

¹¹ Social Protection Support to Food Price Crisis, PDL, reformulation of 1559/OC-JA, approved in 2008.

¹² This is equivalent to 80% of its eligible population. In 2008 expansion targets for PATH were established: using the 2006 SLC poverty rate of 14.3%, it was estimated that around 386,000 people lived below the poverty line and that, of these, about 360,000 were women and children who could become eligible to receive CCTs. Currently PATH has Cabinet approval to expand to this target.

¹³ The cut-off point excluded urban households that had assets but were income poor.

¹⁴ From 8.4% in 2007. By October 2010 urban beneficiaries constituted 12.6% of all PATH beneficiaries.

16.5% to 12.1% and an increase in PATH coverage to reach 95% of those living under the poverty line, both by 2012.

- 1.12 **Expanding and strengthening PATH.** To contribute to the achievement of these targets, the GoJ will continue to expand PATH while improving the programme's ability to target and set adequate benefit levels. A 2007 evaluation showed that PATH has been successful in promoting school attendance and regular use of health services for the very young, and that the results obtained were of comparable magnitude to those of other CCT programmes in LAC. The same evaluation concluded that the targeting system adopted was successful: overall, PATH targeting was significantly better than that of the three programmes it replaced and its targeting performance was comparable to that of other flagship CCT programmes in LAC¹⁵. Yet, it also revealed that the PMT under-selected the elderly poor and poor households living in urban areas, suggesting that adjustments to the targeting method were in order.
- 1.13 The most recent Survey of Living Conditions (SLC) indicates some level of under coverage and leakages exist in PATH (Table I-3). In 2009 66% of PATH's beneficiaries were from the poorest 2 quintiles. Rural targeting was better, with 72% of rural beneficiaries belonging to the poorest 2 quintiles. When only the eligible population is considered, 33% of children, elderly, disabled and pregnant and lactating women in quintile 1 are covered, as are 30% of those in quintile 2. Coverage of rural populations improved somewhat: 43% of the rural in quintile 1 and 40% of those in quintile 2 are covered.

Table I-3. PATH Coverage by Quintile, 2009

Quintile	% of PATH beneficiaries by quintile		% of population in quintile covered by PATH		
	All	Rural	All	Eligible Groups*	Rural
1 poorest	36	41	21	33	43
2	30	31	17	30	40
3	18	16	11	19	31
4	12	8	7	13	19
5	4	4	2	5	13
Total	100	100			

*Children, pregnant and lactating women, elderly and disabled. Source: JSLC 2009. Own calculations.

- 1.14 The GoJ recognizes that PATH's targeting performance needs to be reassessed. To this effect it has embarked on an analysis of the PMT's targeting efficiency to improve coverage and reduce leakages. In the medium term, PATH's policy agenda includes reducing its rate of expansion in FY 2011/12 and completing its second recertification exercise in 2012, while formulating a graduation policy.
- 1.15 Given its demonstrated ability to deliver and monitor transfers,¹⁶ and its capacity to promote human capital accumulation, PATH is a good candidate for

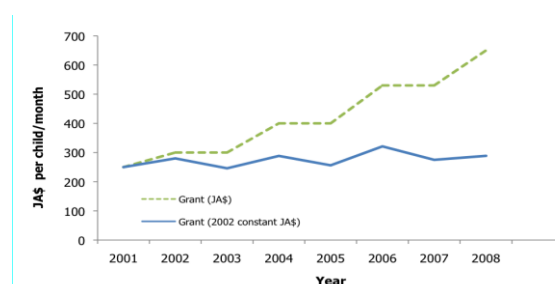
¹⁵ Levy, D. and J. Ohls, "Evaluation of Jamaica's PATH Programme: Final Report." Mathematica Policy Research, Inc. Washington, D.C. 2007.

¹⁶ Ricketts, H. "Final Report, External Performance Audit # 2. Social Protection Support for Food Price Crisis." Manuscript, May 2010.

improvements and for limited expansion of coverage (to reduce gaps in under coverage of eligible beneficiaries and reduce leakages),¹⁷ in keeping with the targets of the SBA and those of the GoJ's MTF. Given the tight fiscal situation, to get the best value for each dollar invested in the SSN, targeting needs to be improved and the recertification process continued.

- 1.16 **Elderly poor.** Jamaicans over 60 years made up 11% of the population in 2008; this rate is expected to increase.¹⁸ Of concern to the GoJ are the elderly who are poor and live alone, due to their great vulnerability. A 2008 assessment¹⁹ showed that 54% of the elderly have no SSN support, be it National Insurance or PATH. As a partial response to the current PMT's failure to adequately select eligible elderly individuals living alone, PATH uses a case-by-case appeals process programme. An additional challenge, then, is to develop a targeting instrument with the ability to select households with eligible elderly living alone.
- 1.17 **Benefit levels.** In order to maintain the real value of PATH's cash transfers and the Programme's capacity to mitigate poverty an objective mechanism to review and adjust benefit levels has been formalized by Cabinet. The nominal value of the transfer was gradually increased between 2002 and 2008, resulting in increments of between 10% and 59%, but its real value has remained constant over this period (Figure 1).

Figure 1. PATH cash grant increases in nominal and real JA\$, 2001-2008



Source: Bedoya, 2010.

- 1.18 **The Steps-to-Work pilot programme.** Improvements to JA's social policy include the intent to build bridges between welfare and productive sectors. In 2009 PATH began a pilot to offer training services²⁰ to working-age members of beneficiary households to enable them to seek and retain employment. An evaluation of the pilot, underway, will serve to improve the pilot's management and administration and strengthen inter-agency collaboration. The evaluation will also analyze costs per individual trained who is placed or seeking employment, and follow a group of graduates to document their labor outcome. The pilot will be subsequently adjusted to constitute an operational

¹⁷ IDB, n.d. Ibid, note 4.

¹⁸ Vision 2030 JA National Development Plan, Social Welfare and Vulnerable Groups Sector Plan, 2009.

¹⁹ Ministry of Labor and Social Security (MLSS) and PIOJ. Rapid Social Assessment of the PATH in Jamaica, Fostering Social Inclusion & Managing Social Risk. 2008.

²⁰ These include remedial education, skills and competencies building, business development training and grants, and job matching services.

model for expansion. The GoJ is ready to consider scaling up the programme if the pilot results are positive, when fiscal conditions allow. A consolidated and effective programme to increase employability of PATH beneficiaries would also contribute to PATH's graduation strategy.

- 1.19 **School Feeding Programme.** The SFP's objective is to provide incentives for improved school attendance. Improving its effectiveness is a challenge of the SSN reform agenda, even more critical since the SFP has been charged with targeting the PATH feeding subsidy. The SFP generates insufficient and unreliable administrative data to monitor quality, frequency and type of feeding, spending and allocation at the school level, and to track costs and coverage or evaluate targeting efficiency, still casting doubt on its ability to achieve its goal and preventing it from targeting the PATH feeding subsidy at the individual level for primary and secondary school students. To improve targeting the SFP will need to update and modernize its managerial and administrative tools, including its operating procedures and information systems. The need for equitable treatment of children from PATH households indicates that the PATH feeding benefit should be applicable to younger students as well.
- 1.20 **Child Health Passport (CHP).** The CHP was adopted in January 2010 as an instrument to register and monitor coverage of services in health, nutrition and early education for small children. It is an instrument designed to align programmatic decisions and facilitate coordination to ensure that infants and small children receive the right combination of services in a timely fashion. Its evaluation and improved deployment to institute full use will translate into improved, integrated early childhood services. Further, it will contribute to increase the synergies between the SSN and the delivery of social services, in order to improve the returns to investments.

3. Request for Bank Support

- 1.21 In early 2009, the GoJ requested a programmatic PBL programme consisting of two independent loan operations to protect non-salary social spending and to expand SSN programmes and increase their effectiveness in the face of a deepening economic crisis. The programmatic structure was chosen to permit ongoing policy dialogue based on incremental knowledge and experience gained during the execution process, in the context of an ongoing, dynamic reform and the uncertainties of the duration and effects of the economic recession.

4. The programmatic PBL series

- 1.22 This US\$50 million loan operation is the second of a two single-tranche programmatic PBL series that, while technically related, are being financed through two independent loans. The first operation in the series (JA-L1020) was designed in 2009, in the midst of the economic downturn, when strong fiscal adjustments were imminent and the full repercussions of the crisis were becoming evident. The Board of Executive Directors approved it on 17 February, 2010. The objectives of JA-L1020 were to: (i) protect government spending in basic

- health, education and safety net services for women, children and the elderly; and (ii) improve the efficiency of reforms to SSN programmes that accumulate human capital or protect the very vulnerable.
- 1.23 Full disbursement of JA-L1020 occurred on 19 February, 2010 upon verification of the following achievements: (i) continued public funding was assured in FY 09/10 for essential social protection and social assistance services for the poor in (a) primary health care and nutrition; (b) early childhood development; (c) primary, secondary and special education; (d) the SFP; and (e) the CCT programme; (ii) coverage of the elderly by the SSN was increased; (iii) the SFP began pro-poor targeting of feeding subsidies at the school level; (iv) the CCT programme increased coverage of eligible beneficiaries to 298,000; (v) measures were taken to generate evidence to guide the design of instruments to expand the SFP to PATH beneficiaries attending pre-primary public schools; (vi) measures were taken to generate reliable data on the PATH feeding subsidy in schools and commitment was secured to develop instruments guided by evidence to improve management and monitoring of the subsidy and to generate administrative data; (vii) registration and operational instruments for the pilot welfare-to-work programme were instituted; and (viii) inter institutional agreement was reached on the technical content of the child welfare (growth, health and development) card, the CHP, whose use will improve coordination and monitoring of integrated care services from birth through the first years of life and beyond.
- 1.24 This second loan operation (JA-L1031) seeks to continue protecting public non-salary spending on the same, previously selected social programmes for another FY, given current uncertainties on the protracted effects of the crisis, expanding coverage and improving targeting of the CCT and the SFP, and providing strategic support to innovative programmes that protect vulnerable groups like the very young, pre-primary students, the unemployed and the elderly. The expected policy achievements of this second operation are described in section B, “Objective and Components”, and in the [Policy Matrix](#).
- 1.25 To produce analytical work to guide policy dialogue and substantiate policy measures supported by the second operation of this series and beyond, technical assistance is being provided through two TCs: Modernizing the School Feeding Programme, (JA-T1046) and Understanding the Social Effects of the Financial Crisis (JA-T1048). Critical products of the TCs in support of policy dialogue and the policy matrix for the second loan include: (i) technical support to formulate a policy to expand the PATH feeding subsidy to pre-primary students, thus addressing an equity issue for PATH beneficiary households; (ii) operational and financial audit of the PATH feeding subsidy and subsequent design of management tools and information systems; (iii) adjustment of the PATH beneficiary data base to identify schools for children in pre primary grades and regularly update school data for older children; and (iv) operational evaluation of the implementation of the CHP to improve its application, data quality and the quality of care of young children.

B. Objective and components

1.26 The GoJ is aware that the protracted effects of the crisis are increasing the vulnerability of the country's poor and risks to others, and recognizes that maintaining levels and improving the effectiveness of social spending becomes critical in times of economic stress and fiscal deficits. It has requested the present operation to continue protecting spending in key SSN programmes and social services, and gradually expanding PATH and the SFP, in keeping with the SBA, while continuing to address policy reform challenges posed by the SSN.

1.27 **Objectives of the programmatic series and of the second loan (JA-L1031).** The objectives of the overall Human Capital Protection Programme series are to: (i) protect basic health, education and safety net spending during the economic downturn; and (ii) improve effectiveness of reforms to key safety net programmes to reduce vulnerability of the poor. The specific objectives of this *second* operation of the series are to: (i) continue protecting non-salary spending on health, nutrition, early childhood, education and the social safety net; and (ii) advance safety net reforms via: (a) improved targeting and efficiency of safety net programmes; (b) expanded coverage of the CCT programme, while introducing recertification and graduation procedures; and (c) continued support to innovative programmes that protect vulnerable groups. The same components are maintained throughout the two loans in the programmatic series in order to provide continuity towards achievement of the general objectives.

1. Component 1. Macroeconomic Framework and Policy Letter

1.28 The objective is the maintenance of an appropriate macroeconomic framework that is consistent with the objectives of the programme and the [Policy Letter](#). Loan disbursement will be conditional on maintenance of a sound macroeconomic framework based on the results of the November 2010 Independent Macroeconomic Assessment (IMA) carried out by the Bank.

2. Component 2. Protecting Basic Health, Education and Safety Net Spending

1.29 To ensure continued funding of social services for the poor in a context of strong fiscal adjustment driven by the effects of the crisis, public expenditure on key services that either accumulate human capital or cover vulnerable populations will be protected, namely: (i) preventive health and nutrition for women and children; (ii) early child development; (iii) primary, secondary and special education; (iv) PATH; and (v) the SFP.

1.30 To protect social spending this component supports the following policy measures: (i) FY 2010/11 approved budget is at least 95% of FY 2009/10 approved budget on non-salary activities for: primary health care and nutrition, early childhood development, and primary, secondary and special education; (ii) FY 2009/10 realized expenditures are at least 90% of FY 2009/10 approved budget on non-salary activities for: primary health care and nutrition, early

childhood development, primary, secondary and special education; (iii) FY 2009/10 realized expenditures are at least 88% of FY 2009/10 approved budget on non-salary activities for the SFP; (iv) FY 2010/11 approved budget for non salary activities of the SFP is at least 112% of FY 2009/10 approved budget; and (v) in keeping with the SBA, FY 2010/11 approved budget for the PATH programme's cash grants is at least 120% of the FY 2009/10 approved budget for cash grants (see [Policy Matrix](#)). Compliance with all conditions is on track for a disbursement following approval of this operation.

- 1.31 After the first loan was approved (JA-L1020) in February 2010, several changes were introduced to strengthen the policy measures associated with the component 2 of the *second* loan (JA-L1031). The following changes were introduced in the policy measures of component 2, "Protecting Basic Health, Education and Safety Net Spending": policy condition (2.1) in Annex II changed from realized to approved budget for FY 2009/10 to provide greater protection of non-salary budget activities; (2.2) increased realized expenditures from 85% to 90% of approved budget for FY 2009/10 to strengthen the policy measure; (2.3) increased realized expenditure from 85% to 88% of approved budget for FY 2009/10 to strengthen the policy measure; (2.4) changed from realized to approved budget for FY 2009/10 to provide greater protection on non-salary activities and modified from not less than in previous year to at least 112% of previous year; and (2.5) changed from "maintained" to at "least 120%" to be consistent with the agreement with IMF to increase PATH spending. Most of the modifications introduced are meant to support the GoJ's ability to address the challenges of maintaining execution levels of approved budgets for health, nutrition, early childhood development and education services for the beneficiaries of the PATH programme and further shielding non-salary expenditures in these sectors, while maintaining spending levels for the CCT programme.

3. Component 3. Advancing Social Safety Net Reforms

- 1.32 This component aims to advance reforms of key SSN programmes by supporting the following policy measures: (i) the number of registered elderly PATH beneficiaries is at least 50,000; (ii) the first draft report with preliminary results of assessment of PMT's targeting performance has been completed; (iii) first recertification completed of PATH households with children who have been in the programme since 2002 through 2004 for at least four years, including an analysis of the proportion of household that fall around the cut-off point of the PMT; (iv) an independent operational and financial assessment of the school-level use of PATH's feeding subsidy for primary and secondary school-age beneficiaries has been performed and recommendations incorporated as procedures in an updated section on "PATH nutritional support" in the approved SFP's operations manual, approved by the MOE's Chief Education Officer; (v) PATH increases coverage to 320,000 registered beneficiaries, excluding Poor Relief; (vi) mechanism to review and adjust benefits given to PATH beneficiaries has been developed; (vii) mechanism to review and adjust benefit levels has been approved by Cabinet; (viii) a policy has been defined and approved by Cabinet to expand SFP coverage of PATH students

attending pre-primary public schools; (ix) at least 2,500 registered and age-eligible members of PATH households are enrolled in or have completed training programmes offered by Steps-to-Work partners; (x) the operational evaluation of Steps-to-Work pilot programme has been initiated; (xi) second-year memoranda of understanding signed between MLSS and at least the following Steps-to-Work partners, JFLL, HEART, JBDC (xii) effective coverage of at least 20% of the 2010 birth cohort with the CHP; (xiii) the operational evaluation of the roll-out and application of the CHP has been initiated; and (xiv) definition of system requirements has been completed for the design of a management information system module on the PATH feeding subsidy of the SFP (see [Policy Matrix](#)). Compliance with all conditions is on track for immediate disbursement following approval of this operation.

- 1.33 Since the approval of the first PBL series (JA-L1020) the following new policy measures were introduced in component 3 of JA-L1031: “Advancing SSN Reforms:” (3.1b) in Annex II; this is a new policy measure, introduced to address improvements to the PMT’s targeting performance; (3.1,c) this is a new policy measure, introduced to address the need for a recertification of PATH’s beneficiaries; (3.7) this is a new policy measure, introduced to address the need to provide continuity to the operational arrangements of the Steps-to-Work pilot programme; (3.8,b) this is a new policy measure, introduced to address the need to conduct an operational evaluation of the adoption of the CHP. Finally, the second part of measure 3.9 was removed since it was already considered in condition 3.2 (see the table in [optional link 2](#) for a schematic presentation of these changes). Most of the changes introduced in the policy matrix of component 3 of JA-L1031 are meant to provide additional support for the medium-term policy challenges of improving the efficiency of the key SSN programmes.

C. Key result indicators

- 1.34 Key intermediate results include: (i) extending coverage of the PATH feeding subsidy to students in 25% of public pre-primary schools; (ii) providing at least one free meal per week to 70% of PATH students in primary and secondary schools by the end of FY 11/12; (iii) objectively reviewing PATH’s benefit levels on a regular basis starting in FY 12/13; (iv) having an updated roster of PATH beneficiaries by the end of 2012; and (v) covering 80% of the 2011 birth cohort with the CHP. Key end results indicators include: (i) the rate of chronic malnutrition in children less than five years does not increase beyond 3.7%; (ii) infant mortality does not increase above 26/000; (iii) school enrolment rates do not fall below 92% for children 3 to 5 years and 78% for children 6 to 14 years; and (iv) the poverty rate does not increase above 16.5%. The [Results Framework](#) quantifies output, results indicators and annual targets up to FY 2011/12.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instrument

- 2.1 This is the second of a two loan series financed under the programmatic PBL modality, in accordance with documents CA-450-1 and CS-3633. The first, for US\$50 million, was approved and disbursed in February 2010. The current one, also for US\$50 million, will likely be approved and disbursed in March 2011; it complements and follows up on the framework document (JA-L1020), in accordance with the guidelines set forth in Memorandum EVP/1/2006 (PO-LO-2006).

B. Environmental and social safeguard risks

- 2.2 According to the Environmental and Safeguard Compliance Policy (OP-703) this operation requires no environmental safeguard classification. The safeguard policy filter report concludes that no issues or potential issues were identified. On the contrary, the programme is expected to have a positive impact on JA's poor and vulnerable populations.

C. Fiduciary risk

- 2.3 The two operations under this programmatic PBL present no fiduciary risk. A sole tranche was disbursed under the first loan and similarly for this loan a sole tranche will be made once the policy conditions are met. The programme's executing agency, the PIOJ, successfully executed the first loan of the series and has significant experience in implementing externally funded projects. There will be no procurement activities, thus eliminating this risk. In addition, no counterpart financing is required.

D. Other key issues and risks

- 2.4 Inter institutional coordination: The complexity arising from coordination and participation of the MLSS, which executes PATH, the Ministry of Health (MOH) and the MOE, continues to be a risk in this second operation. Several factors work to mitigate this: (i) TC resources are disbursing to ensure that key activities are carried out to support fulfillment of specific policy conditions and participating agencies are collaborating well to facilitate TC execution; (ii) significant progress has already been made to comply with all conditions for disbursement; and (iii) the Technical Working Group (TWG) that serves as an inter-ministerial coordination committee is functioning effectively.
- 2.5 Macroeconomic risks: Public debt remains high and constitutes the main source of long-term risk to external stability and growth, especially as JA is highly vulnerable to external economic as well as natural shocks. In addition, the weak growth performance continues to be a cause of concern as it poses a risk to the implementation of the macroeconomic framework. These risks could jeopardize

JA's fiscal sustainability, as the debt burden will continue to be high in the medium term and JA lacks fiscal space to counter the effects of any adverse shocks. There is very little room for slippage, as the debt dynamics will quickly suffer if creditors suddenly demand higher interest rates. The GoJ is committed to continue the fiscal consolidation in order to lower the high public debt level. In addition, the government is in the process of adopting a growth strategy that focuses on removing structural constraints to growth and investment in high priority areas. Given the tight fiscal situation, it is expected that expenditures related to the growth inducement strategy will occur by reprioritizing spending within the existing expenditure envelope.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary implementation arrangements

- 3.1 The PIOJ, with support from the Ministry of Finance and The Public Service (MOFPS), will have responsibility for implementing the programme. The PIOJ reports to the Office of the Prime Minister and coordinates JA's development policy. It has extensive experience overseeing the contributions of public, private and MFIs and proven ability to manage externally-funded operations. PIOJ's implementation responsibilities will include coordination, quality assurance and technical oversight of analytical work and timely submission of the means of verification for the policy matrix. It will also monitor and document progress towards targets of the results indicators, prepare required reports and submit disbursement requests.
- 3.2 PIOJ has established the TWG with participants from MOE, MLSS (including the PATH Director), MOH and MOFPS. The TWG continues to be responsible for: (i) overseeing achievement of policy targets and implementation of all the technical studies; (ii) advising on the planning and implementation of the analytical work and evaluations; (iii) reviewing terms of reference, protocols, guidelines and procedures of the studies and evaluations; (iv) providing technical inputs in the selection process for consultants; (v) reviewing and approving technical reports and monitoring outcomes of the evaluation initiatives; and (vi) monitoring programme results as set out in the [Results Framework](#) and the Monitoring and Evaluation Plan, [optional link 3](#). The participating agencies will continue to maintain technical responsibility for complying with policy conditions associated with disbursement of this second operation of the programmatic PBL series.
- 3.3 The "Modernizing the SFP" TC is executed by the MOE and guided by an established technical committee chaired by the Director of the Planning and Development and including the Deputy Chief Education Officer for School Operations, the Director of the Projects Division, the Director of the SFP Unit, the Manager of Multilateral Financial Unit of the PIOJ and the Director of PATH. PIOJ's participation facilitates oversight of products, particularly as they relate to achievement of the policy measures for loan disbursement supported by this TC.

- 3.4 The role of the MOFPS will continue to be critical during implementation of the second operation in programmatic PBL series. Apart from being part of the TWG, the MOFPS, as the GoJ's legal representative, is the custodian of the operation's bank account and approves all disbursements requests.

B. Summary of arrangements for monitoring results

- 3.5 PIOJ will continue to monitor results of this second operation in the programmatic series, directly by the Social Policy and Planning Division and through the monitoring quality control and reporting functions of the TWG. In addition, PIOJ has contracted a coordinator for all PBLs being executed by PIOJ, who provides regular monitoring and follow-up of the policy conditions associated with disbursement of this operation. This two-tier monitoring system has proven effective in supervising progress towards the achievement of expected results for JA-L1031. An ex-post cost-benefit analysis will be undertaken as part of the Programme's evaluation. The Monitoring and Evaluation Plan is presented in [optional link 3](#).

C. Significant design activities post approval

- 3.6 There are no significant design activities to be completed post approval.

**Development Effectiveness Matrix
Summary**

Indicator	Score	Maximum Score
I. Strategic Relevance	High	
1. IDB Strategic Development Objectives	7.5	10
Country Diversification	2.0	2
Corporate Initiatives	2.5	2.5
Harmonization and Alignment	0.0	3.5
Beneficiary Target Population	3.0	2
2. Country Strategy Development Objectives	9.6	10
Country Strategy Sector Diagnosis	6.0	6
Country Strategy sector objective & indicator	3.6	4
II. Development Outcomes - Evaluability	Highly Satisfactory	
3. Evidence-based Assessment & Solution	8.7	10
4. Evaluation & Monitoring Plan	5.8	10
5. Cost-Benefit or Cost-Effectiveness	7.0	10
6. Risks & Mitigation Monitoring Matrix	7.5	10
III. IDB's Role - Additionality		
7. Additionality	7.0	10
Technical Assistance provided prior the project	3.0	3
Improvements in management of financial, procurement, monitoring or statistics internal controls	4.0	4
Improvements in environmental, health and labor performance	0.0	3

I. Strategic Relevance: This operation will be executed in Jamaica, a Country C Group, through the instrument "PBL". Its objective is linked to the Bank's initiative on Education and Innovation. The project's objectives are linked to the strategic objectives defined in the country strategy related to support the improvement of institutions and incentive frameworks, as well as greater allocative and technical efficiency. There is no evidence on the use of national systems.

II. Evaluability: The project is clear in its objectives. Empirical evidence on the magnitude of the problem and the factors that contribute to the development of the problem is presented. It also has specific metrics, baselines and targets to monitor and evaluate the expected results.

The project has a monitoring and evaluation plan to conduct a reflexive (before-after) evaluation as well as a cost-benefit analysis. Based on the Environment and Safeguards Compliance Policy (OP-703) the project does not require classification. Key environmental and social risks and mitigation measures are identified, but there are not indicators, baselines and targets for monitoring the implementation of these mitigation measures.

III. Additionality: To support the design and implementation of the project, the counterpart agencies have the technical cooperation JA-T1046 (Japan Special Fund) and JA-T1048 (Social Fund). Also, it is expected to strengthen the technical capacity of these agencies in the areas of monitoring and evaluation of social programs and targeting efficiency.

POLICY MATRIX FOR THE TWO OPERATIONS IN THE PROGRAMMATIC SERIES

The objectives of the overall Human Capital Protection Program series are to: (i) protect basic health, education and safety net spending during the economic downturn and (ii) improve effectiveness of reforms to key safety net programs to reduce vulnerability of the poor.		
Specific Objectives	Policy conditions for the 1 st programmatic loan (JA-L1020) (2299/OC-JA)	Policy conditions for the 2 nd programmatic loan (JA-L1031)
I. Macroeconomic Framework		
Maintain a stable macroeconomic framework.	1.1 The Borrower shall maintain an appropriate macroeconomic policy framework congruent with the program's objectives and in accordance with the provisions of the Policy Letter.	1.1 The Borrower shall maintain an appropriate macroeconomic policy framework congruent with the program's objectives and in accordance with the provisions of the Policy Letter.
II. Protection of Social Sector Spending		
Protect spending on key social programs in order to ensure functioning of essential services in health, nutrition, early childhood and education.	2.1 FY 2009/2010 approved budget is not less than FY 2008/2009 realized expenditures on non-salary activities for: primary health care and nutrition, early childhood development, and primary, secondary and special education.	2.1 FY 2010/2011 approved budget is at least 95% of FY 2009/2010 approved budget on non-salary activities for: primary health care and nutrition, early childhood development, and primary, secondary and special education.
	2.2 None.	2.2 FY 2009/10 realized expenditures are at least 90% of FY 2009/10 approved budget on non-salary activities for: primary health care and nutrition, early childhood development, primary, secondary and special education.
	2.3 None.	2.3 FY 2009/10 realized expenditures are at least 88% of FY 2009/10 approved budget on non-salary activities for: the School Feeding Program.

Ensure the poor are protected by an effective social safety net during an economic downturn.	2.4	FY 2009/2010 approved budget for School Feeding Program is not less than FY 2008/2009 realized expenditures on non-salary activities.	2.4	FY 2010/2011 approved budget for non salary activities of the School Feeding Program is at least 112% of FY 2009/2010 approved budget.
	2.5	FY 2009/2010 approved budget for the PATH program's conditional cash grants increased by 25% above the FY 2008/2009 realized expenditures for conditional cash grants.	2.5	FY 2010/2011 approved budget for the PATH program's conditional cash grants is at least 120% of the FY 2009/2010 approved budget for conditional cash grants.
III. Advancing Social Safety Net Reforms				
A. Improve Targeting of Safety Net Programs				
Improve PATH targeting of the elderly living alone. Improve overall targeting of the PATH program.	3.1	The number of registered elderly PATH beneficiaries is maintained at 45,000.	3.1a	The number of registered elderly PATH beneficiaries is at least 50,000.
			3.1b	First draft of report with preliminary results of assessment of PMT's targeting performance completed.
			3.1c	First recertification completed of PATH households with children who have been in the program since 2002 through 2004 for at least four years, including an analysis of the proportion of households that fall around the cut-off point of the PMT.
Improve targeting of School Feeding Program's feeding subsidy for PATH students.	3.2	The SFP uses PATH registration as the targeting mechanism to allocate individual feeding subsidies to schools at primary and secondary education levels.	3.2	Independent operational and financial assessment of school-level use of feeding subsidy for PATH primary and secondary school-age beneficiaries performed and recommendations incorporated as procedures in an updated section on 'PATH nutritional support' in the SFP's Operations Manual, approved by the MOE's Chief Education Officer.
B. Expand Coverage and Review Benefits Levels				
Increase coverage of PATH conditional cash transfer program.	3.3	PATH increases coverage to 290,000 registered beneficiaries (registered defined as having received at least one payment of a cash grant), excluding Poor Relief, per Cabinet approval.	3.3	PATH increases coverage to 320,000 registered beneficiaries (registered defined as having received at least one payment of a cash grant), excluding Poor Relief.

Review per capita benefits to PATH beneficiaries in light of financial crisis.	3.4 None.	3.4a Mechanism to review and adjust benefits given to PATH beneficiaries has been developed 3.4b Mechanism to review and adjust benefit levels has been approved by Cabinet
Extend coverage of School Feeding Program feeding subsidy to PATH students at pre-primary level.	3.5 Study design initiated on mechanisms and procedures to expand SFP coverage of PATH students attending pre-primary public schools (infant schools and infant departments).	3.5 Policy defined and approved by Cabinet to expand SFP coverage of PATH students attending pre-primary public schools (infant schools and infant departments).
C. Support Innovative Programs to Protect Vulnerable Groups		
Implement pilot of Steps-to-Work Program for PATH beneficiaries aged 15-64.	3.6 At least 3,000 age-eligible members of PATH households registered in Steps-to-Work pilot program.	3.6a At least 2,500 registered and age-eligible members of PATH households are enrolled in or have completed support programs offered by Steps-to-Work partners. 3.6b The operational evaluation of Steps-to-Work pilot program initiated.
Formalize inter-institutional arrangements between Steps-to-Work and its partners (Jamaica Foundation for Lifelong Learning, Human Employment and Resource Training, Jamaican Business Development Corporation, and National Youth Service) to prioritize participation of beneficiaries.	3.7 To formalize inter-institutional arrangements, memoranda of Understanding signed between MLSS and at least the following partners: JFLL, HEART, JBDC.	3.7 Second-year Memoranda of Understanding signed between MLSS and at least the following partners: JFLL, HEART, JBDC.

Create an instrument to: (i) coordinate services for young children in health, nutrition and early childhood development in health centres; (ii) ensure they receive the respective services; and (iii) serve as a means of verification for receipt of these services.	3.8 Child Health Passport content (including services such as immunization, well-baby care, growth promotion and other nutrition interventions as well as number and periodicity of well-baby visits) agreed upon by MOH Nutrition Unit, MOH Family Health Department and Early Childhood Commission.	3.8a Effective coverage of at least 20% of 2010 birth cohort with Child Health Passport. 3.8b Operational evaluation of the roll- out and application of the Child Health Passport initiated.
Support for School Feeding Program Reform.	3.9 Ministry of Education commits to: (i) perform an independent operational audit of the feeding subsidy for PATH students using terms of reference previously agreed with the Bank; and (ii) use the results of the audit to: (a) inform the design of a management information system to monitor the use of the feeding subsidy for PATH students; and (b) guide the preparation of a section of an operations manual for the SFP dealing with the management of the feeding subsidy for PATH students, in order to ensure that PATH students are effectively being provided a subsidized meal at school on an established regular basis and in a way that protects confidentiality.	3.9 Definition of system requirements completed for the design of a specific module of a management information system on the feeding subsidy for PATH.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/11

Jamaica. Loan ____/OC-JA to Jamaica
Human Capital Protection Programme II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Jamaica, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a human capital protection programme II. Such financing will be for an amount of up to US\$50,000,000 from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2011)