

ASSESSMENT AND IMPLEMENTATION OF BUSINESS CLIMATE REFORMS IN JAMAICA
TECHNICAL COOPERATION PROFILE

JA-X1002

I. BASIC PROJECT DATA

Country:	Jamaica			
Name / Number:	Assessment and Implementation of Business Climate Reforms in Jamaica / JA-X1002			
Team Leader/Members:	Claudia Stevenson Team Leader (ICF/CMF); Jose Jorge Saavedra Alternate Team Leader (CMF/CBA); Navita Anganu (CMF/CJA); Annabella Gaggero (ICF/CMF)			
Date of Request:	November 2009			
Beneficiary:	Planning Institute of Jamaica (PIOJ)			
Executing Agency:	Inter-American Development Bank, through ICF/CMF			
Amount and Source of Funding:	TC Funds (COFAB with DFID)	US\$	650,000	£406,250 ¹
	Counterpart	US\$	100,000	
	Total	US\$	750,000	
Technical and Basic Responsibility:	ICF/CMF			
Tentative Dates:	Approved Profile	December 2009		
	Approved Plan of Operations	March 2010		

II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 Economic growth has been elusive for Jamaica in the last twenty years; it grew in average less than 1.5% per year. The confluence of shocks from the sharp rise in commodity prices between late 2006 through mid-2008, devastating hurricanes and subsequent floods, and the international financial crisis, has put increased pressure on Jamaica's already difficult macroeconomic situation. The impact of the global financial crisis on Jamaica has intensified during 2008-9. Economic growth stopped in the third quarter of 2007; the decrease in economic activity was around 4% in the first half of 2009 and is projected to decrease more than 4% in 2009. Jamaica has the characteristics of a small open economy, where about 90% of the consumable goods (electronics, machinery, processed foods) are imported. In international trade, Jamaica's services sector represents the fastest-growing export for the country. The Jamaican economy is heavily dependent on tourism, which when including its indirect effects on other sectors, accounted for 9.6% of employment in 2005. Jamaica's English speaking population and shared time zone with the US encourages investment in Business Process Outsourcing (BPO).

¹ The exchange rate used for the calculations is 1£= US\$1.6.

- 2.2 The Bank-sponsored Private Sector Assessment (PSA) completed in 2006 (“Jamaica: A Private Sector Assessment ERI. 2006, supported through BCI”) 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. Under this framework, the GoJ has undertaken a series of measures to promote private sector-led growth as a means to improve the economic performance of the economy.
- 2.3 The measures undertaken by the GOJ have been supported by the Bank with three policy-based lending operations (PBLs) conceived under the programmatic modality, Jamaica Competitiveness Enhancements Programs (JCEP). The first loan for US\$30 million dollars was approved in 2008, and the second loan for US\$60 million is in preparation and has the objective of supporting the GoJ long-term policy reform initiatives in the areas of: (i) competitiveness framework; (ii) tax expenditure reform; (iii) access to finance; and (iv) land property rights.
- 2.4 In the context of the long term support and continuous dialogue in which the Bank is engaged with the GoJ and the private sector, there is consensus in the need to: (i) conduct an assessment of the implemented measures envisioned before the global crisis of 2008 and (ii) the development of a new Private Sector Development Strategy for the country. The GoJ also needs technical and financial support for the implementation of some of the critical measures and actions that have been agreed for the JCEP. In particular, the implementation of secured transactions reform and the support for the Public Private Dialogue.

III. PROGRAM OBJECTIVE AND DESCRIPTION

- 3.1 The objective of this technical cooperation is to support the improvement of the business climate in Jamaica. The specific objectives are: (i) the development of a Private Sector Development Strategy; (ii) the implementation of a regulatory reform to enable a secured transactions framework; (iii) the strengthening of the regulatory and institutional framework for Public Private Partnerships (PPP); and (iv) the provision of support for Public Private Dialogue on issues of Private Sector Development. These actions have been identified by the GoJ as critical to remove bottlenecks for private sector-led growth and are part of the priority actions that the GoJ has agreed to carry out as part of the implementation of reforms for private sector development.
- 3.2 **Component 1: Private Sector Development Strategy for Jamaica (US\$110,000).** Against the backdrop of the Vision 2030 National Development Plan, a consensus driven, evidence based Private Sector Development Strategy will be developed to re-position Jamaica’s economy on the tailcoats of a resurgent global economy. The activities will include the review and update of the Private Sector Diagnostic commissioned by the Bank in 2006, including assessments of the initiatives implemented by the Bank and other development agencies (EU, USAID World Bank, IFC and others). It will collate recent data and statistics from a variety of sources, to analyze and present firm-level

trends in light of current macro conditions and ongoing interventions to support private sector development.

- 3.3 **Component 2: Implementation of the regulatory reform to enable secured transactions (US\$200,000).** This component will finance the drafting of the secured transactions legislation and the creation of a central registry of pledged assets. This component will include the review of the diagnostic of the current legislation in Jamaica, the carrying out of consensus building activities and workshops with stakeholders, the drafting of the proposed bill and the design and implementation of a central registry of pledged assets.
- 3.4 **Component 3: Strengthening the regulatory and institutional framework for PPPs (US\$200,000).** This component will finance: (i) the assessment of the institutional, legal and regulatory framework in Jamaica to implement PPPs, (ii) the preparation of a proposal for an institutional framework for developing PPPs; (iii) the preparation of a methodology for project optimization and selection that will include training for GoJ stakeholders; and (iv) an assessment of financing considerations and costs associated with the PPP process, including the management by the MoF&PS of contingent and non-contingent liabilities. In addition, this component will support the implementation of on-going initiatives such as the National Education Trust (NET) sponsored by the Ministry of Education's (MOE) with the intent to pursue more innovative means to address its infrastructure and maintenance needs through the formation of public-private partnerships (PPPs).
- 3.5 **Component 4: Support to Public Private Dialogue on issues on private sector development (US\$150,000).** This component will support the Technical Secretariat of both the "National Planning Summit" (NPS), and the "Partnership for Transformation" (PFT), which is responsible for organizing and coordinating the Public-Private dialogue on issues of private sector development as well as the development of technical studies. The Secretariat will be responsible for organizing and implementing the validation process of the Private Sector Development strategy financed under Component 1.

IV. BUDGET

- 4.1 The total cost of the project is US\$750,000.00, out of which US\$650,000 (approximately £406,225) will be financed with resources from a Grant Cofinancing Contribution Administered by the Bank (COFAB) to be signed with the Department for International Development (DFID) from the United Kingdom. The resources of the COFAB are regulated under the "Operational Procedures for Grant Cofinancing Contributions Administered by the Bank" (Document CC-5732), for which an Administrative Arrangement will be signed between the IDB and the Government of the United Kingdom, represented by DFID, under the "Cooperation Framework Arrangement" (the "UK Framework Arrangement") dated October 3, 2004. In accordance with the provisions of the UK Framework Arrangement, upon receipt of a contribution from DFID, the Bank will charge an administrative fee of five percent (5%) of the contribution, which is duly identified in the budget of this technical cooperation.

Table 1

Activity	Cost	TC Funds USD	TC Funds £	Local Counterpart
Component 1	110,000	110,000	68,750	0
Component 2	200,000	200,000	125,000	0
Component 3	200,000	200,000	125,000	0
Component 4	150,000	100,000	6,2500	50,000
Coordination and Supervision	50,000			50,000
Contingencies	7,500	7,500	4,687.5	
COFAB Management Fee -DFID (5%)	32,500	32,500	20,312.5	0
Total	750,000	650,000	406,250	100,000

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The Executing Agency will be the Inter-American Development Bank, through the Capital Markets and Financial Institutions Division of the Institutional Capacity and Finance Sector, ICF/CMF.

VI. MAJOR ISSUES

- 6.1 The critical aspect of this technical cooperation is the need for coordination of the different activities with different stakeholders and the technical complexity of the activities. This risk is mitigated by the active involvement of the PIOJ in the execution of the JCEP I and II.

VII. ACTION PLAN

- 7.1 The TC will be executed in 18 months and disbursed in 24 months.

VIII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 8.1 Given the nature of this project, no adverse social or environmental issues are foreseen. According to the Environment and Safeguard Compliance Guidelines, the operation has been classified as "C".

IX. APPROVAL

Original Firmado

Kurt S. Focke,
Chief,
ICF/CMF

11 de diciembre de 2009

Date