

Project Completion Report

Policy-Based Loan

PCR

Project Name: Competitiveness Enhancement Program

Country: Jamaica

***Sector/Subsector: Private Sector
Competitiveness***

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Loan Number(s):

- ***JCEP-I Loan Contract 1972/OC-JA – April 1, 2008***
- ***JCEP-II Loan Contract 2297/OC-JA – February 17, 2010***
- ***JCEP-III Loan Contract 3147/OC-JA – February 5, 2014***

Project Number(s):

- ***JA-L1001***
- ***JA-L1010***
- ***JA-L1014***

QRR Date: November 13th, 2014

Final Approval Date of PCR: December 3rd, 2014

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Acronyms and Abbreviations

BCI	Business Climate Initiative
BoJ	Bank of Jamaica
CIT	Corporate Income Tax
CPC	Chief Parliamentary Counsel
DBJ	Development Bank of Jamaica
EFF	Extended Fund Facility
ESMR	Environmental and Social Management Report
ETA	Electronic Transactions Act
FAA	Financial Administration and Audit Act
FCP	Fiscal Consolidation Program (Bank sponsored series of three PBLs)
FDI	Foreign Direct Investment
FSAP	Financial Sector Assessment Program (IMF/World Bank)
FSC	Financial Services Commission
GCT	General Consumption Tax
GDP	Gross Domestic Product
GoJ	Government of Jamaica
IDB	Inter-American Development Bank
IMA	Independent Macroeconomic Assessment
IMF	International Monetary Fund
JCC	Jamaica Chamber of Commerce
JCEP	Jamaica Competitiveness Enhancement Program
JDX	Jamaica Debt Exchange
JTI	Jamaica Trade and Invest
KCSC	Korea Cadastral Survey Corporation
LAMP	Land Administration and Management Program
MAL	Ministry of Agriculture and Land
M-Banking	Mobile Banking
MEMT	Ministry of Energy, Mining and Telecommunications
MoF&P	Ministry of Finance and the Public Service
MFP	Ministry of Finance and Planning
MIIC	Ministry of Industry, Investment and Commerce
NCC	National Competitiveness Council
NIS	National Insurance Scheme
NLA	National Land Agency
OPM	Office of the Prime Minister
PATH	Programme of Advancement through Health and Education
PBL	Policy Based Loan
PfJ	Partnerships for Jamaica
PIT	Personal Income Tax
PIOJ	Planning Institute of Jamaica
POD	Proposal for Operation Development
PPP	Public Private Partnership
PSA	Private Sector Assessment
PSOJ	Private Sector Organization of Jamaica
SCT	Special Consumption Tax
SBA	Stand-By Arrangement
SET	Special Enforcement Teams (of the Inland Revenue Department)
SMEs	Small and Medium Enterprises
SMS	Short Message Service (in cell phone communications)
VRS	Virtual Reference System

I. Basic Information

BASIC DATA (AMOUNTS IN US\$)

PROJECT NO:1st Operation: JA-L10012nd Operation: JA-L10103rd Operation: JA-L1014**LOAN(s):**

JCEP-I LC 1972/OC-JA

JCEP-II LC 2297/OC-JA

JCEP-III LC 3147/OC-JA

Programmatic ☒ Yes ☐ No

If yes, list all related Project and Loan Numbers: TC for
Operational Development JA-T1020, JA-T1021, JA-X1002, JA-T
1042, JA-CC-46

Borrower: Jamaica**Date of Board Approval:**

JCEP-I LC 1972/OC-JA - 04-01-2008

JCEP-II LC 2297/OC-JA – 02-17-2010

JCEP-III LC 3147/OC-JA – 02-05-2014

Executing Agency (EA):

Planning Institute of Jamaica (PIOJ)

Date of Loan Contract Effectiveness:

JCEP-I LC 1972/OC-JA - 04-06-2008

JCEP-II LC 2297/OC-JA – 02-17-2010

JCEP-III LC 3147/OC-JA – 02-06-2014

Date of Eligibility for First Disbursement:

JCEP-I LC 1972/OC-JA - 08-10-2008

JCEP-II LC 2297/OC-JA – 02-17-2010

JCEP-III LC 3147/OC-JA – 02-07-2014

Sector: Competitiveness**Months in Execution**

* from Approval:

First Operation fully disbursed 3 months after approval

Second Operation fully disbursed on the day of approval

Third operation fully disbursed two days after approval

* from Contract Effectiveness:

First operation fully disbursed 3 months after effectiveness

Second Operation fully disbursed on the day of effectiveness.

Third operation fully disbursed one day after effectiveness

Disbursement Periods**Original Date of Final Disbursement:**

First Operation: July 10, 2008

Second Operation: February 19, 2010

Third Operation: February 7, 2014

Current Date of Final Disbursement:

First Operation: July 10, 2008

Second Operation: February 19, 2010

Third Operation: February 7, 2014

Cumulative Extension (Months): 0 months

Social Equity (SEQ): Yes/No NO**Environmental Classification: A, B, or C**

In accordance with Directive B.13 of the Bank's Environment and
Safeguards Compliance Policy (GN-2208-20 and OP-703), no
environmental impact classification was required.

On Alert Status NO

Is project currently designated "on alert" by PAIS? Yes/No
No

If yes, then why is the project on alert (DO, IP Ratings and/or
relevant PAIS indicators):

Comments on relevance of "on alert" status for this project
(if applicable):

Summary Performance Ratings				
DO	<input checked="" type="checkbox"/> Highly Probable (HP)	<input type="checkbox"/> Probable (P)	<input type="checkbox"/> Low Probability (LP)	<input type="checkbox"/> Improbable (I)
IP	<input checked="" type="checkbox"/> Very Satisfactory (VS)	<input type="checkbox"/> Satisfactory (S)	<input type="checkbox"/> Unsatisfactory (US)	<input type="checkbox"/> Very Unsatisfactory (VU)
SU	<input type="checkbox"/> Highly Probable (HP)	<input checked="" type="checkbox"/> Probable (P)	<input type="checkbox"/> Low Probability (LP)	<input type="checkbox"/> Improbable (I)

II. The Project

a. Project Context

Jamaica's economy is open, with a relatively narrow export base, and dependent on oil imports (88% of total energy). Moreover, it relies heavily on remittances and tourism, with each accounting for about 15% of Gross Domestic Product (GDP) (mainly from North America, the United Kingdom and Canada). External trade in goods and services amounts to almost 90% of GDP. Due to the world economic downturn, Jamaica experienced a simultaneous fall in remittances, exports, including mining and tourism services, and FDI's (Foreign Direct Investment), which led to a contraction in economic output and a further increase in the debt-to-GDP ratio, which was already high as a consequence of a banking crisis in the mid-1990s and low economic growth thereafter.

Jamaica has been in recession for 17 out of the last 23 quarters. Growth rebounded with an expectation of 0.8% for the 2014 fiscal year, followed by a projected acceleration to over 2% starting in fiscal years 2016-2017. Bringing Jamaica on a sustainable growth path is a challenge. Jamaica has experienced persistent low economic growth, partly as a result of sustained high levels of unproductive public spending, financed through public debt, and unproductive private investment. Private investment rates have been traditionally high, mainly due to foreign investment in tourism and bauxite. Between 2000 and 2005, investment averaged 30% of GDP, but economic growth was only 1.5% per annum. The Inter-American Development Bank (IDB) studies attributed the problems in the quality of investment to distortions in the allocation of resources, especially those caused by the tax system. Over the last 15 years, Jamaica's economy has grown, on average, less than 1% annum.

When the Program started in 2008, Jamaica ranked 78th out of 131 countries (60% percentile) in the Global Competitiveness Index (GCI), according to the Global Competitiveness Report for 2007/2008. The GCI highlighted the principal factors that limited business' competitiveness as: (i) access to financing; (ii) tax regulation; (iii) tax rates; (iv) cost of crime and violence; (v) high level of informality; (vi) inadequate supply of infrastructure; and (vii) burden of economic regulation. The Private Sector Assessment (PSA) further identified the following factors: (i) over-involvement of the state in the economy; (ii) distortions due to incentives and inequitable tax systems; (iii) underdevelopment of financial markets; (iv) costly and cumbersome processes for land registration; and (v) excess of regulation and procedures. The GCI Index for 2014/2015 ranked Jamaica 86th out of 144 (60% percentile), as a result of the Program.

In May 2013, the International Monetary Fund (IMF) Board approved a four- year Extended Fund Facility (EFF) for Jamaica. Jamaica requires high primary surpluses over an extended period of time to reduce debt-to-GDP to the targeted 100% by March 2020. Without a clear commitment to the EFF, the external vulnerability could lead to capital flight putting pressure on both the exchange rate and international reserves. As of October 2014, the IMF Board approved the first five reviews of the EFF without the need for waivers. Performance on the main targets, primary surplus, fiscal deficit and net international reserves remained strong. However, growth remains weak, which could pose challenges going forward.

b. Project Description

i. Development Objective(s)

The broad objective of the program was to improve competitiveness by promoting reforms that expand access to credit and reduce distortions in the tax system as well as government participation in inefficient enterprises and projects, and lower business costs through more efficient land titling and registration.

ii. Project Description

The Jamaica Competitiveness Enhancement Program (JCEP) is composed of three individual operations under the programmatic modality (PR-3251): (i) The first operation (JCEP-I) was approved on 2008 (1972/OC-JA). It provided the reference frame for the three operations; (ii) The second operation (JCEP-II) was approved on 2010 (2297/OC-JA); and (iii) The third operation (JCEP III) was approved in February 2014. This operation completed the implementation of the policies (see Policy Matrix).

The programmatic modality originally contemplated three operations of US\$30 million each. This was adjusted in the updated Country Strategy (GN-2422-3) to US \$60 Million for the second and third operations.¹ The increase in the amount corresponded to a recognition of the effort from the GOJ in moving forward these reforms, coupled with increased financial needs from the part of Jamaica.

JCEP had six components:

1. Macroeconomic Policy Framework: Required the maintenance of an appropriate macroeconomic policy framework congruent with the programs objectives.
2. Competitiveness Implementation Framework: Included actions to promote a sustainable forum for public-private dialogue to promote competitiveness.
3. Tax Reform: Included actions to reduce distortions in the tax system and to simplify the process of tax administration.
4. Reduction of Budgetary Burden for State Owned Enterprises: Included actions to reduce government budgetary support for at least one state-controlled enterprise.
5. Improving Access to Finance and Financial Market Development: Included actions to reform the secured transactions framework, creation of credit bureaus, facilitate electronic transactions and facilitate credit to MSMEs
6. Reduction of Business Costs through Expedited Land Titling: Included actions for the reduction in cost and time for registration and titling of informal land holdings.

The priority problems have been addressed in the areas of: (i) public – private dialogue, (ii) tax regulation and tax rates; (iii) involvement of the state in the economy; (iv) access to finance; and (v) lowering the cost of doing business by expediting land registration, identified in the first operation as the priority reforms to enable private sector-led growth in Jamaica. The first of the three programmatic PBLs for the JCEP focused on defining a set of actions to be carried out in the way of Action Plans for several activities and in the promotion of a set of legal reforms to support access to finance and lower the costs of doing business. The second and third individual operations conceived under the programmatic modality provided continuity to the agreements reached on the Policy Matrix of the first operation. By the end of the third operation, all the actions initially agreed had been complied, and additional activities, related to the objective of the program had been carried out as well.

Due to the world economic downturn Jamaica experienced a simultaneous fall in remittances, exports, including mining and tourism services, and FDIs, which led to a strong contraction in economic output and a further increase in the debt-to-GDP ratio. The authorities addressed the vulnerability, including a debt exchange and an IMF Stand-By Arrangement (SBA) but the program stalled after two reviews. The National Debt Exchange was February 2013, EFF approved May 1, 2013. Following a period of uncertainty, the IMF Board approved a four- year Extended Fund Facility (EFF) for Jamaica in May 2013. Some of the reforms became effective over the 2008-2012 period and were completed in their totality in January 2014. The third operation was approved after a period of uncertainty in which the absence of a macroeconomic framework for budget support precluded the Bank for approving PBP operations in Jamaica. The operation was approved following the stabilization of the country as evidenced by the second review of the four- year Extended Fund Facility (EFF) for Jamaica.

¹ For calculation purposes the t=0 is considered to be 2008, when the set of reforms were agreed with the counterpart and started to be prepared.

c. **Quality -At- Entry Review (if applicable) N/A**

Quality -At- Entry Review			
<input type="checkbox"/> Highly Satisfactory (HS) – 1	<input type="checkbox"/> Fully Satisfactory (S) – 2	<input type="checkbox"/> Less than Satisfactory (LS) - 3	<input type="checkbox"/> Unsatisfactory (U) - 4

III. Results

a. Outcomes

ACHIEVEMENT OF DEVELOPMENT OBJECTIVES (DO)			
Component I. Macroeconomic Policy Framework			
General Objective. The objective of the program is to improve competitiveness by promoting reforms that expand access to credit and reduce distortions in the tax system as well as government participation in inefficient enterprises and projects, and lower business costs through more efficient land titling and registration			
Development Objective(s) (Purpose To support and facilitate the implementation of the Program by a conducive macroeconomic framework			
1. Classification: HP,P,LP,I			
Key Planned Outcome Indicators		Outcomes Achieved	
Baseline (2006/2007)	End of Project (2009/2010)	1.1 GDP Growth (%) (2008/2009):-1.9, (2010/2011) -0.6, (2013/2014) 0.9	
1.1B GDP Growth 2.5%	1.1 E GDP Growth 4-5.%	1.2 Inflation (%) (2008/2009): 12.4, (2010/2011) 7.8, (2013/2014): 8.3	
1.2 Inflation 6.6.%	1.2. 4-5%	1.3. Debt/GDP (%) (2009):116, (2011): 129.3, (2014): 140	
1.3Debt/GDP 127 %	1.3. 110.9 %	1.4 Fiscal Balance (% of GDP)(2008/2009): -9.1 (2010/2011):-9.0.	
1.4 Fiscal Balance (% of GDP) -5.3	1.4 0	(2013/2014): -9.6	
Summary Development Objective(s) Classification (DO):			
[] Highly Probable (HP)	[] Probable (P)	[X] Low Probability (LP)	[] Improbable (I)
Due to the world economic downturn Jamaica experienced a simultaneous fall in remittances, exports, including mining and tourism services, and FDIs, which led to a strong contraction in economic output and a further increase in the debt-to-GDP ratio, which was already high as a consequence of a banking crisis in the mid-1990s and low economic growth thereafter. Thus, any effects on the macroeconomic framework that could be attributed to the reforms in business climate was dampened by the external shocks and the resulting macroeconomic conditions.			

ACHIEVEMENT OF DEVELOPMENT OBJECTIVES (DO)			
Component III: Tax reform			
General Objective. The objective of the program is to improve competitiveness by promoting reforms that expand access to credit and reduce distortions in the tax system as well as government participation in inefficient enterprises and projects, and lower business costs through more efficient land titling and registration			
Development Objective(s) (Purpose) Reduce distortions in the current tax system			
1. Payments per firm Classification: P			
Key Planned Outcome Indicators		Outcomes Achieved	
<u>Baseline</u>	<u>End of Project</u>	1.1 Number 36 (2014)	
1.1 Number 72 (2007)	1.1 Number 60 (2014)	Source: World Bank - Doing Business Report 2014	
2. Time to prepare and file taxes per firm per year Classification: HP,P,LP,I			
Key Planned Outcome Indicators		Outcomes Achieved	
<u>Baseline</u>	<u>End of Project</u>	2.1 Hours 368 (2014)	
2.1 Hours 414 (2007)	2.1 Hours 350 (2014)	Source: World Bank - Doing Business Report 2014	
3. Total tax rate Classification: HP,P,LP,I			
Key Planned Outcome Indicators		Outcomes Achieved	
<u>Baseline</u>	<u>End of Project</u>	3.1 44.3% (2014)	
3.1 Percentage 51.3 (2007)	3.1 Percentage 40 (2014)	Source: World Bank - Doing Business Report 2014	

Summary Development Objective(s) Classification (DO:☐ Highly Probable (HP)☒ Probable (P)☐ Low Probability (LP)☐ Improbable (I)

The Government of Jamaica (GoJ) complied with: Parliament's approval of regulations enabling one sole payment for Phase I and Phase II of the amalgamation of labour taxes; (ii) training for officials on tax policy modeling and tax expenditure. The tax policy models were for the "Growth-Inducement Strategy"; (iii) a tax expenditure report was prepared for 2009, and has been published on a yearly basis; (iv) the new methodology for collection of income tax information was approved by Ministry of Finance and Planning (MFP); and (v) a Provisional Tax Order amended temporarily the Income Tax Act as of July 2013 in which the Corporate Income Tax (CIT) and the Corporate Income Tax (PIT) were harmonized at the rate of 25% for unregulated companies. The GoJ has complied simplifying and lowering the cost of paying taxes: (i) the Electronic Drop Box has been implemented and is in operation; (ii) the E-payment portal is in operation, the existing software and hardware has been upgraded, and self-employed and corporate individuals can now file electronically; (iii) the Third Party Collection Project's is completed and new service providers are being evaluated; and (iv) a Forensic Data Mining Intelligence Unit has been established and statistics are available.

In this regard, the outcome of reducing the payments per firms was achieved and surpassed. However, the outcomes of reducing the time for paying taxes and the tax rate, although having achieved progress did not reach the projected targets. One of the main issues that affected this outcome was the external crisis of 2008, which delayed the initial set of tax reforms and the new tax reform carried out in 2013/2014 as part of the EEF. With a more comprehensive tax reform, mainly focused on fiscal issues, the tax structure was modified so that might explain why the levels of efficiency were not achieved. Regarding the lowering of the tax rate, the reform in which the PIT and the CIT were harmonized was approved in 2014 and is not yet captured in the Doing Business Indicators since the tax cycle gets reflected the year after.

ACHIEVEMENT OF DEVELOPMENT OBJECTIVES (DO)

Component IV: Elimination of budgetary burden for State Owned Enterprises

General Objective. The objective of the program is to improve competitiveness by promoting reforms that expand access to credit and reduce distortions in the tax system as well as government participation in inefficient enterprises and projects, and lower business costs through more efficient land titling and registration

Development Objective(s) (Purpose): Expenditure rationalization

1. Freedom from Government – government Spending)

Classification: HP,P,LP,I

Key Planned Outcome Indicators

Baseline

1.1 Score 67.3 (2007)

End of Project

1.1 Score 85 (2014)

Outcomes Achieved

1.1 Score 69.4 (2014)

Source: 2014 Index of Economic Freedom – Government Spending

2. Transfers and subsidies as a percentage of GDP

Classification: HP,P,LP, I

Key Planned Outcome Indicators

Baseline

2.1 Rating 9.82 (2007)

Intermediate

End of Project

2.1 Rating 7 (2014)

Outcomes Achieved

2.1 Rating 7,15 (2011)

** Heritage Foundation/Wall Street. Transfers and subsidies as a percentage of GDP. The indicator ranges from 0 to 10. Higher ratings indicate smaller shares of transfers and subsidies in GDP*

Source: Economic Freedom of the World – Annual Report 2013

Summary Development Objective(s) Classification (DO):

☐ Highly Probable (HP)

☒ Probable (P)

☐ Low Probability (LP)

☐ Improbable (I)

Cabinet approved a new institutional framework to streamline and strengthen the process of carrying out PPPs in 2012, involving a more active participation of the MFP, mandatory evaluation and assessment of fiscal contingencies and strengthening of the technical capacity of the Development Bank of Jamaica (DBJ), and program for institutional strengthening of the Development Bank of Jamaica (DBJ) has initiated.

The target of reaching the indicator of economic freedom, government spending, that considers the level of expenditures as a percentage of GDP, was not reached, mainly because the external crisis of 2008 affected the Governments capacity to generate income through taxes with a contraction of GDP, coupled with a high ratio of public debt of 145% over GDP. Thus, even with a more austere spending, including the divestiture of two large state owned enterprises that produced losses of around US \$70 million a year, the drop in GDP diminished its positive effect.

Country Strategy. This component was aligned with the objectives of the Country Strategy 2013-2014 of promoting private sector-led growth as inefficient budget expenditures in State Owned Companies that are making losses limit the capacity for Government to spend in more productive areas, as well as the Government is intervening in areas where the private sector has a comparative advantage and can be more efficient.

ACHIEVEMENT OF DEVELOPMENT OBJECTIVES (DO)

Component V: Improving access to finance

General Objective. The objective of the program is to improve competitiveness by promoting reforms that expand access to credit and reduce distortions in the tax system as well as government participation in inefficient enterprises and projects, and lower business costs through more efficient land titling and registration

Development Objective(s) (Purpose) Expanded access to credit

1. Strengthen of legal rights

Classification HP

Key Planned Outcome Indicators

Baseline

1.1 Index 8 (2007)

End of Project

1.1 Index 9 (2014)

**Doing Business: "...the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders" Rated on a scale of 0 – 10.*

Outcomes Achieved

1.1 Index 10 (2015)

Source: World Bank - Doing Business Report 2014

2. Depth of Credit Information

Classification: HP

Key Planned Outcome Indicators

Baseline

2.1 Index 0 (2007)

End of Project

2.1 Index 5 (2014)

**Doing Business. "...measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau" Rated on a scale of 0 – 6.*

Outcomes Achieved

2.1 Index 6 (2014)

Source: World Bank - Doing Business Report 2014

3. Private Bureau coverage

Classification P I

Key Planned Outcome Indicators

Baseline

3.1 Percentage 0 (2007)

End of Project

3.1 Index 40 (2014)

**Doing Business. "...Number of individuals and firms listed by private credit bureaus as percent of adult (15+yrs) population."*

Outcomes Achieved

3.1 Index 10 (2014)

Source: World Bank - Doing Business Report 2014

☒ [X] Highly Probable (HP)

☐ [] Probable (P)

☐ [] Low Probability (LP)

☐ [] Improbable (I)

Secured transactions framework. The Bill was tabled in Parliament in June 2013 and approved in January 2014. The insolvency Bill has also been Tabled in Parliament.

Creation of credit bureaus. The GoJ has achieved the benchmarks of the action plan: (i) the Credit Reporting legislation and the legislation was put into effect on October 1, 2010 and Regulations were Tabled in 2011; (ii) the Bank of Jamaica (BoJ) achieved the milestones in the Action Plan and strategy for the supervision of Credit Bureaus, including: (a) a public education campaign, (b) establishing a specialized unit for the supervision of credit bureaus under the Financial Institutions Supervisory Division, (c) methodology for implementation of the licensing process, (d) an on-going supervision plan, and (e) external due diligence. At present, the licenses for the operation of two Credit Bureaus have been granted and one Credit Bureau is in operation.

Facilitating electronic transactions (M-Banking). A Committee with representation from the Ministry of Finance and the Public Service (MoF&P), BoJ and the Planning Institute of Jamaica (PIOJ), was established for the implementation of M-Banking. A pilot program was initiated to facilitate electronic payment of conditional cash transfers, including the Programme of Advancement through Health and Education (PATH), National Insurance Scheme (NIS) pensions, and student transfers. Parliament approved The Payment Clearing and Settlement Act in 2010.

Most of the indicators were achieved during 2015, as most of the reforms were finalized in early 2014 and the actual implementation takes time to be effective. In the case of the Credit Bureaus Coverage, the two credit bureaus started operations in early 2014 as the process of getting a license and of starting operations took more time than originally envisioned, so the coverage has not reached the expected level.

Country Strategy. Access to credit is included in the 2013-2014 Country Strategy as a priority area of private sector operations that contribute to economic growth. The achievements of the project fulfill this requirement. The indicators on access to finance were improved as shown in the last Doing Business Report.

ACHIEVEMENT OF DEVELOPMENT OBJECTIVES (DO)

Component VI: Reduction of business costs through expedited land titling

General Objective. The objective of the program is to improve competitiveness by promoting reforms that expand access to credit and reduce distortions in the tax system as well as government participation in inefficient enterprises and projects, and lower business costs through more efficient land titling and registration

Development Objective(s) (Purpose) Strengthening land property rights

1. Time to register property

Classification: P

Key Planned Outcome Indicators

<u>Baseline</u>	<u>End of Project</u>
1.1 Days 55 (2007)	1.1 Days 15 (2014)

**Doing Business: "The full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name."*

Outcomes Achieved

1.1 36 days (2015)

Source: World Bank - Doing Business Report 2015

2. Cost to register property

Classification: HP,P,LP, I

Key Planned Outcome Indicators

<u>Baseline</u>	<u>Intermediate</u>	<u>End of Project</u>
2.1 Percentage 13.5 (2007)	2.1 Percentage 8 (2014)	

**Doing Business. "Official costs required by law as a percentage of property value (assumed to be 50 times per capita income)."*

Outcomes Achieved

2.1 Percentage 9.5 (2015)

Source: World Bank - Doing Business Report 2015

Summary Development Objective(s) Classification (DO):

<input type="checkbox"/> Highly Probable (HP)	<input checked="" type="checkbox"/> Probable (P)	<input type="checkbox"/> Low Probability (LP)	<input type="checkbox"/> Improbable (I)
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The Ministry of Agriculture has reduced land titling and registration costs by declaring all the parishes in the island as Land Administration and Management Program (LAMP) areas under the Special Provision Act, with the exception of three Parishes that are part of LAMP II. As a result of the MoA efforts, in LAMP areas, the cost of registering a new title has been reduced by around 75% and the time for registering has been reduced from seven weeks to two weeks for a typical parcel. The approval rate for titling applications under LAMP is around 88%, while the rate for those processed by the traditional process is lower (around 20-40%). (A total of 4727 have been granted for LAMP I since its inception in 2006 and 427 for LAMP II.) Since the IT capacity of the National Land Agency to process cadastral maps is severely limited, the GoJ launched the LAMP II program in 2010, in which the GoJ has formed a public-private partnership with a local Jamaican firm, Geoland Title Company, and the Korea Cadastral Survey Corporation (KCSC), a non-profit Korean firm with expertise on land surveying and cadastral mapping. The private partners contribute the capital investment and technological services, while the GoJ provides the support and the local expertise with the goal of titling 12,500 land parcels in the Saint Elizabeth Parish during a two-year period.

The target indicators were not reached basically because they were too ambitious. Nonetheless, the current outcomes show an improvement of 65% in days to register a property when compared with the baseline and an improvement of 66 % in terms of cost of registering a property. There are some difficulties in calculating this indicator since there are differences in time and cost depending on the size of the dwelling, and that may account for the differences between the planned and achieved outcomes.

Country Strategy. The 2013-2014 Country Strategy have the indicator of reducing business costs, in particular to expedite Land Titling.

Reformulation. N/A

PPMR Retrofitting. . N/A

b. Externalities

Main externalities associated with the program are related to the strengthening of the GoJ's (Government of Jamaica) capacity to formulate public policies related to reforms related to improving the business climate due to the technical support provided by the program. The set of specialized consultancies intended to support technical issues, promoted a culture of public policy formulation based on technical arguments. Additionally, the strengthening of the public-private dialogue helped to created consensus and to legitimate the decision-making process.

As an example, JAMPRO, as the technical secretariat for the National Competitiveness Council and the Partnership for Jamaica, has become a central actor in monitoring business climate reforms, not only on the ones included in the Program but for the EEF as well. It has also convened key participants of the private sector on dialogue for further reform, so there is a strong platform for dialogue in these areas with active

participation of the private sector, beyond the scope of the Program. The NCC continues to hold meetings and JAMPRO has been assigned with the coordination of the National Services Strategy, in which relevant stakeholders of the service sector, both private and public are working together to boost their service economy. For example, JAMPRO is working towards developing the international standards to further promote Jamaica as a medical tourism destination.

The project did not have any negative externalities. On the other hand the project was expected to disburse in 2011, but due to the lack of adequate macroeconomic conditions, approval and disbursement happened in early 2014. During that period of time, the GOJ kept working on the reforms and achieved additional progress in most areas than what was included in the original Policy Matrix. Examples of additional actions are: (i) Signature of the Partnerships for Jamaica agreement; (ii) New methodology for collection of tax information approved; (iii) Approval by Cabinet of institutional framework for PPPs; (iv) Approval of the Security Interests in Personal Property Bill enacted (the initial Matrix called for drafting instructions); (v) insolvency Bill tabled in Parliament; (vi) two licenses for Credit Reporting Operations awarded; (vii) guidelines for Electronic Payments of Retail Services in effect; (viii) White Policy Paper on MSME approved by Cabinet and (ix) legislation for recognition of Business Registration Form enacted.

c. Disbursements

DISBURSEMENT TRANCHES				
Tranches	Amount (US\$000)	Expected Date	Actual Date	Waiver Granted Yes/No
One-tranche Operation	US\$30,000	2008	2008	No
	US\$60,000	2009	2010	No
	US\$60,000	2010	2013	No
JCEP III was expected to be disbursed in 2010 but due to the lack of a positive IMA, the board presentation and further disbursement had to be delayed.				

d. Outputs

IMPLEMENTATION PROGRESS (IP)	
1. Thematic Area/Component 2 Competitiveness Implementation Framework a. Public – Private - Trade Union Forum created b. Public - Private - Trade Union meetings held c. Technical Secretariat to support NCC created d. Technical Secretariat to support NCC operating e. Competitiveness agenda agreed by public and private actors f Monitoring and Coordination mechanism created g, Partnership for Jamaica Agreement signed by Government, Private Sector, Trade Unions and Civil Society <u>Classification:</u> HS	Outputs Achieved a. The consolidated Partnership for Transformation (PFT) was formally established in 2010 has met regularly thereafter. b. The NCCs held at least 2 meetings per year starting in 2010 and continuing in 2011, 2012, 2013 and 2014 inclusive. Thus the total of 10 meetings for the five-year period. c. The Secretariat was created in 2010 and is in operation. d. The Secretariat was created in 2010 and has continued to operate e. The initial agenda was agreed in 2010 and was updated by the NCC in subsequent years. f. The Technical Secretariat has established and is carrying out the Monitoring and Coordination mechanism. g. The PFJ Forum was created as the agreement between Government, Private Sector, Trade Unions and Civil Society was signed and is holding regular meetings.
Briefly explain differences between planned and actual outputs (if applicable) There were no differences between planned at actual outputs	

<p>2. Thematic Area/Component 3 Tax Reform;</p> <ul style="list-style-type: none"> a. Time bound Action Plan for Reduction of Distortions in the Tax System Approved by Cabinet b. Stamp Duties and Transfer Taxes reforms approved c. Amalgamation of Labour Taxes approved by Cabinet in stages and in effect. d. Tax Expenditure Report disseminated e. Tax policy model completed f. Tax Policy model implemented g. Methodology for collecting income tax approved and in effect h. Income Tax Act Amended i. Electronic Drop Box tax collections per fiscal year j. E-payment Kiosks collections per fiscal year k. Third Party Collection Project in operation l. Risk analysis section of Forensic Data Investigation Unit in operation <p><u>Classification:</u> HS</p>	<p style="text-align: center;"><u>Outputs Achieved</u></p> <ul style="list-style-type: none"> a. Cabinet approved the first time-bound action plan in 2008 as part of the JCEP I operation. In subsequent years the plan has been implemented and adjusted. b. Legislative Acts approved by Parliament are required to implement these reforms were approved in Parliament. (<i>Jamaica Gazette Supplement Vol. CXXXII No. 7e Feb. 2, 2009 (pp. 30s -30s) No. 19g "The Provision al Collection of Tax (Stamp Duty) Order, 2009" reducing Stamp Duty to 4.5%, Gazette Supplement Vol. CXXXI No. 108 Dec. 31, 2008 (pp.303-304) No. 156 "Provisional Collection of Tax (Transfer Tax) (no. 2) Order 2008" reducing tax from 6% to 5% as of Jan/ 1, 2009</i>) c. The amalgamation of labor taxes was implemented in stages. The Minister of Finance signs a document upon Cabinet approval of each stage. (Phase I entailed electronic and paper filing of taxes inclusive of monthly statutory payments. Completed in January 2011 and is operational Phase II involved treating with Sole Proprietorship and Small Business persons and Phase III develops a single payroll tax rate. Report received in April 2011) d. The first partial tax expenditure report for the 2009/10 fiscal year was issued 2010. The MoF is expected to issue subsequent annual reports (including one in the target year) that will reflect both methodological improvements and greater coverage. The last report was issued and published in 2014 e. A functioning computable general equilibrium (CGE) tax policy model was developed for the JCEP II operation. MoF&PS staff was trained in its use. Further improvements in the model and staff training are expected. f. The CGE was utilized as part of the preparation of the Jamaica Growth Strategy g. The methodology consists on the design and implementation of new tax forms for collecting information and it was approved in order to facilitate the required tax analysis. h. The provisional tax order amended temporarily the Income Tax Act as of July 2013 in which the CIT and PIT were harmonized at the rate of 25% for unregulated companies (Enacted in April, 2014). The amendment of the Income Tax harmonized CIT and PIT through a Provisional Tax Order under the IMF EEF program, the GOJ will enact a comprehensive tax reform that will make this adjustment permanent by December 31. This tax reform was part of the Programmatic Operation (JA-L0138) giving continuity to the initial reform in JCEP i. Electronic Drop Boxes allow filing of tax returns and making payments electronically at tax collection centers (instead of having to wait in line). They were first available in FY 2006/07. j. E-payment kiosks are computer terminals at convenient public locations that allow taxpayers to file their returns on line. They were first available in FY 2005/06. k. The Forensic Data Investigation Unit was established in April 2009. During first year of operation it assessed J\$2.54 billion in revenue. \ l. The Risk Analysis Section of the FDIU is operating
Briefly explain differences between planned and actual outputs (if applicable). No differences between planned and actual outputs.	
<p>4. Thematic Area/Component 4 Reduction of Budgetary Burden for State Owned Enterprises</p> <ul style="list-style-type: none"> a. Government support for at least one state owned enterprise reduced b. Institutional Framework for PPPs approved and in effect <p><u>Classification:</u> HS, S, U, VU</p>	<p style="text-align: center;"><u>Outputs Achieved</u></p> <ul style="list-style-type: none"> a. Arrangements to sell Sugar Industry and Air Jamaica were made in 2010. Sales were finalized in 2010/11. b. A new framework for streamlining the process of approving and developing PPPs was approved and in effect (October 2012)
Briefly explain differences between planned and actual outputs (if applicable). No differences between planned and actual outputs	

<p>5. Thematic Area/Component 5 Improving Access to Finance and Financial Market Development</p> <ul style="list-style-type: none"> a. Secured Transactions law approved and in effect b. Awareness Campaign launched c. Credit Bureau law approved and in effect d. Insolvency Act tabled in Parliament e. Regulations for Credit Bureaus approved and in effect f. Credit Bureau supervision unit established g. Credit Bureaus Licensed and Operating h. Awareness Campaign Implemented i. Electronic Transactions Act approved and in effect j. National Payment Systems Act approved and in effect k. E-payment regulations approved and in effect l. Pilot Project for m-payments to PATH beneficiaries implemented m. Policy Framework for m-banking approved and in effect n. m-Banking regulations approved and in effect o. Policy framework for SME approved and in effect p. Omnibus Legislation for Recognition of Registration Form enacted and in effect <p><u>Classification:</u> HS</p>	<p>Outputs Achieved</p> <ul style="list-style-type: none"> a. The Secured Transactions Law (now Security Interest in Personal Property Bill) was enacted and is in effect (December 2013). b. The awareness campaign was launched and carried out to the implementation of the legislation c. The Credit Bureau Act was published in GoJ official Gazette (December 2010). d. Insolvency Act tabled in Parliament (December 23, 2013) e. The regulations for the Credit Bureau Act were enacted in January 2011. f. The Bank of Jamaica established an unit to supervise credit bureaus within the Financial Institutions Supervisory Division. g. Two credit bureaus have been awarded licenses (March and April 2012 respectively) by the BoJ and one has started operation (July 2013) h. The BoJ has implemented an awareness campaign for the beneficiaries of Credit Bureaus i. Electronic Transactions Act published in GoJ official Gazette (2011). j. National Payments Act published in GoJ official Gazette (2010). k. The e-payment regulations were approved and are in effect as they were published in GoJ official Gazette 2011 (2011). l. The Ministry of Labour and Social Security is implementing the PATH program and the BoJ has started consultations with stakeholders. m. The BoJ submitted a draft policy document entitled the Mobile Banking Regulatory Framework. The framework was circulated for discussion n. The BoJ issued Guidelines for Electronic Payment or Retail Services Regulations, including provisions for mobile services (February 2013). o. MSME and Entrepreneurship Policy was Tabled in Cabinet in 2013. p. Draft legislation has been tabled in Parliament (December 2013).
Briefly explain differences between planned and actual outputs (if applicable). No differences between planned and actual outputs	
<p>6. Thematic Area/Component 6 Reduction of Business Costs through Expedited Land Titling.</p> <ul style="list-style-type: none"> a. Land Titling and Registration action plan approved and implemented b. New parishes declared eligible each year for the Land Administration and Management Program (LAMP) <p><u>Classification:</u> HS</p>	<p>Outputs Achieved</p> <ul style="list-style-type: none"> a. Time Bound Action Plan for the reduction of time and cost for Land Titling and Registration approved by Office of the Prime Minister and implemented through the program. b. Jamaica has a total of 14 parishes. Once a parish is declared LAMP the cost and time for registering the first title can drop up to 75%. The 14 parishes were declared LAMP in 2014. Once a Parish is declared LAMP, the dwellings to be registered are eligible to a reduction in cost and time. For an average dwelling, the reduction can be up to 66% in both time and cost.
Briefly explain differences between planned and actual outputs (if applicable). No differences between planned and actual outputs	
<p>Summary Implementation Progress Classification:</p> <p>[X] Highly Satisfactory (HS) [] Satisfactory (S) [] Unsatisfactory(U) [] Very Unsatisfactory (VU)</p>	

IV. Project Implementation

a. Analysis of Critical Factors

a) Public-private dialogue. When the program started Jamaica had several councils engaged in public-private dialogue on competitiveness and other related issues, and the proliferation of such councils with overlapping mandates and constituencies hindered the achievement of consensus between the public and private. The program focused on the strengthening of the public-private dialogue in order to propitiate the dialogue and to create the environment to discuss important strategies and policies. The first operation supported the National Competitiveness Council (NCC) activities and the third operation included the signature of the Partnerships for Jamaica (PfJ) as a mechanism for public-private dialogue. With the project support, these different councils merged into the NCC and the PfJ and the stakeholders had a more structured platform for public-private dialogue. The NCC was instrumental for achieving the results of the program, as it became a relevant platform for promoting and monitoring reforms.

b) Technical Assistance. The Bank identified the need to implement a support mechanism in three specific areas: access to finance, tax reform and land titling. As a result the Bank contracted a set of consultancies intended to support and refine initial analysis, to deliver action plans and to provide the analytical basis for some of the reforms to be implemented. Field interviews considered this approach as fundamental and important to improve policy coherence.

c) Macroeconomic issues. A critical factor during project implementation was the global financial and economic crisis. The global recession led to a substantial increase of Jamaica's public debt, which was already high as a share of GDP. Even though the GoJ adopted a proactive role trying to address the economic and fiscal situation² and signed a Stand-By Arrangement (SBA) with the IMF, in late January 2010, the program stalled after two reviews. Following a period of uncertainty, the IMF Board approved a four-year Extended Fund Facility (EFF) for Jamaica in May 2013. The Bank and the World Bank Management propose to support the EFF with potential financing of US\$510 million over the period 2013-2017.

b. Borrower/Executing Agency Performance

The GoJ implemented all of the Policy Reforms agreed in the initial Policy Matrix to date and surpassed the original agreements in some areas (see Comparison of First and Third PBL Policy Matrices). Concerning the macroeconomic risks, the Independent Economic Assessment for Jamaica (IMA), dated October 15, 2013, points out that the GoJ has adopted a proactive role trying to address the challenging economic and fiscal situation. The government has shown strong commitment with the IMF program and there is broad consensus in the country about the necessity to adhere strictly to the EFF targets and the structural reforms the program entails.

Borrower/Executing Agency			
<input checked="" type="checkbox"/> Highly Satisfactory (HS)	<input type="checkbox"/> Satisfactory (S)	<input type="checkbox"/> Unsatisfactory (U)	<input type="checkbox"/> Very Unsatisfactory (VU)
The assessment of the satisfactory performance is based on the efforts of the PIOJ to ensure an adequate coordination by providing a full-time staff and to the respective agencies that were responsive to the JCEP objectives.			

c. Bank Performance

Bank Performance			
<input type="checkbox"/> Highly Satisfactory (HS)	<input checked="" type="checkbox"/> Satisfactory (S)	<input type="checkbox"/> Unsatisfactory (U)	<input type="checkbox"/> Very Unsatisfactory (VU)
See Borrowers Evaluation (Annex 2 for Discussion of this Rating)			

The borrower did not provide any comments on why the Bank's performance was satisfactory instead of highly satisfactory.

V. Sustainability

a. Analysis of Critical Factors

A critical factor for the sustainability of the project is the need of a broad understanding of the implemented reforms, and their acceptance by all stakeholders. It is also important to bear in mind that the reforms were a first step in fulfilling basic requirements to improve business climate and competitiveness in Jamaica. As such, they require the implementation of complementary actions, including additional legal reforms to increase the opportunities created by the new laws. Considering that most of the reforms require specific actions of the governmental agencies and that create new functions and responsibilities (e.g. tax offices, land titling offices), the successful implementation depends on the capacity building of these agencies and their officers to respond to the new challenges. In addition, since successful implementation depends on the broad understanding and acceptance of the implemented reforms

² The GoJ launched a debt exchange operation in mid-January 2010, which improved the debt profile in the short run and reduced the cost of serving the domestic debt.

b. Potential Risks

Insofar as the sustainability of the project depends on the implementation of further actions (eg. additional law reforms), it is necessary to ensure not only the political commitment of the GoJ but also the financial resources to complete the necessary additional reforms.

The risk of a macroeconomic crisis, exacerbated by the high level of debt and low growth as a result of the external shocks is a potential risk for the continuation of a long-term commitment to reforms. Even though it has been mitigated by the coordinated actions of the IMF and other multilateral donors, as well as by IDB operations that address the tight fiscal situation (JA-L1038), additional actions by the Bank in order to support the implementation of the reforms could help to avoid this risk.

Even though there are upcoming elections in 2016, and the EEF program that gave a strong impulse to some of the reforms, the team does not foresee the risk that the reforms will be changed, since there is a high consensus with different stakeholders (private sector, civil society and academia) about the importance of the reforms. Moreover, the reforms have already shown results in for example the Doing Business Indicators and the progress has been widely captured in public opinion.

c. Institutional Capacity

The government has shown strong commitment with the project and the operation provided for the institutional mechanisms for the sustainability of the policy measures by supporting the National Competitiveness Council (NCC) and the Partnerships for Jamaica PfJ, that are in charge of providing for the public-private dialogue that built the required consensus and that will continue to monitor the implementation of the reforms.

As mentioned before, the law reforms impacted some government agencies creating new functions or changing the existing, this situation entails a need for revamping the traditional civil-service approach. A reform on civil service system to promote more open, client-oriented and effective government, as well as to facilitate professionalism and motivation of the public service, would also impact positively the business climate in Jamaica.

Sustainability Classification SU:

☐ Highly Probable (HP) ☒ Probable (P) ☐ Low Probability (LP) ☐ Improbable (I)

The sustainability of the reforms is within the context of the GoJ's commitment to the Growth Agenda and to promote competitiveness, that go beyond the scope of the JCEP operations. The institutions are committed to enhance business climate and to engage in further necessary reforms.

VI. Monitoring and Evaluation

a. Information on Results

The Project Team carried out regular missions before, during and after the operations were disbursed.³ The PIOJ monitored the progress of the components of the Policy Matrix and Results framework in coordination with the team. The PIOJ allocated a full-time official to carry out the coordination and monitoring activities.

b. Future Monitoring and Ex-Post Evaluation

The PfJ, and the NCC have technical secretariats responsible for monitoring key policy actions of the reform agenda, in a coordinated manner. Even though The PIOJ allocated a full-time official to carry out the coordination and monitoring activities, given the breadth of the agenda and the need to review policies regularly, it would be important to create a monitoring unit in the PIOJ to help maintain momentum and

³ Many of the findings of these missions have been incorporated into this PCR

carry out impact evaluations of the policies. This unit should facilitate consultation, coordination, the review of existing constraints and new policy and regulatory proposals. Concerning, an Ex-post evaluation, the team and the GoJ have agreed in carrying out an evaluation of the operation and the impact of the reforms.

VII. Lessons Learned

- a. The Bank's experience with the Programmatic instruments in Jamaica, in particular the lessons learned from the first two operations, shows the need to maintain continuous technical dialogue with the various stakeholders to support the GoJ in making informed decisions on relevant policies and the need for technical support for assisting the GoJ.
- b. The technical support in the different components to facilitate informed decision making and consensus building promoted the empowerment of government officers and facilitated the dialogue between the GoJ and the Bank.
- c. The coordinated effort with other donors has strengthened technical and political support for the institutional changes required.
- d. The importance having available funds from different sources for reform implementation
- e. The role of macroeconomic factors in business climate was emphasized in the different phases of the project. This experience showed that a sound macroeconomic policy is crucial for private sector led growth and to enhance the business climate.

Annexes:

- 1. Minutes (Aide Memoire from the Exit Workshop)
- 2. Borrower Evaluation
- 3. Audiovisual Presentation of the Exit Workshop

JAMAICA JA-L1014**October 14-16, 2014****Aide Mémoire****1. Objective**

During the week of October 14-16, 2014, a special mission visited Jamaica for the purpose of carrying out a Closing Workshop with the Jamaican authorities and IDB officials involved in the project preparation and implementation, obtain feedback on the draft Project Completion Report (PCR) and discuss lessons learned with the stakeholders.

The Mission comprised of Marcela Anzola (Consultant), Navita Anganu (CMF/CJA), Sherricca Bradford (CJA/CJA) and Claudia Stevenson (CTI/IFD) who will lead the Mission. The attendees to the workshop included representatives from the Planning Institute of Jamaica (PIOJ), Ministry of Industry, Trade and Commerce (MIIC), Ministry of Finance and Planning (MOFP), Bank of Jamaica (BOJ), Jamaica Promotions Corporation (JAMPRO) and the private sector. The attendees are listed in Annex I.

2. Main Discussions and Conclusions**Main Findings and Results – Discussion of the Draft PCR**

The IDB's Chief of Operations, Harold Arzu, opened the discussion by stating the importance of the Project for the Bank and Jamaica. The representative from the PIOJ, Joseph Cox gave an introduction of the process of preparation and implementation of the operation. The Team Leader gave an overview of the Program process and timeline and well as the highlighting of the principal results. The consultant, Marcela Anzola, presented the main aspects of the PCR report, including the lessons learned and program's externalities (Power Point presentation attached ** will this be an annex?).

The participants gave their feedback on the operation as follows:

PIOJ: The programme represented the most aggressive policy intervention and adjustment in Jamaica, to date. In their view, the program was well designed and the consultation and technical expertise provided was important. The question now is how to guarantee that sustainability of the reforms and for them to be properly used by the stakeholders from the public and private sector.

JAMPRO: The overall project provided a framework that targeted key reforms that the country needed. However, there is the need to have more private sector involvement, the private sector was consulted but now the challenge is how to integrate and operate these reforms. The private sector needs to be more engaged in the implementation. Also, there is a need for resources to support the implementation of the reforms, for example the public private sector institutions require more resources and financial support.

General Comments:

General Comments:


- There was agreement that the amount and depth of the reforms were part of a very ambitious program. However, for the sustainability of the reforms, a capacity building component will be useful. Also, there are other sets of reforms that could be tackled.
- As a byproduct of the first set of reforms, there is a need to support small and medium enterprises (SMEs). It is important to implement a capacity building program on how to access the reforms and the new opportunities they have created. For example, SMEs can provide new services (i.e. logistic services) and become part of value chains. In addition, there is a need to look at the micro reforms, coming directly from the private sector as they try to engage into value chains.
- There is a need for capacity building on market ability of SMEs. How to build linkages and to meet quality standards, are necessary in the agricultural sector, among others. The building of an ecosystem to encourage the use of technology is another important task.

3. Lessons learnt.

- Even though consultations were important and instrumental, they have to be handled efficiently in order to avoid lengthy processes.
- Even though there was progress on the reforms, still a cultural change is necessary in order for these reforms to be effective. The reforms need to be supported by awareness campaigns and training.
- A critical factor for the sustainability of the project is the need for a broad understanding of the implemented reforms, and their acceptance by all stakeholders. It is also important to note that the reforms were a first step in fulfilling basic requirements to improve business climate and competitiveness in Jamaica. As such, they require the implementation of complementary actions, including additional legal reforms to increase the opportunities created by the new laws.

4. Next Steps

- The Project Team will follow up the discussion with a brief proposal of a set of actions, that would support the issues of sustainability of the previous reforms and capacity building for the private sector.
- The Project Team will proceed with the processing of the Project Completion Report.



Barbara Scott
Deputy Director General
External Cooperation Management & Project
Development
Planning Institute of Jamaica



Claudia Stevenson
Chief of Mission

Inter-American Development Bank

Project Completion Workshop - Participant Listing

Annex I

Development Bank of Jamaica		
Name	Position	Contact
Marlon Gibbs	Project Manager	876-371-1025 876-920-4736
Sophia Bryan Terry	Account Executive	sbryan@dbjbankjm.com 876-929-400
Kamara Gibson	Manager, Research and Business Analytics	kginson@dbbankj.com 876-920-4819
Silburn Clarke	Spatial Innovision	silburn@spatialvision.com
Ministry of Investment, Industry and Commerce		
Name	Position	Contact
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Vivien Brown	P.S	
Reginal Nugent	Senior Advisor to the Minister	rnugenta@miic.gov.jm 876-564-5114
Dr. Eric Deans	Chairman, Logistics Task Force	edeans@miic.gov.co 876-577-8858
Planning Institute of Jamaica		
Joseph Cox	Consultant	Joseph_cox@pioj.gov.jm
Bank of Jamaica		
Patricia Rose	Director, Payment Systems Department	Patricia.rose@boj.org.jm 876-922-0750
Tax Administration Jamaica		
Rosalee Brown	Deputy Commissioner General	Rosalee.brown@taj.gov.jm 876-564-8479
Ministry of Finance and Planning		
Tameika ?		*tbc
Jamaica Promotions Corporation (JAMPRO)		
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Inter-American Development Bank
Project Completion Report –2006 PCR
Borrower Evaluation

Project Name: Government of JAMAICA.

Executing Agency(ies):

PIDJ.

Borrower:

Date of Project Approval:

Date of Contract Effectiveness:

Date of Borrower Evaluation:

Expected Date of Exit Workshop:

Borrower Project Performance Ratings

Probability on Achieving its Development Objective(s):

☐ Highly Probable (HP) ☒ Probable (P) ☐ Low Probability (LP) ☐ Improbable (I)

Project Implementation:

☒ Highly Satisfactory (HS) ☐ Satisfactory (S) ☐ Unsatisfactory (US) ☐ Very Unsatisfactory (VU)

Sustainability of Project Results:

☒ Highly Probable (HP) ☐ Probable(P) ☐ Low Probability (LP) ☐ Improbable (I)

Comments:

Borrower Performance During Project Preparation

Please rate your own performance during Project Preparation:

☐ Highly Satisfactory (HS) ☒ Satisfactory (S) ☐ Unsatisfactory (US) ☐ Very Unsatisfactory (VU)

Comments:

Borrower Performance During Project Execution

Please rate your own performance during Project Execution:

☐ Highly Satisfactory (HS) ☒ Satisfactory (S) ☐ Unsatisfactory (US) ☐ Very Unsatisfactory (VU)

Comments:

Bank Performance During Project Preparation

Please rate the Bank's performance during project preparation. Factors to be considered include the extent to which the Bank facilitated a participatory project design, proposed adequate technical solutions to the problems identified, and responded to the needs of the Borrower (timeliness, selection of instrument type).

☐ Highly Satisfactory (HS) ☒ Satisfactory(S) ☐ Unsatisfactory (US) ☐ Very Unsatisfactory (VU)

Comments:

Bank Performance During Project Supervision

Please rate the Bank's overall performance during project supervision. Factors to be considered include technical assistance (including informal and formal training) to Executing Agency, timeliness of Bank response and the Bank's flexibility to respond to emergency situations during project implementation.

☐ Highly Satisfactory (HS) ☒ Satisfactory(S) ☐ Unsatisfactory (US) ☐ Very Unsatisfactory (VU)

Comments:

Additional Suggestions for Improving Bank Performance

Additional comments/suggestions for improving Bank performance in the future.



BID

CTI/CMF

PCR for JA-L1001 JA-L1010 JA-L1014

**October 15, 2014
Kingston, Jamaica**



CONTENT

- ***DEVELOPMENT OBJECTIVE***
- ***PROJECT DESCRIPTION***
- ***RESULTS***
- ***PROJECT IMPLEMENTATION***
- ***BORROWERS EXECUTING/AGENCY PERFORMANCE***
- ***SUSTAINABILITY***
- ***MONITORING AND EVALUATION***
- ***EXTERNALITIES***
- ***LESSONS LEARNED***
- ***“THE WAY FORWARD”***

CONTENT

- ***DEVELOPMENT OBJECTIVE***
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- *BORROWERS EXECUTING/AGENCY PERFORMANCE*
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- *EXTERNALITIES*
- *LESSONS LEARNED*
- *“THE WAY FORWARD”*

DEVELOPMENT OBJECTIVE

- The broad objective of the program was to ***improve competitiveness*** by promoting reforms that expand access to credit and reduce distortions in the tax system as well as government participation in inefficient enterprises and projects, and lower business costs through more efficient land titling and registration.

CONTENT

- *DEVELOPMENT OBJECTIVE*
- ***PROJECT DESCRIPTION***
- *RESULTS*
- *PROJECT IMPLEMENTATION*
- *BORROWERS EXECUTING/AGENCY PERFORMANCE*
- *SUSTAINABILITY*
- *MONITORING AND EVALUATION*
- *EXTERNALITIES*
- *LESSONS LEARNED*
- *“THE WAY FORWARD”*

PROJECT DESCRIPTION

- The Jamaica Competitiveness Enhancement Program (JCEP) is composed of three individual operations under the programmatic modality (PR-3251):
 - The first operation (JCEP-I) was approved on 2008 (1972/OC-JA). It provided the reference frame for the three operations.
 - The second operation (JCEP-II) was approved on 2010 (2297/OC-JA)
 - The third operation (JCEP III) was approved in February 2014. This operation completed the implementation of the policies

PROJECT DESCRIPTION

- JCEP had six components:
 - 1. Macroeconomic Policy Framework;
 - 2. Competitiveness Implementation Framework;
 - 3. Tax Reform;
 - 4. Reduction of Budgetary Burden for State Owned Enterprises,
 - 5. Improving Access to Finance and Financial Market Development, and
 - 6. Reduction of Business Costs through Expedited Land Titling.

CONTENT

- *DEVELOPMENT OBJECTIVE*
- *PROJECT DESCRIPTION*
- ***RESULTS***
- *PROJECT IMPLEMENTATION*
- *BORROWERS EXECUTING/AGENCY PERFORMANCE*
- *SUSTAINABILITY*
- *MONITORING AND EVALUATION*
- *EXTERNALITIES*
- *LESSONS LEARNED*
- *“THE WAY FORWARD”*

RESULTS

- **Competitiveness implementation framework**

- *Development Objective:* To promote a sustainable forum for public-private dialogue to improve competitiveness
- The National Competitiveness Council (NCC), in charge of leading and monitoring the public-private dialogue in areas of competitiveness, housed at JAMPRO, has continued its operation, holding regular meetings, having its last meeting on September 2013.
- The NCC has developed an agenda for reforms for the 2012-2015 which has been closely monitored by the Secretariat and some of the priority actions have been already completed.
- In July 2013, the Partnerships for Jamaica agreement was signed by the Government, Private Sector, Academia and Civil Society and the initial meetings took place in September.

RESULTS

- **Tax reform**
- *Development Objective:* Reduce distortions in the current tax system
- The GoJ has made progress towards the compliance with the conditions as follows:
 - (i) the amalgamation of labor tax payments has been achieved with Parliament's approval of regulations enabling one sole payment;
 - (ii) training for officials on tax policy modeling and tax expenditure reporting has been carried out.;
 - (iii) comprehensive tax expenditure report was prepared for 2009, and has been published on a yearly basis up to 2013;
 - (iv) the new methodology for collection of income tax information was approved by MEF.
 - In addition, a Provisional Tax Order amended temporarily the Income Tax Act as of July 2013 in which the CIT and the PIT were harmonized at the rate of 25% for unregulated companies.

RESULTS

- **Tax reform**
- The GoJ has fully complied with all the conditions for simplifying and lowering the cost of paying taxes as agreed on the initial Action Plan:
 - (i) the Electronic Drop Box has been implemented and is currently in operation, procedures have been fine-tuned, and advertised;
 - (ii) the E-payment portal is in operation, the existing software and hardware has been upgraded, and self-employed and corporate individuals can now file electronically;
 - (iii) the Third Party Collection Project's technical component is completed and new service providers are being evaluated in order to reduce costs; and
 - (iv) a Forensic Data Mining Intelligence Unit has been established and statistics relating to its performance are available.

RESULTS

- **Elimination of budgetary burden for State Owned Enterprises**
- *Development Objective:* Expenditure rationalization
 - Cabinet approved a new institutional framework to streamline and strengthen the process of carrying out PPPs in 2012, involving a more active participation of the MEF, mandatory evaluation and assessment of fiscal contingencies and strengthening of the technical capacity of the Development Bank of Jamaica (DBJ)
 - Program for institutional strengthening of DBJ

RESULTS

- **Improving access to finance**
- **Development Objective:** Expand access to credit
 - **Secured transactions framework.** The Bill was tabled in Parliament in June 2013 and approved in January 2014. The insolvency Bill has also been Tabled in Parliament.
 - **Creation of credit bureaus.** The GoJ has achieved the benchmarks of the agreed action plan as follows:
 - (i) the Credit Reporting legislation and the legislation was put into effect on October 1, 2010 and Regulations were Tabled in 2011;
 - (ii) the Bank of Jamaica has achieved the milestones in the Action Plan and strategy for the supervision of Credit Bureaus
 - At present, the licenses for the operation of two Credit Bureaus have been granted and one Credit Bureau is in operation.

RESULTS

- **Improving access to finance**
- ***Facilitating electronic transactions (M-Banking).***
 - A Working Committee with representation from the MoFP, BoJ and the Planning Institute of Jamaica (PIOJ), was established to fast track the implementation of M-Banking.
 - A pilot program has been initiated to facilitate electronic payment of conditional cash transfers, including the Programme of Advancement through Health and Education (PATH), National Insurance Scheme (NIS) pensions, and student transfers.
 - Parliament approved The Payment Clearing and Settlement Act in 2010.

RESULTS

- **Reduction of business costs through expedited land titling**
- *Development Objective:* Strengthening land property rights
 - LAMP I now covers eleven out of the 14 parishes in the country, and the rate of granting new titles increased from 728 in 2009 to 1300 in 2012.
 - A total of 4727 have been granted for LAMP I since its inception in 2006 and 427 for LAMP II.

RESULTS

- **Reduction of business costs through expedited land titling**
 - Since the IT capacity of the National Land Agency to process cadastral maps is severely limited, the GoJ launched the LAMP II program in 2010
 - Public-private partnership with a local Jamaican firm, Geoland Title Company, and the Korea Cadastral Survey Corporation (KCSC), a non-profit Korean firm with expertise on land surveying and cadastral mapping.
 - The private partners contribute the capital investment and technological services
 - GoJ provides the support and the local expertise with the goal of titling 12,500 land parcels in the Saint Elizabeth Parish during a two-year period.

RESULTS

- **Reduction of business costs through expedited land titling**
 - The Ministry of Agriculture has reduced land titling and registration costs by declaring all the parishes in the island as Land Administration and Management Program (LAMP) areas under the Special Provision Act, with the exception of three Parishes that are part of LAMP II.
 - In LAMP areas, the cost of registering a new title has been reduced by around 75% and the time for registering has been reduced from seven weeks to two weeks for a typical parcel.
 - The approval rate for titling applications under LAMP is around 88%, while the rate for those processed by the traditional process is lower (around 20-40%).

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PROJECT IMPLEMENTATION CRITICAL FACTORS

- ***a) Public-private dialogue.***
 - When the program started **Jamaica had several councils engaged in public-private dialogue on competitiveness and other related issues**, and the proliferation of such councils with overlapping mandates and constituencies hindered the achievement of consensus between the public and private.
 - **The program focused on the strengthening of the public-private dialogue** in order to propitiate the dialogue and to create the environment to discuss important strategies and policies.
 - The first operation supported the **National Competitiveness Council (NCC)** activities and the third operation included the signature of **the Partnerships for Jamaica (PfJ)** as a mechanism for public-private dialogue.

PROJECT IMPLEMENTATION CRITICAL FACTORS

- ***b) The role of consultancies.***
- Even though Jamaica had previous experience with most of the issues included in the project, the Bank identified the need to implement a support mechanism in three specific areas:
 - access to finance,
 - tax reform and
 - land titling.
- As a result the Bank contracted a set of consultancies intended to support and refine initial analysis, to deliver action plans and to provide the analytical basis for some of the reforms to be implemented.
- Field interviews considered this approach as fundamental and important to improve policy coherence.

PROJECT IMPLEMENTATION CRITICAL FACTORS

- ***c) Macroeconomic issues.***

- A critical factor during project implementation was the **global financial and economic crisis**.
- The global recession led to a substantial increase of Jamaica's public debt, which was already high as a share of GDP.
- Even **though the GOJ adopted a proactive role trying to address the challenging economic and fiscal situation** and signed a Stand-By Arrangement (SBA) with the IMF, in late January 2010, the program stalled after two reviews.
- Following a period of uncertainty, the IMF Board approved a four- year Extended Fund Facility (EFF) for Jamaica in May 2013.
- The Bank and the World Bank Management propose to support the EFF with potential financing of US\$510 million over the period 2013-2017.

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BORROWER/EXECUTING AGENCY PERFORMANCE

- The GoJ **implemented all of the Policy Reforms** agreed in the initial Policy Matrix to date and surpassed the original agreements in some areas
- Concerning the macroeconomic risks, the Independent Economic Assessment for Jamaica (IMA), dated October 15, 2013, points out that the GOJ has **adopted a proactive role trying to address the challenging economic and fiscal situation.**
- The government **has shown strong commitment with the IMF** program and there is broad consensus in the country about the necessity to adhere strictly to the EFF targets and the structural reforms the program entails.

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SUSTAINABILITY

ANALYSIS OF CRITICAL FACTORS

- A critical factor for the sustainability of the project is the need of a ***broad understanding of the implemented reforms, and their acceptance by all stakeholders.***
- The reforms were **a first step** in fulfilling basic requirements to improve business climate and competitiveness in Jamaica.
- They require the implementation of **complementary actions**, including additional legal reforms to increase the opportunities created by the new laws.
- The successful implementation depends on the capacity building of the agencies and their officers to respond to the new challenges.

SUSTAINABILITY POTENTIAL RISKS

- It is necessary to ensure not only **the political commitment of the GOJ but also the financial resources** to complete the necessary additional reforms.
 - The implementation of a second-phase project as a follow- up action, would be very helpful in that respect.
- **The risk of a macroeconomic crisis**, exacerbated by the high level of debt and low growth as a result of the external shocks is a potential risk for the continuation of a long-term commitment to reforms.
 - Additional actions by the Bank in order to support the implementation of the reforms could help to avoid this risk.

SUSTAINABILITY INSTITUTIONAL CAPACITY

- **The government has shown strong commitment** with the project and the operation provided for the institutional mechanisms for the sustainability of the policy measures by supporting the National Competitiveness Council (NCC) and the Partnerships for Jamaica PfJ,
- NCC and PfJ are in charge of providing for the public-private dialogue that built the required consensus and that will continue to monitor the implementation of the reforms.

SUSTAINABILITY

INSTITUTIONAL CAPACITY

- The reforms impacted some government agencies creating new functions or changing the existing, this situation entails a need for revamping the traditional civil-service approach.
- A reform on civil service system to promote more open, client-oriented and effective government, as well as to facilitate professionalism and motivation of the public service, would also impact positively the business climate in Jamaica.

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MONITORING AND EVALUATION

- **Information on Results**
- The Project Team carried out regular missions before, during and after the operations were disbursed.
- The PIOJ monitored the progress of the components of the Policy Matrix and Results framework in coordination with the team.
- The PIOJ allocated a full-time official to carry out the coordination and monitoring activities.

MONITORING AND EVALUATION

- **Future Monitoring and Ex-Post Evaluation**
- The PfJ, and the NCC have technical secretariats responsible for monitoring key policy actions of the reform agenda, in a coordinated manner.
- ***Create a monitoring unit in the PIOJ*** to help maintain momentum and carry out impact evaluations of the policies. This unit should facilitate consultation, coordination, the review of existing constraints and new policy and regulatory proposals.
- Ex-post evaluation, the team and the GOJ have agreed in carrying out an evaluation of the operation and the impact of the reforms.

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EXTERNALITIES

- **Strengthening of the GOJ's capacity to formulate public policies** due to the technical support provided by the program.
 - The set of specialized consultancies intended to support technical issues, promoted a culture of public policy formulation based on technical arguments.
- **The strengthening of the public-private dialogue** helped to created consensus and to legitimate the decision-making process.

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LESSONS LEARNED

- The Bank's experience with the Programmatic instruments in Jamaica, in particular the lessons learned from the first two operations, shows the need to maintain continuous technical dialogue with the various stakeholders to support the GoJ in making informed decisions on relevant policies and the need for technical support for assisting the GoJ.
- The technical support in the different components to facilitate informed decision making and consensus building promoted the empowerment of government officers and facilitated the dialogue between the GOJ and the Bank.

LESSONS LEARNED

- The coordinated effort with other donors has strengthened technical and political support for the institutional changes required.
- The role of macroeconomic factors in business climate was emphasized in the different phases of the project. This experience showed that a sound macroeconomic policy is crucial for private sector led growth and to enhance the business climate.
- The importance having available funds from different sources for reform implementation.

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“THE WAY FORWARD”

- What were the strengths of the project?
- What were the weaknesses of the project?
- What would you recommend as improvements for any future project?
- What are the remaining gaps and immediate challenges?
- What is necessary to guarantee the sustainability of the reforms?

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