

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**JAMAICA**

**STRENGTHENING FISCAL POLICY AND MANAGEMENT PROGRAMME TO  
RESPOND TO THE PUBLIC HEALTH CRISIS AND ECONOMIC EFFECTS OF  
COVID-19 IN JAMAICA**

**(JA-L1087)**

**LOAN PROPOSAL**

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OEL#1	<a href="#">Bibliography</a>

ABBREVIATIONS	
BEST Cash	Business Employee Support and Transfer of Cash
CARE	COVID Allocation of Resources for Employees
CBA	Cost-Benefit Analysis
CEA	Cost-effectiveness analysis
COVID-19	Coronavirus Disease 2019
CRF	Corporate Results Framework
ECG	Evaluation Cooperation Group
ECLAC	Economic Commission for Latin America and the Caribbean
EFF	Extended Fund Facility
FRL	Fiscal Responsibility Law
FY	Fiscal Year
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
IDP	Jamaica's International Development Partners
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MOFPS	Ministry of Finance & the Public Service
MSME	Micro, Small, and Medium-sized Enterprise
OECD	Organisation for Economic Co-operation and Development
OVE	Office of Evaluation and Oversight
PBL	Policy-Based Loan
PBP	Programmatic Policy-Based Loan
PIOJ	Planning Institute of Jamaica
RFI	Rapid Financing Instrument
SARS	Severe Acute Respiratory Syndrome
SARS-CoV-2	Severe Acute Respiratory Syndrome Coronavirus-2
SBA	Stand-By Arrangement
SCT	Special Consumption Tax
SET Cash	Supporting Employees with Transfer of Cash
TC	Technical Cooperation
WHO	World Health Organization

**PROJECT SUMMARY**  
**JAMAICA**  
**STRENGTHENING FISCAL POLICY AND MANAGEMENT PROGRAMME TO RESPOND TO THE PUBLIC**  
**HEALTH CRISIS AND ECONOMIC EFFECTS OF COVID-19 IN JAMAICA**  
**(JA-1087)**

Financial Terms and Conditions				
Borrower			Flexible Financing Facility <sup>(a)</sup>	
Jamaica			Amortisation period:	20 years
Executing agency			Disbursement period:	12 months
Ministry of Finance & the Public Service (MOFPS)			Grace period:	5.5 years <sup>(b)</sup>
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital):	US\$75,000,000	100	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Total:	US\$75,000,000	100	Weighted average life:	12.75 years
			Currency of approval:	Dollars of the United States of America
The Project at a Glance				
<b>Project objective/description:</b> The general objective of the programme is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the brief introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) to promote economic and fiscal recovery in the post-pandemic period.				
To meet the objectives, the Bank has structured a programmatic Policy-Based Loan series consisting of two technically related and financially/contractually independent operations, as per document “Policy-Based Loans: Guidelines for Preparation and Implementation” (CS-3633-2).				
<b>Special contractual condition prior to the first and sole disbursement of the first Programmatic Policy-Based Loan (BPB):</b> The first and sole disbursement of loan resources will be subject to the borrower’s fulfilment of the policy reform conditions in the Policy Matrix (Annex II), the <a href="#">Policy Letter</a> , and any other conditions outlined in the corresponding loan contract (¶3.4).				
<b>Exceptions to Bank policies:</b> None.				
Strategic Alignment				
Challenges: <sup>(d)</sup>	SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>
Crosscutting themes: <sup>(e)</sup>	GD	<input checked="" type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

<sup>(a)</sup> Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortisation schedule as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail an extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

<sup>(c)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and justification

#### 1. Macroeconomic context

- 1.1 After a period of macroeconomic instability, with high fiscal deficits (5.8% of Gross Domestic Product (GDP) on average between 2003 and 2012), rising debt levels (from 123% to 146% of GDP in the same period), and high current account deficits (-10.8% of GDP on average), the Government of Jamaica successful macroeconomic and fiscal reform efforts from 2013 to 2019 produced notable achievements. These included a reduction of the public debt-to-GDP ratio to 94% (at end-Fiscal Year (FY) 2019/2020); a shift from managed to floating exchange rates; the implementation of a functioning inflation targeting framework in 2017; and a substantial improvement of external buffers. The Government of Jamaica reforms were anchored under the Bank's Fiscal Programme for Economic Growth (FISPEG under operations 3148/OC-JA, 3511/OC-JA and 3880/OC-JA), which supported the government in designing and implementing crucial tax reform, as well as two consecutive International Monetary Fund (IMF)-supported programmes –an Extended Fund Facility (EFF) and a precautionary Stand-By Arrangement (SBA) which ended in September 2016 and November 2019, respectively. Additionally, fiscal institutional reforms undertaken in recent years included the development and implementation of a fiscal responsibility law (FRL) in 2014, with quantitative targets for budgetary outcomes and debt reduction, as well as broader improvements in processes, capacity, and legislation.<sup>1</sup> In parallel to these reforms, poverty levels in the country decreased from 24.6% of the population in 2013 to 19.3% in 2017.<sup>2</sup>
- 1.2 The health and economic crisis caused by the Novel Coronavirus Disease 2019 (COVID-19) pandemic is profoundly impacting all of the world's countries, which has led to a widespread decline in economic activity.<sup>3,4</sup> In Jamaica, the shock to the economy has been substantial, particularly given that nearly a third of both total output and employment are linked to the tourism sector. As a result, economic growth estimates for FY2020/2021<sup>5</sup> have been revised from 1.1% to -8.6% (IMF 2020). While future growth estimates are uncertain under the present circumstances, the most recent projection from the IMF foresees an economic rebound next year (3.6%). However, the duration and magnitude of the crisis could well be more pronounced than currently envisioned, leading to an even larger shock to growth and public finances over the short to medium-term.
- 1.3 On the fiscal side, the pandemic will also have a negative impact on the fiscal accounts. Government revenues are expected to fall from 30.2% of GDP in FY2019/2020 to 28.2% of GDP in FY2020/21, as a result of lower economic activity. Public expenditure estimates indicate an increase from 29.6% to 31.2% of GDP in

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<sup>1</sup> Before the health and economic crisis, the FRL established a debt to GDP ratio of less than 60% by end March 2026).

<sup>2</sup> [Statistical Institute of Jamaica](#).

<sup>3</sup> [G. Gopinath \(2020\)](#).

<sup>4</sup> [W. McKibbin and R. Fernando \(2020\)](#).

<sup>5</sup> The fiscal year begins on April 1.

the same period due to COVID-19 spending. The budget balance is expected to deteriorate from 0.9% to -3.0% of GDP, while public debt is projected to rise from 93.8% to 101.3% of GDP (see Table 1).

- 1.4 Given these expected impacts, the Government of Jamaica requested emergency assistance from the IMF under the Rapid Financing Instrument (RFI) in March of 2020. This assistance—equal to about US\$520 million, or 3.4% of GDP— has not been allocated to financing requirements but will instead be used to reinforce external buffers of the Central Bank. The IMF, however, has agreed to make the assistance available for budget support, in the event of further deterioration. According to the most recent supplemental crisis budget, the government's gross financing needs will increase for FY2020/2021 from the pre-crisis estimate of 8.6% of GDP to 14.1% of GDP after incorporating the shock and crisis response measures.<sup>6</sup> The Government of Jamaica expects to finance this gap through a combination of domestic financing (8% of GDP), external financing -including this operation- (3.1% of GDP), and cash resources (2.7% of GDP).<sup>7</sup> Table 1 summarises the leading macroeconomic indicators for Jamaica:

**Table 1. Selected economic indicators**

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021 (Nov 2019)*	2020/2021 (Nov 2020)**
Real GDP growth (% change)	1.4	1.0	2.0	0.1	1.1	-8.6
Inflation (end of period and in %)	4.1	3.9	3.4	4.8	4.5	4.4
Revenue and grants (% GDP)	28.1	29.1	30.6	30.2	29.1	28.2
Tax revenue (% GDP)	25.7	25.8	26.4	26.9	26.2	n.a.
Budgetary expenditure (% GDP)	28.2	28.6	29.5	29.3	28.6	31.2
Primary balance (% GDP)	7.7	7.5	7.5	7.0	6.5	3.1
Budget balance (% GDP)	-0.1	0.5	1.2	0.9	0.2	-3.0
Gross financing needs (% GDP)***	4.3	11.6	6.8	12.9	8.6	14.1
Public sector debt (% GDP)	113.7	101.3	94.4	93.5	88.3	101.3
Current account (% GDP)	-1.2	-3.0	-2.2	-2.3	-2.1	-5.2
Net international reserves (US\$ millions)***	2,769	3,075	3,085	3,225	3,522	2,466

Notes/Sources: Projections for FY2020/2021: (\*) November 2019 from IMF 6<sup>th</sup> Review of SBA; (\*\*) November 2020 IMF World Economic Outlook; and (\*\*\*) April 2020 IMF Request for RFI.

<sup>6</sup> FY2020/2021 ends on March 31, 2021.

<sup>7</sup> The domestic financing includes the issuance of Benchmark Notes and Treasury Bills, while multilateral financing includes loans from the IDB and the World Bank (see ¶I.1.24).

## 2. The COVID-19 pandemic and the health crisis

- 1.5 The Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2) that causes COVID-19 was detected in China in late 2019 and spread very quickly to the rest of the world. On March 11, 2020, the World Health Organization (WHO) declared the disease a pandemic. By February 12, 2021, there were over 107.7 million confirmed infections, and about 2.3 million deaths around the globe.<sup>8</sup> While the spread of SARS-CoV-2 in Latin America and the Caribbean (LAC) began later than in Asia and Europe, the number of cases has risen rapidly. As of February 12, 2021, the number of confirmed infections in the region was more than 19.8 million, with a death toll of 632,035,<sup>9</sup> figures that will quickly become obsolete. The Caribbean region has also been affected by the COVID-19 pandemic registering a total of 52,984 cases (1,047 deaths). In Jamaica, the number of cases so far has been 18,237 with 363 deaths.
- 1.6 COVID-19 is highly contagious,<sup>10</sup> with the average number of cases reported by country increasing by approximately 33% daily (in the absence of lockdown measures).<sup>11</sup> This high infection rate causes sudden spikes in cases that can decimate the capacity of healthcare systems because sick patients require specialized medical care. Social distancing and isolation have become essential measures in the public health response, as they slow COVID-19 transmission<sup>12</sup> and postpone the demand for medical services.<sup>13</sup> Implementing these types of measures is especially important in LAC, considering that most of the countries' health systems are not prepared to deal with a pandemic.<sup>14</sup>
- 1.7 While social distancing and preventive isolation can reduce the speed of contagion of COVID-19, these measures do not entirely stop the disease from spreading. Countries have, therefore, implemented additional health measures. For example, to replicate relatively successful experiences such as that of the Republic of Korea, early health interventions are necessary to conduct mass testing of individuals to detect the virus and track possible cases of infection for subsequent isolation. These interventions have proven effective in ending health crises faster.<sup>15,16</sup> It is also important to expand healthcare services to deliver care to infected individuals with severe symptoms. Both types of interventions require material and financial resources, which must be provided urgently and expeditiously. In many regions, including LAC, governments are ramping up spending on health. Haiti, for example,

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<sup>8</sup> [WHO](#) (2021).

<sup>9</sup> [IDB](#) (2021).

<sup>10</sup> [COVID-19 can spread from person to person through respiratory secretions and direct contact.](#)

<sup>11</sup> Financial Times (2020).

<sup>12</sup> Social distancing measures are very important when private decisions do not factor in the cost of not containing the contagion, although by restricting work and consumption, they deepen the economic crisis and increase the relevance of governments' fiscal performance. Eichenbaum et al. (2020) show that the value of lives saved can be greater than the economic cost of an effective and temporary distancing policy. M.S. Eichenbaum, S. Rebelo, and M. Trabandt. (2020). The Macroeconomics of Epidemics (No. w26882). National Bureau of Economic Research.

<sup>13</sup> [J. Hellewell, S. Abbott, A. Gimma, N.I. Bosse, C.I. Jarvis, T.W. Russell, et al. \(2020\); T. Day, A. Park, N. Madras, A. Gumel, and J. Wu \(2006\); N. Ferguson, D. Cummings, C. Fraser, J.C. Caika, P.C. Cooley, and D.S. Burke \(2006\); A. Dénes and A. Gumel \(2019\); and Imperial College \(2020\).](#)

<sup>14</sup> IDB's Social Sector (SCL) (2020).

<sup>15</sup> [S. Correia, S. Luck, and E. Verner.](#)

<sup>16</sup> [K. Prem, Y. Liu, T.W. Russell, et al.](#)



announced a package of measures in this sector involving spending equivalent to 1.6% of its GDP to direct health care and security spending, as well as transfers to support workers and households. Similarly, Barbados, Trinidad and Tobago, The Bahamas and Suriname announced a series of health measures at an approximate cost of 7%, 2.5%, 1% and 1.7% of GDP, respectively.<sup>17</sup> In the case of Jamaica, the preliminary cost of measures to confront the pandemic amounts to approximately 1.1% of GDP, including resources to support the COVID Allocation of Resources for Employees (CARE) programme –aimed at providing temporary income support to workers, grants to businesses, and social assistance payments to vulnerable segments of the population–, as well as other fiscal and financial measures.<sup>18</sup>

### **3. Public policy and fiscal management challenges during health crises**

- 1.8 Public policy and fiscal management play a central role, ensuring availability and timely execution of resources. Good practices during emergencies highlight the importance of having strong institutions, policies, processes, and information systems that are efficient, reliable, transparent, and encourage accountability.<sup>19</sup> Nevertheless, in previous health crises fiscal management institutions and systems had weaknesses and became bottlenecks, which reduced the public sector's response capacity in crucial areas.<sup>20</sup> The biggest challenges during the pandemic lie mainly in: (i) the lack of additional budgetary and financial resources to respond to the crisis; (ii) the unavailability of funds for service delivery units and for timely disbursements, with due regard to controls; and (iii) the lack of transparency in the use of resources deployed as part of crisis response and reporting;<sup>21</sup> and problems with business continuity in the face of large-scale staff shortages. Tackling these challenges requires changes in existing budgetary regulations for more efficient allocation and execution of public resources.
- 1.9 Additionally, a thorough analysis of goods and services critical for dealing with the health crisis<sup>22</sup> is essential in order to introduce policies that prevent shortages in that regard. Supply chains must be analysed, identifying reliable certified suppliers, authorised economic operators, and alternative supply mechanisms.<sup>23</sup> In countries where critical goods are mostly imported, as is the case of Jamaica, streamlined customs procedures should be introduced.<sup>24</sup> A reduction in tariffs and non-tariff barriers may also be appropriate when importing such key goods<sup>25</sup> to decrease the

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<sup>17</sup> IDB/FMM (2020).

<sup>18</sup> IMF (2020).

<sup>19</sup> World Bank Group (2019).

<sup>20</sup> [S. Saxena and M. Stone \(2020\)](#).

<sup>21</sup> Including exploiting the fungibility of resources in treasury single accounts. According to Yaker et al. (2012), proper sole account management can help countries gain access to liquidity. I. F. Yaker and S. Pattanayak (2012).

<sup>22</sup> [Harmonized System classification reference for Covid-19 medical supplies](#), according to the World Customs Organization.

<sup>23</sup> According to the Global Pandemic Supply Chain Network, the main problems that West Africa had to address during the Ebola crisis were the lack of coordination between the public and private sectors, which led to duplicate efforts; limited knowledge of overall supply and demand of essentials; and severe capacity restrictions in the supply chain (storage and distribution).

<sup>24</sup> [World Customs Organization guidelines for the clearance of goods in emergency situations](#).

<sup>25</sup> Tariffs on medical equipment, supplies, and disinfectants in the region are well above the world average, ranging from 5% to 15%, while nontariff barriers affect 90% of these items.

cost of these products, thereby contributing to the management of the crisis.<sup>26,27</sup> Following this rationale, the Government of Jamaica waived the Special Consumption Tax (SCT) on approximately 100,000 litres of alcohol for its use in making (or substituting for) sanitisers, and also waived customs duty on the import of masks, gloves, hand sanitisers, and liquid hand soap for a period of 90 days.<sup>28</sup>

#### **4. The pandemic and its effects on household and business income**

- 1.10 Social distancing measures, necessary during the health crisis to save lives, lead to higher unemployment and loss of household income due to the decrease in economic activity in key sectors such as the hospitality sector and the services industry. Unlike developed countries, which have consolidated social security systems, in LAC, such systems are inadequate and inefficient partly due to the high levels of informal labour. The informal sector in LAC is estimated to account for 53% of the workforce (some 140 million workers). This high degree of labour informality is heavily concentrated among poor and low-income households, and it is also prevalent among women (54.3% of total female employment in the region).<sup>29</sup> The informal labour force in LAC is especially exposed to external shocks as these businesses operate unregistered within the region. In the case of Jamaica, it is estimated that 47% of the labour force works in informality, with a high prevalence in construction, tourism, and wholesale and retail sectors.<sup>30</sup> This implies that a large proportion of workers are not registered in the country's social security system and, therefore, cannot sustain their incomes through social protection programmes typically available to formal workers only. Indeed, informal workers in affected industries in Jamaica are considered among the most vulnerable.<sup>31</sup> The reduction in the number of persons employed as a result of the pandemic was estimated at 10.8% in July 2020, with female employment declining proportionally more than male employment. According to figures from the Statistical Institute of Jamaica, female employment declined by 62,700 (11.2%), while male employment fell by 73,100 (10.5%).<sup>32, 33</sup>
- 1.11 A policy that has proven effective in protecting household income during crises is to support the businesses where the individuals from those household's work,<sup>34</sup> as a way of preventing widespread job losses and bankruptcies. While the economic crisis caused by COVID-19 is affecting most of the economy, some sectors are harder hit than others, including tourism, recreation, and food services, as a consequence of the powerful impact that social distancing and isolation measures have on them. The sharp fall in sales also creates liquidity problems for businesses, in many cases exacerbated by the destruction of the payment chain. These liquidity problems tend to affect Micro, Small, and Medium-Sized Enterprises (MSMEs) more acutely given their more limited access to financing. In LAC, this liquidity problem

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<sup>26</sup> IDB/INT (2020).

<sup>27</sup> World Bank Group (2014).

<sup>28</sup> [Ministry of Finance & the Public Service](#).

<sup>29</sup> [International Labour Organization \(2018\)](#).

<sup>30</sup> Statistical Institute of Jamaica (2019). The Jamaica Labour Force Survey - 2018 Annual Review.

<sup>31</sup> [Mera \(2020\)](#).

<sup>32</sup> [Statistical Institute of Jamaica \(2020\)](#).

<sup>33</sup> Another dimension where women have been affected is with regards to the distribution of domestic chores. A [recent survey](#) carried out by the Bank found that women bore a significantly higher burden of domestic chores since the work-from-home order was implemented on March 25, 2020.

<sup>34</sup> International Labour Organization. A review of global fiscal stimulus.

may be more severe than in developed countries, considering the high rates of informal businesses, which makes access to financing difficult. The latest available data indicate that of the 11 million economic units in the region with at least one worker in addition to the employer, the vast majority (over 10 million) are micro and small enterprises (with 50 or fewer employees). These businesses employ 47% of the region's workforce.<sup>35</sup> In Jamaica, it is estimated that MSMEs employ over 84% of the labour force in the country.<sup>36</sup> MSMEs in the country face several challenges, including access to finance, informality, and low innovation.<sup>37</sup>

- 1.12 To address the issues described above, the Government of Jamaica has introduced the CARE programme which has four elements: (i) Business Employee Support and Transfer of Cash (BEST Cash), that provides temporary cash transfer to businesses in the tourism sector<sup>38</sup> based on the number of workers they keep employed; (ii) Supporting Employees with Transfer of Cash (SET Cash), which provides temporary cash transfer to individuals where it can be verified that they lost their employment due to COVID-19; (iii) a special soft loan fund to assist individuals and businesses that have been hard hit; and (iv) supporting the poor and vulnerable with special grants, including COVID Compassionate Grants focused on the informally employed, unemployed, elderly and tertiary students.<sup>39</sup>

## **5. Public policy and income protection**

- 1.13 Public policy and fiscal management can play a crucial role in economic crises such as the one caused by COVID-19,<sup>40</sup> protecting household income during the social distancing period and supporting the survival of businesses to keep jobs safe. Proper fiscal policy design and implementation for these purposes during the current crisis presents significant challenges. In order to maximize intervention efficiency, the fiscal measures introduced must benefit those individuals and sectors that need it most, when they need it most.<sup>41</sup> With respect to the issue of selecting beneficiaries for both tax benefits and subsidies, targeting difficulties arise mainly due to the absence or lack of reliability of integrated systems containing information about individuals, owing to the fact that such systems generally contain partial, often outdated information, particularly in the case of individuals in informal labour situations.<sup>42</sup> This incomplete information leads to both intentional and unintentional targeting errors, reducing efficiency in the use of public resources. To address this challenge, public policy design must focus on transparency in the use of these public resources, to increase accountability of executing agencies and reduce room for misuse.<sup>43</sup>

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<sup>35</sup> Thematic Labour Overview. "Small Enterprises, Large Gaps. Employment and Working Conditions in Micro and Small Enterprises in Latin America and the Caribbean." Regional Office for Latin America and the Caribbean, International Labour Organization (2015).

<sup>36</sup> [OECD \(2018\)](#).

<sup>37</sup> The Bank has been providing assistance to address these issues through the "First Individual Operation under the CCLIP Boosting Innovation, Growth and Entrepreneurship Programme" (4860/OC-JA).

<sup>38</sup> The businesses must be licensed by the Jamaica Tourist Board.

<sup>39</sup> [Ministry of Finance & the Public Service](#).

<sup>40</sup> K. Storesletten, C. Telmer, and A. Yaron (2001).

<sup>41</sup> V. Gaspar and P. Mauro (2020).

<sup>42</sup> Izquierdo, Pessino, and Vuletin (2018).

<sup>43</sup> S. Cecchini and A. Madariaga (2011).

- 1.14 Fiscal policies that support households are also usually difficult to reverse, especially if the benefit duration is prolonged. This is because individuals begin to consider such benefits as acquired rights, which raises the political cost of withdrawing them. One of the main lessons of the fiscal policy response in LAC to the 2009 global financial crisis was that various programmes introduced during the crisis to mitigate its effects ended up becoming permanent programmes that were not reversed once the economic shock had subsided.<sup>44</sup> This ended up eroding fiscal fundamentals in the medium term.<sup>45</sup> Thus, to encourage efficient use of public resources, time-bound provisions<sup>46</sup> must be considered in household and business support policies from the outset so that such policies do not become recurrent costs. In Jamaica, the government has indicated that income protection measures under the CARE programme will be temporary, with the understanding that it is possible to extend these depending on the economic situation in the post-pandemic period.

## **6. The economy and public finance during recovery from the pandemic**

- 1.15 While the global growth outlook is still highly uncertain, estimates from the Organisation for Economic Cooperation and Development (OECD) point to a contraction of around 4.5% in worldwide real GDP in 2020.<sup>47</sup> For LAC, the preliminary estimates of the Economic Commission for Latin America and the Caribbean (ECLAC) indicate a 9.1% contraction in regional GDP<sup>48</sup> and an increase in unemployment of 13.5 percentage points. ECLAC expects this to lead to a spike in poverty, with 45.4 million new people sinking into poverty and 28.5 million descending into extreme poverty.<sup>49</sup> As mentioned earlier, the IMF projects that the Jamaican economy will contract by 8.6% in FY2020/2021. Unemployment is expected to increase, particularly due to the economic impact of the pandemic on the tourism sector.<sup>50</sup> Poverty and inequality indicators are likely to deteriorate during this period.
- 1.16 The economic crisis has taken a heavy toll on countries' public finances, at both the national and the subnational level. The loss of revenue due to lower production combined with higher spending to contend with the health, economic, and social crisis, has put pressure on fiscal and public debt positions. Considering that the region entered the crisis in a weak fiscal position on average,<sup>51</sup> many countries are expected to experience a high degree of fiscal vulnerability in the wake of the pandemic.<sup>52</sup> In the case of Jamaica, government revenues are anticipated to

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<sup>44</sup> IMF (2015).

<sup>45</sup> Between 2008 and 2019, public debt jumped from 40% of GDP to close to 60% of GDP for a typical country in the region.

<sup>46</sup> V. Gaspar and P. Mauro (2020).

<sup>47</sup> [OECD \(2020\)](#).

<sup>48</sup> Some private-sector analysts estimate a more severe recession in the region, with a 3.8% drop in real GDP in 2020 (Goldman Sachs, March 2020).

<sup>49</sup> [ECLAC \(2020\)](#).

<sup>50</sup> As of April 2020, it was estimated that about 75 percent of the workers employed directly in the Jamaican tourism industry had been laid off due to the pandemic (Mera 2020).

<sup>51</sup> When the region entered the 2008-2009 global financial crisis, the primary balance of a typical country was above 2.5% of GDP and the overall position was balanced. For 2019, the primary deficit was -0.3% and the overall deficit was above 2.5% (IMF World Economic Outlook, 2020).

<sup>52</sup> According to preliminary estimates by Andrian and Valencia (2020), the fiscal deficit could increase in the short term between 4 and 8 percentage points of GDP in response to the downturn in economic growth and the increase in emergency public spending.

decrease by 2% of GDP, mainly as a result of a fall in tax revenue. Primary public expenditure is projected to have a net increase of 1.9% of GDP during the same period.<sup>53</sup> As a result, the budget balance is expected to decrease to -3% of GDP in FY2020/2021 and public debt is projected to increase to 101.3% of GDP (Table 1). In response to this reality, the Government of Jamaica has amended the Financial Administration and Audit Act (FAA Act) to suspend the fiscal rules and extend the period for achievement of the debt target (60% of GDP) by two years from end FY2025/2026 to end FY 2027/2028.

- 1.17 With weakened fiscal accounts in the post-pandemic period, countries in the LAC region will face several challenges. First, it will be necessary to strengthen fiscal institutions for better macro fiscal management, with the aim of ensuring a swift return to a long-term fiscal sustainability path. Second, policies to improve tax and customs administration should be considered, as they will contribute to support government revenues during the economic recovery. Third, measures to strengthen public expenditure efficiency and transparency will be essential to use the limited resources effectively. These measures should include efforts to increase the efficiency of social programmes, prioritise public investment and increase transparency in state-owned enterprises. The Government of Jamaica is focusing on a series of policies in the short and medium-term to address many of these issues. For instance, the government is looking to strengthen its macro fiscal institutions and management through the tabling of an Independent Fiscal Commission Bill; increase the efficiency and transparency of public investment through the design and development of an Investment Map Platform; continue efforts to rationalize public bodies to increase the efficiency of the public sector and generate fiscal savings for high priority spending; and enhance tax and customs administration through the improvement of Revenue Service Centres and the Large Taxpayer Office, as well as the drafting of a Customs Reform Bill.
- 1.18 An additional challenge for the LAC region will be to optimize policy responses to climate change and its associated fiscal risks. For instance, climate change is increasing the frequency and intensity of natural disasters. Along with efforts to strengthen institutions focused on climate change policy, an important step to identify the fiscal impacts of climate change is to measure the public expenditure that arises due to its occurrence. In this context, developing a coherent, long-term, and robust methodology for climate change budget tagging consistent with current international statistical practices and recommendations is a priority. In Jamaica, the government has strengthened the institutional framework regarding climate change policy with the recent creation of the Ministry of Housing, Urban Renewal, Environment and Climate Change which has among its responsibilities mitigation and adaptation policies. The new ministry will play an important role, together with the MOFPS, in ensuring the consistency of climate and fiscal policies. Moreover, as part of this programme, the Government of Jamaica has signalled its commitment to introduce climate change budget tagging to improve its expenditure evaluation and reporting capabilities.
- 1.19 Given the severe impact of the COVID-19 health crisis on economic activity and public finances, the post-pandemic period will also require support policies to rebuild the economy while ensuring sustainable and inclusive growth and restoring fiscal

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<sup>53</sup> IMF (2020).

performance. These policies should be developed and implemented as an economic stimulus to support the most vulnerable population and businesses during the return to normal, taking into account budgetary constraints so as not to jeopardise fiscal sustainability. In the case of Jamaica, the government has established a COVID-19 Economic Recovery Task Force to formulate strategies and recommend robust responses to limit the economic fallout from the crisis and to buttress subsequent economic and fiscal recovery efforts. To ensure that growth is inclusive, the Task Force has highlighted social development considerations for economic recovery. This includes the identification of structural gender biases among the factors that elevate risk and impede the potential for economic activity.<sup>54</sup> One critical concern in the country is sexual harassment,<sup>55</sup> an issue where specific legislation has been pending despite evidence of its importance.<sup>56</sup> The Government of Jamaica included the end of sexual harassment in the workplace as one of the key goals in Jamaica's National Policy for Gender Equality. To address this problem, the government has tabled in Parliament the Sexual Harassment Bill, which aims to protect women and men from unwanted sexual behaviour that affects the quality of life in social and workplace environments.<sup>57</sup>

**1.20 Bank operational work and technical support in the country.** The Bank has provided support in recent years to the Government of Jamaica to strengthen its public financial management system, modernise the tax and customs administration, strengthen debt management and implement the Central Treasury Management System through the Fiscal Administration Modernization Programme (2658/OC-JA), which expired in December 2018. In addition, the Fiscal Structural Programme for Economic Growth III (FISPEG III) (3880/OC-JA), the third and final consecutive programmatic policy based loan, expired in December 2017 and supported the Government of Jamaica's efforts to achieve a sustainable fiscal path by strengthening the Fiscal Responsibility Framework and enhancing control over budgetary expenditure. The FISPEG III was also instrumental in ensuring the Government of Jamaica implementation of tax reforms aimed at reducing tax distortions and broadening the tax base while enhancing tax and customs administration effectiveness. Furthermore, the Bank has carried out key analytical work in the fiscal area that includes a research paper on the fiscal impact of the performance of public enterprises. Also, the Bank has conducted research on the impact of the tax policy reform of 2013 and its impact on the economic growth in the long run.

**1.21 The Bank's experience and lessons learned in the region.** The IDB Group has provided support to the region during various crises (macroeconomic crises, health crises, and natural disasters) to mitigate their immediate effects and to design reforms for the recovery period. The Bank's support varies depending on the nature of the crisis to be addressed.<sup>58</sup> Therefore, specifically in the area of fiscal policy and

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<sup>54</sup> COVID-19 Economic Recovery Task Force (2020). "[Rebuild Jamaica](#)". Final Report, June 30, 2020.

<sup>55</sup> The literature on sexual harassment suggests that its economic cost can be significant (see [Deloitte, 2019](#); [WEF, 2017](#)), and its impacts include lower productivity in the workplace.

<sup>56</sup> [International Labour Organization \(2018\)](#).

<sup>57</sup> A [survey](#) carried out in July 2020 found strong support among Jamaicans, with as many as 85% of the respondents believing Parliament should pass the Sexual Harassment Bill.

<sup>58</sup> The first contingent financing instrument for natural disasters was the Contingent Credit Facility for Natural Disaster Emergencies. Examples include the Dominican Republic (DR-X1003), Honduras (HO-X1016), Ecuador (EC-X1014), and others (RE-496-1).



management, this programme has considered lessons learned during the execution and implementation phases, from other operations such as the one that was carried out with the Government of Ecuador that focused on re-establishing macroeconomic stability, restoring fiscal sustainability, and safeguarding social spending in support of the vulnerable population (Emergency Programme for Macroeconomic Sustainability and Prosperity 4771/OC-EC).

- 1.22 Lessons have also been gathered from the Macroeconomic Emergency Programme to Protect Economic and Social Progress (4656/OC-BA) in Barbados. The project supported the government in re-establishing macroeconomic stability, fostering a sustainable fiscal balance in the short term, medium term, and protecting social spending to safeguard the social progress made. One of the lessons learned is that continuous dialogue and coordinated efforts regarding technical assistance can improve the results when implementing a reform in this area. The Bank has also provided support to countries in their reform processes to improve tax policy and administration, public expenditure quality, and the strengthening of fiscal sustainability.<sup>59</sup> Finally, this operation incorporates in its design the lessons learned from other PBPs approved in 2020 to support countries during the health and economic crisis caused by COVID-19 in Uruguay (5034/OC-UR), Dominican Republic (5062/OC-DR), El Salvador (5046/OC-ES), Paraguay (5028/OC-PR and 5029/KI-PR), and Trinidad and Tobago (5064/OC-TT), such as the importance of coordinating financial support with other multilateral institutions, the fiscal sustainability of transfer programmes that protect households' income and businesses' liquidity (particularly Small and Medium Sized Enterprises (SMEs)), and the creation of task forces that help to prioritize and facilitate government efforts during the pandemic.<sup>60</sup>
- 1.23 **Coordination with other Bank projects.** This programme is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (GN-2996), as it forms part of the Bank's support to its borrowing member countries in the adoption of fiscal policies to mitigate the effects of the health crisis and alleviate the economic impacts. The programme coordinates efforts with other projects in execution including investment loan (4668/OC-JA) and PBP (5110/OC-JA) which are health sector loans in execution which have some immediate public health response activities; technical cooperation (ATN/ME-17975-JA) is a TC aimed at providing online access to healthcare as a specific response to COVID-19; as well as with other initiatives in preparation involving activities aimed at meeting needs created by the pandemic. The Bank will also provide support through a regional Technical Cooperation (TC) (ATN/OC-18057-RG) to strengthen fiscal management, which was approved in June of 2020. The objective of the TC is to support governments in the Caribbean, both at the national and sub-national levels, in their efforts to strengthen the efficiency, effectiveness and equity of fiscal policy and management in order to respond to the economic and social emergency caused by COVID-19. This coordination seeks to leverage synergies to increase the impact of the Bank's interventions.

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<sup>59</sup> The most recent policy reform support programmes include the Programme to Deepen Fiscal Reform in Colombia (4552/OC-CO), the Programme to Support Fiscal Sustainability in Costa Rica (4819/OC-CR), and the Finances for Sustainable Development Programme in Paraguay (4667/OC-PR).

<sup>60</sup> This function is key, particularly due to the difficulty in balancing short-term emergency needs and long-term fiscal sustainability goals during the transition created by such an event.

- 1.24 **Financial support to respond to the pandemic.** In terms of international financial assistance to address the unprecedented financial demands of COVID-19, the Government of Jamaica's gross external financing need for FY2020/2021<sup>61</sup> amounts to about US\$351 million. This amount will be partially financed by US\$175 million from the IDB, through two PBP loans (US\$75 million from this operation and US\$100 million from 5110/OC-JA); and US\$70 million in budget support<sup>62</sup> from the World Bank. The strategy followed by the government was to initially negotiate the RFI with the IMF (¶1.4), before starting negotiations with the Bank for this operation. Given the timing of this programme, these resources will play an important role in the government's strategy to fulfill its gross external financing needs before the end of FY2020/2021.
- 1.25 **Coordination with other donors.** The Planning Institute of Jamaica (PIOJ) organizes collaborative meetings with Jamaica's International Development Partners (IDP), including the IDB, in order to share information and coordinate actions and activities. The most recent meeting was held on December 10, 2020. During the programme's execution, a collaborative process with multilateral and donor entities will be implemented, which will include technical coordination dialogue and coordination. Furthermore, this operation reinforces the long-term fiscal sustainability objective of previous IMF-supported programmes (¶1.1), as well as the provision of financial support to face the economic and health emergency in line with the recently approved RFI by the IMF (¶1.4), and budget support from the World Bank (¶1.24).
- 1.26 **Strategic alignment.** The programme is consistent with the Second Update to the Institutional Strategy (AB-3190-2) and is aligned with the development challenge of Social Inclusion and Equality, through measures to ensure the maintenance of essential health services in order to overcome the health crisis. The programme is also aligned with the crosscutting themes corresponding to Institutional Capacity and the Rule of Law, as it will strengthen fiscal policy and management to tackle the health, economic, and social crisis; and Gender Equality and Diversity, as it supports measures to protect the income of households and businesses in sectors where women are particularly at risk (¶1.10 and ¶1.32), as well as legislation to prevent sexual harassment (¶1.19 and ¶1.34). The programme will also contribute to the Corporate Results Framework (CRF) 2020-2023 (document GN-2727-12).<sup>63</sup> The programme is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996). It is also aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2), as concerns strengthening public sector management. It is consistent with the Fiscal Policy and Management Sector Framework Document (document GN-2831-8), which highlights the importance of institutional strengthening to improve public expenditure quality as well as fiscal equity and social inclusion. Finally, the programme is included in the Update of the Annex III of the 2020 Operational Program Report (GN-2991-3).

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<sup>61</sup> FY2020/2021 ends on March 31, 2021.

<sup>62</sup> The World Bank's loan was disbursed in 2020 and aimed to support the country's reform programme and efforts to strengthen and accelerate recent gains in fiscal consolidation and sustainable growth.

<sup>63</sup> Four CRF level 2 indicators have been identified in the Annex I – Summary Development Effectiveness Matrix.



## **B. Objectives, components, and cost**

- 1.27 **Objective.** The general objective of the programme is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the brief introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) to promote economic and fiscal recovery in the post-pandemic period.
- 1.28 To meet the objectives, the Bank has structured a programmatic Policy-Based Loan series consisting of two technically related and financially/contractually independent operations, as per document Policy-Based Loans: Guidelines for Preparation and Implementation (CS-3633-2). This first operation mainly focuses on supporting policy measures undertaken during the pandemic period that aim to promote the availability and efficient execution of resources during the emergency, support household income and business liquidity, and begin to define an economic and fiscal plan to find a way out of the pandemic. The second operation in the series will seek to promote economic and fiscal recovery in the medium term by implementing policies that enable a return to growth with equity and fiscal sustainability in the post-pandemic period. The programme is organised into the following components:
- 1.29 **Component 1. Macroeconomic stability.** The objective of this component is to ensure a macroeconomic context consistent with the programme objectives as set forth in the policy matrix and the sector policy letter.
- 1.30 **Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19.** The objective of this component is to promote the timely availability and execution of public resources to respond to the health crisis caused by COVID-19. To achieve the timely availability of resources, the programme's policy measure in this component for the first operation are: (i) First Supplementary Budget for FY2020/2021 approved by Parliament to meet the urgent needs arising from the health emergency. To ensure the timely execution of public resources, the policy measures are: (i) the Special Consumption Tax (SCT) on approximately 100,000 litres of alcohol for its use in making (or substituting for) sanitizers is waived; and (ii) customs duty on the import of masks, gloves, hand sanitizers, and liquid hand soap is waived for a 90-day period.
- 1.31 Regarding the timely availability of resources, the second operation in the programmatic series will focus on the allocation of resources to the health sector in order to: (i) manage the health consequences of COVID-19; and (ii) attain the required level of health services to contain future potential surges in COVID-19 cases. In relation to the timely execution of resources, the policy measure is: the Government of Jamaica reviews SCT relief for alcohol for its use in making (or substituting for) sanitizers to establish if an extension is needed.

- 1.32 **Component 3. Strengthening public policy and fiscal management to respond to the economic crisis.** The objective of this component is to strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households and to provide targeted economic relief and increase liquidity for businesses during the health and economic crisis. To achieve this objective in the first operation, the policy measures aimed at protecting the income of households include:<sup>64</sup> (i) Supporting Employees with Transfer of Cash (SET Cash) which provides a temporary cash transfer to employees in any sector earning no more than J\$1.5 million annually and who lost their job after March 10, 2020; (ii) COVID General Grant providing grants to occupational groups affected by COVID-19 measures;<sup>65</sup> (iii) COVID Compassionate Grant providing unconditional grants to the informally employed, unemployed, elderly and tertiary students; (iv) COVID PATH Grants providing PATH beneficiaries with a 50% increase in benefits for the April-June 2020 period; and (v) COVID Student Loan Relief allowing the deferral of student loan principal and interest payments for the months of April, May, and June 2020. Additionally, the measures aimed at increasing liquidity for businesses include: (i) Business Employee Support and Transfer of Cash (BEST Cash) providing a temporary cash transfer to businesses in the tourism sector that retain workers earning J\$1.5 million or less annually; (ii) COVID Small Business Grants targeted at Micro and Small Enterprises (MSE) with sales of J\$50 million or less who filed tax returns and payroll returns for FY2019/2020; (iii) issue Drafting Instructions to the Chief Parliamentary Counsel for the preparation of legislative amendments to implement a MSME tax credit programme to provide cash-flow support; and (iv) reduce regulatory fees for coconut, coffee, cocoa and spice Commodity Licensees and by extension farmers to incentivize greater production.
- 1.33 The second operation in the programmatic series will support policies that help align public policy incentives with economic recovery. To achieve this objective, the policies supporting household income include: (i) complete an evaluative report on the implementation of the COVID-19 emergency measures identified in the Programmatic Loan I to review their performance and goals achieved; (ii) eliminate COVID-19 measures in the Programmatic Loan I that are no longer deemed relevant in the post-pandemic period; (iii) introduce measures to evaluate and improve the targeting of social programmes; and (iv) conduct a public spending review of the programmes related to the COVID-19 health emergency. In the case of the policies aimed at increasing liquidity for businesses, these include: (i) complete an evaluative report on the implementation of the COVID-19 emergency measures identified in the Programmatic Loan I to review their performance and goals achieved; (ii) COVID-19 measures in the Programmatic Loan I that are no longer deemed relevant in the post-pandemic period; (iii) provide COVID Tourism Grants to support the recovery efforts of businesses operating in the tourism sector; and (iv) submit legislative amendments to implement a MSME tax credit programme to the House of Representatives for tabling.

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<sup>64</sup> Many of these measures support economic activities where women are disproportionately at risk, particularly in the informal sector (see ¶1.10).

<sup>65</sup> Includes barbers, hairdressers, bar operators, market vendors, craft vendors, taxi and bus operators and other groups.

- 1.34 **Component 4. Economic and fiscal strengthening for the post-pandemic period.** The objective of this component in the first operation in the programmatic series is to promote economic and fiscal recovery in the post pandemic period. To achieve this objective, the Government of Jamaica will implement the following policy measures: (i) tables the Independent Fiscal Commission Bill in Parliament; (ii) amend the Financial Administration and Audit Act to suspend the fiscal rules and extend the period for achievement of the debt target (60% of GDP) by two years from end FY2025/2026 to end FY 2027/2028; (iii) establish a high-level Economic Recovery Task Force to formulate strategies and recommend robust responses to limit the economic fallout from the crisis and to buttress subsequent economic and fiscal recovery efforts; (iv) improvement of public investment efficiency and transparency through the design, development, and public launch of an Investment Map Platform; (v) creation of the Ministry of Housing, Urban Renewal, Environment and Climate Change with portfolio responsibility for climate change mitigation and adaptation policy; and (vi) the Government of Jamaica tables the Sexual Harassment Bill in the House of Representatives.
- 1.35 The second operation in the programmatic series will support implementation of policy measures to revitalise the economy and help improve the government's fiscal position in the medium term. In order to do this, the Government of Jamaica will implement the following measures: (i) approves the Independent Fiscal Commission Bill; (ii) implement an automatic Customer Flow (Queueing) Management System to all Revenue Service Centres and the Large Taxpayer Office island wide; (iii) the government tables legislation in Parliament that improves governance and ensures strong representation of all genders on the Boards of Public Bodies; (iv) Draft Customs Reform Bill prepared; (v) report on the utilisation of the Investment Map Platform; (vi) develop a tagging methodology for reporting climate change expenditure in the Central Government Expenditure Budget; and (vii) the Government of Jamaica approves the Sexual Harassment Act.

### C. Key results indicators

- 1.36 The expected programme results are included in the Results Matrix (Annex III). The results indicators are: (i) budget allocated to the health sector; (ii) individuals benefiting from temporary cash transfers provided through the SET Cash programme; (iii) individuals benefited from the COVID Compassionate Grant programme;<sup>66</sup> (iv) businesses benefited from temporary cash transfers provided through the BEST Cash programme; (v) businesses benefited from the COVID Small Business Grants programme; and (vi) priority actions set out by the COVID-19 Economic Recovery Task Force that have been implemented.
- 1.37 **Economic analysis.** Based on the recommendations by the Office of Evaluation and Oversight (OVE) in its 2011 Evaluability Review of Bank Projects<sup>67</sup> and on the findings of the review of evaluation practices and standards for policy-based loans conducted by the Evaluation Cooperation Group (ECG, which comprises the

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<sup>66</sup> With the support of the Bank, the government will conduct an evaluative report of the programme that will include disaggregation by gender.

<sup>67</sup> Document RE-397-1: Currently, the economic analysis section is computed as the maximum between the cost-benefit analysis (CBA) and the cost-effectiveness analysis (CEA). Yet neither a CBA nor a CEA is applicable to policy-based loans.

independent evaluation offices of the multilateral development banks),<sup>68</sup> as provided for in paragraph 1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-Sovereign Guaranteed Operations), which indicates that an analysis of efficiency in the use of financial resources is unnecessary,<sup>69</sup> it was determined that an economic analysis would not be performed for this type of loan, as reported to the Board of Executive Directors. Accordingly, this loan operation does not include an economic analysis and no such analysis is considered for purposes of measuring the evaluability score in the programme's Development Effectiveness Matrix.

- 1.38 **Beneficiaries.** The direct beneficiaries of the first operation in the programmatic series are the citizens of Jamaica, particularly those in the most vulnerable sectors, due to the positive social effects of the policy measures to increase available resources for responding to the health crisis. Additionally, the protection of household income and business liquidity will help reduce the impact of the crisis on the wellbeing of the country's citizens, particularly low-income individuals, and women. Finally, the Government of Jamaica will also benefit from this operation, as it will have more resources available to implement public policies to mitigate the impact of the health and economic crisis.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 This operation has been structured as a programmatic policy-based loan (PBP) and is the first operation of a programmatic series consisting of two contractually independent but technically linked loans, in line with the guidelines for the preparation and implementation of programmatic policy-based loans set forth in document CS-3633-2. The programmatic modality was chosen because: (i) it promotes ongoing policy dialogue between the Bank and the country with the aim of providing continuous support during the pandemic and in the post-pandemic period; (ii) given the uncertainty regarding the length and severity of the crisis caused by the pandemic, this instrument leaves room for adaptation to evolving circumstances and monitoring of the programme's scope; and (iii) it facilitates the development, fine-tuning, and implementation of economic and fiscal recovery plans, with a view to resuming growth with equity and fiscal sustainability in the post-pandemic period.
- 2.2 **Dimensioning.** The amount of this operation will be US\$75 million financed from the Bank's Ordinary Capital, which represents 21.4% of the government's gross external financing needs (approximately US\$351 million for FY2020/2021) (¶1.24). This amount will be disbursed in one single tranche. The cost of the operation is justified by the public sector's financial needs and has no direct relationship to the cost of the programme's reforms, in accordance with document CS-3633-2 (paragraph 3.27 (b)).

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<sup>68</sup> Good Practice Standards for the Evaluation of Public Sector Operations. Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition. February 2012.

<sup>69</sup> According to the ECG, policy-based loans should be evaluated for relevance, effectiveness, and sustainability. Efficiency was not included as a criterion, since the size of a policy-based loan is related to a country's financing gap, independent of the project's benefits.

**B. Environmental and social safeguard risks**

- 2.3 Based on guideline B.13 of the Environment and Safeguards Compliance Policy (Operational Policy OP-703), this programme does not require ex ante classification of impacts. The operation supports the development of policies, standards, management tools, and other institutional strengthening actions. Therefore, no significant or direct adverse environmental and natural impacts are anticipated.

**C. Fiduciary risks**

- 2.4 No fiduciary risks associated with the operation have been identified. The operation's proceeds will go directly to the National Treasury in order to meet the Government of Jamaica financing needs. To that end, the executing agency has the necessary financial management tools and supervision systems. The resources will be disbursed once the policy measures set forth in the loan contract are fulfilled.

**D. Other risks and key issues**

- 2.5 **Public management and governance risks.** There is a medium risk that government household transfers and business support measures might be difficult to withdraw in the medium term. The Government of Jamaica has already taken measures aimed at mitigating this risk, by establishing a high-level COVID-19 Economic Recovery Task Force to formulate strategies and recommend robust responses to limit the economic fallout from the crisis (§1.34). This Task Force consisted of ministers of government, members of civil society, as well as members of the public and private sectors. The Task Force was established to analyse and discuss the prospects and possible plans for the post-pandemic period, aimed at facilitating consensus on responses for economic recovery while maintaining fiscal sustainability.<sup>70</sup>
- 2.6 **Development risk.** There is a medium risk that the packages of programme-supported measures to respond to the health and economic crisis will only be partially implemented, due to a lack of financial resources. To mitigate this risk, the Bank will coordinate financial support to Jamaica with other multilateral institutions (§1.25).
- 2.7 **Macroeconomic and fiscal risk.** Given the uncertainty regarding the evolution of the health and economic crisis in Jamaica and in key trade partner countries, the prospects for a return to normal levels of external demand (particularly for tourism) are unclear. If the crisis remains acute over a long horizon, especially with regards to the tourism industry, there is a medium risk that lower growth and government revenues could undermine the sustainability of debt and public finances. A deeper or prolonged downturn could also adversely affect banks and the financial sector, as well as other asset markets in the country, reinforcing the shock and creating additional policy challenges for authorities. Similarly, prolonged loss of export revenues and economic activity could weaken confidence in the exchange rate and the balance of payments. A large depreciation of the Jamaican dollar would increase

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<sup>70</sup> In order to achieve this, the Task Force established several sub-committees which engaged in consultation with various parties including civil society, the private sector, and public health leaders.

the local value of both public and private liabilities, exacerbating the broader shock to fiscal and debt sustainability, as well as private balance sheets.

- 2.8 To mitigate this risk, the Government of Jamaica has requested emergency assistance from the IMF under the RFI for an amount equal to about US\$520 million dollars (3.4% of GDP) (¶1.4, ¶1.25). Additionally, the Bank, along with other international organisations, will provide technical support to the Government of Jamaica in order to contribute to its efforts to develop and monitor implementation of post-pandemic economic and fiscal recovery plans that will put public finances back on a sustainable path. Also, the Bank will provide support through a regional TC (ATN/OC-18057-RG) to strengthen fiscal management (¶1.23).

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower.** The borrower will be Government of Jamaica, which will execute the programme through the MOFPS.
- 3.2 **Executing agency.** The executing agency will be the MOFPS, which will have technical responsibility for programme execution and agrees to: (i) act, on its own or by means of a designee, as the official liaison with the Bank and submit reports and evidence of fulfilment of the operation's conditions, as well as any other report that the Bank requires, according to the agreed deadlines and terms; (ii) promote actions to achieve the policy objectives defined in the programme; and (iii) collect, record, and submit to the Bank all data, indicators, and metrics that help the Government of Jamaica and the Bank monitor, measure, and evaluate the programme's results.
- 3.3 **Coordination mechanism.** Responsibility for fulfilling the programme's measures falls within the MOFPS. The MOFPS will maintain an ongoing dialogue with the Ministry of Health and Wellness; Ministry of Labour and Social Security; Ministry of Housing, Urban Renewal, Environment and Climate Change; Tax Administration Jamaica; as well as other relevant government agencies implementing the programmes supported by the first and second operations of this programme, in order to ensure the adequate availability of resources and facilitate administrative procedures. Additionally, the Bank will coordinate online follow up meetings to provide technical support to the country if needed and to monitor the compliance of the policy measures that were included as part of this programmatic series.
- 3.4 **Special contractual condition prior to the first and sole disbursement of the first Programmatic Policy-Based Loan (PBP).** The first and sole disbursement of loan resources will be subject to the borrower's fulfilment of the policy reform conditions in the Policy Matrix (Annex II), the [Policy Letter](#), and any other conditions outlined in the corresponding loan contract.

#### B. Summary of arrangements for monitoring results

- 3.5 **Monitoring.** Programme monitoring consists of verification of the agreed policy measures ([Monitoring and Evaluation Plan](#)). The executing agency and the Bank will meet semi-annually or as reasonably agreed by the Parties to monitor the

operation's results and anticipate and resolve technical difficulties related to the operation's execution. The executing agency will submit to the Bank all information required for measuring fulfilment of programme targets and will provide timely information on progress toward those targets.

- 3.6 **Evaluation.** The evaluation strategy will consist of: (i) a before and after analysis of the outcome and impact indicators included in the Results Matrix; (ii) a review of the intervention's theory of change; (iii) a literature review of evidence on the effectiveness of similar interventions in comparable contexts; and (iv) a qualitative evaluation that provides complementary information on how the achieved results can be attributed to the programme. The evaluation's main questions will address whether the policies implemented helped achieve the programme objectives ([Monitoring and Evaluation Plan](#)). Additionally, a programme completion report will be prepared. Both the ex post evaluation and the programme completion report will be conducted at the end of execution of the programmatic series.

#### IV. POLICY LETTER

- 4.1 The [Policy Letter](#) reiterates the country government's commitment to the objectives and actions envisaged in the programme. Additionally, the Bank and the Government of Jamaica agreed on a Policy Matrix that identifies the policy actions under this operation.

Development Effectiveness Matrix		
Summary		JA-L1087
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#) -Beneficiaries of employment support initiatives (#) -Micro / small / medium enterprises financed (#) Countries with strengthened tax and expenditure policy and management (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix	GN-2991-3	The intervention is included in the 2020 Operational Program
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		See p. 1.15 to 1.19 of the loan document.
II. Development Outcomes - Evaluability		
3. Evidence-based Assessment & Solution	Evaluable 9.6	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	3.6	
3.3 Results Matrix Quality	3.0	
4. Ex ante Economic Analysis	N/A	
5. Monitoring and Evaluation	7.0	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	4.5	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	B.13	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Treasury.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Note: (\*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The program is structured as a PBP. This is the first of two operations whose policy actions aim to support the country in the adoption of activities to respond to the main challenges generated by the health and economic crisis due to COVID-19. The operation JA-L1087, for US\$75 million, is part of the Bank's operational response to the COVID-19 Pandemic. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the brief introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) to promote economic and fiscal recovery in the post-pandemic period. The achievement of these objectives will contribute to the general objective of the programme to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures.

The loan proposal presents a solid diagnosis of the problem, as well as a review of international evidence. The proposed solutions are an appropriate response to the problems identified in the proposal and its contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of outcomes and impacts. The outcome indicators are appropriately defined to measure the achievements of the project's specific objectives. The impact indicators reflect the contribution to the final health and fiscal objectives of the operation.

The monitoring and evaluation plan proposes a reflective analysis of the outcome and impact indicators included in the result matrix, complemented by a review of the theory of change, an updated review of international evidence and qualitative studies. The monitoring and evaluation activities will be carried out by the Ministry of Finance and Public Service in coordination with the Bank.



## POLICY MATRIX

**Objective:** The general objective of the programme is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the brief introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) to promote economic and fiscal recovery in the post-pandemic period.

Components/ Policy Objectives	Policy Commitments to Address COVID-19 First Programmatic Operation	Status of Fulfilment Conditions for Programmatic Loan I <sup>1</sup>	Triggers for Programmatic Loan II
<b>Component 1. Macroeconomic stability.</b>			
Maintain a macroeconomic context consistent with the programme objectives as set forth in the policy matrix and the sector policy letter.	1.1 Maintain an economic framework consistent with programme's objectives and the guidelines set forth in the sector policy letter.	i. Fulfilled.	1.1 Maintain an economic framework consistent with the programme's objectives and the guidelines established in the sector policy letter.
<b>Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19.</b>			
Promote the timely availability of public resources to respond to the health crisis caused by COVID-19.	2.1 The Government of Jamaica implements the following measures: i. First Supplementary Budget for FY2020/2021 approved by Parliament to meet the urgent needs arising from the health emergency.	i. Fulfilled (II quarter, 2020).	2.1 The Government of Jamaica allocates resources to the health sector in order to: i. Manage the health consequences of COVID-19. ii. Attain the required level of health services to contain future potential surges in COVID-19 cases.

<sup>1</sup> This information is merely indicative as of the date of this document. In accordance with document CS-3633-2 (Policy-Based Loans: Guidelines for Preparation and Implementation), compliance with any specified disbursement conditions, including maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the borrower makes the corresponding disbursement request and will be reflected in a timely manner in the disbursement eligibility memorandum.

Components/ Policy Objectives	Policy Commitments to Address COVID-19 First Programmatic Operation	Status of Fulfilment Conditions for Programmatic Loan I <sup>1</sup>	Triggers for Programmatic Loan II
Promote the timely execution of public resources to respond to the health crisis caused by COVID-19.	2.2 The Government of Jamaica implements the following measures: <ul style="list-style-type: none"> <li>i. The SCT on approximately 100,000 litres of alcohol for its use in making (or substituting for) sanitizers is waived.</li> <li>ii. Customs duty on the import of masks, gloves, hand sanitizers, and liquid hand soap is waived for a 90-day period.</li> </ul>	<ul style="list-style-type: none"> <li>i. Fulfilled (I quarter, 2020).</li> <li>ii. Fulfilled (I quarter, 2020).</li> </ul>	2.2 The Government of Jamaica reviews SCT relief for alcohol for its use in making (or substituting for) sanitizers to establish if an extension is needed.
<b>Component 3. Strengthening public policy and fiscal management to respond to the economic crisis.</b>			
Strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households during the health and economic crisis.	3.1 The Government of Jamaica implements the following measures under the CARE programme: <ul style="list-style-type: none"> <li>i. Supporting Employees with Transfer of Cash (SET Cash) which provides a temporary cash transfer to employees in any sector earning no more than J\$1.5 million annually and who lost their job after March 10, 2020.</li> <li>ii. COVID General Grant providing grants to occupational groups affected by COVID-19 measures.<sup>2</sup></li> <li>iii. COVID Compassionate Grant providing unconditional grants to the informally employed, unemployed, elderly and tertiary</li> </ul>	<ul style="list-style-type: none"> <li>i. Fulfilled (II quarter, 2020).</li> <li>ii. Fulfilled (II quarter, 2020).</li> <li>iii. Fulfilled (II quarter, 2020).</li> </ul>	3.1 The Government of Jamaica will implement the following measures: <ul style="list-style-type: none"> <li>i. Complete an evaluative report on the implementation of the COVID-19 emergency measures identified in 3.1 of the Programmatic Loan I to review their performance and goals achieved.</li> <li>ii. Eliminate COVID-19 measures in 3.1 of the Programmatic Loan I that are no longer deemed relevant in the post-pandemic period.</li> <li>iii. Introduce measures to evaluate and improve the targeting of social programmes.</li> <li>iv. Conduct a public spending review of the programmes related to the COVID-19 health emergency.</li> </ul>

<sup>2</sup> Includes barbers, hairdressers, bar operators, market vendors, craft vendors, taxi and bus operators and other groups.

Components/ Policy Objectives	Policy Commitments to Address COVID-19 First Programmatic Operation	Status of Fulfilment Conditions for Programmatic Loan I <sup>1</sup>	Triggers for Programmatic Loan II
	<p>students.</p> <p>iv. COVID PATH Grants providing PATH<sup>3</sup> beneficiaries with a 50% increase in benefits for the April-June 2020 period.</p> <p>v. COVID Student Loan Relief allowing the deferral of student loan principal and interest payments for the months of April, May, and June 2020.</p>	<p>iv. Fulfilled (IV quarter, 2020).</p> <p>v. Fulfilled (IV quarter, 2020).</p>	

<sup>3</sup> Programme of Advancement Through Health and Education (PATH).

Components/ Policy Objectives	Policy Commitments to Address COVID-19 First Programmatic Operation	Status of Fulfilment Conditions for Programmatic Loan I <sup>1</sup>	Triggers for Programmatic Loan II
Strengthen the countercyclical effect of public policy through the temporary introduction of measures to provide targeted economic relief and increase liquidity for businesses during the health and economic crisis.	<p>3.2 The Government of Jamaica implements the following measures:</p> <ul style="list-style-type: none"> <li>i. Business Employee Support and Transfer of Cash (BEST Cash) providing a temporary cash transfer to businesses in the tourism sector that retain workers earning J\$1.5 million or less annually.</li> <li>ii. COVID Small Business Grants targeted at Micro and Small Enterprises (MSE) with sales of J\$50 million or less who filed tax returns and payroll returns for FY2019/2020.</li> <li>iii. Issue Drafting Instructions to the Chief Parliamentary Counsel for the preparation of legislative amendments to implement a MSME tax credit programme to provide cash-flow support.</li> <li>iv. Reduce regulatory fees for coconut, coffee, cocoa and spice Commodity Licensees and by extension farmers to incentivize greater production.</li> </ul>	<ul style="list-style-type: none"> <li>i. Fulfilled (II quarter, 2020).</li> <li>ii. Fulfilled (II quarter, 2020).</li> <li>iii. Fulfilled (IV quarter, 2020).</li> <li>iv. Fulfilled (II quarter, 2020).</li> </ul>	<p>3.2 The Government of Jamaica will implement the following measures:</p> <ul style="list-style-type: none"> <li>i. Complete an evaluative report on the implementation of the COVID-19 emergency measures identified in 3.2 of the Programmatic Loan I to review their performance and goals achieved.</li> <li>ii. Eliminate COVID-19 measures in 3.2 of the Programmatic Loan I that are no longer deemed relevant in the post-pandemic period.</li> <li>iii. Provide COVID Tourism Grants to support the recovery efforts of businesses operating in the tourism sector.</li> <li>iv. Submit legislative amendments to implement a MSME tax credit programme to the House of Representatives for tabling.</li> </ul>
<b>Component 4. Economic and fiscal strengthening for the post-pandemic period.</b>			
Promote economic and fiscal recovery in the post pandemic period.	<p>4.1 The Government of Jamaica takes the following economic and fiscal policy measures:</p> <ul style="list-style-type: none"> <li>i. Tables the Independent Fiscal Commission Bill in Parliament.</li> <li>ii. Amend the Financial</li> </ul>	<ul style="list-style-type: none"> <li>i. Fulfilled (IV quarter, 2020).</li> <li>ii. Fulfilled (IV quarter,</li> </ul>	<p>4.1 The Government of Jamaica will implement the following economic and fiscal measures:</p> <ul style="list-style-type: none"> <li>i. Approves the Independent Fiscal Commission Bill.</li> <li>ii. Implement an automatic Customer</li> </ul>

Components/ Policy Objectives	Policy Commitments to Address COVID-19 First Programmatic Operation	Status of Fulfilment Conditions for Programmatic Loan I <sup>1</sup>	Triggers for Programmatic Loan II
	<p>Administration and Audit Act to suspend the fiscal rules and extend the period for achievement of the debt target (60% of GDP) by two years from end FY2025/2026 to end FY2027/2028.</p> <p>iii. Establish a high-level Economic Recovery Task Force to formulate strategies and recommend robust responses to limit the economic fallout from the crisis and to buttress subsequent economic and fiscal recovery efforts.</p> <p>iv. Improvement of public investment efficiency and transparency through the design, development and public launch of an Investment Map Platform.</p> <p>v. Creation of the Ministry of Housing, Urban Renewal, Environment and Climate Change with portfolio responsibility for climate change mitigation and adaptation policy.</p> <p>vi. The Government of Jamaica tables the Sexual Harassment Bill in the House of Representatives.</p>	<p>2020).</p> <p>iii. Fulfilled (II quarter, 2020).</p> <p>iv. Fulfilled (IV quarter, 2020).</p> <p>v. Fulfilled (IV quarter, 2020).</p> <p>vi. Fulfilled (III quarter, 2020).</p>	<p>Flow (Queueing) Management System to all Revenue Service Centres and Large Tax Offices island wide.</p> <p>iii. The government tables legislation in Parliament that improves governance and ensures strong representation of all genders on the Boards of Public Bodies.</p> <p>iv. Draft Customs Reform Bill prepared.</p> <p>v. Report on the utilisation of the Investment Map Platform.</p> <p>vi. Develop a tagging methodology for reporting climate change expenditure in the Central Government Expenditure Budget.</p> <p>vii. The Government of Jamaica approves the Sexual Harassment Act.</p>

## RESULTS MATRIX

<b>PROGRAM OBJECTIVE:</b>	The general objective of the programme is to strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the brief introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) to promote economic and fiscal recovery in the post-pandemic period.
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## EXPECTED IMPACT

Indicators	Unit of Measure	Baseline	Baseline Year	Final Target	Final Year	Means of Verification	Comments
Confirmed COVID-19 cases.	Number	2.4 million	2020	1.3 million	2021	WHO reports.	<p>The indicator allows a comparison between the estimated number of cumulative cases by 2021 (final target) versus the projected number of cases in a scenario of no government intervention (baseline) during the same period, simulated with the use of epidemiological models<sup>1</sup>.</p> <ul style="list-style-type: none"> <li>Expected cases in unmitigated scenario: 2.4 million</li> <li>Expected cases in social distancing scenario: 1.3 million</li> </ul>
Government primary balance.	Percentage	3.1	FY2020/2021	5.4	FY2021/2022	MOFPS.	Primary fiscal balance as a percentage of GDP. For FY2020/2021, the final figure corresponds to the estimated primary balance, including response measures to the COVID-19 emergency.

<sup>1</sup> The unmitigated scenario corresponds to estimates from an SEIR model with  $R_0=2.7$ , while the social distancing scenario has been calculated with  $R_0=2.4$ . Source: Imperial College (2020).

### EXPECTED OUTCOMES

Indicators	Unit of Measure	Baseline	Baseline Year	Final Target (2021)	Means of Verification	Comments
<b>SPECIFIC OBJECTIVE 1:</b> Promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19						
Budget allocated to the health sector.	Percentage change	0	FY2020/2021	5.4	Official letter of the MOFPS, including the approved health sector budgets for FY2020/2021 and the First Supplementary Estimates.	<b>Formula:</b> (Additional health sector budget FY2020/2021) / (Original health sector budget FY2020/2021)  <u>Baseline (FY2020/2021):</u> Original health sector budget: J\$ 72.2 billion (approx. US\$500 million).  Final target: End of FY2020/21.
<b>SPECIFIC OBJECTIVE 2:</b> Strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis						
Individuals benefiting from temporary cash transfers provided through the SET Cash programme.	Percentage	0	2020	71	Official letter of the MOFPS confirming the results of the SET Cash programme and providing the corresponding supporting documents.	<b>Formula:</b> (Benefited individuals) / (Submitted P45s after March 2020, as per rule of J\$1.5 Million)  <u>Baseline (March 2020)<sup>2</sup>:</u> Benefited individuals: 0. Submitted P45s (Tax document submitted as Evidence of layoff) after March 2020, as per rule of J\$1.5 Million: 49,058.
Individuals benefited from the COVID Compassionate Grant programme.	Percentage	0	2019	17	Official letter of the MOFPS confirming the results of the COVID Compassionate Grant programme and providing the corresponding supporting documents.	<b>Formula:</b> (Benefited individuals) / (Population 18 years or older not on payroll or self-employed)  <u>Baseline (2019):</u> Benefited individuals: 0. Population 18 years or older not on payroll or self-employed: 2,191,714
Businesses benefited from temporary cash transfers provided through the BEST Cash	Percentage	0	2020	20	Official letter of the MOFPS confirming the results of the BEST Cash programme and	<b>Formula:</b> (Benefited businesses) / (Number of entities having a valid Tourism Board Licence at March 2020)

<sup>2</sup> The baseline corresponds to the period before the start of the programme.

Indicators	Unit of Measure	Baseline	Baseline Year	Final Target (2021)	Means of Verification	Comments
programme.					providing the corresponding supporting documents.	<u>Baseline (March 2020):</u> Benefited businesses: 0. Number of entities having a valid Tourism Board Licence <sup>3</sup> at March 2020: 857.
Businesses benefited from the COVID Small Business Grants programme.	Percentage	0	2019	34	Official letter of the MOFPS confirming the results of the Small Business Grants programme and providing the corresponding supporting documents.	<b>Formula:</b> (Benefited businesses) / (Number of businesses with revenue of J\$50 million or less that filed payroll return for at least one employee and filed taxes for Financial Year 2019)  <u>Baseline (2019):</u> Benefited businesses: 0. Number of businesses with revenue of J\$50 million or less that filed payroll return for at least one employee and filed taxes for Financial Year 2019: 4,415.
<b>SPECIFIC OBJECTIVE 3:</b> Promote economic and fiscal recovery in the post-pandemic period						
Priority actions set out by the COVID-19 Economic Recovery Task Force that have been implemented.	Percentage	0	2019	70	Official letter of the MOFPS confirming the actions set out by the COVID-19 Economic Recovery Task Force and providing the corresponding supporting documents.	Percentage of all priority actions <sup>4</sup> set out in the economic recovery plan that have been implemented. <b>Formula:</b> (Actions implemented) / (Total number of priority actions set out in the economic recovery plan)  Final target year: 2021.

<sup>3</sup> The entities have to be registered with the Tourism Product Development Company (TPDCo).

<sup>4</sup> The priority actions to be considered for this indicator are: (i) eliminate application and processing fees for Student Loans for 2020/21; (ii) provide tablets for students that need access to online resources; (iii) suspend Fiscal Rules for 2020/21; (iv) complete Central Bank reform -The Bank of Jamaica (Amendment) Act 2020; (v) implementation of the CARE Programme; (vi) PCR testing implemented in at least one (1) private lab; and (vii) prioritise the implementation of the Citizen Security Plan.



**OUTPUTS**

Outputs	Unit of Measure	Baseline	Baseline Year	Final Target (2021)	Means of Verification
<b>Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19</b>					
Approved First Supplementary Budget for FY2020/2021 to meet the urgent needs arising from the health emergency.	Approved First Supplementary Budget	0	2019	1	Official letter of the MOFPS confirming the approval of the First Supplementary Budget for FY2020/2021 and providing the corresponding supporting documents.
Tax Relief Advisory waiving the Special Consumption Tax for its use in making sanitizers.	Tax Relief Advisory	0	2019	1	Official letter of the MOFPS confirming the implementation of the Tax Relief Advisory which waives the SCT and providing the corresponding supporting documents.
Letter from the MOFPS waiving customs duty on the import of masks, gloves, hand sanitizers, and liquid hand soap.	Letter	0	2019	1	Official letter of the MOFPS confirming the implementation of the waiver of customs duty and providing the corresponding supporting documents.
<b>Component 3. Strengthening public policy and fiscal management to respond to the economic crisis</b>					
Policy approving the creation and funding of the SET Cash programme.	Policy	0	2019	1	Official letter of the MOFPS confirming the programme's implementation and providing the corresponding supporting documents.
Policy approving the creation and funding of the COVID General Grant programme.	Policy	0	2019	1	Official letter of the MOFPS confirming the programme's implementation and providing the corresponding supporting documents.
Policy approving the creation and funding of the COVID Compassionate Grant programme.	Policy	0	2019	1	Official letter of the MOFPS confirming the programme's implementation and providing the corresponding supporting documents.
Policy approving the creation and funding of the COVID PATH Grants programme.	Policy	0	2019	1	Official letter of the MOFPS confirming the programme's implementation and providing the corresponding supporting documents.
Policy approving the creation and funding of the COVID Student Loan Relief programme.	Policy	0	2019	1	Official letter of the MOFPS confirming the programme's implementation and providing the corresponding supporting documents.
Policy approving the creation and funding of the BEST Cash programme.	Policy	0	2019	1	Official letter of the MOFPS confirming the programme's implementation and providing the corresponding supporting documents.
Policy approving the creation and funding of the COVID PATH Small Business Grants programme.	Policy	0	2019	1	Official letter of the MOFPS confirming the programme's implementation and providing the corresponding supporting documents.

Outputs	Unit of Measure	Baseline	Baseline Year	Final Target (2021)	Means of Verification
Drafting Instructions for legislative amendments authorizing the creation of a MSME tax credit programme.	Drafting Instructions	0	2019	1	Official letter of the MOFPS confirming the submission of the Drafting Instructions to the Chief Parliamentary Counsel and providing the corresponding supporting documents.
Policy approving the reduction in regulatory fees for coconut, coffee, cocoa, and spice Commodity Licensees and by extension farmers to incentivize greater production.	Policy	0	2019	1	Official letter of the Jamaica Agricultural Commodities Regulatory Authority confirming the reduction in regulatory fees for these sectors.
<b>Component 4: Economic and fiscal strengthening for the post-pandemic period</b>					
Tabling of the Independent Fiscal Commission Bill in Parliament.	Bill	0	2019	1	Official letter of the Clerk to the Houses of Parliament confirming the tabling of the Independent Fiscal Commission Bill.
Financial Administration and Audit Act amended to reflect suspension of the fiscal rules and the extension of the period for achievement of the debt target (60% of GDP) by two years from end FY2025/2026 to end FY2027/2028.	Gazette	0	2019	1	Official letter of the MOFPS confirming the amendment of the Financial Administration and Audit Act and providing the corresponding supporting documents.
COVID-19 Economic Recovery Task Force established to address the crisis and guide economic and fiscal decision-making for the post-pandemic period.	Task Force	0	2019	1	Official letter of the Cabinet Secretary confirming the establishment of the Economic Recovery Task Force and providing the corresponding supporting documents.
Design, development, and public launch of an Investment Map Platform.	Online Platform	0	2019	1	Official letter of the MOFPS confirming the implementation of the Investment Map Platform and providing the corresponding supporting documents.
Ministry of Housing, Urban Renewal, Environment and Climate Change with portfolio responsibility for climate change mitigation and adaptation policy, created.	Ministry	0	2019	1	Government of Jamaica Assignment of Subjects and Departments, Agencies and other Public Bodies.
Sexual Harassment Bill tabled in the House of Representatives.	Bill	0	2020	1	Official letter of the Clerk to the Houses of Parliament confirming the tabling of the Sexual Harassment Bill in the House of Representatives.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/21

Jamaica. Loan \_\_\_\_/OC-JA to Jamaica. Strengthening Fiscal Policy and Management Programme to Respond to the Public Health Crisis and Economic Effects of COVID-19 in Jamaica

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Jamaica, as borrower, for the purpose of granting it a financing to cooperate in the execution of the Strengthening Fiscal Policy and Management Programme to Respond to the Public Health Crisis and Economic Effects of COVID-19 in Jamaica. Such financing will be for the amount of up to US\$75,000,000 from the resources of the Bank's Ordinary Capital and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 2021)