

**JAMAICA**

**COMPETITIVENESS ENHANCEMENT PROGRAMME II**

**(JA-L1010)**

**LOAN PROPOSAL**

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## CONTENT

### PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING.....	1
A.	Background, problem addressed, justification.....	1
1.	Recent macroeconomic performance .....	1
2.	Competitiveness in Jamaica and Access to Finance. ....	2
3.	Program justification .....	3
4.	Problems addressed .....	4
B.	Objective, components and cost .....	7
1.	Objectives .....	7
2.	Program structure .....	7
C.	Key Results Indicators and Progress on the Policy Matrix .....	7
1.	Competitiveness implementation framework.....	7
2.	Tax and expenditure reform .....	8
3.	Improving access to finance and financial market development .....	10
4.	Reduction of business costs through expedited land titling .....	11
D.	Key Results Indicators .....	12
II.	FINANCING STRUCTURE AND MAIN RISKS .....	13
A.	Financing Instruments .....	13
B.	Environmental.....	13
C.	Other Key Issues and Risks .....	13
III.	IMPLEMENTATION AND MANAGEMENT PLAN .....	14
A.	Summary of Implementation Arrangements .....	14
B.	Summary of Arrangements for Monitoring Results .....	14

Annexes
Annex I. DEM Summary
Annex II. Policy Matrix

Electronic Links
<b>REQUIRED</b>
1. Policy Letter <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35045596">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35045596</a>
2. Means of Verification <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2202330">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2202330</a>
3. Result Matrix <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2202326">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2202326</a>
<b>OPTIONAL</b>
1. Environmental and Social Management Report (ESMR) <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2230906">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2230906</a>
2. Private Sector Development Assessment <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1183370">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1183370</a>
3. Action Plan for Land Titling and Registration <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2253386">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2253386</a>
4. Action Plan for Secured Transactions <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2253387">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2253387</a>
5. Action Plan for the Implementation of m-banking <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2253384">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2253384</a>
6. Mapping of Competitiveness Council <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2258681">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2258681</a>
7. Implementing Secured Transactions Reform in Jamaica. Issues and Policy Options <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2253382">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2253382</a>
8. “A Better Way... for a Better Jamaica” (Jamaica Labour Party Manifesto 2007) <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2258690">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=2258690</a>
9. Policy Matrix Comparison of Triggers <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35062341">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35062341</a>
10. Detailed Triggers for Third Operation <a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35062350">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35062350</a>

## **ABBREVIATIONS**

BCI	Business Climate Initiative
BOJ	Bank of Jamaica
BPO	Business Process Outsourcing
CIT	Corporate Income Tax
CPC	Chief Parliamentary Counsel
DBJ	Development Bank of Jamaica
ESMR	Environmental and Social Management Report
ETA	Electronic Transactions Act
EU	European Union
FAA	Financial Administration and Audit Act
FSC	Financial Services Commission
GCT	General Consumption Tax
GDP	Gross Domestic Product
GoJ	Government of Jamaica
GPS	Global Positioning System (satellite based)
HIT	High Intensity Team (of the Inland Revenue Dept)
HEART	Human Employment and Resource Training (tax supported trust fund)
IDB	Inter-American Development Bank
IMA	Independent Macroeconomic Assessment
IMF	International Monetary Fund
JCC	Jamaica Chamber of Commerce
JCEP	Jamaica Competitiveness Enhancement Program
JTI	Jamaica Trade and Invest
LAMP	Land Administration and Management Program
MAL	Ministry of Agriculture and Land
M-Banking	Mobile Banking
MEMT	Ministry of Energy, Mining and Telecommunications
MF&PS	Ministry of Finance and the Public Service
MIIC	Ministry of Industry, Investment and Commerce
NLA	National Land Agency
NPS	National Planning Summit
NPSA	National Payments System Act
OPM	Office of the Prime Minister
PAYE	Pay as You Earn (payroll tax)
PBL	Policy Based Loan
PfT	Partnerships for Transformation
PIT	Personal Income Tax

PIOJ	Planning Institute of Jamaica
POD	Proposal for Operation Development
PSA	Private Sector Assessment
PSOJ	Private Sector Organization of Jamaica
SCT	Special Consumption Tax
SET	Special Enforcement Teams (of the Inland Revenue Dept)
SMEs	Small and Medium Enterprises
SMS	Short Messaging Service (in cell phone communications)
VRS	Virtual Reference System

<b>PROJECT SUMMARY</b> <b>JAMAICA</b> <b>COMPETITIVENESS ENHANCEMENT PROGRAMME II</b> <b>(JA-L1010)</b>			
<b>Financial Terms and Conditions</b>			
Borrower: Government of Jamaica		Amortization Period:	20 years
		Grace Period:	5 years
Executing Agency: Planning Institute of Jamaica (PIOJ)		Disbursement Period:	12 months
<b>Source</b>	<b>Amount (in US\$)</b>	Supervision and Inspection Fee:	*
IDB (OC)	60 million	Interest Rate:	LIBOR-Based
Local	0	Credit Fee:	*
Total	60 million	Currency:	US dollars of the Single Currency Facility
<b>Project at a Glance</b>			
<b>Project Objective/Description:</b> The general objective of the project is, in continuation of the first programmatic operation, to support the GoJ in addressing key constraints to the competitiveness of Jamaica, by promoting the implementation of reforms to reduce the cost of doing business (¶1.24).			
<b>Special contractual clauses:</b> The Borrower, through the Executing Agency, will have complied with the commitments as stated in the Draft Policy Matrix (Annex II) and will have submitted the evidence of compliance with the conditions relevant to the sole disbursement of this programmatic PBL. These conditions are stated fully in Section B (¶1.25 - 1.44), and may be summarized as follows: <ul style="list-style-type: none"> <li>macroeconomic sustainability;</li> <li>competitiveness implementation framework;</li> <li>tax expenditure reform, including: reduction of distortions in the tax system, simplification of tax administration, and expenditure rationalization;</li> <li>improving access to finance, including: secured transactions framework reform, framework for the creation of credit bureaus, and facilitating electronic transactions; and</li> <li>reduction of business costs through expedited land titling.</li> </ul>			
<b>Exceptions to Bank policies:</b> None			
<b>Project qualifies for:</b> SEQ[ <input type="checkbox"/> ]   PTI [ <input type="checkbox"/> ]   Sector [ <input type="checkbox"/> ]   Geographic[ <input type="checkbox"/> ]   Headcount [ <input type="checkbox"/> ]			
(*) The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount. With regard to the inspection and supervision fee, in no case will the charge 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**

- 1.1 The Board of Executive Directors approved the first operation of the Jamaica Competitiveness Enhancement Program I – JCEP-I (Loan Contract 1972/OC-JA) on April 1, 2008, and US\$30 million dollars were disbursed in July 2008. The JCEP-I Loan Proposal provides the frame of reference for the current operation under the programmatic series (PR-3251). This operation is the second of three individual operations conceived under the programmatic modality and provides continuity to the agreements reached on the Policy Matrix of the first operation. The programmatic modality originally contemplated three operations of US\$30 million each. However this was adjusted in the updated Country Strategy (GN-2422-3) to US\$60 Million for the second and third operation. The present operation maintains the dialogue of the Bank with the Government of Jamaica (GoJ) for promoting long-term growth in the country. The objective of the Programmatic Operation is to address key constraints to the competitiveness of Jamaica, by promoting the implementation of reforms to reduce the costs of doing business.
- 1.2 The objective of this loan is to provide support to the GoJ in long-term policy reform in the areas of: (i) competitiveness implementation framework; (ii) tax expenditure reform including: (a) reduction of distortions in the tax system, (b) simplification of tax administration, and (c) expenditure rationalization; (iii) improving access to finance including: (a) secured transactions framework, (b) framework for the creation of credit bureaus, and (c) facilitating electronic transactions; and (iv) strengthening of land property rights.

### **1. Recent macroeconomic performance<sup>1</sup>**

- 1.3 The sharp rise in commodity prices between late 2006 through mid-2008, natural disasters, and most recently the international financial crisis, has put increased pressure on Jamaica's already difficult macroeconomic situation. The impact of the global financial crisis on Jamaica intensified during 2008/09 pushing the economy into recession in the third quarter of 2007. The final estimate of economic activity for 2009 is expected to be -4% and economic growth is expected to resume only in 2011. In addition, government revenues are below projected levels and the deficit is expected to surpass the government's estimates for FY 2009/10. The debt overhang, at 132% of GDP at December 2009, limits the range of policy actions to respond to the economic turmoil, given that about 60% of total spending goes to debt service.
- 1.4 The Government of Jamaica has taken a set of fiscal measures to address the situation and is on the brink of signing a Stand-By Arrangement with the IMF

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<sup>1</sup> This section draws on the text of the Bank document "Jamaica: Independent Macroeconomic Assessment.).

backed by a comprehensive set of further fiscal measures and a voluntary exchange of its domestic debt to reduce interest rates and increase maturities. The total package may result in overall net fiscal savings of 6.5% of GDP per annum. The primary fiscal surplus is targeted to reach 6% in 2010/11 and is projected to rise over time to some 9% of GDP in 2013/14 as the economy recovers. The debt to GDP ratio is expected to fall from a peak of 140% at the end of 2009/10 fiscal year to under 120% by 2014.

- 1.5 The IMF Program will be accompanied by financing from other multilaterals, including the Bank, in a total package that could amount over 20% of GDP. The multilateral support funds will be used to (i) re-establish central bank reserves to provide confidence and guard against capital flight, (ii) finance targeted buy-backs of domestic debt with high coupons that do not participate in the debt exchange, (iii) finance a Financial System Support Fund that would extend liquidity to the financial sector, and (iv) budgetary needs as determined under the IMF Program. The strong fiscal measures, the unprecedented multilateral support under the IMF Program aimed at ensuring macroeconomic stability and the importance of maintaining the significant reform agenda, all count in favor for Policy-Based Lending at this time. The Policy-Based Loans to be discussed are all in line with the 2008 update of the Country Strategy and will assist in fostering growth and managing public finances, while also protecting social spending and pursuing education reform. However, there are significant downside risks. External shocks (natural and economic), slippage in the fiscal measures and rises in interest rates could alter the debt dynamics and provoke renewed concerns regarding debt sustainability.

## **2. Competitiveness in Jamaica and Access to Finance.**

- 1.6 The Jamaican economy has been vulnerable to external shocks and the international financial crisis has hampered economic growth and macroeconomic stability. However, the long-term actions that were envisioned and agreed upon as components of the Policy Matrix have become more relevant to promote dynamic private sector led growth and to restore confidence. Several recent studies have described the problems that hinder competitiveness and growth in Jamaica.<sup>2</sup> Jamaica ranks 91 out of 133 countries in the Global Competitiveness Index according to the Global Competitiveness Report for 2009-2010. Among the factors that especially limit business' competitiveness are: (i) access to financing; (ii) tax regulation; (iii) tax rates; (iv) the cost of crime and violence to business; (v) the informal sector; (vi) inadequate supply of infrastructure; and (vii) burden of economic regulation. Other factors that affect the competitiveness of Jamaican companies are the macroeconomic environment and public institutions.

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<sup>2</sup> The Global Competitiveness Report 2008-2009 (World Economic Forum); the Road to Sustained Growth in Jamaica (World Bank) and Jamaica: A Private Sector Assessment Economic Research Institute 2006.

### **3. Program justification**

- 1.7 The Bank has been actively involved in promoting reforms to enable private sector led growth in Jamaica. The first of the three programmatic PBLs for the JCEP focused on defining a set of actions to be carried out in the way of Action Plans for several activities and in the promotion of a set of legal reforms to support access to finance and lower the costs of doing business. The GoJ has achieved all the Program technical objectives for the second operation as agreed in the Policy Matrix, despite the drawbacks and difficulties emanating from the external financial crisis and the critical fiscal conditions. In the case of lowering Stamp Duties and Transfer Taxes, the targets have been surpassed as the date for an additional reduction was brought forward from January 2010 to July 2009. Thus, the total reduction in Stamp Duties was from 5.5% to 4% and the Transfer Tax from 7.5% to 3%. Furthermore, important reforms of tax policy have been made in accordance with the recommendations of the Matalon Report and based on analysis supported by the Bank's technical assistance in 2005. Notable among these are the increase in motor vehicle taxes, the reform of the tax structure on tobacco products, and increases in motor licensing fees, among others.
- 1.8 Two tax policy reforms were not achieved at the initially agreed pace and are now slated for the third operation: (i) the harmonization of the Corporate Income Tax (CIT) and the Personal Income Tax (PIT); and (ii) the rationalization of labour taxes. The harmonization of CIT and PIT has been deferred due to the tight fiscal conditions that hinder the application of the reforms. Additional work is necessary to improve data collection and management regarding income taxes before making reforms and implementing a Tax Expenditure Report as a tool for decision-making. The rationalization of labour taxes that was announced as part of the tax reform package in the Minister's 2009 budget speech has also been delayed due to the need to forge a series of agreements with stakeholders, amend current regulations and reformulate the deduction and allocation formulas of these labour taxes. Both, the provisions for harmonization of CIT and PIT and for the rationalization of labour taxes, will be included as part of the triggers for the third operation, and will be discussed in light of the pending agreements between the GoJ and the IMF. As an interim measure, the MOFPS has submitted a document on the rationalization of Labour Taxes stating the actions to be taken.
- 1.9 In the area of tax administration, full compliance and implementation of the reforms has been crucial for improving efficiency in tax collection in a critical time where revenues have fallen due to economic conditions. Regarding Secured Transactions reform, the process of drafting the law has commenced, which represents more progress than initially agreed for the second PBL.
- 1.10 This operation will make a modest but useful contribution to Jamaica's projected external gross financing requirements of around 12% of GDP for FY2009/10, and is dimensioned primarily with a view to supporting the reforms that will be undertaken, consistent with the lending envelope and areas of priority in the Bank's Country Strategy with Jamaica. As noted in the Policy Letter the GoJ

favors the reforms proposed in this operation, and the reforms have also been widely discussed with both public and private stakeholders.

- 1.11 The Bank's country strategy for the 2006-2009 period, approved in August 2006 (GN-2422-1) and updated in November 2008 (GN-2422-3), recognizes the importance of a stable macroeconomic framework as the cornerstone for future growth. The private sector development component of the strategy identifies a process of public-private dialogue and several sector-level reforms (discussed below) as necessary to establish a propitious environment for policy reform to improve the business climate. The strategy specifies a PBL as the tool for addressing the key issues of private-sector development that were identified both in the "Country Strategy" and in the "Strategic Guidelines for Private Sector Development" approved by the Private Sector Committee of the Bank.
- 1.12 **Lessons Learned.** From the Bank's experience with the previous operation (JCEP I), the need to maintain a continuous technical dialogue with the different stakeholders stands out as important to support the GoJ in making informed decisions on relevant policies. In addition, the Project Team has taken into account the abrupt changes in the external conditions that have affected the implementation of some of the Program initiatives for reasons beyond the control of the Jamaican authorities.

#### **4. Problems addressed**

- 1.13 Based on analytical work and the dialogue between the country and the Bank, the most important issues that affect competitiveness in Jamaica are described below:

##### **a) Public-private dialogue**

- 1.14 Currently, Jamaica has several councils that engage in public-private sector dialogue on competitiveness issues. The "National Planning Summit" (NPS), hosted by the GoJ with participation from the major private sector and labor organizations, created an advisory board of nine senior public, private, and labor officials to address the recommendations emanating from the Summit. This advisory board is seen as a promising forum for continuing, effective public-private dialogue and action on competitiveness policy issues, and may be a means for unifying the different groups that have addressed these issues in the past. The "Partnership for Transformation" (PFT) was formed through the collaboration of the two major private sector organizations (PSOJ and JCC) as a result of their concerns over the current economic situation and the international financial crisis. The PFT Committee consists of representatives from the public and private sectors, Trade Unions, political parties, and civil society. Even though both the PFT and NPS forums are operating independently, they share the same technical secretariat that is chaired by the CEO of Jamaica Trade and Invest (JTI), and both forums are expected to merge over time. In addition, the Competitiveness Council that is headed by JTI will be coordinated with the PFT and NPS. In these forums,

stakeholders that represent environmental and social issues, such as governmental agencies and key local organizations, are invited to participate in the process.

**b) The tax and expenditure system**

- 1.15 **Tax policy.** Jamaica's corporate income tax framework is particularly distortionary and provides the wrong incentives to the private sector. Nominal rates of corporate income tax (CIT) are relatively high, but these are offset by tax incentives to preferred economic groups under 12 tax incentive acts. This distorts allocation decisions between sectors and activities and drives a wedge between private and social rates of return. Studies sponsored by the Bank<sup>3</sup> show that the Jamaican tax incentives provide a strong bias towards capital-intensive production technologies in a country where capital is scarce and labor is plentiful. The tax incentive structure also promotes debt financing at the expense of equity financing and can crowd out investments with a higher economic rate of return. The incentives also create numerous inequities, narrow the tax base, and result in a total "tax expenditure", i.e. tax revenue forgone, that has never been systematically calculated but is likely to be substantial<sup>4</sup>.
- 1.16 The complexity and discretionality of the tax system creates uncertainty and increases transaction costs. The Stamp Duties Act is complicated and open to broad interpretation. Ad valorem stamp duties impose high costs on many commercial transactions particularly in property transfers and registering security interests, increasing the cost of transactions by up to 20%. Complexity also reduces compliance and increases administrative costs. For instance, there are five payroll deductions, each separately administered and with separate rate and base structures. Two of these deductions are the contributions to the Human Employment and Resource Training (HEART) trust fund<sup>5</sup> and the Education Tax.
- 1.17 **Tax administration** in Jamaica needs to be enhanced. Full compliance with all the tax laws and regulations is an arduous and costly endeavor for businesses. For example, various taxes must be paid to separate agencies at different times during the month, documentation requirements of legitimate business expense deductions are complicated and even ambiguous, and reporting requirements are occasionally duplicated. This makes doing business very costly and time consuming.
- 1.18 **Government expenditure** reform is also needed to reduce high debt levels and deficits. The central budget has been required to support state-owned enterprises that need to be examined closely for both their net benefits to the economy and for the market distortions they may introduce.

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<sup>3</sup> Artana and Navajas (2004), "Fiscal Policy Challenges." IDB.

<sup>4</sup> The Program is supporting a consultancy to calculate these "tax expenditure" costs and enable the GoJ to prepare its own Tax Expenditure Budget.

<sup>5</sup> Established by the Human Employment and Resource Training Act of 1982.

**c) Access to finance and financial market development**

- 1.19 Access to finance by the private sector has been limited by the high ratio of public debt held by commercial banks, compared to their overall assets. This, coupled with the high costs of borrowings, has resulted in limited credit to the private sector of about 15% of GDP. In addition to these macroeconomic considerations, there are several sector-level constraints on businesses' access to financing, resulting in financial markets that inadequately support investment and entrepreneurship activities. The JCEP addresses three of these constraints.
- 1.20 **Secured transactions.** A strong legal and institutional framework for enhancing the security of loans, by pledging and rapidly foreclosing on moveable property assets, can decrease the risk of loss to banks and thereby broaden the universe of attractive credit applicants. Although the current Jamaican legal system allows for various forms of secured lending in Jamaica, each has some restrictions on the type of collateral, the type of debtor and the type of creditor and has different costs and procedures. Each option comes with its own set of rules for creating security, some of which are very extensive. In addition, some of the options are subject to the Stamp Duty Act and some are effectively only available to corporations, excluding individuals and smaller companies. Thus, a single and simple set of rules for creating security in movable property of any nature, that would allow any corporation or individual to give or take security in the form of movable property, would allow access to credit under much simpler and less costly circumstances to a broader spectrum of the population. Commercial banks exclude substantial classes of borrowers and financial instruments that are commonplace in other countries. The modernization of Jamaica's financial system involves reforming the framework for pledging collateral security for loans. As the linkage between these impediments and the underutilization of moveable property as collateral is poorly understood, the building of public awareness is an important first step in resolving this issue.
- 1.21 **Credit bureaus.** There is no formal system, such as would be provided by credit bureaus, for assessing credit applicants' payment histories and resulting likely creditworthiness. The absence of this information increases the transactions costs of providing credit for both the financial institution and the client. It particularly discourages lending to smaller enterprises and lower-income households due to the high relative cost of obtaining this information for small loans.
- 1.22 **M-banking.** Jamaica has favorable conditions for fostering the use of mobile devices for providing financial services to poor populations, particularly in remote areas. These include a high penetration of cell phones and a sophisticated banking network. Security issues, limited access to traditional financial services by the poor, and the need for money transfers between urban and rural areas lend further urgency to the use of electronic (cash-free) banking services. The recently approved Electronic Transactions Act provides the basic framework for the provisions of the service. Another key component, the legal provisions for a real time clearing system for financial transactions, is currently under legislative

review. Although m-banking in its broad definition is still not available in Jamaica, a number of players are getting actively involved in some form of mobile financial services. These first movers primarily come from the financial sector and use SMS notifications or reminders to communicate with their customers. These initiatives represent but a very limited attempt to leverage the full potential offered by mobile technologies. Regulatory gaps and restrictions have not yet enabled transformational m-banking offerings to emerge. In this regard, Jamaica's regulatory framework requires reform in order to provide an enabling environment for industry players to actively engage in m-banking.

**d) Land titling**

- 1.23 Weak land property rights and burdensome registration and titling procedures hinder private investment and the use of land as collateral for financing new businesses. The process for registering a parcel of land for which there is no registered title includes a cumbersome number of steps and the transactions costs of transfers are extremely high. Transfer taxes and stamp duties account for about 13% of the value of the transaction, and professional fees may amount to an additional 12%. These factors limit the development of real estate markets and the value of the assets, in particular those held by the poor, since they cannot be utilized for home improvement or as collateral for business endeavors.

**B. Objective, components and cost**

**1. Objectives**

- 1.24 The objective of this operation is, in continuation of the first programmatic operation, to support the GoJ in addressing key constraints to the competitiveness of Jamaica, by promoting implementation of reforms to reduce costs of doing business. The concrete activities supported by this loan are detailed below and are listed in the attached Policy Matrix (see Annex II). All commitments for disbursement of the second PBL have been met. (See [Means of Verification](#))

**2. Program structure**

- 1.25 In addition to the requirement for a macroeconomic framework congruent with the Program's objectives, the Program structure is divided into four reform areas: 1. Competitiveness Implementation Framework; 2. Tax Reform; 3. Improving Access to Finance and Financial Market Development, and 4. Reduction of Business Costs through Expedited Land Titling. The triggers for the third operation are shown in detail in the Policy Matrix (Annex II).

**C. Key Results Indicators and Progress on the Policy Matrix**

**1. Competitiveness implementation framework**

- 1.26 The JCEP's steering committee acted initially as the vehicle for discussion of the issues pertaining to the Program and a mapping exercise was carried out regarding

an analysis of all the existing public-private forums that address competitiveness in Jamaica. As noted above, two public-private forums, the National Planning Summit (NPS) and Partnership for Transformation (PfT) have been created and they are actively meeting to identify and develop solutions to problems affecting Jamaican productivity in general. A Technical Secretariat is fully operational and is providing technical expertise to both the PfT and NPS and their working groups. Administratively, the Secretariat is lodged in the offices of Jamaica Trade and Invest (JTI). Talks are underway to merge the NPS and PfT as the membership and issues of concern overlap substantially.

- 1.27 As a **condition for disbursement** of this second (single tranche) loan, the NPS is fully operational with a working agenda agreed by stakeholders, in coordination with PfT. The Technical Secretariat is fully operational providing expertise to the NPS and PfT working groups and progress in the agreed upon agenda has been made. As a trigger for the third operation, the NPS and the PfT will remain active, whether separately or merged, will be supported by a technical secretariat, progress in the agreed upon agenda will have taken place, and monitoring and supervision mechanisms will be in place.

## **2. Tax and expenditure reform**

- 1.28 This component will continue to support the GoJ in developing a tax system that is simple, efficient and fair and that encourages investment, risk taking, entrepreneurship and the development of asset markets. For this second operation, the main focus of tax reform will be on tax administration, in order to broaden the tax base and have a more efficient and transparent collection system.
- 1.29 **Reduction of distortions in the tax system.** The GoJ has made the progress in the agreed benchmarks of the Tax Reform Action Plan towards an efficient and fair tax system. Specifically, the following actions have been achieved: (i) the elimination of tax on dividends of shareholders of non-listed companies; (ii) the reduction of Stamp Duties from 5.5% to 4% and Transfer Taxes from 7.5% to 3%, a reduction significantly further than the agreed benchmarks in the action plan; (iii) an increase in the Special Consumption Tax on Petrol; (iv) the imposition of 33 1/3% tax on dividends earned by non-resident shareholders; (v) an increase in the special consumption tax (SCT) on cigarettes; and (vi) the restructuring and increase of SCT on alcoholic beverages. In addition, a series of important tax measures that were included in the Bank's dialogue agenda<sup>6</sup> have been taken, such as: (i) the reform of the General Consumption Tax (GCT) by reducing the number of exempt items; and (ii) the increase in the General Income Tax threshold.<sup>7</sup> A comprehensive tax expenditure report is in preparation and the recommendations for further improvement of tax administration and tax policy

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<sup>6</sup> The Actions were contemplated in the 2005 Mathalon Report that was based on a Technical Cooperation funded by the Bank and carried out by Georgia State University.

<sup>7</sup> The threshold was increased from JS 220,000 to J\$ 320,376 effective between July 09 – Dec 31 09.

have been incorporated as part of the conditionality for the third operation, while training for the GoJ officials on tax policy modeling has been carried out.

- 1.30 As a **condition for disbursement** of the second operation, the MOFPS has submitted evidence on the progress of the time-bound Action Plan agreed for the first operation for reduction of tax distortions including: (i) reduction of stamp duties and transfer taxes; (ii) elimination of tax on dividends of shareholders of non-listed companies; (iii) implementation of the additional tax measures; (iv) approval of the document “Rationalization of Payroll Taxes”; (v) preparation and diffusion of a tax expenditure study; and (vi) training on tax policy modeling. As a trigger for the third operation: (i) the GoJ will have achieved further progress in the implementation of the updated Action Plan, including steps toward the harmonization of Personal Income Tax and Corporate Income Tax and rationalization of labor taxes; (ii) the tax policy modeling will be in use, and (iii) implementation of the short term recommendations of the Tax Expenditure Report will be underway.
- 1.31 **Simplification of Tax Administration.** The GoJ has made progress on the Action Plan aimed at simplifying and lowering the cost of paying taxes. In this regard, the following has been accomplished: (i) the Electronic Drop Box has been implemented and is currently in operation; (ii) the E-payment portal is in operation and the existing software and hardware are upgraded; (iii) the Third Party Collection Project’s technical component is completed and the application has been tested; (iv) the implementation of the out/inbound call centre’s first phase was completed in April 2009; and (v) the taxpayer reminder service implementation is ongoing, the quality assurance testing is complete, the software application is implemented, and the service providers have been selected.
- 1.32 Further actions beyond those initially agreed in the Action Plan are being implemented with regards to: (i) improvement of Inland Revenue Efficiency; (ii) establishment of a Large Taxpayers Office; (iii) establishment of a Forensic Data Mining Intelligence Unit; (iv) improvement in collection procedures; and (v) establishment of enforcement teams including the High Intensity Teams (HIT) that pursue all moral suasion and legal channels to increase collections and the Special Enforcement Teams (SET) that take direct action to seize assets of tax evaders after all other measures have been exhausted.
- 1.33 As a **condition for disbursement** of this second loan, the GoJ has submitted evidence of compliance with benchmarks in the agreed and updated Action Plan to simplify the submission of tax returns, indicating the progress in the above mentioned areas, including the orders for: (i) implementation of an Electronic Drop Box, (ii) implementation of an E-payment kiosk (iii) implementation of a third party collection project; (iv) implementation of an out/inbound Call Centre; (v) implementation of a taxpayer reminder service; and (vi) additional measures regarding enhanced enforcement procedures. The third operation will be triggered by the implementation of further measures for reducing tax collection costs.

- 1.34 **Expenditure rationalization.** The GoJ has made substantial progress in the actions designed to reduce support for state owned enterprises: two sugar estates have been divested and the remaining ones are programmed for divestment before the end of the year. Significant progress in reduction of budgetary support for state owned enterprises has taken place, particularly in relation to Air Jamaica. Some of the budgetary reduction is a result of voluntary retirement, and in the case of the sugar industry, the EU is providing major support (J\$2.1 billion) for the GoJ to take over the social investment initiatives for which the Sugar Company was previously responsible in its area of influence. The EU Program includes social services, economic diversification, and environmental sustainability components.
- 1.35 As a **condition for disbursement**, the GoJ has presented evidence of progress in achieving benchmarks in the action plan for the rationalization of public enterprises by submitting evidence of reduction in budget support for at least one state-owned enterprise. For the third operation, budget support will be eliminated for at least one such enterprise.

### **3. Improving access to finance and financial market development**

- 1.36 **Secured transactions framework.** The consultations with Cabinet and private sector stakeholders that are part of the agreed benchmarks of the Action Plan have already taken place and a draft cabinet paper on Secured Transactions was submitted by the MF&PS to Cabinet, and approved. A team has been assembled to prepare the detailed drafting instructions needed for CPC to prepare the bill.
- 1.37 As a **condition for disbursement** of the second loan, the GoJ submitted evidence of progress in achieving the benchmarks in the agreed Action Plan, in particular the approval by Cabinet of the position paper and evidence of the several workshops carried out with stakeholders. For the third operation, measures for enabling and creating the central registry will be implemented and the draft legislation for secured transactions will be approved by Cabinet.
- 1.38 **Creation of credit bureaus.** The GoJ has progressed on the benchmarks in the agreed Action Plan as follows: (i) the draft Credit Reporting Legislation and associated draft regulations have been tabled in Parliament and referred to a Joint Select Committee. The Committee has discussed the Bill and reached agreement on amendments regarding crucial points such as the designated supervisory agency (now the Bank of Jamaica), the provision of voluntary reporting and the management of offshore information; (ii) the Bank of Jamaica has submitted an Action Plan and strategy for the supervision of Credit Bureaus, including: (a) Public Education Campaign, (b) establishing a specialized unit for the supervision of Credit Bureaus under the Financial Institutions Supervisory Division, (c) methodology for implementation of the licensing process, (d) on-going supervision plan, and (e) external due diligence.

- 1.39 As a **condition for disbursement** of the second loan, the MF&PS has shown evidence of progress in achieving benchmarks in the areas of: (i) a report of the Credit Reporting Legislation to Parliament by the Joint Select Committee; (ii) a time-bound action plan for enhancing capability for supervision of the Bank of Jamaica; and (iii) the assessment of provisions for voluntary reporting of credit histories to Credit Bureaus. The third operation will require the remaining benchmarks to be achieved; including the requirement that a fully functioning legal and institutional framework for supervision be in place, the Credit Reporting Bill is enacted and Bank of Jamaica has implemented the Action Plan for supervision of Credit Bureaus.
- 1.40 **Facilitating electronic transactions.** The Action Plan for implementation of the legal, regulatory and institutional framework for use of mobile devices for financial transactions has been finalized and discussions and workshops with stakeholders have been carried out and the draft regulations for the Electronic Transactions Act are finalized. The final document was submitted to the Office of the Chief Parliamentary Counsel (CPC) and the draft of the National Payment System Legislation has been prepared by the CPC and commented on by the MOFPS and Bank of Jamaica. The Financial Administration and Audit Act (FAA) is being amended to provide a legal definition of “electronic receipt” and thereby enable E-payments to be made. According to MOFPS lawyers, no additional regulations beyond this modification of the FAA are necessary. Once comments are received on the proposed amendments, the MOFPS will send a submission to Cabinet requesting the issue of drafting instructions to the CPC.
- 1.41 As a **condition for disbursement** of the second loan, (i) the Electronic Transactions Act (ETA) is in full force; (ii) drafting instructions for amendments to FAA regarding E-payments have been issued by Cabinet CPC; (iii) a draft National Payments System Act has been tabled in Cabinet; and (iv) the PIOJ has submitted an approved Action Plan for the implementation of legal, regulatory, and institutional framework for the use of mobile devices for financial transactions. For the third operation, the m-banking legal, regulatory and institutional framework will be fully implemented.

#### **4. Reduction of business costs through expedited land titling**

- 1.42 The Ministry of Agriculture has made progress in reducing Land Titling and Registration costs by declaring a new Parish (Clarendon) and part of the parishes of Saint Thomas, Saint Elizabeth, Manchester and Saint James to be Land Administration and Management Program (LAMP) areas under the Special Provision Act. Under the declaration of LAMP areas, the cost of registering a new title has been reduced by around 75% and time is reduced from seven weeks to two weeks for a typical parcel. The approval rate for titling applications under LAMP is around 88%, while the rate for those processed by the private bar is much lower, around 20-40%. In a recent development, LAMP titling has been made available to clients of the National Housing Trust and the PC Banks through

the “certificate of compliance” program. This program effectively extends the reach of LAMP to selected landowners all over the island.

- 1.43 In addition, the Ministry has been very active in titling properties, with 640 titles in 2008 and a target of 470 new titles for the period of September/December 2009. Also, the MoA has carried out base mapping activities and implemented thirteen Virtual Reference Stations (VRS) utilizing GPS technology thereby providing island-wide coverage. However, there are still bureaucratic and technological issues to be addressed in order to enable a substantial increase in the Land Titling process throughout the Island.
- 1.44 As a **condition prior to disbursement** of the second loan, the GoJ has approved and submitted evidence of progress in achieving the benchmarks of the time-bound Action Plan including targets for cost reductions in Land Titling. For the third operation, benchmarks regarding the compliance of the activities identified in the Action Plan will be achieved, including implementing actions to lower the cost of land registration, to increase the speed for land titling and to address regulatory bottlenecks.

#### **D. Key Results Indicators**

- 1.45 The key indicators are summarized as follows: at the level of program outputs, the key results indicators are the policy commitments made by the borrower with respect to each of the three PBLs and the evidence of successful compliance with these commitments. These reforms will be the key indicators of beneficial results from the program. (See [Result Matrix](#))
- 1.46 Broad understanding of the required reforms, acceptance by all stakeholders, and finally implementation of a reliable and low-cost legal and institutional framework for utilizing moveable property as collateral for loans is a further key results indicator of the Program. Currently, bank credit, particularly to small and medium enterprises, is constrained by several factors. However, a system of secured transactions based on moveable property, often the most prevalent form of property among SMEs, will serve to greatly improve the opportunities for businesses to obtain credit while at the same time reducing the risk to lenders of extending credit beyond their circle of established, well known, and typically larger borrowers. The creation of credit bureaus will substantially increase the ability of lenders to assess the creditworthiness of potential borrowers beyond their traditional clients while also lowering transactions costs of loan approval for both borrowers and lenders. Thus, Parliamentary approval of credit reporting legislation and the successful implementation of the regulatory framework for supervision of private credit bureaus will be a key results indicator.
- 1.47 By reducing the cost and time of the land titling and registration process, landowners, particularly those with smaller holdings, will be able to use their land as collateral for business endeavors and to make improvements in their property as a result of ownership. Also, several studies have shown that the land ownership

reduces crime in neighborhoods, which improves the business environment, and indirectly contributes to the competitiveness in Jamaica.

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing Instruments**

- 2.1 The operation will be funded by a PBL utilizing the programmatic modality. Financing for this second operation will utilize the Ordinary Capital resources of the Bank in the amount of US\$60 million in a single tranche.

### **B. Environmental**

- 2.2 In view of the nature of the measures and activities contemplated in this operation and their potential (though mostly indirect) environmental and social effects, no upstream analytical work will be required but the parallel technical support for the Program will include the relevant analytical work for specific activities. The Program is expected to have positive social impacts by fostering access of the poorer segments of the population to financial services and to productive endeavors via the mobile banking and improved land titling initiatives. According to the Environmental and Safeguard Compliance Policy (OP-703), this operation does not have an impact on the environment and does not require to be classified. In the areas regarding reducing support for state-owned enterprises, some of the budgetary reduction has been taking place as a result of voluntary retirement, and in the case of the sugar industry, a series of plans are being implemented in the affected regions whereby the GoJ is taking over the social investment initiatives for which the Sugar Company was previously responsible in its area of influence. In the area of Land Titling and Registration, the Bank is supporting the implementation of the Action Plan through Technical Cooperation Funds (Land Titling and Registration, JA-T1020) and in this area, the Bank is supporting dissemination and consultation activities so the poorer sectors of the population are aware of the LAMP program for titling and registration.

### **C. Other Key Issues and Risks**

- 2.3 The conditions for the disbursement of the second operation represent the continuation of a long-term commitment to important reforms to foster private sector development and to improve the business conditions of the small and medium firms. Although some conditions include the enactment of legislation, which is already advanced in the legislative process, other conditions involve the compliance with action plans that require further policy initiatives and further legislative drafting and enactment in the long run. Change over time in the policy priorities of the Government is a related risk. This risk is mitigated by the continuous public-private dialogue built into the design of the program that should foster continuity on key actions. The actions to be taken regarding tax reform and rationalization of public expenditures require political will and affect different interest groups. This risk is mitigated by the technical support that the

Bank has given to analyze the impact on different scenarios of tax reform and by the support through technical cooperation of the actions to rationalize state controlled enterprises.<sup>8</sup> In particular, some of the proposed tax reforms may have an effect on revenue collection under very tight fiscal conditions. In addition, the current information regarding income tax and tax incentives does not provide very clear insight on the possible effects of a reform. In this regard, the preparation of a tax expenditure report will provide information and recommendations on the improvement of information management that will be a basis for informed decision-making regarding tax reform. Also, some other tax measures such as the rationalization of labour taxes require careful analysis of the regulations of each fund and the implication of the proposed changes on the actual labour costs. The second of the proposed three-loan programmatic operation continues the long-term dialogue between the Bank and the country about competitiveness and private sector development issues.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

#### **A. Summary of Implementation Arrangements**

- 3.1 The Planning Institute of Jamaica (PIOJ), with support from the Ministry of Finance and Public Service (MOFPS), is responsible for implementing the Program. Other GoJ agencies involved in Program implementation are the Bank of Jamaica, the Ministry of Agriculture and Land (MAL), the National Land Agency (NLA) and the Office of the Prime Minister (OPM). Also, stakeholders from the private sector, such as the PSOJ, are involved in the Program. An operational steering committee, chaired by the PIOJ and with government, private and trade union agencies as members, has been established to monitor the Program.

#### **B. Summary of Arrangements for Monitoring Results**

- 3.2 The PIOJ is responsible for monitoring the results of the Program. The PIOJ reports to the Office of the Prime Minister and is in charge of coordinating development policy in Jamaica. The PIOJ has experience in coordinating multiple public and private and international development agencies to reach development goals and has experience in managing external cooperation programs. Also, the PIOJ has had prior experience with the Bank in designing, coordinating and executing investment loans and programmatic operations, including the first PBL for the JCEP.

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<sup>8</sup> Land Titling and Registration (JA-T1020) is supporting the diagnostic and implementation of the Action Plan for Land Titling, as well as its implementation. The enabling environment for m-banking is being supported by (JA-T1021); Financial Services through Mobile Devices, and the BCI supported the position paper and the stakeholder's consultations on Secured Transactions. The divestiture of Air Jamaica is supported by the Strategy for the Divestiture of Air Jamaica (JA-L1037)

### Development Effectiveness Matrix Summary

Indicator	Score	Maximum Score
<b>I. Strategic Relevance</b>	<b>Low-High</b>	
<b>1. IDB Strategic Development Objectives</b>	<b>2.2</b>	<b>10</b>
Country Diversification	2.2	2
Corporate Initiatives	0.0	2.5
Harmonization and Alignment	0.0	3.5
Beneficiary Target Population	0.0	2
<b>2. Country Strategy Development Objectives</b>	<b>7.6</b>	<b>10</b>
Country Strategy Sector Diagnosis	6.0	6
Country Strategy sector objective & indicator	1.6	4
<b>II. Development Outcomes - Evaluability</b>	<b>Partial Satisfactory</b>	
<b>3. Evidence-based Assessment &amp; Solution</b>	<b>7.6</b>	<b>10</b>
<b>4. Evaluation &amp; Monitoring Plan</b>	<b>4.1</b>	<b>10</b>
<b>5. Cost-Benefit or Cost-Effectiveness</b>	<b>0.0</b>	<b>10</b>
<b>6. Risks &amp; Mitigation Monitoring Matrix</b>	<b>7.5</b>	<b>10</b>
<b>III. IDB's Role - Additionality</b>		
<b>7. Additionality</b>	<b>10.0</b>	<b>10</b>
Technical assistance provided prior to 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	3.0	3

**I. Strategic Relevance:** This operation is being executed in Jamaica, considered a Group C country, through the "policy-based loan" instrument. Its objective is not consistent with the Bank's current corporate initiatives (water and sanitation, infrastructure, energy and climate change, education and innovation, or opportunities for the majority). Moreover, country systems for financial administration, procurement, monitoring and evaluation, or environmental management will not be used. The project presents a diagnostic assessment with the sector's development needs that is based on empirical evidence and is consistent with the country strategy.

**II. Evaluability:** The project is clear in terms of its objectives, and the intervention logic is sound. Empirical evidence is provided regarding the magnitude of the problem, together with metrics for monitoring and evaluating the expected outcomes. The program has established mechanisms for monitoring the expected outcomes. A reflexive evaluation (before and after) will be applied to measure program outcomes upon completion. There is no specific evaluation plan with the main activities to be carried out (including data collection) and the persons responsible for each of them. Moreover, there has been no cost-benefit or cost-effectiveness analysis of the project.

The project does not require classification. The main environmental and social risks have been identified, as have the required mitigation measures. No baselines or targets are presented that would make it possible to follow up on implementation of those mitigation measures.

**III. Additionality:** The following technical cooperation operations support the design and execution of the project: Land Titling and Registration (JA-T1020), Enabling Environment for m-banking (JA-T1021), and Strategy for the Divestiture of Air Jamaica (JA-T1037). This project expects to help improve the executing agency's labor performance and management.

## POLICY MATRIX

Objectives	Commitments for first operation (2008)	Commitments for second operation	Triggers for third operation
<b>I. Macroeconomic Sustainability</b>			
To support and facilitate the implementation of the Program.	✓ Maintenance of an appropriate macroeconomic policy framework is congruent with the program's objectives.	✓ Maintenance of an appropriate macroeconomic policy framework	✓ Maintenance of an appropriate macroeconomic policy framework.
<b>II. Competitiveness Implementation Framework</b>			
To promote a sustainable forum for public-private dialogue to improve competitiveness.	✓ A Public – Private – Trade Union Steering Committee with representation of government, private sector & trade unions officials to monitor the program is operating.	✓ Public - Private - Trade Union Forum created. ✓ Technical Secretariat to Forum created and providing support to Forum. ✓ Agenda to Promote Competitiveness agreed by Forum.	✓ Forum holding regular meetings. ✓ The priority activities for the second year of the Competitiveness Agenda have been carried out.
<b>III. Tax and Expenditure Reform</b>			
A. Reduce distortions in the current tax systems.	✓ Time bound Action Plan approved by the Ministry of Finance and Public Service (MoF&PS) for reduction of distortions, including as a minimum: <ul style="list-style-type: none"> <li>• A legislative agenda for tax reform, including:               <ul style="list-style-type: none"> <li>○ Reform of Stamp Duties and CIT rationalization.</li> <li>○ Rationalization of labor taxes.</li> </ul> </li> <li>• TORs for Study on tax expenditure.</li> <li>• Training of key government officials in tax policy modeling.</li> </ul>	✓ Tax reform interim benchmarks achieved, including but not limited to: <ul style="list-style-type: none"> <li>• Reform of Stamp Duties and implementation of tax measures aimed at improving revenue collection</li> <li>• Document on rationalization of labor taxes approved by the MoF&amp;PS.</li> </ul> ✓ Preparation and dissemination of tax expenditure report. ✓ Training on tax modeling for government officials.	✓ Satisfactory progress in implementing legislative initiatives to reduce distortions in tax system, including but not limited to: <ul style="list-style-type: none"> <li>• Reform of Stamp Duties and CIT rationalization.</li> <li>• Rationalization of labor taxes.</li> </ul> ✓ Tax policy modeling being utilized.

Objectives	Commitments for first operation (2008)	Commitments for second operation	Triggers for third operation
B. Simplification of tax administration.	<ul style="list-style-type: none"> <li>✓ MoF&amp;PS implementation of initiatives to improve taxpayer services, including 'easy payment' facilities, and 'out-bound call centre.'</li> <li>✓ Time bound Action Plan approved by MoF&amp;PS to simplify and facilitate the submission of tax returns.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Interim tax collection simplification benchmarks achieved.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Remaining tax collection simplification benchmarks achieved including but not limited to: <ul style="list-style-type: none"> <li>• .Adjustments in the implementation of the Electronic Drop Box to pick up official receipts.</li> <li>• Operation of e-payment kiosks.</li> <li>• Broadening of the application of the third party collection project.</li> <li>• Risk Analysis of the forensic data mining intelligence in operation.</li> </ul> </li> </ul>
C. Expenditure Rationalization.	<ul style="list-style-type: none"> <li>✓ Action Plan Approved by the MoF&amp;PS for the rationalization of public enterprises with a view to reduce government support for these entities.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Reduction of government budget support for at least one state-controlled enterprise.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Elimination of government budget support for at least one state-controlled enterprise.</li> </ul>
<b>IV. Improving Access to Finance and Financial Market Development</b>			
A. Reform of the secured transactions framework.	<ul style="list-style-type: none"> <li>✓ Time bound Action Plan approved by the MoF&amp;PS for consultation with private sector stakeholders and submission to Cabinet to build consensus on legislative and regulatory reforms needed to enable secured transactions framework and creation of central registry of pledged assets.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Interim secured transaction benchmarks achieved in building consensus on legislative reforms to enable secured transactions framework and creation of central registry of pledged assets.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Remaining secured transactions benchmarks achieved, in building consensus on legislative reforms to enable secured transactions framework and creation of central registry of pledged assets., including but not limited to: <ul style="list-style-type: none"> <li>• Draft legislation for secured transactions approved by Cabinet.</li> <li>• Business Plan for Central Registry of Pledged Assets approved.</li> </ul> </li> </ul>

Objectives	Commitments for first operation (2008)	Commitments for second operation	Triggers for third operation
B. Creation of Credit Bureaus.	<ul style="list-style-type: none"> <li>✓ Submission to Cabinet by the Minister of Finance and the Public Service of currently proposed credit reporting legislation.</li> <li>✓ Time bound action plan approved by the MOF&amp;PS for implementation including regulation and the establishment of an institutional framework for supervision.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Interim benchmarks achieved including, but not limited to: <ul style="list-style-type: none"> <li>- Bank of Jamaica capability to supervise credit bureaus is enhanced.</li> <li>- Assessment completed of provision for voluntary reporting of credit histories to Credit Bureaus.</li> <li>- Joint select Committee Agreement of the Credit Report Bill reached and Bill reported back to full Parliament for final vote.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Remaining benchmarks achieved for a fully functioning framework for the regulation and supervision of credit bureaus. <ul style="list-style-type: none"> <li>• Credit Reporting Bill enacted.</li> <li>• Bank of Jamaica has implemented the Action Plan for supervision of Credit Bureaus</li> </ul> </li> </ul>
C. Facilitating Electronic Transactions.	<ul style="list-style-type: none"> <li>✓ New Electronic Transactions Act enacted.</li> <li>✓ Minister of Finance submission to Cabinet of a legislative proposal for a National Payments System.</li> <li>✓ Draft e-payment regulations completed and consultations done.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Approval by the Financial Secretary of the Ministry of MoF&amp;PS of a time bound action plan for implementation of legal, regulatory and institutional framework for use of mobile devices for financial transactions.</li> <li>✓ Electronic Transactions Act fully in force, including enacting regulations.</li> <li>✓ Submission to Cabinet by the CPC of National Payments System legislation.</li> <li>✓ Drafting instructions for amendments to FAA regarding E-payments by Cabinet to CPC.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Benchmarks achieved for full implementation of legal, regulatory and institutional framework for use of mobile devices for financial transaction, including but not limited to: <ul style="list-style-type: none"> <li>• Consultation with stakeholders</li> <li>• Elaboration of appropriate policy framework</li> </ul> </li> <li>✓ National Payment System in effect.</li> <li>✓ E-payment Regulations in effect.</li> </ul>
<b>V. Reduction of business costs through expedited land titling</b>			
Strengthening land property rights	<ul style="list-style-type: none"> <li>✓ Time bound Action Plan approved by the Ministry of Agriculture to: <ul style="list-style-type: none"> <li>• Allow low-cost registration and titling of currently informal land holdings.</li> <li>• Reduce fees, commissions and duties for land transactions.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Interim benchmarks achieved to strengthen land property rights, including but not limited to: <ul style="list-style-type: none"> <li>• Actions for reducing registration and land titling costs.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Remaining land property rights benchmarks achieved, including but not limited to: <ul style="list-style-type: none"> <li>• Actions for reducing registration and land titling costs.</li> <li>• Reductions in fees, commissions and duties for land transactions by 5% compared to 2008 baseline.</li> </ul> </li> </ul>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/10

Jamaica. Loan \_\_\_\_/OC-JA to Jamaica  
Competitiveness Enhancement 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 the Government of Jamaica, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Competitiveness Enhancement Programme II. Such financing will be for an amount of up to US\$60,000,000 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.

(Approved on \_\_ \_\_\_\_ 2010)

LEG/SGO/JA-2253576-10  
JA-L1010