

**PROJECT PROFILE (PP)**  
**JAMAICA**

**I. BASIC DATA**

<b>Project name:</b>	Human Capital Protection Program II	
<b>Project number:</b>	JA-L1031	
<b>Project team:</b>	Leslie Stone (SCL/SPH), Donna Harris (SPH/CJA); Isabel Nieves (SCL/SPH); Martha Guerra (SCL/SPH); Janet Quarrie (CCB/CJA); and Diego Buchara (LEG/SGO).	
<b>Borrower:</b>	Government of Jamaica (GOJ)	
<b>Executing agency:</b>	Ministry of Finance and the Public Service (MoFPS)	
<b>Financing plan:</b>	IDB millions: (CO)	US\$50,000,000
	Total:	US\$50,000,000
<b>Safeguards:</b>	Policies triggered:	none
	Classification:	none

**II. GENERAL JUSTIFICATION AND OBJECTIVES**

- 2.1 **Macroeconomic context.** Jamaica has been subject to a continuous series of internal and external crises since mid 2006. The confluence of shocks from the sharp rise in commodity prices between late 2006 through mid-2008, natural disasters, and the international financial crisis, has put increased pressure on Jamaica's already difficult macroeconomic situation. Economic activity for 2009 was -3%, is expected to remain at 0% in 2010 and resume only modestly in 2011. Government revenues are below projected levels and the FY2010/11 GOJ budget targets a deficit of 6.2% of GDP. The debt overhang, at 140% of GDP limits the range of policy actions to respond to the economic turmoil, given that about 45% of total spending goes to debt service.
- 2.2 **IMF Agreement, Fiscal Policy & Social Protection.** In early 2010 the GOJ signed a Stand-by Agreement (SBA) with the International Monetary Fund (IMF) backed by a comprehensive set of additional fiscal measures. The GOJ has satisfactorily fulfilled the commitments envisaged in the first two reviews of the SBA dated June and September 2010 and remains under close surveillance by the IMF. The Independent Macroeconomic Assessment (IMA) completed by the IDB in August 2010 also concluded that macroeconomic conditions are on track and a new IMA will be produced in January 2011. The FY2010/11 budget approved in April 2010 incorporates IMF program commitments including an increase of social assistance spending by about 35%, primarily benefitting the conditional cash transfer Programme for Advancement Through Health and Education (PATH) and the School Feeding Programme (SFP).
- 2.3 **GOJ Request for Bank Support.** In early 2009, the GOJ requested a Programmatic Policy Based Loan operation to protect non-salary social spending and to expand social safety net (SSN) programmes and increase their efficiency in the face of the deepening crisis. The programmatic structure consisting of two

independent loan operations, each with a sole disbursement, was chosen in order to promote on-going policy dialogue and fine-tuning of the implementation strategy during a dynamic reform process and the uncertainty of the economic recession. This modality leaves room for the subsequent operations in the series to respond to new knowledge generated during implementation of the first program, including pilots and study results from the parallel Technical Cooperations.

- 2.4 Jamaica's Ongoing SSN Reform Agenda.** In 2000, the GOJ embarked on an extensive SSN reform with IDB support. The changes supported greater efficiency and effectiveness of the SSN through: (i) the development of a Beneficiary Identification System (BIS) as a transparent, objective, scientific mechanism for determining eligibility of applicants for all major programs in the SSN; (ii) the streamlining of three previously existing welfare programs into one consolidated conditional cash transfer program; (iii) the utilization of more cost effective systems for delivery of welfare benefits; and (iv) the establishment of higher PATH benefits with a mechanism for review to prevent erosion of their real value. In 2008, GOJ sought to promote greater school retention of boys and students in the higher grades, and introduced differentiated PATH benefits. The GOJ also approved the expansion of PATH by 40% from 236,000 to 360,000 beneficiaries. Following the May 2010 riots in Tivoli Kingston, the GOJ is considering adjustments to PATH to better incorporate urban poor. A recertification of PATH beneficiary households and implementation of the Steps to Work Pilot Programme that provides training opportunities to working-age members of PATH households are also underway.
- 2.5 School Feeding Program Reform Agenda.** Improving the effectiveness and efficiency of the SFP remains a principal challenge that the present programmatic PBL is addressing. In 2008 the Ministry of Education (MOE) introduced new reforms to improve pro-poor targeting of subsidized lunches for PATH students. However, currently the program generates insufficient administrative data to monitor quality, frequency and type of feeding, and spending at the school level, track coverage or evaluate targeting efficiency, still casting doubt on the SFP's ability to achieve its goal of improving school attendance. Other unresolved challenges to the efficiency of the program include unsatisfactory production and delivery systems and outdated menu and operational standards. Concern with the nutritional needs of children under six years old at pre-primary level and the need for equitable treatment of PATH households dictates that the policy of free lunches for PATH children should be applicable to pre-primary children as well.
- 2.6 GOJ Request to Add a Third Loan Operation to the Programmatic Policy-Based Loan (PBL) Program.** In light of the combination of factors including the fiscal situation, the IMF stabilization program, the current expansion of the PATH and SFP programs and progress on the first (disbursed) and second (in preparation) programmatic loans, the GOJ is requesting the addition of a third loan operation to this series, under the same programmatic PBL structure. The GOJ has requested this support in order to reinforce the present social reform agenda over an expanded three year period, to continue protection of social

spending targeting the poor in an uncertain economic future and to make further improvements in the efficiency and effectiveness of public expenditure on its main, long-running social assistance programs. Adding a third loan operation to the overall program will allow the GOJ to bring both more breadth and closure to the SSN reform process that is being supported by the Bank in the current loan operation. While the first and second loan operations support policy design, Cabinet approval of the policy reforms, design of management tools and roll-out of pilot projects, the third loan operation would support their further implementation, measurement of outcomes of such implementation and evaluation of the policies and pilots in some cases, thus reinforcing the overall reform. The analytical and operational work of the two TCs under way and first phase of pilot projects have generated new information and identified areas for further work that were not apparent when the programmatic series of two loans was first requested and designed. A third operation will contribute to the overall loan objective by strengthening pro-poor targeting and other efficiency measures, improved program management, quality of services, and beneficiary retention, among others. Bolstering support for these areas of action is central to alleviating current poverty and more importantly, reducing the intergenerational transmission of poverty for future generations.<sup>1</sup>

- 2.7 The current programmatic PBL reform agenda aims to consolidate ongoing safety net reforms including: (i) improving pro-poor targeting of key SSN programs (PATH urban poor and elderly poor and SFP lunches for PATH students); (ii) expanding coverage to include new poor and increasing benefits of key SSN programs (PATH and SFP coverage of pre-primary PATH students); (iii) support innovative programs to protect vulnerable groups (PATH Steps-to-Work life skills and employability pilot and Child Health Passport) and (iv) support other reforms of the SFP (improve operational guidelines, delivery and quality of meals and create management information system).
- 2.8 Key to the programmatic strategy of this operation is the concomitant execution of two Technical Cooperations approved in June 2010: Modernizing the School Feeding Program (JA-T1046) finances upstream analytical work and institutional strengthening to improve the efficiency and effectiveness of the SFP, and Understanding the Social Effects of the Financial Crisis (JA-T1048) supports the evaluation of the policy reforms being promoted. The TCs are central to implement the reform measures supported in the second program and possible third program to strengthen management, monitoring and evaluation capabilities. The addition of a third loan operation will permit the final results from the studies, evaluations and pilots in the TCs to be fully incorporated in the overall policy-based program.
- 2.9 **General and Specific Program Objectives.** The general objectives of the overall Human Capital Protection Program series are to: (i) protect basic health,

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<sup>1</sup> Fiszbein, A. and Schady, N. (2009) [Conditional Cash Transfers: Reducing Present and Future Poverty](#). Washington, D.C., The World Bank. Bundy, D. et al (2009) Rethinking school feeding: social safety nets, child development and the education sector. Washington, D.C., The World Bank.

education and safety net spending during the economic downturn; and (ii) improve effectiveness of social spending of important safety net programs. The same components are maintained throughout the loans comprising the programmatic series in order to provide continuity towards the achievement of the general objectives. The specific objectives of the second program (JA-L1031) are: (i) protect non-salary spending on health, nutrition, early childhood, education and the social safety net; and (ii) advance safety net reforms via (a) improved targeting of safety net programs, (b) expanded coverage and increased benefits, and (c) continued support of innovative programs to protect vulnerable groups.

### III. SECTOR BACKGROUND AND DESIGN ASPECTS

- 3.1 **Achievements of the First Loan Operation (JA-L1020) and Second Loan Operation (JA-L1031).** In the first loan operation of the Human Capital Protection Program of the PBL programmatic series approved and fully disbursed in February 2010, the GOJ met all policy conditions and accomplished the following to ensure the poor were protected by an effective social safety net during an economic downturn: (i) Protected non-salary spending on key social programs to ensure functioning of essential services in health, nutrition, early childhood, education and the safety net; (ii) Advanced social safety net reforms, including: (a) improved targeting of two safety net programs, for PATH elderly, and the SFP subsidy for PATH students; (b) expanded coverage and increased benefits of PATH, SFP subsidy for PATH students in primary and secondary school; and (c) supported innovative programs to protect vulnerable groups (Steps-to-Work pilot program began implementation, the Child Health Passport was designed and adopted, and the SFP began its operational and management reform). The second loan operation under preparation is meant to provide support to further advance the achievements of the first operation described in paragraph 3.1. The GOJ has made significant progress towards reaching the policy conditions set forth the second loan operation
- 3.2 **Component 1: Protection of Social Spending.** This continues to be an important activity given the deteriorating macroeconomic situation and uncertain timing and magnitude of recovery. This component seeks to continue to protect poor and vulnerable groups affected by ongoing or impending changes in the fiscal and economic environments by ensuring that essential social protection and social assistance services are financed. Specifically, the program will continue to ensure that spending is maintained in two areas: (i) basic health, nutrition, early childhood development and education services delivery; and (ii) key safety net programs (PATH and SFP).
- 3.3 **Component 2: Improving Effectiveness of Spending on the Social Safety Net.** To continue to improve effectiveness of spending on social safety net programs, this second component will support specific social safety net reforms in the areas listed below. This program incorporates the technical results of the studies and pilots supported in the parallel TCs described in the previous chapter. Specific areas of support are: **(i) Improve targeting of safety net programs.**

Increase PATH elderly beneficiaries. Improve targeting of SFP's feeding subsidy for PATH students by completing an operational and financial assessment of the SFP subsidy for PATH students to update the operations manual. **(ii) Expand coverage and increase benefits.** Further expand PATH to include new poor and vulnerable beneficiaries. Increase PATH per capita benefit levels in order to preserve the real value of the transfer. Policy defined to expand SFP to PATH pre-primary students at public schools and update operations manual to address pre-primary students. **(iii) Support innovative programs to protect vulnerable groups.** Steps-to-Work pilot program further implemented. Active use of Child Health Passport. SFP operational and management reform via starting design of MIS module on feeding subsidy for PATH students.

#### IV. SAFEGUARDS

- 4.1 The operation is a Programmatic Loan (PBP) and does not require a social and environmental safeguard classification, nor an environmental strategy. The safeguard policy filter report concludes that no issues or potential issues were identified. The proposed Program has no environmental impact, given that its activities are limited to providing budget support for social sector expenditures and monitoring and evaluation.

#### V. OTHER ISSUES

- 5.1 **Risks.** (i) External shocks, slippage in the fiscal measures and rises in interest rates could alter the debt dynamics and provoke renewed concerns regarding GOJ debt and macroeconomic stability. This is partially mitigated by the broad set of supports being offered by the IDB, IMF Agreement, reengagement with the MDBs, and the tax and budget reforms introduced for the FY2010-11 budget. (ii) Coordinating the participation of multiple line ministries (including PIOJ, Ministry of Finance and the Public Service, Ministry of Labor and Social Security, Ministry of Health and MOE) continues to be a challenge. Incentives are lacking for the individual ministries to accomplish their respective tasks and reforms given that the loan resources do not go directly to them. The TCs mentioned above will provide significant funds to complete the necessary upstream analytical work and institutional strengthening to improve the effectiveness of the SFP and evaluation of other reforms being promoted.

#### VI. RESOURCES AND TIMETABLE

- 6.1 Social Protection and Health Division (SCL/SPH) administrative funds will be used to carry out preparatory work. OPC approval is expected by February 8th, 2011 and Board approval on March 16, 2011. Annex IV describes the Project Preparation timeline and prospective activities. Approximately US\$13,000 will be used for mission travel and US\$39,000 to support consultancies for project preparation during 2010-11.

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## SAFEGUARD POLICY FILTER REPORT

This Report provides guidance for project teams on safeguard policy triggers and should be attached as an annex to the PP or PCD (or equivalent) together with the Safeguard Screening Form, and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

<b>PROJECT DETAILS</b>	<b>IDB Sector</b>	SOCIAL INVESTMENT
	<b>Type of Operation</b>	Policy Based Loan (PBL)
	<b>Additional Operation Details</b>	
	<b>Investment Checklist</b>	Generic Checklist
	<b>Team Leader</b>	Stone, Leslie Faye (LESLIES@iadb.org)
	<b>Project Title</b>	Human Capital Protection Program II
	<b>Project Number</b>	JA-L1031
	<b>Safeguard Screening Assessor(s)</b>	
	<b>Assessment Date</b>	2010-09-27
	<b>Additional Comments</b>	

<b>SAFEGUARD POLICY FILTER RESULTS</b>	<b>Type of Operation</b>	Loan Operation	
	<b>Safeguard Policy Items Identified (Yes)</b>	The Bank will make available to the public the relevant Project documents.	Disclosure of Information Policy (B.01)
		The operation is in compliance with environmental laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
		The operation (including associated facilities) will be screened and classified according to their potential environmental impacts.	(B.03)
		The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)

		Operation for which ex-ante impact classification may not be feasible. These loans are: Policy-based loans, Financial Intermediaries (FIs) or loans that are based on performance criteria, sector-based approaches, or conditional credit lines for investment projects.	(B.13)
		Suitable safeguard provisions for procurement of goods and services in Bank financed projects may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.	(B.17)
	<b>Potential Safeguard Policy Items(?)</b>	No potential issues identified	
	<b>Recommended Action:</b>	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s), including B13, for guidance. No project classification required. Submit Report and PCD (or equivalent) to ESR.	
	<b>Additional Comments:</b>		

<b>ASSESSOR DETAILS</b>	<b>Name of person who completed screening:</b>	
	<b>Title:</b>	
	<b>Date:</b>	2010-09-27



### INDEX OF COMPLETED AND PROPOSED SECTOR WORK

Activity	Description	Estimated Date
Approve Technical Cooperation: JA-T1043 (JSF) to support targeting and other policies for vulnerable groups – disabled adults and children	Support for Improving the Lives of Persons with Disabilities (JA-T1043) supports upgrade of existing data systems and enhance mechanisms to improve targeting of persons with disabilities for social benefits.	December 2009
Contract Social Consultant	Conduct a qualitative assessment of non-compliance by beneficiaries under the PATH program and explore factors that contribute to non compliance with the school attendance condition. Together with the quantitative analysis, the results will support the writing of the background and justification section of the POD.	February 2010
Approve two Technical Cooperations: JA-T1046 (JSF) and JA-T1048 (Social Fund) to support loan preparation and implementation.	Modernizing the School Feeding Program (JA-T1046) finances upstream analytical work and institutional strengthening to improve the efficiency and effectiveness of the SFP (see TC Plan of Ops for details and timetable for execution of multiple activities); Understanding the Social Effects of the Financial Crisis (JA-T1048) supports the evaluation of the policy reforms being promoted, including the SFP (see TC Plan of Ops for details and timetable for execution of multiple activities).	June 2010
Contract Research Assistant	Conduct microdata analyses of Jamaican household surveys (SLC and Labor Force Survey) and prepare a review of the socioeconomic situation in Jamaica with respect to the following sectors: Health and nutrition, early childhood development, education, social protection, and labor and youth training. In addition, collect and summarize all relevant national budget data required to satisfy the budget/expenditures policy conditions for the loan. This report and budget analysis will serve as the analytic basis for justification of the second programmatic policy based loan (JA-L1031) and be a main input to help write the background of the Project Profile and Proposal for Operation Development (POD) and verify completion of policy conditions.	June 2010
Prepare Social Protection Sector Note for Country Dialogue & input for POD	Define specific strategic areas and objectives where the Bank should support GOJ, including: i) improving coverage, targeting, institutional capacity, management, efficiency, adjustment and quality of PATH and the School Feeding Program.	August 2010

Activity	Description	Estimated Date
Health Sector Note for Country Dialogue and Strategy	Identify specific strategic objectives and areas for Bank support including: (a) analysis of alternative financing modalities to sustain health care financing and preparation of financing plan; (b) analysis of reform proposals to accommodate the 2007 policy to abolish user fees for primary, secondary and tertiary care; and preparation of a basic health care package.	August 2010
Contract Data Analyst	Conduct microdata analyses of 2008-9 Survey of Living Conditions and program administrative data for PATH and prepare a review of the profile of non-compliers and the patterns of noncompliance for PATH beneficiaries in the education component. This report will serve as the analytic basis for a comprehensive diagnosis of noncompliance and the design of potential mechanisms to reduce noncompliance among school aged PATH beneficiaries.	September 2010
Contract Project Consultant	Provide technical support in the preparation of the Proposal for Operation Development (POD) and in particular prepare all the relevant annexes that are required for approval of the said document.	October 2010
Contract Poverty Analyst	Provide international technical assistance to the Government of Jamaica towards the re-analysis, review and update of poverty estimates in Jamaica. This will involve support to the National Poverty Review Working Group to apply international experience and best practices. Tasks include reanalysis of the JSLC 1998-2009, using both the old and newly established poverty lines. Recreate the historic poverty series.	October 2010

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