

**Jamaica: Competitiveness Enhancement Program  
(JA-L1001)  
Project Concept Document  
CRG Minutes  
March 20, 2007**

**I. PARTICIPANTS**

- 1.1 **Invitees:** A. Ritchie, RE3/MGR; C. Gómez-Fabling, RE3/DEP; S. Sagari, RE1/FI1; M. Antinori, RE2/FI2; M. Woscoboinik, MIF; K. Hewlett-Jobes, MIF; E. Lora, RES; L. Profeta, LEG/OPR; D. Curtea, RE3/OD6; O. Spencer, COF/CJA; G. Johnson, Representative COF/CJA; A. Richards, COF/CJA; A. Vives, SDS/PEF; E. Londero, RE3/RE3; R. Hernández, RE3/RE3; P. Adam, RE3/RE3; F. Jaramillo, RE3/RE3; J. Feinsilver, RE3/OD6; D. Martin, RE3/OD6; M. Stabile, DEV/PLN; C. Gaskin-Reyes, DEV/DEV; P. Kalil, INT/TTD; F. Nieder, RE3/FI3; K. Focke, RE3/FI3; H. Howell, Consultant; and P. Holden, Consultant.
- 1.2 **Participants:** K. Focke, Chief (RE3/FI3) presided the CRG. G. Johnson, (COF/CJA); A. Richards, (COF/CJA); O. Spencer, (COF/CJA); and F. Williams, (COF/CJA), were present via videoconference. From the Headquarters, the following officials were present: D. Martin (RE3/OD6); J. Feinsilver, (RE3/OD6); L. Profeta, (LEG/OPR); B. Buchsbaum, (LEG/OPR); E. Londero, (RE3/RE3); Peter Kalil, (INT/TTD); Anneke Jansen, (INT/TTD); Hunt Howell, consultant; C. Stevenson, (RE3/FI3); and Frank Nieder, (RE3/FI3) who acted as Secretary of the CRG.
- 1.3 **Written Comments:** F. Jaramillo (RE3/RE3), RE1/FI1, and DEV/DMP sent written comments before the CRG session.

**II. ISSUES DISCUSSED**

- 2.1 **Political Sustainability of Program.** The team explained that the conditionality of the program was developed through extensive discussions with both the private and public sector, and that there was a broad consensus regarding the importance of their implementation. This includes repeated discussions with the opposition party, which also has voiced their support for the implementation of the proposed measures.
- 2.2 **Timing of the Operation.** Concerns were raised whether the proposed timing of the program for the third quarter of 2007 might be too early given that national elections could take place in October, and as such the new government might not support the program. Also an earlier disbursement could provide funds for increased expenditure during the run-up to the election. The team explained that, as noted above, both the current government and the opposition fully support the program, that most of the increase in public sector deficits in 2007 are due to decreased revenues, not increased expenditures, and that the most likely disbursement of the program would be after the October elections.

- 2.3 **Modality of the Program.** The team was asked to include a clearer justification of the programmatic modality, and in this regard, also include a justification for the amount of the loan.
- 2.4 **Macroeconomic Situation.** The CRG discussed that the difficult macroeconomic environment and risks for instability could affect the effectiveness of the program in meeting its objectives. Given Jamaica's history and ongoing macroeconomic vulnerability, it was recommended that the macroeconomic section be expanded, particularly in relation to the fiscal deficit and the reasons for its recent growth. In addition, the country's current relationship with the IMF should be included.
- 2.5 **Macroeconomic Conditions.** Given the absence of an IMF program or enhanced surveillance, the CRG raised the possibility of including macroeconomic targets in the PBL matrix. The team regarded this as unnecessary because Management would decide, on the basis of a macroeconomic assessment, whether the macroeconomic framework met a threshold level prior to submitting each operation to the Board. In addition, macroeconomic conditionality, even if only indicative targets, would distract attention from sector conditions. Moreover, any suggestion of macroeconomic targets would likely be received badly by the Government, which has staked substantial political capital in the achievement of freeing itself from IMF macroeconomic conditionality. Nevertheless, it was recommended that the team consider the issue and discuss it with the Regional Economic Advisor.
- 2.6 **Conditionality.** The CRG asked the team to clarify the conditions of the program. This was especially important for conditions referring to tax reform. In addition, it was agreed that an expert on taxes from INT would join the program.
- 2.7 **Structure of the Document.** The team was asked to restructure the document so that it focuses more on the conceptual framework and rationale of the overall program, but in the description of specific measures (conditions) focus only on the first loan.

### III. RECOMMENDATIONS

- 3.1 The CRG recommended the team to incorporate the suggested changes and to distribute the document to the Loan Committee.



Kurt Focke, RE3/FI3  
President



Frank Nieder, RE3/FI3  
Secretary



Gerard Johnson  
Representative COF/CJA

## MINUTE OF THE COMMITTEE ON ENVIRONMENT AND SOCIAL IMPACT (CESI)<sup>1</sup>

Meeting CESI 13-07, April 6, 2007

### **JA-L1001 – Competitiveness Enhancement Program Review of the PCD**

1. **Type of assessment required:** None
2. **Next action:** To send to CESI the Project Report for verification.
3. **Agreements reached:**

CESI recommends to ensure that the Action Plan referred to in Paragraph 3.28 and the proposed policy matrix include, as part of the strategy, an analysis of the environmental and social impacts of the proposed reforms (particularly, those pertaining to titling). This will be included in the Project Report.

The Project Team will put a reference in the action plan for the tax reform in order to include measures to minimize incentives that promote unsustainable development practices. This will be included in the Project Report, as well.

Approved \_\_\_\_\_ Janine Ferretti, Chair, SDS/ENV

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<sup>1</sup>We invite project teams to consult the new Environmental and Safeguards Compliance Policy which entered into force on 19 July, 2006. [http://www.iadb.org/sds/env/site\\_5512\\_e.htm](http://www.iadb.org/sds/env/site_5512_e.htm)

## JAMAICA

### I. PROJECT CONCEPT DOCUMENT

JUNE 14, 2007

**Project name:** Competitiveness Enhancement Program

**Project number:** JA -L1001

**Division Chief:** Kurt Focke

**Project team:** Leader: Claudia Stevenson (RE3/FI3); other members: Frank Nieder (RE3/FI3), Dougal Martin (RE3/OD6), Kathryn Hewlett-Jobes (MIF), Luis Vilella (INT), / Audrey Richards (COF/CJA), Bernadette Buchsman (LEG), Hunt Howell, Paul Holden (consultants), and Martin Fasciolo and Paola Roos (RE3/FI3).

**Date Outline:** July 27, 2006

**Borrower:** Jamaica

**Executing agency:** Ministry of Finance and Planning

<b>Operation</b>	Programmatic Modality			
		<b>First Operation</b>	<b>Second Operation</b>	<b>Third Operation</b>
<b>Financing plan:</b>	IDB: OC	US\$30,000.000	US\$30,000.000	US\$30,000.000
	Co-financing:	0	0	0
	Local:	0	0	0
	Total:	US\$30,000.000	US\$30,000.000	US\$30,000.000
<b>Tentative dates:</b>	PCD to Loan Committee			April 2007
	Loan Document to LC			July 2007
	Loan Proposal to Board			November 2007

**PTI:** NO

**SEQ:** NO

## II. FRAME OF REFERENCE

### A. Introduction

- 2.1 In June 2006 the Bank's Private Sector Committee approved the report "Jamaica Strategic Guidelines for Private Sector Development" (PS-167-1). In preparation for this report, RE3 carried out a Private Sector Assessment in 2005 that identified, discussed and validated the main obstacles that hinder private sector growth. The Jamaica Private Sector Development Strategy guidelines (JPSDS) proposed a set of actions to be carried with the support and coordination of the different Bank units. The JPSDS guidelines included a Policy Based Loan to provide a framework for policy dialogue and consensus building between the public and private sector on the measures to improve competitiveness.
- 2.2 As a result of the dialogue held between the Bank and the private and public stakeholders, the GoJ requested Bank support for improving competitiveness by means of a sequence of three policy-based loans under the programmatic modality. The programmatic approach will support the long-term commitment of the GoJ in making key reforms that are complex, require a sequence of actions for implementation and that are a result of a broader dialogue between stakeholders. This operation will serve as a catalytic role to encourage greater understanding and consensus between the different stakeholders on issues related to competitiveness. Since the new government elections have to be called before October, the long-term actions for improving competitiveness require stability to be implemented. In this regard, both the current administration as well as the opposition favors the proposed reforms in this operation, and the reforms have been widely discussed and agreed upon with both public and private stakeholders.

### B. Macroeconomic Assessment<sup>1</sup>

- 2.3 **Imbalances and debt.** Jamaica has struggled with macroeconomic imbalances since the early 1970s, when rapidly growing public expenditures resulted in significant fiscal deficits between 1975 and 1985 and the accumulation of a large stock of public debt. The resolution of a financial crisis in the late 1990s exacerbated the situation by adding another roughly 40 percent of GDP to the debt stock. Since 1999, the government has run large primary surpluses in order to avoid unsustainable debt dynamics<sup>2</sup>. Since 1996 the government has applied tight monetary and exchange rate policies in order to reduce inflation. These policies have successfully reduced inflation to single digits but at the cost of high interest rates and a significant appreciation of the exchange rate during the 1990s.
- 2.4 Public debt peaked at 143.9 percent of GDP in March 2003 and has since declined to 130 percent by March 2007. This improvement stemmed from exchange rate effects, an acceleration of economic growth, and higher primary

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<sup>1</sup> A draft independent macroeconomic assessment has been prepared to accompany this program.

<sup>2</sup> Much of the fiscal adjustment took place in capital expenditures. By contrast, expenditures on wage and salaries have remained at significantly higher levels than during the early 1990s

surpluses/reduced fiscal deficits since 2003. The fiscal deficit has declined from 8.4 percent of GDP in 2002/03 to 3.3 percent in 2005/06. However, in 2006/07 the fiscal deficit widened to 6.6 percent of GDP, due both to revenue weakness and an overrun in current expenditures. 2.4. the high level of debt impedes macroeconomic management, creates vulnerability to shocks, and poses risk to macroeconomic sustainability. The debt is subject to rollover risk (12-17 percent of debt), exchange rate risk (52 percent) and interest rate risk (32 percent). In addition, interest payments on the debt amount to roughly 14 percent of GDP and 40 percent of the government's budget.

- 2.5 **Access to private capital markets.** The above notwithstanding, Jamaica has developed increasingly good access to private capital markets. Spreads on Jamaica's international bonds have fallen to less than 300 basis points over US Treasuries and maturities have lengthened. In March 2007, Jamaica issued a 32-year bond. Standard and Poor's give Jamaica a "B" rating. Private capital markets will be the principal funding source for Jamaica's projected gross financing need of US\$2.4 billion for FY2007/08, although the proposed program of US\$30 million would contribute to that also.
- 2.6 **IMF relations.** Since the 1960s, Jamaica has had nine stand-by arrangements and four extended arrangements with the International Monetary Fund (IMF). The last EFF expired in March 1996. From July 2000 until March 2003, Jamaica had a staff-monitored program (SMP) and since 2005 the IMF has provided "Intensified Surveillance" of the government's policies, producing one or two interim reports between each annual Article IV consultation. The IMF visited Jamaica in February 2007 to prepare the Staff Report for the 2007 Article IV Consultation, which was discussed by the Executive Board on April 30<sup>th</sup>, 2007. The Staff Report pointed to remarkably strong recent performance: growth at its highest in a decade, inflation declining to 6 percent, and external reserves at an all time high. Nevertheless, the IMF underlined that the positive overall macroeconomic picture had been marred by the failure to meet the 2006/07-budget deficit target. The IMF noted that Jamaica's debt remains sensitive to exchange rate and interest rate changes and that the economy remains vulnerable to adverse shocks<sup>3</sup>.
- 2.7 **Long-term growth.** Since the early 1970s Jamaica has experienced low long-term economic growth. Between 1970 and 2005 the economy grew by an annual average of 0.9 percent and per capita income fell by a cumulative 5 percent in real terms. In recent years, low long-term growth has appeared to be related more to issues with the quality of investment than with the quantity. Between 2000 and 2005, investment averaged 30 percent of GDP, but economic growth was a mere 1.5 percent per annum. IDB studies attributed the problems in the quality of investment to distortions in the allocation of resources, especially those caused by

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<sup>3</sup> / The IMF's public debt sustainability analysis projects the debt-to-GDP ratio shrinking under all scenarios except that of a large one-time real depreciation of the exchange rate

the tax system<sup>4</sup>. A recent IMF study also concluded that growth had been reduced by the allocation of investment to less productive areas but attributed this to the high level of public debt and associated macroeconomic uncertainty.

- 2.8 Long-term development of the goods producing industries has also been affected by an appreciation in the real effective exchange rate of more than 35 percent from 1990 to 2001<sup>5</sup> in conjunction with an erosion of trade preferences. Output and employment in the export and import-competing sectors, especially agriculture and manufacturing, have atrophied as a result. The economy has become more dependent on service sectors (which now account for 62 percent of GDP) and more dependent on the two principal exports -- tourism and bauxite and alumina. In addition, while the formal economy stagnated in the 1990s, the informal economy grew rapidly until it was equivalent to 43 percent of formal GDP by 2001<sup>6</sup>.
- 2.9 In the last two years, economic growth has gradually accelerated. Significant foreign direct investment is taking place in the bauxite and tourism industries. In the latter, more than US\$800 million in investment is expected over the medium term. This investment has stimulated construction, and agriculture is recovering from adverse weather shocks in recent years. However, faster, broader and sustained economic growth will be critical for raising living standards and further reducing poverty. Accelerating growth depends on private sector development, which in turn requires a supportive macroeconomic context, a sound incentive framework and a facilitative business environment

### **C. Assessment of Jamaica's Competitiveness Position and Private Sector Development.**

- 2.10 Several recent studies have described the problems that hinder competitiveness and growth<sup>7</sup> in Jamaica. Jamaica rank 60 out of 125 countries in the Global Competitiveness Index according to the Global Competitiveness Report for 2006-2007. Among the factors that especially limit business' competitiveness are: (i) access to financing; (ii) tax regulation; (iii) tax rates; (iv) business cost of crime and violence; (v) informal sector; (vi) inadequate supply of infrastructure; and (vii) burden of economic regulation. Other factors that affect the competitiveness of the Jamaican companies are the indices related to macroeconomic environment and public institutions.

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<sup>4</sup> The Private Sector Assessment and Artana and Navajas (2004). An IMF study also concluded that the high investment-low growth paradox was partly but not totally explained by statistical mismeasurement (IMF Working Paper ED/861235, *Public Debt and Productivity, the Difficult Quest for Growth*).

<sup>5</sup> IMF Working Paper ED/861235, *Public Debt and Productivity: the Difficult Quest for Growth in Jamaica*.

<sup>6</sup> IDB "The Informal Sector in Jamaica", December 2006 [RE3-06-010], Washington D.C.

<sup>7</sup> / The *Global Competitiveness Report* 2005-2006 (World Economic Forum); *The Road to Sustained Growth in Jamaica* (World Bank) and *Jamaica: A Private Sector Assessment* ERI 2006.



- 2.11 The Bank-sponsored *Private Sector Assessment*<sup>8</sup> identified the following aspects that hinder private sector development in Jamaica: (i) over-involvement of the state in the economy; (ii) distortions due to incentives and inequitable tax systems; (iii) underdevelopment of financial markets; (iv) costly and cumbersome processes for land registration; (v) excess of regulation and procedures; (vi) inefficient legal system; and (vii) inadequate infrastructure. The PSA concluded that Jamaica's business environment generates high transactions costs and that the current incentives facing investors and entrepreneurs are not conducive to promoting a high growth environment and vibrant entrepreneurship. Based on the analytical work and the dialogue with the Bank, the most important issues that affect competitiveness at the firm level in Jamaica are described below:
- 2.12 **The Tax System.** A best practice tax system should cause minimal distortion in the allocation of resources, be equitable, and be simple and easy to administer and to comply with. Jamaica's tax system is distortionary, contains many inequities and is overly complicated. In addition, the tax base is too narrow.
- 2.13 Jamaica's corporate income tax framework is particularly distortionary. Nominal rates of company tax are relatively high but offset by tax incentives to preferred sectors under 12 incentive acts. This distorts allocative decisions between sectors and activities and drives a wedge between the private and social rates of return. Recent studies sponsored by the Bank<sup>9</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 crowds out investments with a higher economic rate of return. The incentives also create numerous inequities and narrow the tax base.
- 2.14 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 costs of transactions by up to 20 percent. Complexity also increases compliance and administrative costs. For instance, there are five payroll taxes, with separate administrations and separate rate and base structures<sup>10</sup>.
- 2.15 **Access to Financing.** Access to finance by the private sector has been limited by the high ratio of public debt held by commercial banks, compared to their deposits. This crowds out private sector access to commercial bank credit and results in high lending interest rates. Financial markets are underdeveloped and do not support investment and entrepreneurship effectively, and there is no system for assessing credit applicants' probable repayment performance, making access

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<sup>8</sup> Jamaica: *A Private Sector Assessment* ERI. 2006

<sup>9</sup> Artana and Navajas (2004), "Fiscal Policy Challenge", IDB

<sup>10</sup> Two of these, HEART and the Education Tax, are simply additional income taxes

to credit cumbersome and costly<sup>11</sup>. Creating a legal and institutional framework for pledging and rapidly foreclosing on moveable property assets will broaden the universe of attractive applicants for bank loans.

- 2.16 Jamaica has favorable conditions for fostering the use of mobile devices (e-banking) for financial services to poor populations, in particular those in remote areas. These include a high level of use of cell phones and a sophisticated banking network. A high crime rate, limited access to traditional financial services by the poor, and money transfers between urban and rural areas lend further urgency to the use of electronic (cash free) banking services.
- 2.17 Weak land property rights and burdensome registration and titling procedures hinder private investment and the use of land as collateral for financing new businesses. Jamaica has a Torrens<sup>12</sup> system for land registration. 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 property transfers are extremely high. Transfer taxes and stamp duties account for about 13 per cent of the value of the transaction, and professional fees may amount to an additional 12 percent. These factors limit the development of real state markets and the value of the assets, in particular those held by the poor, since they cannot be utilized for home improvement or as a collateral for business endeavors.
- 2.18 **Excessive Regulation and a preponderance of informality.** The procedures for business registration in Jamaica substantially increase transaction costs, from the fees for registration of companies to the procedures required<sup>13</sup>. Business licensing has been identified as a key obstacle that raises transaction costs<sup>14</sup>. The Jamaican government relies on heavy intervention and control over the economy, and the legal framework for business transactions is outdated and costly. The high transaction costs of the legal system put it beyond reach of small businesses and weaken the incentives for business to be formal. In addition, most of the transactions with the government are still paper-based. However, the GoJ is currently working to facilitate the use of electronic transactions.
- 2.19 **Inadequate Supply of Infrastructure.** Even though Jamaica has a relatively adequate stock of economic infrastructure in terms of a main road network, airport and port facilities, the lack of fiscal resources prevents expansion in key areas and limits funding for adequate maintenance. Furthermore, major improvements in the operations of airport and port facilities could be achieved, with the participation of the private sector<sup>15</sup>. New investments in roads are being

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<sup>11</sup> One of the main obstacles for a cost-effective functioning of a credit bureau is the current privacy provision of the Banking Act, which limits the coverage volume of the information that is needed to make it fully useful and commercially viable.

<sup>12</sup> Under this system, the Government guarantees the accuracy of a land title.

<sup>13</sup> / ERI 2005.

<sup>14</sup> / *Doing Business Survey*, World Bank 2006.

<sup>15</sup> / A Seminar on PPP was sponsored by the Bank in January 2006 and these issues were discussed with relevant actors.

considered in the form of Public–Private Partnerships (PPP) since the results of some of the ongoing initiatives have shown quality improvements and efficiencies in construction time. The contingent liabilities of PPPs ought to be considered.

- 2.20 **Business Cost of Crime and Violence.** Jamaica has one of the highest crime rates in the world, (33 per 100,000 inhabitants per year). The high levels of crime imply higher costs of doing business because of the need to undertake protective measures and invest in multiple forms of security. It also implies loss of output because of reduced hours of operation, loss of workdays arising from outbreaks of violence and businesses losses arising from looting, theft and fraud. It also erodes the development of human capital since it induces migration and reduced the quality of life for the population, discouraging investment.
- 2.21 **Lack of an appropriate forum for Public – Private Dialogue.** Currently, Jamaica has several councils that tackle the public - private sector dialogue in respect to competitiveness<sup>16</sup>. The proliferation of forums of different degree and scope hinder the developing of strong consensus between the public and private sector on the relevant policy issues regarding competitiveness.
- 2.22 **Skill shortages and migration of skilled workers.** Of the 125 countries surveyed by the World Economic Forum, Jamaica ranks 94<sup>th</sup> on the “brain drain” measure and 88<sup>th</sup> on the “availability of scientists” measure<sup>17</sup>. Moreover, 85% of high-skilled labor emigrates from the island.

#### **D. Country Competitiveness Strategy**

- 2.23 In spite of favorable conditions for high growth, such as endowment of natural resources, strategic geographic position and a well-educated labor force, as well as high levels of investment over the last decade, the country has experienced persistent low growth for thirty years, thus the efficiency of investment is very low. Since accelerating growth depends on private sector development, which in turn requires a supportive macroeconomic context, a sound incentives framework and appropriate business environment, the GoJ is currently implementing a series of measures aimed at enhancing growth and improving competitiveness in Jamaica. The measures that the GoJ is executing include: improving the financial system thorough legislative and regulatory reform, simplification and cost reduction of tax administration, improvement of existing infrastructure, and judicial justice reform aimed at reducing crime. In addition, the GoJ is implementing measures for reduction of the cost of doing business by the enactment of the Electronic Transactions Act, and by other measures with donor

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<sup>16</sup>/ The *Partnership for Progress* (PFP) is an agreement between the GoJ, the private sector groups represented by the PSOJ, trade unions, employers federation, civil society groups and non-government organizations that seeks to reach consensus on issues of national importance. PFP tackles the issues of competitiveness and private sector development but has a wider scope. The PSDS program of the EU established a Competitiveness Committee.

<sup>17</sup> / World Economic Forum, *The Global Competitiveness Report 2006 - 2007*.

support for reducing transaction costs<sup>18</sup>. Jamaica is strengthening its management capacity for corporate planning, budgeting, financial management and public procurement<sup>19</sup>. The GoJ has sought to comprehensively tackle the crime problem through the implementation of its National Security Strategy (NSS), which is a collaborative effort involving several agencies<sup>20</sup>.

**E. Bank's country strategy**

- 2.24 In June 2006 the Bank approved "Jamaica. Strategic Guidelines for Private Sector Development" that identified the main obstacles for private sector development: (i) impact of high levels of crime; (ii) inefficient tax framework; (iii) limited access to finance; (iv) excess bureaucratic procedures; (iv) weak land property rights; (v) high cost of commercial transactions; (vi) inadequate infrastructure; (vii) low productivity and lack of skills at the firm level; and (ix) insufficient public – private sector dialogue.
- 2.25 The Bank's country strategy was approved in August 2006. The Bank's strategy identifies a process of public-private dialogue as necessary to establish a propitious environment for policy reform for improving the business climate. The private sector development component of the strategy recognizes the importance of a stable macroeconomic framework, the need for public-private dialogue, and the removal of distortions in the current tax system and the improvement of the business climate. The strategy identifies that through the preparation and implementation of a Policy – Based Loan, the key issues for private sector development identified both in the "Country Strategy" and in the "Strategic Guidelines for Private Sector Development" approved by the Private Sector Committee of the Bank will be tackled.

**F. Lessons Learned from other programmatic initiatives.**

- 2.26 The Bank-supported Financial Sector Reform Program, carried out between 2000 and 2002, had two broad objectives: (i) the resolution of the financial crisis of the mid 1990s and (ii) reducing the vulnerability to future crises. The Program was carried out in conjunction with an IMF Staff Monitored Program and parallel PBLs sponsored by the World Bank and CDB. The Bank's participation in this program contributed substantially to the resolution of the preceding financial crisis. The Bank has had recent experience with programmatic loans aimed at enhancing competitiveness in the region, and has concluded that the effectiveness of the operations increases when the country takes an active part in the

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<sup>18</sup> / With the support of the USAID, the GoJ is executing a Legislation, Regulations and Process Improvement program and with the support of the European Union is implementing a Private Sector Development Strategy.

<sup>19</sup> / Public Sector Modernization Vision and Strategy for 2002-2012 with the support of the Bank by PRODEV.

<sup>20</sup> / The main initiatives of this program include strengthening of the country's national intelligence system, promoting programs to enhance community safety and security, promoting a national communications program and accelerating modernization efforts to critical national security bodies.

identification of the relevant policies to be tackled by the programs. Also, to attain the development objectives, a long-term process of dialogue and consensus must be established with the public as well as with the private sector. With this in mind the content of the Policy Matrix for the proposed PBL was discussed widely in a seminar organized with representatives of both the public and private sector. The operation promotes the creation of an on-going platform to continue the dialogue.

## **G. Program Strategy**

- 2.27 The program aims to support institutional and legislative reforms that will improve competitiveness in Jamaica by improving access to finance, reducing the costs of doing businesses and establishing a sustainable framework for public-private dialogue. The reforms proposed by the present program require long-term public sector support beyond the term of the current government, which has to call elections before October 2007. The Bank has widely discussed the proposed reforms with the leaders of the opposition as well as with relevant private stakeholders and unions, which have been supportive of the program's proposed actions.
- 2.28 The instrument for supporting the country by fostering the continuity of relevant initiatives, and promoting initiatives that come from a consultation process with the private sector, will be a programmatic operation, according to the directives established in CS-3633. The first operation will consist of a US \$30 million loan. The programmatic approach will enable the Bank to establish a continuous dialogue on key policy issues under a change of government administration.

## **H. Complementary activities of the Banks and of other donors.**

- 2.29 Currently, the Bank is executing two programs aimed at improving the road infrastructure, the "Northern Coast Improvement Program" (JA-0044) and the "National Road Services Improvement Program" (JA-0043). The regulatory aspects of competitiveness and infrastructure are being tackled through the MIF/AT-696, "Strengthening Competition in Telecommunications" and the MIF/AT-687 "Strengthening the Jamaica Fair Trading Commission".
- 2.30 The team has coordinated with the European Union, which is currently carrying out a Private Sector Development Programme (PSDP) through JAMPRO that aims at the strengthening of private sector organizations and business development services for micro and small enterprises.
- 2.31 USAID is implementing the Legislation, Regulations and Process Improvement Project aimed at reducing the regulatory burden in companies, run by the Jamaica Chamber of Commerce. The program complements the effort of the Bank to foster private sector development thorough MIF operations<sup>21</sup>. Furthermore, CIDA

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<sup>21</sup> / The approved MIF programs related to competitiveness to date are: Strengthening the Jamaica Fair Trading Commission (JA-M1002), Strengthening Competition in Telecommunications (JA-M1004), Productive Integration micro-enterprises (Mes) in Jamaica.

is supporting the GoJ with a Justice Sector Reform, and is currently preparing a comprehensive diagnostic. In addition, the team has maintained an active dialogue with the World Bank and with the IMF. The IMF as well as CARICOM are currently studying tax incentives in the tourism sector in the Caribbean region.

- 2.32 The proposed program also has been developed to maximize strategic coordination with the MIF. The team has identified a series of potential initiatives that can be developed as stand-alone projects, but with objectives that are directly supportive of the goals of the competitiveness program.

### **III. OBJECTIVES AND DESCRIPTION OF THE PROGRAM**

#### **A. Objective**

- 3.1 The objective of the operation is to support the GoJ in addressing key constraints to the competitiveness of Jamaica, by promoting implementation of reforms to reduce costs of doing business.
- 3.2 The program is proposed under the programmatic modality with three sequential operations, according to the Guidelines for programmatic policy reform loans (GN-200-13 y CS-3633). The first operation consists of a series of conditions precedent to a sole disbursement, and the subsequent operations will be processed once the authorities have reached agreed triggers. The compliance with the first set of conditions will be the responsibility of the current administration, while the accomplishment of the triggers for the second and third operation will be the responsibility of the next administration and will generate the basis for continuity in the Bank's dialogue with the country. The current government has called elections on August 27th, 2007.
- 3.3 The current operation addresses several of the main bottlenecks that were identified in *the Private Sector Assessment* and the actions that were specified in the Private Sector Strategy Guidelines. Moreover, the main commitments have been discussed with several stakeholders from the public and private sectors<sup>22</sup>.
- 3.4 The program is divided in four areas: (1) Competitiveness Implementation Framework; (2) Tax Reform; (3) Improving Access to Finance and Financial Market Development and (4) Reduction of Cost of Doing Business and Reduction of Informality. The first operation, as well as the triggers and expected conditions for the subsequent operations are shown in detail in the Policy Matrix (Annex I). The evidence of compliance is under discussion with the GoJ and will be presented in the Project Document. Prior to disbursement, the congruency of the macroeconomic framework with the program's objective will be assessed.

#### **B. Program Structure.**

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<sup>22</sup>/ As part of the dialogue, a workshop with the principal policy actions to be included in the Matrix was held with a wide array of public and private stakeholders.

## 1. Competitiveness Implementation Framework

- 3.5 In order to consolidate existing initiatives and to create establish a sustainable venue of the relevant actors that will promote public-private dialogue and consensus on key policy actions, a small, high-level Public – Private “Forum for Growth” will be established with representation of government officials, private sector, opposition, labor, and civil society. The Forum should validate priorities, “steer” the reform process and ensure the consistency of all reform activities including but not limited to those supported by this Competitiveness Enhancement PBL.
- 3.6 **As a condition prior to first disbursement**, the GoJ will have formally designated a Public-Private-Trade Union Steering Committee, with representation of government officials and private sector. This Committee will oversee implementation of the Competitiveness Enhancement PBL and will be chaired by the PIOJ. As a trigger for the second and third operations, the Public – Private “Forum for Growth” will be operating and will be supported by a technical secretariat.<sup>23</sup>

## 2. Increase the Efficiency of the Current Tax Collection system and eliminate distortions.

- 3.7 The objective of this component is 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. By the end of the third operation, the discretionality and dispersion of the current tax system will be reduced, the labor taxes will be rationalized and the cost and time of paying taxes and the budgetary allocation for loss-making public entities will be reduced.

### a) Reduction of distortions in the tax system

- 3.8 The actions in this area will be aimed at supporting the GoJ in adopting a tax revenue strategy neutral with respect to investment decisions and in making the required legal and regulatory reforms, including a new tax framework.
- 3.9 **As a condition for disbursement of the first operation**, the PIOJ will submit a time-bound Action Plan approved by MoF&P for reduction of tax distortions while maintaining revenue neutrality including: (i) a legislative agenda for tax reform; (ii) rationalization of labor taxes; and (iii) reduction of distortions. As a trigger for the second operation, the GoJ will have submitted the tax reform bills to Parliament. For the third operation the legislation will be enacted.

### b) Simplification of Tax Administration

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<sup>23</sup> MIF may support a project to deepen the expertise of the private sector organizations that are involved in the process and implement practical actions for the consensus building and understanding of the policy issues. At present, the GoJ has identified several initiatives that could be used as a basis for the Public – Private Forum.

- 3.10 The GoJ is currently working on simplifying and lowering the cost of paying taxes. Several initiatives are being implemented such as an electronic tax collection system and the single window for trade facilitation. The actions to be supported by the program include the implementation of initiatives to improve taxpayer services, including “easy” payment facilities and “outbound call centers”.
- 3.11 **As a condition for disbursement of the first loan**, the GoJ will submit evidence of the implementation of the electronic tax collection system and the single window of trade facilitation as well as an Action Plan to further simplify and standardize collection of taxes. The second and third operation will be triggered by the implementation of further measures for reducing tax collection costs.

**c) Expenditure rationalization**

- 3.12 As part of the offsetting measures designed to promote revenue neutral reform, Jamaica has a series of major discretionary expenditures, which, if addressed would reduce the burden on the fiscal accounts.
- 3.13 **As a condition for the first disbursement**, the GoJ will identify a set of discretionary expenditures that are candidates for reduction or elimination, in the form of public companies that generate losses and create pressure on the budget. During the second operation, a major expenditure item will be addressed.

**3. Improving Access to Finance and Financial Market Development**

- 3.14 The objective of this component is to improve access to credit and improve financial conditions for businesses and to improve access to financial services to the poorer segments of the population. By the end of the third operation, the financial market will have an increase in the use of movable property as collateral, small businesses will be able to increase their access to credit based on their credit history and e-banking technology will be implemented.

**a) Secured Transactions Framework**

- 3.15 The actions supported in this area will promote a framework for lending that meets the standards for creation, priority, publicity and enforcement of security interests by supporting the creation of a central registry of pledged assets.
- 3.16 **As a condition for disbursement of the first loan**, the GoJ will approve a time bound Action Plan for enacting enabling legislation and creating a central registry of pledged assets. For the second and operations, measures for enabling and creating the central registry will be implemented. .

**b) Creation of Credit Bureaus**

- 3.17 Small businesses and low-income entrepreneurs are the primary market segments that can benefit from the establishment and expansion of credit bureaus in



countries such as Jamaica. As part of the current operation, the Bank will support the legal and institutional reforms necessary for the establishment of a credit bureau in Jamaica.

- 3.18 **As a condition for disbursement of the first loan**, the GoJ will table in Cabinet the draft bill for credit reporting legislation and will present and action plan for its implementation, including regulations, and establishing an institutional framework for credit bureau supervision. The second and third operations will require that the institutional framework for supervision is in place, including the required legislation.

**c) Facilitating Electronic Transactions**

- 3.19 The operation will include actions that facilitate electronic transactions and banking through the use of mobile devices, in particular targeted at the poorer segments of the population. The program will support the implementation of required regulations for developing e-banking, including the enactment of the National Telecommunications Act and the National Payments Act.
- 3.20 **As a condition for disbursement of the first loan**, the GoJ will enact a new Electronic Transactions Act and will table in Cabinet the National Payments System Act. It will also develop a time bound Action Plan for implementation of the use of mobile devices for financial transactions. For the second operation, the Electronic Transactions Act will be fully in force and the National Payments Act enacted. For the third operation, the Act will be implemented.

**4. Reduction of the cost of doing business and reduction of informality**

**a) Strengthening Land Property Rights**

- 3.21 The program will support the GoJ in carrying out a long-term program to reform the current land property systems, establishing secure property rights and lowering the cost of land titling and registration.
- 3.22 **As a condition prior to disbursement of the first loan**, the GoJ will submit a time bound Action Plan that includes a strategy for low cost registration and titling of currently informal land holdings and reduction of fees, commissions and duties for land transaction. For the second and operations, actions regarding lowering the cost of registration will be implemented.

#### **IV. PROGRAM EXECUTION**

##### **A. Executing agency, guarantor and borrower**

- 4.1 The Ministry of Finance and Planning will be the executing agency through the Planning Institute of Jamaica (PIOJ).

##### **B. Program Execution and Administration**

- 4.2 The PIOJ will be responsible for the general execution of the program and will be in charge of coordinating with the various public entities accountable for achieving the policy conditions detailed in the Policy Matrix.

##### **C. Execution period and disbursement calendar**

- 4.3 Due to the programmatic nature of the operation, it is expected that the conditions for the first disbursement will be fulfilled before the submission to the Board of Executive Directors in the third semester of 2007. The progress of the second operation will be a function of the compliance with the triggers described above.

##### **D. Monitoring and Evaluation**

- 4.4 The PIOJ will be in charge of monitoring the indicators of the program, which are still under discussion with the relevant stakeholders.

#### **V. DEVELOPMENT IMPACT**

##### **A. Expected Results by the conclusion of the three operations.**

- 5.1 The policy initiatives supported by the program will benefit the private sector, focusing on the small and medium enterprises and the sectors of the Jamaican population that have no easy access to credit. The operation promotes greater access to financial services for the more vulnerable sectors of the population and promotes a more equitable tax structure. It also promotes investment and labor-intensive activities when reducing the distortions created by incentives and by regressive taxes and duties.
- 5.2 Creation and operation of small businesses will be facilitated by lowering registration and transaction costs as well as by more efficient transactions, including financial transactions. In addition, by promoting a cost efficient and simple land titling and registration system, the population will have access to the "dead capital" tied up in their the land and buildings and will be able to make home improvements and finance new business ventures or upgrade existing ones. Promoting a forum on which key stakeholders will be able to prioritize and follow up key policy actions will foster public private sector dialogue on key policy issues.

## B. Social and Environmental Impact

- 5.3 The institutional and policy reforms supported by the operation will not have adverse direct environmental impacts. It is expected that some of the measures promoted by the operation will have a positive environmental impact since the Jamaican enterprises, as they become more competitive, will have to comply with international environmental standards. 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. According to the Environmental and Safeguard Compliance (OP-703) this operation does not have impact on the environment and does not requires to be classified. In any event, particular attention will be given to the potential environmental impact of the land titling and registration component.

## VI. SPECIAL ASPECTS

- 6.1 The risks identified with the preparation of the operation are:

Risk	Mitigating Factors	
(i) Proximate Elections create the uncertainty for the continuity of policies	The Team has discussed the proposed actions with the opposition party as well as with private stakeholders and trade unions	The program preparation has involved a continuous process of consensus building with relevant stakeholders and will strengthen the mechanisms for continuing public – private dialogue on key reforms.
(ii) Key policy actions are complex and involve a long-term time frame and commitment	The programmatic approach will enable the Bank establish a continuous dialogue framework with the next administration	
(iii) Potential difficulties in carrying out complex legal and institutional changes	Most legal changes are highly advanced in the legislative process, either already enacted or being tabled by Cabinet	
(iv) Macroeconomic conditions may hinder the compliance of the objectives of the operation	The operation addresses the key restrictions of private sector led growth.	

## VII. ACTION PLAN AND PREPARATION

- 7.1 The policy actions identified by the program are a result of a continuous dialogue carried out between the Bank and the private and public sectors during the preparation of the Private Sector Development Strategy and the Country Strategy. These stakeholders also discussed the contents of the policy matrix at a workshop and their recommendations have been taken into account. Further preparatory work is underway to refine and operationalize the Policy Matrix commitments. The Loan Proposal is expected to be submitted to the Board during the fourth semester of 2007. The Project Team and the GoJ will agree on the timing and the evidence of compliance with the conditions of the Policy Matrix for the first operation. In addition the Ministry of Finance will have to submit and agree to (i) the content of the policy letter; and (ii) the baseline and indicators to measure the program's results. A draft independent macroeconomic evaluation has been prepared in conjunction with RES.

## Competitiveness Enhancement Program JA-L1001 Proposed Policy Matrix

Objectives	Commitments 2007	Triggers for second operation	Triggers for third operation
<b>I. Macroeconomic Sustainability</b>			
To contribute to macroeconomic sustainability through actions that promote economic growth and competitiveness	<ul style="list-style-type: none"> <li>✓ Macroeconomic policy framework is congruent with the program's objectives.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Macroeconomic policy is congruent with the program's objectives</li> </ul>	<ul style="list-style-type: none"> <li>✓ Macroeconomic policy is congruent with the program's objectives.</li> </ul>
<b>II. Competitiveness' Implementation Framework</b>			
To promote a sustainable forum for public-private dialogue to improve	<ul style="list-style-type: none"> <li>✓ Formal designation of a Public – Private – Trade Union Steering Committee with representation of government officials &amp; private sector to oversee implementation of program.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Public-private Forum created</li> <li>✓ Agenda (action plan) to Promote Competitiveness agreed by Forum</li> <li>✓ Technical Secretariat to Forum created and providing support to Forum.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Forum holding regular meetings</li> <li>✓ The priority activities for the second year of the Competitiveness Agenda have been carried out.</li> </ul>
<b>III. Tax and Expenditure Reform</b>			
A. Reduce distortions in the current tax systems.	<ul style="list-style-type: none"> <li>✓ Time bound Action Plan approved by the MEF for reduction of distortions including:</li> <li>✓ A legislative agenda for tax reform, including reform of stamp duties and CIT rationalization. <ul style="list-style-type: none"> <li>• Rationalization of labor taxes</li> <li>• Reduction of distortions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Bills submitted to Parliament for reforming fiscal incentive framework</li> <li>✓ Legislative briefs prepared on proposals for reducing distortions in areas of (i) incentives, (ii) payroll taxes and deductions, (iii) tax simplification and (iv) stamp duties</li> <li>✓ Implementing regs. in effect</li> </ul>	<ul style="list-style-type: none"> <li>✓ Satisfactory progress in implementing legislative initiatives to reduce distortions in tax system. including possible elimination of stamp duties.</li> </ul>
B. Simplification of tax administration	<ul style="list-style-type: none"> <li>✓ Implementation of initiatives to improve taxpayer services, including 'easy payment' facilities, and 'outbound call centre'</li> <li>✓ Time bound Action Plan approved to simplify and standardize collection of taxes.<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>✓ Interim tax collection simplification and standardization benchmarks achieved. (Based on Min. Fin. initiated reforms already underway.)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Remaining tax simplification and standardization benchmarks achieved.</li> </ul>
C. Expenditure Rationalization	<ul style="list-style-type: none"> <li>✓ Identification of major discretionary expenditures which are candidates for reduction or elimination</li> </ul>	<ul style="list-style-type: none"> <li>✓ Elimination of central budget support for at least one major discretionary expenditure item</li> </ul>	<ul style="list-style-type: none"> <li>✓ Elimination of central government budget support for at least one additional major discretionary expenditure item</li> </ul>

<sup>1</sup> E.g. reduce and simplify requirements for documentation of deductible business expenses, standardize tax reporting forms, eliminate duplication of reporting requirements

Objectives	Commitments 2007		Triggers for second operation	Triggers for third operation
IV. Improving Access to Finance and Financial Market Development				
A. Reform of the secured transactions framework	✓	Time bound Action Plan approved by the PIOJ for enacting enabling legislation and creation of central registry of pledged assets	Interim secured transaction legislative and registry benchmarks achieved	✓ Remaining legislative and central registry benchmarks achieved
B. Creation of Credit Bureaus	✓	Tabling of currently proposed credit reporting legislation <sup>2</sup>	✓ Interim benchmarks achieved including, but not limited to: <ul style="list-style-type: none"><li>Financial Services Commission fully capable to supervise credit bureaus</li><li>Assessment completed of provision for voluntary reporting of credit histories to Credit Bureaus</li></ul>	✓ Remaining benchmarks achieved for a fully functioning framework for the regulation and supervision of credit bureaus.
C. Facilitating Electronic Transactions	✓	Enacting of the new Electronic Transactions Act	✓ Interim benchmarks achieved including, but not limited to: <ul style="list-style-type: none"><li>Electronic Transactions Act fully in force</li><li>Use of mobile devices for financial transactions</li></ul>	✓ Remaining benchmarks achieved for full implementation of mobile devices for financial transactions.
V. Reduction of the cost of doing business and reduction of informality				
A. Strengthening land property rights	✓	Time bound Action Plan agreed 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>	✓ Interim benchmarks achieved to strengthen land property rights	✓ Remaining land property rights benchmarks achieved.

<sup>2</sup> Current draft Bill entitled "An ACT to Provide for the sharing of credit information between specified bodies, the licensing of credit bureaus and for connected matters". Note: this bill is not expected to be approved before the first PBL is disbursed.

**ANNEX II**  
**JAMAICA**  
**COMPETITIVENESS SUPPORT PROGRAM – FIRST OPERATION (JA-L1001)**

**DRAFT RESULTS MATRIX**

ACTION AREAS		PROPOSED MEASURES	EXPECTED RESULTS AND INDICATORS	
PROBLEM	CAUSE	OBJECTIVE	OUTPUT OF POLICY ACTIONS (BY THE END OF THE PROGRAM)	EXPECTED OUTCOME (2 YEARS AFTER THIRD OPERATION) <sup>1</sup>
<b>I. Macroeconomic Stability</b>				
N/A	N/A	N/A	N/A	N/A
<b>II. Competitiveness Implementation Framework</b>				
Inadequate institutional framework to carry out public private dialogue regarding competitiveness policy	Lack of a unique and coherent institutional framework that takes the leadership for the discussion, definition and supervision of competitiveness enhancement policies	Establish a sustainable forum with the relevant stakeholders, which promote public-private dialogue and identify and move forward the key policy actions.	Public private forum in operation with active participation of relevant stakeholders and a technical secretariat in charge of policy supervision.	<p><b>Result:</b> Jamaica improves its relative competitiveness position.</p> <p><b>Indicators:</b></p> <ol style="list-style-type: none"> <li>Jamaica's Businesses Competitiveness Ranking Indicator in the Global Competitiveness report improves by x%</li> <li>The Ease of Doing Business Indicator from the Doing Business report improves by x %</li> </ol> <p><b>Base Line:</b> Jamaica's ranking in the Global Competitiveness Report 2005-2005 and Doing Business 2006 report.</p>

<sup>1</sup> Assumptions are: (i) macroeconomic stability; (ii) government is committed to reform; (iii) the complementary programs and policy are carried out as expected.

ACTION AREAS		PROPOSED MEASURES	EXPECTED RESULTS AND INDICATORS	
PROBLEM	CAUSE	OBJECTIVE	OUTPUT OF POLICY ACTIONS (BY THE END OF THE PROGRAM)	EXPECTED OUTCOME (2 YEARS AFTER THIRD OPERATION) <sup>1</sup>
<b>III. Tax and Expenditure Reform</b>				
Current tax system favors more capital-intensive firms, discourages investment and promotes informality of smaller firms and the cost of doing business transactions is high	Present tax system includes a number of distortions due to differential taxation of capital income, the difference in corporate and income taxation, the availability of allowances, incentives for special industries and proliferation of non-compliance	To reduce distortions in taxation by adopting a strategy neutral in respect to investment decisions	A legislative agenda in place for reduction of distortions including the reform of Incentive Acts and offsetting reduction in Corporate Income Taxes, rationalization of labor taxes, simplification of tax system and elimination of distortions, possibly including stamp duties.	<p><b>Result:</b> X Number of incentives and differential taxations rates reduced. Labor costs reduced and rationalized, thereby promoting formal sector employment.</p> <p><b>Indicators:</b> To be determined</p> <p><b>Base Line:</b> CIT and labor taxes as of 2006</p>
The process of paying taxes is costly and time consuming		To simplify and lower the cost of paying taxes	Initiatives to improve taxpayer services in place by year X	<p><b>Result:</b> The cost and time of paying taxes is reduced by X%</p> <p><b>Indicators:</b> Average time and cost for taxes for a medium, sized business</p> <p><b>Base Line:</b> Average time and cost for taxes for a medium, sized business 2006 Average time and cost of collecting labor taxes in 2006.</p>
The financial soundness of public entities affects the central government budget	A series of public entities have budgetary capital expenditures that exceed their capacity to raise revenue	To decrease the fiscal imbalance by rationalizing expenditure	Central budget support to loss making entities is reduced by x	<p><b>Result:</b> The X number of loss-making public entities is reduced by X%</p> <p><b>Indicators:</b> Number of loss –making public entities</p> <p><b>Base Line:</b> Net budgetary allocation to public entities in 2006</p>
<b>IV. Improving Access to Finance and Financial Market Development</b>				
The existing collateral framework for lending does not allow for the inexpensive and predictable use of property as collateral.	The existing forms of collateral instrument are not easy to use and raise the costs of creating security interests.	Promote a framework for lending that meets the standards of creation, priority, publicity and enforcement of security interests.	Enabling legislation for implementing a secured transactions framework approved and central registry of pledged assets in operation.	<p><b>Result:</b> The value of fixed and moveable property used as collateral is increased by x% (in real terms)</p> <p><b>Indicators:</b> Value of fixed and moveable property used as collateral as reported by the Central Registry of Pledged Assets.</p> <p><b>Base Line:</b> Value of fixed and moveable property pledged as collateral TBD</p>

ACTION AREAS		PROPOSED MEASURES	EXPECTED RESULTS AND INDICATORS	
PROBLEM	CAUSE	OBJECTIVE	OUTPUT OF POLICY ACTIONS (BY THE END OF THE PROGRAM)	EXPECTED OUTCOME (2 YEARS AFTER THIRD OPERATION) <sup>1</sup>
Small businesses and low-income entrepreneurs have limited access to financial services	Lack of mechanisms that enable people to turn their reputations and credit history into collateral and high cost of processing credit information for small loans	Improve access to client information and lower the costs of loan processing through the establishment of a credit bureau	Credit reporting legislation and possible changes to the Privacy act in place	<p><b>Result:</b> Credit history information available to lenders on small business and low-income entrepreneurs, thereby increasing their access to credit.</p> <p><b>Indicators:</b> Credit history information available for y% of loan applicants. Secondary indicator: credit that goes to low-income entrepreneurs and small businesses. Increases from x to y</p> <p><b>Base Line:</b> No credit bureau currently in existence. Secondary indicator: Percent of credit allocated to low-income entrepreneurs and small business in 2006.</p>
The cost and time of doing business transactions is high and is centralized in Kingston	Many of the Jamaican transactions are still based on paper or have to be carried out personally due to legislative requirements, including financial services	Facilitate the use of electronic transactions to the poorer segments of the population	Electronic Transactions Act and National Payments Act in place. Enabling environment for e-banking in place. National Payments system in place.	<p><b>Result:</b> Small business and low-income use mobile banking technology.</p> <p><b>Indicators:</b> X % of banking transactions done utilizing mobile banking technology Y# of users of mobile –banking technology.</p> <p><b>Base Line:</b> Current level of banking transactions utilizing new technology (e.g. cell phone banking) is zero</p>
<b>V. Reduction of the Costs of Doing Business and Reduction of Informality</b>				
X% of property land is not titled or registered in Jamaica	The process for registering land is costly and cumbersome and the fees on transactions are extremely high (up to 25% of the value of the land)	To establish a cost effective and simple system of titling and registration	The cost and time for registration and titling of land holdings is reduced by X	<p><b>Result:</b> X The number of registered land holding increases from x to y.</p> <p><b>Indicators:</b> Number of land holdings registered between 2007 and two years after the third operation.</p> <p><b>Base Line:</b> Current number of registered land holdings</p>



## Budget for Preparation

2007

Misiones	Month	Days	Persons	Per Diem	Pasajes	Total
- Orientation	May		5	3	1,755	1,950
- Seminar on Taxes	June		3	3	1,053	1,950
- Analysis Mission	August		4	3	1,404	1,950
<b>TOTAL MISIONES</b>						<b>10,062</b>

Consultancies	Days	Nonorary	Total
- Individual Consultant on Private Sector Issues	30	550	16,500
- Individual Consultant on Private Sector Issues	23.5	700	16,450
<b>TOTAL CONSULTORES</b>			<b>32,950</b>

Preparatory Consultancies	Total	IDB	FOMIN	Financing Funds		Comments
					CT Funds	
- Public Private Steering Committee- MIF Preparation	20,000		20,000			
- Taxes Diagnostica and Simulations	20,000		20,000			
- Secured Transactions Framework Diagnostic and Acti	30,000		-		30,000	Financed through RG-T1216
- Use of cell phones for financial services	50,000				50,000	Financed through JA - T 1021
- Land Titling and Property Rights	50,000				50,000	Financed through JA - T 1020
<b>TOTAL CONSULTORES</b>	<b>170,000</b>		<b>40,000</b>	<b>-</b>	<b>130,000</b>	<b>-</b>

Preparatory Seminars	Dias	Personas	Per Diem	Pasajes	Honorarios	Total
Workshop on Taxes		3	1	234	650	3,000
Workshop on Secured Transactions		3	1	234	650	3,000
						<b>8,704</b>