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Report No: 88993-JM

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US$ 50 MILLION

TO

JAMAICA

FOR A

FOUNDATIONS FOR COMPETITIVENESS AND GROWTH PROJECT

June 26, 2014

Financial and Private Sector Development
Caribbean Country Management Unit
Latin America and the Caribbean Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective June 5, 2014)

Currency Unit	=	Jamaican Dollars
JMD 1	=	US$ 0.01
US$ 1	=	JMD 111.36

FISCAL YEAR

April 1 – March 31

ABBREVIATIONS AND ACRONYMS

AFIs	Approved Financial Institutions
AGC	Attorney General's Chambers
BOJ	Bank of Jamaica
CGF	Credit Guarantee Fund
CPS	Country Partnership Strategy
DBJ	Development Bank of Jamaica
DPL	Development Policy Loan
ERR	Economic Rate of Return
FCA	Fair Competition Act
FTC	Fair Trading Corporation
GDP	Gross Domestic Product
GOJ	Government of Jamaica
IA	Implementing Agency
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
JAMPRO	Jamaica Promotions Corporation
JCC	Jamaica Chamber of Commerce
JEA	Jamaica Exporters Association
JMA	Jamaica Manufacturers Association
JPC	Jamaica Productivity Center
LAC	Latin America and the Caribbean
LHI	Logistics Hub Initiative
LOC	Line of Credit
LCA	Lead Coordinating Agency
MDAs	Ministries, departments, and agencies (of the GOJ)
M&E	Monitoring and evaluation
MIIC	Ministry of Investment, Industry and Commerce
MOFP	Ministry of Finance and Planning
MSMEs	Micro, small, and medium-sized enterprises
MOU	Memorandum of Understanding
NEPA	National Environment and Planning Agency
NPV	Net Present Value
PAJ	Port Authority of Jamaica

PEU	Project Execution Unit
PIOJ	Planning Institute of Jamaica
PPP	Public-Private Partnership
PSOJ	Private Sector Organization of Jamaica
SBAJ	Small Business Association of Jamaica
SEZ	Special Economic Zone
SFM	Support Fund Manual
SMEs	Small and medium-sized enterprises
STATIN	Statistical Institute of Jamaica
TA	Technical assistance
TFP	Total Factor Productivity
UDC	Urban Development Corporation

Regional Vice President:	Jorge Familiar
Country Director:	Sophie Sirtaine
Sector Director:	Marialisa Motta
Sector Manager:	P.S. Srinivas
Task Team Leader:	Tom Vis

JAMAICA
Foundations for Competitiveness and Growth

TABLE OF CONTENTS

PAD DATA SHEET

Jamaica

Jamaica Foundations for Competitiveness and Growth (P147665)

PROJECT APPRAISAL DOCUMENT

LATIN AMERICA AND CARIBBEAN

LCSPF

Report No.: PAD899

Basic Information		
Project ID P147665	EA Category B - Partial Assessment	Team Leader Tom Vis
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ] Financial Intermediaries [ ] Series of Projects [ ]	
Project Implementation Start Date 12-Aug-2014	Project Implementation End Date 30-Jun-2020	
Expected Effectiveness Date 11-Aug-2014	Expected Closing Date 30-Jun-2020	
Joint IFC No		

Sector Manager	Sector Director	Country Director	Regional Vice President
Subrahmanya Pulle Srinivas	Marialisa Motta	Sophie Sirtaine	Jorge Familiar

Borrower: Ministry of Finance and Planning

Responsible Agency: Planning Institute of Jamaica

Contact:	Barbara Scott	Title:	Deputy Director General
Telephone No.:	(876) 960-9339	Email:	info@pioj.gov.jm

Project Financing Data(in USD Million)					
[X]	Loan	[ ]	Grant	[ ]	Guarantee
[ ]	Credit	[ ]	IDA Grant	[ ]	Other

Total Project Cost:	50.00	Total Bank Financing:	50.00
Financing Gap:	0.00		

Financing Source	Amount
Borrower	0.00
International Bank for Reconstruction and Development	50.00
Total	50.00

Expected Disbursements (in USD Million)

Fiscal Year	2015	2016	2017	2018	2019	2020	0000	0000	0000
Annual	4.00	8.00	12.00	11.00	11.00	4.00	0.00	0.00	0.00
Cumulative	4.00	12.00	24.00	35.00	46.00	50.00	0.00	0.00	0.00

Proposed Development Objective(s)

To strengthen the business environment in Jamaica for private sector investment.

Components

Component Name	Cost (USD Millions)
Enhancing competition in the business environment	3.10
Facilitating strategic private investments	17.60
Supporting SME capabilities and finance	23.20
Project implementation and M&E	6.10

Institutional Data

Sector Board

Competitive Industries Practice

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	Public administration- Industry and trade	15		
Finance	SME Finance	30		
Industry and trade	Agro-industry, marketing, and trade	15		
Industry and trade	General industry and trade sector	40		
Total		100		

☑ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes		
Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Financial and private sector development	Regulation and competition policy	10
Financial and private sector development	Micro, Small and Medium Enterprise support	45
Trade and integration	Export development and competitiveness	45
Total		100

Compliance

Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
Does the project require any waivers of Bank policies?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [X]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

Conditions	
Name	**Type**
Signature of PIOJ MOU	Effectiveness
Description of Condition	
The PIOJ MOU has been executed on behalf of the Borrower and PIOJ.	
Name	**Type**
Signature of DBJ Subsidiary Agreement and MOU	Effectiveness

Description of Condition		
The DBJ Subsidiary Agreement has been executed on behalf of the Borrower and DBJ and the DBJ MOU has been executed on behalf of the Borrower, DBJ and PIOJ.		
Source Of Fund	**Name**	**Type**
IBRD	Signature of JAMPRO MOU	Disbursement

Description of Condition		
No disbursement shall be made for payments made under Components 1 and 2.B (i) of the Project unless the JAMPRO MOU has been executed on behalf of the Borrower, PIOJ and JAMPRO.		
Source Of Fund	**Name**	**Type**
IBRD	Adoption of the Matching Grants Procedural Sub-manual and contracting of the financial management agent	Disbursement

Description of Condition
No disbursement shall be made for payments of matching grants under Component 3.A (ii) of the Project unless the Matching Grants Procedural Sub-manual has been approved by the Bank and adopted by DBJ and a financial management agent has been contracted under terms and conditions acceptable to the Bank.

Team Composition

Bank Staff

Name	Title	Specialization	Unit
Mark Andrew Dutz	Sector Leader	Co-Task Team Leader	LCSPF
Prosper Nindorera	Senior Procurement Specialist	Senior Procurement Specialist	LCSPT
Micky O. Ananth	Program Assistant	Program Assistant	LCSPF
Eva M. Gutierrez	Lead Financial Sector Specialist	Lead Financial Sector Specialist	LCSPF
Marta Molares-Halberg	Consultant	Legal Consultant	LEGLE
M. Mozammal Hoque	Sr Financial Management Specialist	Sr Financial Management Specialist	LCSFM
Steen Byskov	Sr Financial Economist	Sr Financial Sector Specialist	LCSPF
Tom Vis	Senior Private Sector Development Specialist	Task Team Leader	LCSPF
Jose Vicente Zevallos	Senior Social Development Specialist	Social Safeguards Specialist	LCSSO
Penelope Demetra Fidas	Senior Private Sector Development Specialist	Sr Private Sector Development Specialist	CICBR
John Millies Anderson	Young Professional	Economist	LCSPF
Gisela Durand	Consultant	Operations Consultant	LCSPF
Michael J. Darr	Consultant	Environmental Safeguards Specialist	LCSEN

I. STRATEGIC CONTEXT

A. Country Context

1. **Over the past 30 years, Jamaica has experienced low economic growth and high fiscal deficits that have stymied development**. Jamaica's real GDP per capita has increased at an average of just 1 percent per annum during this time. Natural disasters and financial shocks in this low-growth environment, coupled with discretionary and distortionary tax expenditures and other public expenditures, have resulted in persistent fiscal deficits. These deficits have been financed through significant domestic public sector borrowing, which in turn has led to both high financing costs with crowding out of private sector investments and macroeconomic uncertainty. These reinforcing cycles of low, opportunity-depriving growth and high debt have limited the government's capacity to respond effectively to increasing crime, social vulnerabilities, and inequality. Unemployment reached 16 percent in 2013, with young women unemployed at 38 percent. The share of consumption of the bottom 40 percent of the population started a downward trend in 2010 after years of improvement.[1]

2. **This disappointing economic performance is directly traceable to a weak business environment that has not sufficiently stimulated productive, job-creating investments**. Growth in total factor productivity (TFP) has been negative in Jamaica in the past two decades, with TFP per worker lagging significantly behind most LAC countries. These productivity trends are reflected among others in the declining performance of traditional Jamaican exports over the past decade, including a fall in Jamaica's share of global exports of sugar from 0.66 to 0.23 percent and travel services (a proxy for tourism) from 0.26 to 0.19 percent, based on International Trade Center data. The low-productivity allocation of public investment resources, together with missing incentives for productivity-enhancing investments by the private sector and flexible adjustment in response to changing global market demands, have impeded growth.

3. **An 'enclave' development model in key sectors has further limited private sector investments that create economy-wide productivity spillovers and has thereby prevented inclusive growth.** The tourism sector for example is the largest foreign exchange earner. It is responsible for 10 percent of total employment in Jamaica, but the way it has developed in response to prevailing business environment incentives has resulted in few backward linkages to other local enterprises; industry estimates are that 70 to 90 percent of tourism-consumed food is imported, limiting a potentially significant source of growth for domestic agribusiness. A similar lack of incentives in the business environment, or even disincentives to establish backward linkages exists in other industries as well.[2] The vast majority of firms in Jamaica are micro or small, many of which operate in wholesale or retail trade, and the prevailing business environment has not led them to be included in job-generating productive supply chains.

4. **A decisive shift in this growth trajectory is now needed to restore confidence in the Jamaican economy.** The low-growth high-deficit cycle culminated in March 2013 when

[1] As cited in the WBG Jamaica FY14-17 Country Partnership Strategy. Data are from WBG unless cited otherwise.
[2] The 2011 Country Economic Memorandum (CEM) for Jamaica highlights the role of tax and duty concessions in providing these disincentives, such as in the Export Free Zone Act. This act is being phased out in requirements with WTO compliance criteria, but support is needed to replace it with a new zone regime.

government debt hit 146 percent of GDP. As a result, in May 2013 the IMF, Bank, and IDB stepped in with a financial package, which included reforms in areas such as fiscal consolidation and overhaul of the tax framework to limit discretionary incentives. Since May 2013, the Government of Jamaica (GOJ) has demonstrated clear commitment to the success of the reforms, including the recognition of the need to stimulate private sector investment and growth and the need to work with the Bank, IDB, and IMF on the growth agenda. A range of additional reforms focused on strengthening the business environment for private sector investment are now needed, especially given the limited fiscal space for GOJ productive expenditures. Despite a previous IMF program proving difficult to maintain and lapsing in 2011, in May 2014 Jamaica completed successfully its fourth review of its current and ongoing program with the Fund.

5. **The macroeconomic situation continues to be fragile, and renewed shocks could derail the nascent recovery**. Despite strong GOJ commitment to reforms, Jamaica faces substantial risks from external financing and macroeconomic shocks as well as natural disasters, which could potentially result in renewed economic and fiscal stresses. In particular, high debt levels create persistent financing risks, and a significant natural disaster could set back fiscal consolidation efforts. Failure to stay on track with the IMF agreement would hamper private investor confidence that is cautiously building up. Jamaica is entering a demanding transition period, in which major business environment reforms will result in adjustment costs before they yield results in terms of growth acceleration and shared prosperity. This fragile macroeconomic context creates risk for any effort to stimulate private sector investment and growth.

B. Sectoral and Institutional Context

6. **Existing private sector investment opportunities offer significant potential to increase competitiveness and growth, but are constrained by the business environment.** Jamaica has the potential to benefit substantially from the changing shipping dynamics in the Western Hemisphere due to the expansion of the Panama Canal in 2016. The GOJ Logistics Hub Initiative (LHI) plans for several billion dollars of private investment in infrastructure to capitalize on Jamaica's existing deep natural harbor capacity and strategic location. The GOJ is establishing a new Special Economic Zone (SEZ) regime to attract large investors. However, regulatory inefficiencies, inadequate preparation for strategic investments, and limited SME capabilities and finance have constrained the private sector response to these opportunities, and hence have limited private sector-led growth in Jamaica that is transformational and inclusive.

7. **Enhanced competition in the business environment is needed to attract and enable productivity-enhancing private sector investment**. Attracting new investors and ensuring that enterprises compete productively requires a business environment with efficient regulations and transparent competition-based rules of the game. The Jamaican business environment is characterized by too little competition, which affects the operations of existing firms and potential new global and local investors, thereby directly harming competitiveness. Jamaica's poor performance in many indices capturing different dimensions of regulation and competition reflects these constraints in the business environment. The process of obtaining requisite approvals and permits for private developers to advance construction projects can take multiple years. According to Doing Business, it costs $1,530 for the documents, port and logistics charges, and inland transport to ship a 20-foot container of goods out of Kingston Port to anywhere in the world, compared to a Caribbean average of $1,100 and costs of $630 in Dubai

and $450 in Singapore, two logistics hubs that Jamaica aspires to emulate and join as part of the global logistics network through its LHI.

8. **Increased public sector resources and capacity are needed to attract strategic private sector investments.** Jamaica has a rich stock of productive assets, including natural harbor capacity and world-class beaches, and its existing comparative advantage appears highest in selected agribusiness industries, tourism, and logistics. Investments by global investors have the potential to inject competition and capabilities into these industries, provide international market access, and allow global knowledge in the form of new products, processes, and marketing to be diffused to local enterprises. Large investments are also needed to improve the efficiency of existing and newly-required infrastructure assets per the government's LHI. However, current severe fiscal constraints limit GOJ capacity to proactively prepare and market deals in these sectors to potential investors. This lack of resources to adequately prepare strategic investments has stalled the development of previous projects.

9. **Small and medium-sized enterprises (SMEs) require skills and knowledge to integrate into global supply chains**. SMEs in Jamaica with the potential to grow lack knowledge and skills to invest in upgraded productivity and thereby sell more competitive outputs and generate more jobs, as identified in the 2011 Country Economic Memorandum and the GOJ MSME & Entrepreneurship Policy, limiting an opportunity for smaller firms employing workers in lower income deciles to grow and increase employment.[3] Limited awareness about global industry quality standards and market demands constrains the ability of smaller firms to link with larger firms and participate in global supply chains. Entrepreneurs and SME managers often lack the ability to develop a business plan or manage cash flows, and lack employees with sufficient, appropriate technical skills. Additional interventions to improve access to quality demand-driven business training, especially with a focus on global standards, are critical.

10. **Increased access to finance is needed for SMEs, especially for technology-upgrading investments that will facilitate integration in supply chains**. For decades, the financial sector in Jamaica was able to lend to government at high interest rates. This created little incentive to lend to the private sector other than to relatively low-risk large companies, resulting in limited financial deepening and a failure of the financial sector to meet the needs of SMEs. The ratio of private credit to GDP is 27 percent, well below the 47 percent LAC average. Only 27 percent of Jamaican firms have a line of credit at a bank compared to 48 percent of firms across LAC (World Development Indicators). With ongoing fiscal consolidation, banks are increasing their focus on commercial lending, including to SMEs. All banks now have dedicated SME departments and many banks have invested in technical capacity for SME credit assessment. However, limited market competition results in high lending spreads and bank profitability, and tight liquidity conditions affect the ability of credit institutions to lend to the private sector.

11. **Existing donor programs support GOJ efforts, but additional WBG and donor support is needed.** The current IMF and IDB financial support has facilitated structural reforms

[3] This project uses the definition of SMEs per the MIIC MSME & Entrepreneurship Policy of 2013 as having up to 50 employees and annual sales/turnover of up to J$ 150 million (US$ 1.4 million), with small firms having up to 20 employees and annual sales of J$ 50 million and micro firms up to 5 employees and J$ 10 million in annual sales.

such as fiscal consolidation and tax reform. The WBG is providing a range of complementary support to advance the growth agenda; see Annex 2 for a matrix of these activities. The Bank's Foundations for Growth and Resilience Development Policy Loan of December 2013 provides financial support to GOJ, and includes a focus on investment climate reform measures but not their implementation. Additional investments, guarantees, and advisory services from the Bank, IFC, and MIGA support reforms to the regulatory environment, strategic investments, and SMEs and entrepreneurship in Jamaica. The proposed project has been designed in close collaboration with these WBG, IMF, and IDB activities. It will complement these activities by targeting specific business environment reform implementation needs and other resource and capacity constraints that are not being addressed elsewhere. The range of WBG support is being managed via a Joint Business Plan with the GOJ, which ensures coordination of activities and accountability for results. The proposed project is also designed in close coordination with the IMF to ensure that the trade-offs between fiscal consolidation and growth are carefully considered, such as ensuring adequate space for PPPs within GOJ debt thresholds.

C. Higher Level Objectives to which the Project Contributes

12. **The proposed project is fully in line with GOJ growth plans and policies**. It will contribute to the implementation of the National Development Plan "Vision 2030 Jamaica" by directly supporting the national goal of a prosperous economy, as well as supporting the key national outcomes of an enabling business environment (via Component 1), a strong economic infrastructure with internationally competitive industry structures (via Component 2), and a technology-enabled society (via Component 3). The project also directly supports selected elements of the Ministry of Industry, Investment and Commerce's (MIIC) 2013 MSME & Entrepreneurship Policy, namely "Creating an Enabling Business Environment" (via Component 1), "Enhancing Business Development Support", "Increasing Finance", and "Fostering a Culture of Entrepreneurship and Innovation" (via Component 3), and "Continuous and Comprehensive Empirical Data on MSMEs" (via Component 4).

13. **The proposed project is also fully aligned with the FY14-FY17 Country Partnership Strategy (CPS)** (Report #85158-JM), discussed by the Executive Directors on April 29, 2014. The recently completed Jamaica CPS includes the strategic objective of improving the enabling environment for private sector growth, with outcomes related to improving business conditions and access to credit, modernizing and diversifying infrastructure, and enhancing entrepreneurship and skills in high-potential sectors. The proposed project presented below is grounded in this productivity diagnosis and will directly support this CPS objective and outcomes by improving the competition-related business environment (Component 1), facilitating private investment including in strategic infrastructure assets (Component 2), and supporting SMEs in high-potential supply chains to increase their capabilities (Component 3).

14. **The proposed project is designed to contribute to the Bank's twin goals of reducing poverty and promoting shared prosperity,** by directly and indirectly resulting in job creation across all income deciles, with a likely higher proportional impact on incomes among the lower half of the income distribution. Around the world, productive jobs are a key driver of poverty reduction, and in Jamaica high rates of unemployment and under-employment are important constraints to improvements in living standards (WDR 2013). As of January 2013, the unemployment rate was over 14 percent, and among individuals with jobs, 15 percent were

working 35 hours or fewer per week (STATIN). The investments, linkages, and finance facilitated by the project – including its substantial focus on support to SMEs – will create new jobs for Jamaicans. Multiplier effects from the new investments will stimulate jobs and income growth in related industries, including for households in lower income deciles. Increased production and profits by beneficiary firms will generate new tax revenues, which in turn should enable continuously improving public service provision, which should also be tilted towards the lower income deciles. The focus on SMEs, which account for the bulk of employment in the private sector in Jamaica, will increase job creation and contribute to the Bank's goals, as about 80 percent of workers in the bottom 40 percent of income earners work for micro firms (Jamaica Labor Force Survey 2010). Efforts to increase tourism and other export linkages to the rest of the economy, especially with agriculture, could help reduce poverty in the rural areas, where official poverty rates increased after the global financial crisis from 17 percent in 2008 to 23.2 percent in 2010 (as cited in the WBG Country Partnership Strategy for FY14-FY17). These efforts will also help promote shared prosperity, as about 85 percent of agricultural workers are in the bottom 60 percent of income earners (Jamaica Labor Force Survey 2010).

II. PROJECT DEVELOPMENT OBJECTIVE

A. PDO

15. **The Project Development Objective is to strengthen the business environment in Jamaica for private sector investment**.

B. Project Beneficiaries

16. **The primary project beneficiaries are private firms operating in Jamaica**. Both existing and new firms will benefit from streamlined business regulations that save costs and decrease incentives for rent-seeking. Large foreign and domestic investors will benefit from appropriate preparation for PPPs, divestments, and other strategic investments that help bring deals to market. SMEs benefiting from skills training, supply chain linkages, and financing will be able to increase private investment in knowledge and physical capital, thereby raising productivity, sales, and jobs, including by linking with new large foreign and domestic investors supported by the project. Impacts on these beneficiaries will be closely tracked; see Annex 1 for the project results framework.

C. PDO Level Results Indicators

17. **The following indicators will be used to measure project results at the PDO level**. Additional details and outcome indicators can be found in Annex 1.

(a) Number of recommended business environment and pro-competition laws, regulations, amendments, and codes enacted; policies adopted; and administrative procedures streamlined
(b) Private capital mobilized through investment transactions supported by the project
(c) Increase in sales of SMEs supported by project over benchmark of comparator SMEs

III. PROJECT DESCRIPTION

A. Project Components

18. **The project is designed to enable private sector-led growth in the Jamaican economy, in an inclusive and sustainable way**. To achieve this impact, a range of interlinked constraints inhibiting private sector growth must be collectively addressed. Key regulatory barriers must be removed and competition incentives enhanced to facilitate new productivity-enhancing investments. Large strategic investments must be attracted to inject capital, new technologies and further supply chain opportunities into the economy. SMEs require capabilities upgrading and finance support to be able to expand operations and increase employment. The proposed multi-pronged programmatic approach outlined below is needed to effectively address these interlinked constraints; full project details are provided in Annex 2. An appropriate governance structure has been designed to implement this operation, led by the Planning Institute of Jamaica (PIOJ) as the one central Implementing Agency (IA) with technical support from JAMPRO and the Development Bank of Jamaica (DBJ) as Lead Coordinating Agencies (LCAs).

19. **Component 1: Enhancing competition in the business environment (US$ 3.1 million).** This component will provide technical assistance (TA) and implementation support to address critical business regulation and procedural issues that constrain firm entry, operation and expansion, competition, and trade and logistics. Priority reform needs have been identified in collaboration with a wide range of public and private stakeholders, particularly JAMPRO in its role as Secretariat of the National Competitiveness Council (NCC) charged with overseeing the business reform agenda. The project will finance the following five priority activities, led by JAMPRO in coordination with relevant regulatory agencies:

(a) TA to help streamline the development approvals and construction permitting process. The construction industry (together with real estate, renting, and related business activities) represents about 18% of GDP, but a key step in the process—application for a development approval—can take anywhere from eight to eighteen months, with the longest delays experienced by commercial projects.

(b) Training and public outreach to increase the use of new institutions related to access to finance, specifically the moveable collateral registry and the credit information bureau. Further support will be provided to implement the recently tabled insolvency law, including outreach and training for insolvency professionals on the new legal framework.

(c) TA to support regulatory reforms related to the legal framework for the Port Community System (PCS), a critical component of the LHI that provides an electronic single window to increase efficiency in port operations.

(d) Legal and regulatory development for the new SEZ regime to replace the Export Free Zone regime being phased out per WTO compliance criteria, with a focus on including pro-competition regulatory elements to minimize market distortions.

(e) TA to build the capacity of the Fair Trading Commission (FTC) to support its work proactively advocating for enhanced and fair competition in the economy.

20. **Component 2: Facilitating strategic private investments (US$ 17.6 million)**. This component will finance studies and TA to enable the government to prepare and close large strategic investment transactions with private sector participation. Strategic sectors include sectors such as agribusiness, energy, information and communications technology, logistics,

transportation (airports, ports, etc.), social sector PPPs (such as health and education), tourism, and water and sanitation. DBJ will be the LCA for this component given its current responsibility for PPPs and privatizations within GOJ. Assistance provided through this component may be implemented in close coordination with the IFC to benefit from IFC's PPP transaction expertise. Specific activities to be financed include:

(a) *Component 2A: Project preparation facility (PPF) (US$ 8.5 million).* The PPF will finance studies and TA to facilitate strategic transactions such as infrastructure and social sector PPPs, divestments, and other strategic investments. Such studies and TA will include pre-feasibility, feasibility, financial, legal, environmental, and social as needed to bring strategic transactions to market. The criteria for selection of individual projects to benefit from a PPF-financed study and TA will include the potential to have a significant impact on growth and jobs and readiness for the transaction to be closed quickly. DBJ will work directly with MDAs that currently own and/or control infrastructure and other assets to bring private investment transactions to the market. Applications for studies and TA will be drafted by the MDAs themselves, with support provided by DBJ when requested. The applications will be submitted to the PPF Management Board (consisting of representatives of DBJ, PIOJ, JAMPRO, line ministries as appropriate, and members of two private sector organizations), which will recommend individual studies and TA for approval and funding to the overall Project Steering Committee, with a no-objection required from the Bank.

(b) *Component 2B: TA and studies for investment support (US$ 9.1 million).* The project will also finance TA and studies complementary to the PPF to increase GOJ capacity for strategic project origination, planning, and implementation, including:

(i) Project origination and investment generation support for JAMPRO. This will include funding for investment facilitation of projects supported by the PPF, as well as support for project packaging for key private investment deals.

(ii) Project pre-commissioning and contracting support, including funding three additional senior attorneys in the Attorney General's Chambers to increase capacity to review key transaction documents and provide negotiation support.[4]

(iii) Contract management support to improve ex-post monitoring to ensure investors have delivered against contracts and investment plans.

(iv) Financing for three critical sector planning studies: a Master Plan for the LHI with an industry analysis for SEZs, a redevelopment plan for downtown Kingston, and a tourism-agribusiness demand and linkages study. These studies will increase GOJ's capacity to adequately prepare and implement investment and linkages plans for these sectors and development needs. PIOJ will be responsible for these studies given its overall coverage of policy and planning issues, with close technical collaboration with relevant ministries.

21. **Component 3: Supporting SME capabilities and finance (US$ 23.2 million)**. This component will provide support directly to SMEs by funding a combination of supply chain

[4] This capacity support to the Attorney General's Chambers will in no way involve Bank supervision of GOJ negotiation of contract awards with the private sector.

learning, skills upgrading, and finance. This component will be implemented by DBJ, with specific activities to include:

(a) *Component 3A: SME supply chain support and skills upgrading (US$ 7 million).* The project will finance matching grants and TA to upgrade the capabilities of SMEs in specific eligible supply chains to meet the purchasing needs of large buyers. Eligible supply chains include all productive sectors that can generate high job multipliers from invested resources, such as agriculture and agro-processing, light and heavy manufacturing, and logistics services. A private contracting firm will be hired to manage the implementation of this sub-component. Specific activities to be financed include:

(i) TA will be provided facilitate group problem-identification processes by applicant SMEs and a large buyer in a supply chain. An applicant group of firms will submit a proposal for skills upgrading needs, including a non-binding offtake agreement of potential increased purchases from SMEs by the large buyer, and identifying anticipated benefits such as new jobs created. This TA will help the firms produce a 'supply chain business plan',[5] which will identify specific quality upgrading needs of individual firms and expected benefits along the supply chain.

(ii) Based on acceptable supply chain business plans, the project will provide matching grants to individual firms to co-finance learning and skills upgrading to help SMEs meet the quality standards in the supply chain and increase sales to large buyers. A wide range of local providers of training services exists in Jamaica, and enabling flexible purchasing of relevant services is expected to spur local demand-driven supply. Co-financing will be provided by individual firms receiving the business development services, with a range of co-financing amounts depending on the size of firms with an emphasis on getting maximum participation in the program.

(iii) The project will also finance TA to continue the initial group facilitation process as required, evolving into a public-private dialogue (PPD) mechanism to help resolve broader implementation bottlenecks such as specific regulatory and administrative barriers or the failure of existing public support schemes to reach intended beneficiaries.

(b) *Component 3B: SME finance (US$ 16.175 million)***.** The project will fund a line of credit (LOC) through DBJ for on-lending to approved financial institutions (AFIs) for loans to SMEs. Given ongoing tight liquidity in Jamaica, the LOC will provide critical access to finance for SMEs broadly, including for SMEs participating in the skills upgrading program.[6] MOFP will absorb the exchange rate risk for ultimate repayment of this funding, enabling DBJ to on-lend in local currency and mitigate market liquidity constraints. AFIs may request funding for on-lending through two modalities: a) for individual credits to SMEs or b) for a revolving credit line to fund eligible credits with

[5] The proposed participatory supply chain learning process is congruent with IFC support to SMEs in agribusiness in Jamaica, and the project will collaborate significantly with IFC's activity during implementation.

[6] All SMEs per the official GOJ definition are eligible. Credit available through the LOC will be marketed to SMEs participating in the skills upgrading, and participating AFIs will be able to act as observers of the supply chain business plan review process to be aware of SMEs with growth potential that may benefit from a loan. However, all SME applicants for financing through the LOC will be analyzed individually by AFIs, with no preferential access for SMEs participating in the skills upgrading.

ex-post review by DBJ, to facilitate the ease of on-lending. Banks will pay a commitment fee for the unused part of the revolving credit line (as funds can only be used once an eligible credit has been approved by the institution), and remaining balances can be canceled by DBJ in case the line is not used. These design aspects will stimulate use of funds under the LOC, although only the highest-rated banks in the financial system will be able to access the facility under this modality.

22. **Component 4: Project implementation and M&E (US$ 6.1 million),** including:

(a) *Component 4A: Project management and implementation (US$ 4.5 million).*[7] This sub-component will fund all project management and operational costs associated with the project. These costs will include technical and fiduciary staff at PIOJ to establish a Project Execution Unit (PEU); technical coordination staff at DBJ and JAMPRO; and routine project audit and evaluation expenses.

(b) *Component 4B: TA for communications and productivity evaluation (US$ 1.6 million).* The project will finance TA to support PIOJ's implementation and evaluation of the project. Communications and outreach activities will be funded to generate public support for the project as well as for the overall productivity and growth agenda of GOJ. TA will be provided to PIOJ and the Jamaica Productivity Center (JPC) to conduct at least one evaluation study of the impact on SMEs of the skills upgrading and loans component, using elements of randomization to the extent possible. The project will also support the Statistical Institute of Jamaica (STATIN) to upgrade the quality of private sector data for broader GOJ impact evaluation and policy making by funding a national business census, which will enable proper subsequent annual sampling of firms to monitor productivity changes.

B. Project Financing

23. **The project envisages an IBRD loan to Jamaica in the amount of US$ 50 million.** The following table summarizes project costs by component and sub-component:

Table 1: Project Costs by Component

Project Component	Project Cost (Million USD)	IBRD Financing	% Financing
1. Enhancing competition in the business environment	**3.1**	**3.1**	**100**
2. Facilitating strategic private investments	**17.6**	**17.6**	**100**
2A Project Preparation Facility	8.5	8.5	
2B TA and studies for investment support	9.1	9.1	
3. Supporting SME capabilities and finance	**23.175**	**23.175**	**100**
3A SME supply chain support and skills upgrading	7.0	7.0	
3B SME finance	16.175	16.175	
4. Project implementation and M&E	**6.0**	**6.0**	**100**
4A Project management and implementation	4.4	4.4	

[7] Financing under Component 4A includes $125,000 of required front-end fees. These fees are broken out into a separate line item in the project financing table below, explaining the different amount for Component 4A in the table relative to the descriptions written elsewhere in the document.

4B TA for communications and productivity evaluation	1.6	1.6	
Total project costs	**49.875**	**49.875**	**100**
Front-end fees	**0.125**	**0.125**	
Total financing required	**50.0**	**50.0**	**100**

C. Lessons Learned and Reflected in the Project Design

24. **The project has incorporated lessons learned from WBG experience throughout project design**. A range of WBG analytical pieces and projects addressing private sector development issues was reviewed to provide the analytic basis for the project and inform project design. Specific lessons learned and incorporated include: assistance to improve the investment climate should focus on designing and implementing reforms at the institutional and administrative level, such as supporting the implementing agencies in charge of regulations. Strategic transactions require sufficient funding for appropriate preparation, with an early focus on proper procurement of transaction assistance to be provided. WBG experience with matching grants to SMEs suggests significant potential demand-driven benefits of a supply-chain approach that links large and small firms to collectively identify needs prior to capabilities funding. Prior Bank LOCs in Jamaica have shown that on-lending to AFIs can be hindered if exchange rate risk is borne within the on-lending operation, and Bank experience globally indicates that LOCs can face disbursement delays if not designed in close collaboration with implementing agencies and financial institutions. Additional details on lessons learned are provided in Annex 2.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

25. **The Implementing Agency (IA) responsible for overall project administration is the Planning Institute of Jamaica (PIOJ)**, which is a legally autonomous entity of Jamaica in charge of leading the process of policy formulation on economic and social issues. PIOJ reports to the Ministry of Finance and Planning (MOFP), which is responsible for coordinating the joint IMF-WBG-IDB program. PIOJ will be able to give high-level and centralized implementation oversight of the project. PIOJ will be guided by a Project Steering Committee, led by the Minister of Finance or his designee and with high-level government and private sector members.

26. **PIOJ will oversee the work of Lead Coordinating Agencies (LCAs) responsible for individual project components**. The LCA for Component 1 will be JAMPRO given its responsibility for overseeing investment climate reforms as the NCC Secretariat. The LCA for Component 2 will be DBJ given its responsibility for PPPs and privatizations within GOJ, with technical oversight for non-transaction-related sector studies given by PIOJ. The LCA for Component 3 will also be DBJ given its experience with both coordinating TA to firms and on-lending to commercial banks. DBJ's capacity to implement the LOC via on-lending to the AFIs was appraised by the Bank and deemed satisfactory; details of this assessment are provided in a supplementary document available in the project files. As the IA, PIOJ will be responsible for the M&E work under Component 4. JAMPRO and DBJ will lead technical working groups to collaborate with stakeholders on each component.

B. Results M&E

27. **PIOJ as the IA will have responsibility for overall project M&E, with input provided by the LCAs**. PIOJ will oversee data collection on project activities and reporting on PDO-level and intermediate results indicators. PIOJ has experience conducting M&E for projects, but additional TA will be provided as needed, such as to design specific impact evaluations. The overall Project Steering Committee will ensure a regular demand for updates on project results, and will guide the mid-term review of project results. One member of the PIOJ project execution unit will be designated as responsible for overseeing M&E for the project to ensure accountability for coordination and M&E results. JAMPRO and DBJ will provide input on their respective components; this will include DBJ collaborating with PIOJ to establish firm-level reporting requirements with AFIs receiving a LOC and with the private firm hired to administer the SME grants (the 'financial management agent' referred to under disbursement conditions). JPC will support PIOJ in establishing norms for firm-level data gathering and analysis. The support to STATIN and JPC to improve baseline firm data and build productivity analysis capacity will facilitate better results for M&E over time. The project will conduct at least one evaluation of firm-level impact, based on support provided to SMEs via training and financing, ideally using at least some elements of randomization. The project will finance technical assistance to support evaluation design. Additional M&E details are in Annex 3.

C. Sustainability

28. **GOJ has demonstrated strong commitment to and ownership of the project**. The project was designed in close collaboration with government stakeholders across a range of MDAs. The decision of MOFP to designate PIOJ as the IA signals strong central government support for the project. At the same time, Lead Coordinating Agencies were selected based on appropriate organizational mandates, thereby ensuring that technical capacity built in these agencies will continue after the project. The growth impact that is targeted by this project is central to the overall GOJ growth program, further reinforcing its importance to government.

29. **Numerous aspects of project design directly support sustainability**. Support for investment climate reforms to increase competition in the private sector will have sustained impact by increasing the incentive for firms to upgrade productivity and create jobs. TA funds and environmental considerations in the PPF will ensure that large strategic investments are structured in a way that has positive long-term impact in Jamaica. The PPF is designed as a revolving fund, so that the costs of studies will be repaid by successful bidders of the strategic investments benefitting from PPF-financed studies, thereby sustainably increasing GOJ financial capacity to adequately prepare for and bring strategic investments to market. The SME support fund provides co-financing to firms in response to potential purchase agreements between large firms and SMEs; this focus on specific potential purchase agreements is designed to support the establishment of new business relationships that can be sustainable based on commercial viability. Lines of credit are channeled through private financial institutions, increasing their business capacity to lend to SMEs. Public outreach efforts are included to increase popular awareness of and support for the GOJ productivity and growth agenda, and data gathering and analysis capacity building will support GOJ capacity to make improved evidence-based public policy for the country moving forward.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary

Table 2: Risk Ratings Summary Table

Risk Category	Rating
Stakeholder Risk	**Moderate**
Implementing Agency Risk	
- Capacity	**Substantial**
- Governance	**Substantial**
Project Risk	
- Design	**Substantial**
- Social and Environmental	**Moderate**
- Program and Donor	**Low**
- Delivery Monitoring and Sustainability	**Moderate**
Overall Implementation Risk	**Substantial**

B. Overall Risk Rating Explanation

30. **The overall implementation risk is rated as substantial, primarily due to operating environment risks**. The PDO focuses on strengthening the business environment in Jamaica for private sector investment. The range of reforms required to achieve this improvement require political commitment and resources, and the private sector response to an improved business environment is fundamentally grounded in the economic situation in the country. The current economic context is characterized by high public debt, tight fiscal space, and significant vulnerability to shocks. This increases the possibility of economic contraction, which would limit investment and jeopardize the reform agenda. The project is designed in consideration of this risk, focusing on improving the enabling environment for private investment; fully adequate mitigation measures for these macro risks are outside the scope of any individual project.

31. **Adequate governance of project implementation is also a substantial risk**. The project's multi-pronged and multi-sectoral design necessarily involves a range of public and private stakeholders and a substantial number of individual project activities. This creates a risk that coordination among different agencies will not be done effectively, or that divergent agency interests will stall project implementation. For example, if there is inadequate support for PPP processes from MDAs, such as Ministry of Transport, that control strategic assets, DBJ's efforts with the PPF to successfully help bring those deals to market would be jeopardized. These risks have been mitigated through measures such as the:

(a) Decision by GOJ to have PIOJ as the Implementing Agency, thereby providing centralized government support for project coordination and implementation.

(b) Conduct of project design in close collaboration with MDAs, ensuring their buy-in, involvement in project implementation, and commitment to project success.

(c) Requirement for technical coordination between DBJ and relevant MDAs to develop TORs for studies to be financed through the PPF, thereby facilitating public stakeholder consensus on specific investment transactions being supported by the PPF.

(d) Establishment of a strong project governance structure, reflected in the project Operational Manual. The presence of MDAs on the PSC as well as the PPF Management Board also mitigates governance risk.

32. **There is also risk of non-disbursement for certain project activities**. Bank experience indicates that LOCs and loan-financed TA often face implementation challenges and disbursement delays. Lessons have been learned from project experience in Jamaica and elsewhere to mitigate these risks: to increase uptake, DBJ will provide training to all AFIs on the new products under this Bank operation. The LOC has been designed in close collaboration with DBJ and Jamaican AFIs to minimize bureaucratic approval steps. Project-financed TA targets reform areas identified as priorities by GOJ to increase ownership. To mitigate procurement and financial capacity risks, the project will fund dedicated procurement and financial management staff at PIOJ, and the LCAs and MDAs receiving project support will participate in procurement processes with PIOJ to increase ownership.

VI. APPRAISAL SUMMARY

A. Economic Analysis

33. **Economic analysis indicates that benefits generated by the project in terms of development impact are expected to exceed project costs**. Given the range of project components, both cost-effectiveness and cost-benefit analyses are used to conduct the project economic analysis. For Component 1, financing regulatory reforms to enhance competition in the business environment, and Component 4, financing project management, M&E, and data gathering, cost-effectiveness analysis justifies project financing. For Component 2, financing studies and TA to support strategic investments, and Component 3, financing SME capabilities upgrading and finance, cost-benefit analysis is possible, and yields favorable economic rates of return (ERR) at the component level. A project-wide cost-benefit analysis is also conducted, which conservatively counts the project disbursements for Components 1 and 4 as costs without including any direct benefits in the analysis. Given these conservative assumptions, this analysis yields a total project investment net present value (NPV) of US$ 3.2 million and an ERR of 19.0%. An alternative approach focusing on Components 2 and 3 for which cost-benefit analysis is possible, including required project implementation costs in Component 4, yields a NPV of US$ 8.7 million and an ERR of 40.9%. Specific assumptions and details of this analysis are available in the project files.

34. **Public sector financing to achieve these benefits is justified, and Bank involvement offers significant value to proposed project activities.** Project activities address numerous market failures and government-imposed constraints. Improvements in regulatory frameworks and strengthening public capacity to enhance competition require public involvement. Many infrastructure assets have public good elements, justifying public financing to bring investment deals for those assets to market. Enhancing skills and knowledge transfer across Jamaican firms generates positive productivity spillovers, and the private sector and especially SMEs have been crowded out of financial markets by significant government borrowing. The Bank offers

significant value to these efforts, including through its ability to finance them, given tight GOJ fiscal conditions; the Bank's technical expertise in areas of investment climate reform and SME support; and that Bank involvement encourages transparency in large investment transactions.

B. Technical

35. **The proposed operation is designed to enable private sector-led growth in the Jamaican economy, in an inclusive and sustainable way**. Significant private investment is needed in the short term to restore investor confidence in the economy and enable success in the GOJ program for economic recovery and sustainable growth and job creation. GOJ policy focuses on the need to include SMEs in the growth process to achieve broad-based growth that can increase employment and reduce income disparities. The technical design of the project, to address the range of business environment, capabilities upgrading, and financing issues constraining both large and small firms, is therefore directly tailored to the needs of GOJ and the Jamaican people. The design of each individual component is based on international good practices to incorporate international development standards in project design.

C. Financial Management

36. **PIOJ will be responsible for overall financial management aspects of the project**. PIOJ is implementing 13 donor-financed projects, including a small grant provided by the Bank. PIOJ has seven staff in its financial management unit headed by a Finance Manager. The staff are conversant with the Bank's financial management requirements. However, current PIOJ capacity would not be adequate to manage an additional project. As such, it was agreed that a Financial Management Specialist would be appointed to manage the financial management aspect of the project. PIOJ has an acceptable control environment. It is managed by an independent Board with an Audit Committee, which provides oversight on all financial management aspects. PIOJ also has an Internal Audit Unit headed by a qualified accountant. Its financial management system is computerized and able to generate timely financial reports and annual financial statements. Its budget is integrated into the GOJ budget. PIOJ follows the accrual system of accounting based on International Financial Reporting Standards (IFRS). The audit of PIOJ is conducted by an independent private auditor. Its financial year is January to December. The audit report for 2012 is unqualified. It was agreed that audit of the project would be conducted by an independent auditor acceptable to the Bank. PIOJ would be responsible for submitting quarterly Interim Financial Reports (IFRs) and also project progress reports.

37. **An amount of US$ 16.175 million will be provided to DBJ for intermediary financial operations**. DBJ has adequate financial management and regulatory capacity to manage this fund, which will be operated through AFIs. DBJ is currently implementing a similar intermediary financial operation under the Bank-financed energy project. As such, DBJ has adequate experience in similar operations. DBJ has a financial management unit headed by a qualified accountant. It has an additional five qualified accountants in the unit. DBJ has a robust control environment, with adequate rules and procedures and a dedicated risk management unit. It has an Internal Audit Unit headed by a qualified internal auditor. The unit follows a risk-based audit approach. Its accounting system is fully computerized, which is able to generate timely financial reports. The audit of DBJ is conducted by an independent private auditor. A detailed

financial management assessment of the project was carried out by the team; a summary of this assessment and of financial management implementation arrangements is provided in Annex 3.

D. Procurement

38. **The procurement assessment found that PIOJ has extensive experience in carrying out procurement** using the 2008 Public Sector regulations related to the Contractor General Act and various regulations comprised in the Handbook of Public Sector Procurement procedures of 2012. PIOJ has been exposed to procurement under IDB and Bank-financed projects; however their experience is relatively limited regarding the selection of consulting firms with contracts of large value using the relevant Bank Guidelines. The assessment also found that the internal process requires multiple approvals that can often lead to significant delays. Thus contracts above the equivalent of US$ 150,000 have to be approved by the National Contract Commission and those above the equivalent of US$ 400,000 have to be approved by the Cabinet, unless an exclusion order is granted by MOFP as permitted by the Public Sector Procurement Regulation.

39. **The main procurement risk is that delays could affect the selection of consulting firms,** and in doing so could jeopardize the implementation of the proposed project. Mitigation measures have been identified and are being put in place that will substantially reduce this risk. The project will finance the hiring of a procurement specialist at PIOJ, with PIOJ procurement resources made available to initiate priority procurement activities. The project Operational Manual has clear procurement coordination mechanisms established between PIOJ and the LCAs. Details of the project procurement arrangements are provided in Annex 3.

E. Social (including Safeguards)

40. **The project is not expected to have any direct negative social impacts, and no social safeguard policies are triggered.** However, indirect impacts may occur from project studies or activities, and therefore these will be addressed through the Environmental Assessment Policy (OP/BP 4.01) as described in Section F below. Consultations on social issues and public engagement needs will be addressed through Environmental and Social Impact Assessments (ESIAs) that may be financed through Component 2 for potential investment transactions. All social analysis conducted related to potential subsequent private investments will consider the potential for need for land acquisition associated with the investments, as well as the situation of land ownership and occupation.

41. **A wide range of key stakeholders have been involved in project preparation, and will continue to be involved throughout implementation**. Consultations on project design were held with stakeholders throughout the public and private sectors, including representatives of the business community representing large and small firms. The project has a substantial communications campaign designed to increase public awareness of project activities and their successes in supporting the GOJ growth agenda.

F. Environment (including Safeguards)

42. **Project Components 1, 2, and 4 are not expected to have any direct negative impacts on the environment; only minor potential direct impacts may result from activities**

financed via Component 3, and mitigation measures are in place. In addition to the increased SME production financed by the LOC in Component 3, which could result in direct environmental impacts, indirect environmental effects may result from activities of Component 2, which will fund studies designed to enable large-scale physical investment projects. Given these potential impacts, the project is considered as Category B, and the Environmental Assessment Policy (OP/BP 4.01) has been triggered. Mitigation measures have been developed to reduce the risk of these possible impacts, as described below and in detail in the Environmental Management Framework (EMF) prepared for the project. More detailed analysis of environmental and social management measures is provided in Annex 3. PIOJ and DBJ will engage environmental specialists to increase their capacity in this area for this project.

43. **Regarding Component 2, recognizing that the project will finance a variety of study types with varying degrees of implications, a three-tiered environmental and social impact assessment approach will be adopted**. Regional scoping and planning studies funded by the project will include an identification of environmental and social assessment needs, definition of TOR elements for future assessments, and an estimation of costs to complete required studies for future sub-projects. The 'second tier' of assessments that may be funded would consist of in-depth ESIAs for specific potential investment transactions, which would comply with the World Bank Performance Standards for Private Sector Activities and would provide due-diligence information consistent with Equator Principles to meet private investor needs. The third tier would be directed towards in-country NEPA permitting and would essentially repackage the ESIAs to incorporate final technical details and pre-scope and streamline the final detailed design/permitting. This approach will satisfy the need for assessment of potential regional impacts in large planning studies funded by the project, but without including unnecessary details for future project elements that could substantially change or never materialize. It would also reduce reputational risk to the Bank by presenting an integrated approach at the early planning stages and providing guidance for future assessments to meet Bank policy and safeguards requirements. Finally, the adequate treatment of environmental aspects will reduce risk during technical assistance related to project origination and implementation.

44. **Regarding Component 3, DBJ will use an Environmental Policy and Management System (EPMS) that has been updated and incorporated into the EMF for this project to address potential impacts from the LOC.** The EPMS will be used to screen applications, determine whether additional environmental investigation is required, and document the appraisals, as well as summarize and report the results in these risk management activities. DBJ developed an EPMS in 2011 for another World Bank Project (Energy Security and Efficiency Enhancement), and this system has been updated and reissued to meet the needs of this project. AFIs who receive a LOC will be required to adhere to the standards and protocols of DBJ's EPMS at a minimum for on-lending to SMEs. The EMF for the project contains more detailed descriptions of the environmental management elements, including the updated DBJ EPMS. The draft EMF was disclosed publicly by PIOJ prior to appraisal; a consultation on the EMF was held in Jamaica with key stakeholders; and the final EMF is disclosed on the World Bank website.

Annex 1: Results Framework and Monitoring

JAMAICA: FOUNDATIONS FOR COMPETITIVENESS AND GROWTH

Project Development Objectives

PDO Statement

To strengthen the business environment in Jamaica for private sector investment.

These results are at	Project Level

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	Annual Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4-6	Total End Target for Years 1-6			
Number of Recommended Business Environment and Pro-Competition Laws, Regulations, Amendments, and Codes Enacted; Policies Adopted; and Administrative Procedures Streamlined	☐	Number	0	2	3	3	4	12	Annual	Monitoring of reforms enacted/policies adopted and procedures streamlined.	JAMPRO
Private Capital Mobilized Through Investment Transactions Supported by the Project	☒	Amount (USD)	0	$35M	$50M	$50M	$115M	$250 million	Annually	DBJ tracking deals closed that received project support	DBJ
Increase in Sales of SMEs Supported by Project over Benchmark of Comparator SMEs	☐	Percentage	0	0	5%	5%	5%	15%	Annual	Monitoring sales of SMEs receiving project-financed training and credit compared to data on SME sales information gathered through annual statistical surveys.	DBJ in coordination with STATIN

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	Annual Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4-6	Total End Target for Years 1-6			
Time Required to Obtain Construction Permits for Commercial Projects in Kingston and St. Andrew (reduced)	☐	Months	24	20	16	12	9	9	Annual	Data from KSAC about time required for construction permitting process specifically for commercial projects.	JAMPRO
Increase in MSMEs Using Moveable Collateral to Secure Loans	☐	Number	0	200	400	700	1,700	3,000	Annual	Collateral registry and financial institutions loan data	JAMPRO to collect data
Number of Firms that Benefit from Debt Resolution and/or Business Exit Processes	☐	Number	0	3	10	30	57	100	Annual	Data collected from relevant courts.	JAMPRO
Number of Strategic MOUs/ Guidelines Established or Policies Adopted Related to Increasing Market Competition in Key Sectors	☐	Number	0	2	2	1	1	6	Annual	Monitoring of agreements, guidelines, and policies established by FTC or sectoral regulatory agencies.	JAMPRO in collaboration with FTC
Number of Potential Strategic Private Investments Benefitting from Project Preparation Facility Studies	☐	Number	0	1	3	4	4	12	Annually	Monitoring of investment transactions that receive support from the Project Preparation Facility	DBJ
Number of Potential Private Investments Benefitting from Investment Generation TA	☐	Number	0	3	6	6	5	20	Annual	Monitoring the number of potential investment deals receiving TA.	JAMPRO in collaboration with DBJ
Number of SMEs Receiving Training Support for Capabilities Upgrading	☐	Number	0	30	45	60	45	180	Annual	Monitoring of firms receiving co-financed training support	DBJ in collaboration with private grant admin firm.

Volume of Private SME Co-Investment in Knowledge Assets	☐	Amount (USD)	0	$100k	$250k	$400k	$250k	$1 million	Annual	Monitoring of co-financing provided by firms receiving matching grants for training.	DBJ in collaboration with private grant admin firm.
Number of Supply Chains Benefiting from TA and Public Private Dialogue Support	☐	Number	0	2	2	1	1	6	Annual	Monitoring provision of successful project support for TA and PPD along supply chains	DBJ
Number of SMEs Receiving a Project-Financed Loan	☐	Number	0	25	50	40	20	135	Annual	Monitoring of SMEs receiving project-financed loans from AFIs	DBJ in collaboration with AFIs
Volume of Bank Support: Lines of Credit - SME	☒	Amount (USD)	0	$3M	$5M	$5M	$3.175 M	$16.175 million	Annual	Monitoring of total loans disbursed to SMEs through AFIs	DBJ in collaboration with AFIs

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)
Number of Recommended Business Environment and Pro-Competition Laws, Regulations, Amendments, and Codes Enacted; Policies Adopted; and Administrative Procedures Streamlined	Indicator for Component 1. Modified Standard Investment Climate Indicator. Measures the total number of business environment and pro-competition legal, regulatory, and policy reforms, MOUs and guidelines, and procedural streamlining achieved by the project, including through competition advocacy work of the FTC. Administrative procedures streamlined include a decrease in time or cost associated with compliance.
Private Capital Mobilized	The core indicator track the amount of direct financing (in the form of equity and/or debt) mobilized by private entities, using private funding, to finance investments within an IBRD/IDA operation or investments (PE, GE, RE, SF, and GU) directly linked to that operation.
Increase in Sales of SMEs Supported by Project over Benchmark of Comparator SMEs	Indicator for Component 3. Measures the average increase in sales of beneficiary firms receiving either training support (representing an investment in firm-level knowledge capital) or finance (representing an investment in firm-level physical or knowledge capital) over an established benchmark of non-beneficiary SMEs. Some SMEs may receive both training and finance support; increased sales of such firms would only be counted once in this composite indicator.

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)

Time Required to Obtain Construction Permits in Kingston and St. Andrew (reduced)	Indicator for Component 1. This indicator is broader than the standard Doing Business indicator for construction permitting, and will include aspects of the overall development approvals process that are not captured by Doing Business.
Increase in MSMEs Using Moveable Collateral to Secure Loans	Indicator for Component 1. Measures the number of MSMEs using moveable collateral to secure loans following implementation of the relevant legal and regulatory regime.
Number of Firms that Benefit from Debt Resolution and/or Business Exit Processes	Indicator for Component 1. Measures the number of SMEs benefiting from support for implementation of Insolvency Law.
Number of Strategic MOUs/ Guidelines Established or Policies Adopted Related to Increasing Market Competition in Key Sectors	Indicator for Component 1. Modified Standard IC Indicator. Measures non-legal agreements and policies adopted supported by the project for competition advocacy purposes. Specific key sectors to be targeted will be determined based on analytical work conducted during project implementation.
Number of Potential Strategic Private Investments Benefitting from PPF Studies	Indicator for Component 2. Measures the number of individual potential investment transactions that benefit from a preparation study funded through the project PPF.
Number of Potential Private Investments Benefitting from Investment Generation TA	Indicator for Component 2. Measures the number of potential investment deals facilitated by TA for investment support, including project packaging, project commissioning, and contract enforcement
Number of SMEs Receiving Training Support for Capabilities Upgrading	Indicator for Component 3. Measures the number of firms receiving co-financing for skills upgrading and training support (some of which may also receive support through the line of credit).
Volume of Private SME Co-Investment in Knowledge Assets	Indicator for Component 3. Measures the amount of co-financing provided by SMEs receiving matching grants for training or other capabilities upgrading. The value of this co-financing represents new private investment in knowledge assets stimulated by the project.
Number of Supply Chains Benefiting from TA and Public Private Dialogue Support	Indicator for Component 3. Measures the number of individual sub-sectors/supply chains that benefit from project-funded technical assistance to support problem identification or enable public-private dialogue.
Number of SMEs Receiving a Project-Financed Loan	Indicator for Component 3. Measures the number of individual SMEs that receive a loan from an AFI funded by project financing. The value of these loans (captured in the indicator 'Volume of Bank Support: Lines of Credit - SME') represents new private investment stimulated by the project, since it will be individual private firms that ultimately repay these loans.
Volume of Bank Support: Lines of Credit - SME	A line of credit is "SME finance" if the supporting subloans have an average outstanding balance > microfinance cut-off noted below, but no more than $300,000. A line of credit is classified "microfinance" if supporting subloans: a) Have an average outstanding balance (gross loan portfolio ÷ number of active borrowers) < 300% of the latest per capita GNI, OR b) Less than $1,000. EITHER circumstance triggers classification as microfinance Lines of credit and other funding for retail SME sub-loans by Participating Financial Institutions or Community-Managed Loan Funds. Report the cumulative amounts disbursed as of most recent date available. If a split by micro/SME is not available or possible, use 50% for each as proxy.

Annex 2: Detailed Project Description

JAMAICA: FOUNDATIONS FOR COMPETITIVENESS AND GROWTH

1. The PDO is to strengthen the business environment in Jamaica for private sector investment.

2. The proposed operation is designed to enable private sector-led growth in the Jamaican economy in an inclusive and sustainable way. Significant private investments are needed in the short term to enable success in the GOJ program for economic recovery and sustainable growth. However, there have been regulatory inefficiencies and insufficient competition in the business environment. Previous enclave models of investment attraction through non-transparent discretionary incentives have not included local SMEs and failed to generate sustained growth. SMEs lack sufficient skills, knowledge and finance to integrate into global supply chains.

3. The proposed multi-pronged programmatic approach is therefore needed to effectively address the interlinked challenges constraining the Jamaican private sector. First, sustained private sector productivity upgrading and growth requires the incentives of competition and more efficient business regulation. Although this is a prerequisite for longer-term innovation and productivity growth, its beneficial effects are likely to grow over time. Secondly, large strategic anchor investments are essential in the short-term, and must be attracted in a way that generates positive spillover effects on the rest of the economy. And third, those SMEs that can grow must do so and create jobs as quickly as possible, which in turn requires upgraded capabilities and finance to integrate and expand into high-potential supply chains. Finally, to enable learning and improvement throughout project implementation, appropriate data collection and monitoring are necessary to benefit from project experience and ensure lessons are fed back into flexible project re-design. An institutional structure has been designed (see details in Annex 3) to effectively manage the implementation of the four project components detailed below. The project will also be implemented in close collaboration with a range of complementary WBG activities, as presented in the table below:

Table 3: Complementary WBG activities supporting the private sector growth agenda

Theme	WBG activities
Business regulatory environment	• Foundations for Growth and Resilience Development Policy Loan (Bank, ongoing) • Strategic Public Sector Transformation Project (Bank, proposed to Board in July 2014) • Advisory service activities in tax administration and business regulation (WBG, ongoing)
Strategic investments	• Energy Security and Efficiency Enhancement (Bank, ongoing) • Investments of approximately US$ 300 million, primarily in infrastructure (IFC, ongoing) • Investment guarantees, such as for FDI in the energy sector (MIGA, ongoing) • US$500 million local currency bond for infrastructure investments (IFC, forthcoming) • Transaction advisory support, such as for Norman Manley International Airport (IFC, ongoing) • Disaster Vulnerability Reduction Project (Bank, forthcoming)
SME support and entrepreneurship	• Rural Economic Development Initiative (Bank, ongoing) • Entrepreneurship Program for Innovation in the Caribbean (Bank, ongoing) • Youth Employment in Digital and Creative Industries (Bank, proposed to Board in July 2014) • Advisory support to agribusiness SMEs (WBG, forthcoming)

Component 1: Enhancing competition in the business environment (US$ 3.1 million)

4. A growing private sector based on productivity upgrading needs to face level market and regulatory playing fields and as low costs as possible to start up, operate, expand in global markets through efficient trade and logistics channels, and exit and re-enter when experimentation does not lead immediately to market-based success. Jamaica is lacking in many such areas of regulation and competition, as shown in its poor performance in many of the available global indices. It ranks 168th out of 189 economies on paying taxes per Doing Business 2014, 118th in trading across borders, and 109th in access to credit. Jamaica is the fourth most restrictive out of 11 countries in LAC measured by the OECD's Product Market Regulations,[8] with regulatory barriers to competition identified for example in the energy and power sector, port operations, and road freight (see additional PMR details below). The Logistics Performance Index ranks Jamaica 124th out of 155 economies in 2012, although improvements since led to an increase in Jamaica's ranking in 2014 to 70th out of 160 economies.

5. The GOJ counts on the joint public-private National Competitiveness Council (NCC) to prioritize and coordinate all business environment reforms, with JAMPRO overseeing implementation as the NCC Secretariat. JAMPRO will be the Lead Coordinating Agency for this component of the project, coordinating with MIIC and public and private agencies such as FTC, PAJ, PSOJ, JCC, SBAJ, and the MSME Alliance (among others) to coordinate the use of project funds for prioritized investment climate reforms, with the final approval of the Project Steering Committee. The specific activities to be financed as described below will be carried out in close cooperation and coordination with existing donor programs in this area. These include policy and regulatory reforms in the current and upcoming IMF plans; the IDB Fiscal Administration Modernization Program; the Bank Strategic Public Sector Transformation Project; and ongoing TA from the Bank and IFC (see Table 3 above).

6. In collaboration with a wide range of public and private stakeholders as well as donors, JAMPRO has identified a list of priority investment climate reform needs. This has involved consultations with all leading private sector associations in Jamaica, as well as with individual firms and the commercial sections of several foreign missions to incorporate the perspective of foreign investors. The identified constraints either have been identified through this consultation process as directly inhibiting private sector investments or business operations, or are critical reforms necessary to enable the growth impact of major GOJ development plans. Additional WBG activities address other investment climate and regulatory reform needs, as referenced above. The project will finance TA and implementation support to relevant regulatory agencies to address the following needs, including with input provided by FTC as appropriate to ensure that regulatory reforms incorporate competition principles and minimize potential negative impact on competition. Five prioritized needs to be supported by the project are:

(a) Development approvals and construction permits (US$ 975,000). The construction industry, together with real estate, renting, and related business activities, represents about 18% of GDP, yet the complex process to begin development hinders

[8] Presentation by the Investment Climate for Industry (CSIS) Competition Policy Team. *Product Market Regulation in Dominican Republic and Jamaica*. August 7, 2013.

investments across all areas of the economy and is a lost opportunity for job creation, including for low-skilled Jamaicans. The process of obtaining requisite approvals and permits for private developers to advance construction permits is very long and burdensome. In particular, the procedures to obtain a development approval at the Parish Council level (taking up to 18 months or longer for commercial projects), as well as approval from the Town and Country Planning Authority, are cumbersome and time-consuming. Approvals and permits have been highlighted as a priority reform area by the Jamaican private sector. [9] The GOJ has demonstrated its commitment to reforms in this area by initiating a web-based application tracking system, AMANDA. However, a comprehensive reform approach is required to make the entire construction permitting process more efficient, which will enable quicker private development of the types of potentially transformational investment projects discussed in Component 2, among others. Support will include:

i. Rationalization and consolidation of reports and studies; implementation of recommendations therein; and identification of remaining gaps. An innovative diagnostic approach will be taken in this technical assessment to identify coordination challenges within the public sector, drawing on WBG expertise with such public sector coordination diagnosis.

ii. Implementation support for the AMANDA system, including training on the new system as well as monitoring mechanisms therein. The AMANDA system is a tracking system for construction permits that would allow applicants to see the status of their permit application. Consultant support will be provided to Parish Councils and other relevant agencies involved in development approvals and construction permitting to implement process reforms identified in the diagnostic.

(b) Access to finance (US$ 500,000). Limited access to finance has been a significant constraint to enterprise growth in Jamaica, especially for SMEs. The GOJ has recently taken significant steps to address the problem, including: creation of an electronic collateral registry; tabling of a new insolvency law at Parliament; and creation of a credit information bureau. However, for these reforms to become fully effective and have practical transformational impact on the way in which banks lend and SMEs borrow, the GOJ requires assistance to implement these changes:

i. Public outreach to increase usage of the new institutions and legal frameworks. The intended users of the new collateral registry, credit bureau and insolvency law, such as financial institutions, SMEs and legal professionals, have limited awareness of these institutions, and usage is low. A communications expert is required to support public outreach to increase uptake in these areas.

ii. Training for select administrators and users of the systems will be needed. In particular, financial institutions and SMEs require specific training on how to use the new systems. In the case of the insolvency law, in-depth training is required for judges and insolvency administrators, as well as other legal professionals involved in the process.

[9] See for example: *PSOJ: Prioritize Construction Approval Process or Else*, article published in The Gleaner on December 17, 2013.

(c) Support for the Port Community System (PCS) (US$ 575,000). Improving the efficiency of port operations is a central element of the GOJ LHI, which seeks to establish Jamaica as a leading global logistics hub and to take advantage of the upcoming expansion of the Panama Canal. One critical initiative to improve port efficiency is the establishment of a PCS, an electronic single window to organize the numerous public and private organizations comprising a port community. Implementing the PCS is a GOJ deliverable under the current IMF program. The Port Authority of Jamaica (PAJ) is in the process of hiring a concession operator to implement the PCS and has hired legal support via funding from the IADB to review the legal and regulatory environment to identify issues that will need to be reformed in order for the PCS to operate effectively. However, resources will be needed to support the implementation of the legal and regulatory reform agenda. The project will finance TA to work with PAJ and other relevant regulatory bodies to implement the legal and regulatory reforms necessary for the PCS; the specific prioritized reform needs will be determined after receiving the output from the legal advisory support provided by the IADB, expected in the spring of 2014.

(d) Regulatory framework for Special Economic Zones (SEZs) (US$ 650,000). Another central element of the GOJ's Logistics Hub Initiative is the establishment of SEZs to link industrial development and logistics services and facilitate SME participation in export industries. However, substantial legislative and regulatory framework development is needed to enable the establishment of SEZs in Jamaica. The current Free Zones in place will be phased out by 2015 to comply with WTO requirements, and so a Special Economic Zone Act will have to replace the Free Zone Act. Associated regulatory development will also be needed for the implementation of the Act. Global experience has shown that the establishment of incentives in SEZs can create market distortions and affect the level playing field among competitors, requiring a pro-competition approach to this regulatory development.

Quick legal and regulatory development in these areas is necessary to enable the SEZ regime to have a favorable impact on growth in the coming few years. The project will provide TA to MIIC for research, benchmarking, and developing the appropriate legal/regulatory frameworks. This will include embedding pro-competition elements in the framework, such as ensuring a single a unified regulatory framework; establishing clear and transparent incentive criteria and processes; implementing ex-post monitoring of firms receiving incentives; and incorporating the principle of competitive neutrality throughout the regulatory framework design. The project will also provide institutional strengthening support to facilitate the seamless transition of the current zone oversight board into a SEZ Authority. Assessments of draft regulations by the FTC and expert advice on international lessons learned by the WBG on enhancing competition will guide the development of the regulatory framework.

(e) Strengthen the institutional framework for competition advocacy (US$ 415,000). For the process of private sector growth to lead to sustained productivity upgrading in the economy, it is critical that a framework is in place to ensure competition between firms. Several of the business environment reforms addressed above are explicitly pro-

competition in design. To strengthen the framework for competition in the economy more broadly, the project will support the FTC to implement its mandate within GOJ to both react to allegations of anticompetitive rules and behavior (enforcing the Fair Competition Act, FCA) as well as proactively advocate for a regulatory framework that promotes well-functioning markets in the economy. Project support for the FTC will be implemented in collaboration with WBG competition policy experts and supplemental resources to help the FTC learn from international competition policy experience. The project will support the following priority capacity strengthening needs at the FTC:

i. *Establish a comprehensive advocacy strategy*. The FTC has a range of capabilities established in the FCA for competition advocacy, but available WBG complementary competition policy trust funds will support FTC in strengthening these into a comprehensive strategy, focusing on key constraints to competition previously identified. There is also opportunity to strengthen the legal institutional framework, as the FCA is being revised in 2014 to increase scope for mergers and acquisitions review. The project will finance legal consultants to assist in the design of the amended FCA, as well as to incorporate a stronger role for competition advocacy within the legislation. Support for this strategy will also include updated data management and media outreach capacity for the FTC.

ii. *Increase capacity for successful implementation of competition advocacy at the sectoral level*. FTC has identified priority sectors with significant economic importance in which constraints to competition exist, including energy; port operations; trucking and road transport; telecommunications; banking; and government procurement (see text box for analytical details from PMR data). The project will finance consultant experts in competition issues to support a multi-pronged approach to advocating for competition in these sectors. Memorandums of understanding (MOUs) or cooperation agreements will be established between the FTC and sector regulatory agencies to create a framework in which the FTC can subsequently provide input on regulatory and non-regulatory competition issues in the sector. Project-financed TA will support FTC to draft guidelines or sector codes of conduct regarding compliance with the FCA, which can be implemented for example by business or professional associations operating in the targeted sector. The project will finance detailed market assessments of sectors that have been identified as being of strategic importance and in which there are limited data about the extent of market competition or legal analysis of the existing regulatory framework is required. International experience with competition

> The **OECD's Product Market Regulations (PMR)** indicators identify regulations and policies that promote or inhibit competition in a way that is comparable across economies. Preliminary PMR data for Jamaica identify barriers to competition in several sectors:
>
> - In the energy and power sector, competition is limited by restrictive regulations that do not allow large companies to buy electricity directly from generating companies.
> - The port operation regulatory framework combines functions of port operation and regulation that would be separate in other countries.
> - Road freight sector regulations require the opinion of existing firms to be considered with respect to potential entry of new firms.
>
> This analysis and comparisons with other economies will provide useful inputs as FTC develops specific sectoral level competition advocacy.

advocacy work has shown that this type of a sectoral focus on identifying specific regulatory constraints and other barriers to competition can lead to practical steps to improve competition, which can generate substantial benefits for consumers and firms in terms of reduced prices across the targeted sectors.

iii. *Collaborate for competition advocacy through peer-to-peer events and twinning*. International experience shows that peer-to-peer learning events can be a successful way to increase public support for competition advocacy goals, such as built around the new FTC advocacy strategy. Available WBG complementary competition policy trust fund resources will support the FTC to increase its capacity by learning from international or regional competition champions, such as through twinning arrangements in which staff from one competition agency share their experience and expertise by being based in the FTC for a period of time.

7. The above areas of reform have been identified as urgent priorities, and project funding will target them as soon as implementation begins. An explicit review of outstanding business environment reform needs will be conducted at the project mid-term review to re-prioritize as necessary. Other possible areas that have been identified by the NCC and other stakeholders include: reform of the regulatory framework for the port sector to facilitate PAJ's transition from port operator to regulator; preparing a Rights of Way policy covering rail, road, and maritime transport; support to implement the electronic signature law; improve property registration procedures; strengthening the legal framework for protecting minority shareholders; speeding up the process to start a business; and ratifying international shipping agreements.

Component 2: Facilitating strategic private investments (US$ 17.6 million)

8. The process of bringing large strategic investments to market in a way that creates maximum value for the economy and that is structured appropriately from a legal, environmental, and social perspective requires proper planning and management. Governments are increasingly undertaking project preparation for PPP transactions, divestments, and other strategic investments to achieve these goals and to avoid challenges associated with unsolicited bids and potential conflicts with investors.

9. Jamaica has a mixed record in this process. The government only established clear rules and procedures for PPPs and revised guidelines for privatization projects in November 2012, when official PPP and revised privatization policies were finalized. Even since the policies have been in place, GOJ has been significantly fiscally constrained from being able to adequately prepare for such projects, lacking resources to procure the necessary due diligence studies in areas such as design, technical, legal, safeguards, feasibility, and financial, and delaying critical decisions when they are required. This lack of resources and of institutional capacity has hampered the government's ability to bring strategic projects to market in a timely manner and has stalled project development at times. This has resulted in transaction delays of as much as a year, such as with the Norman Manley International Airport, significantly delaying the impact of potentially transformational investment projects.

10. Given the critical importance of facilitating large strategic investments to achieve significant positive impacts on growth, the project will finance a Project Preparation Facility (PPF) and related TA for GOJ institutional capacity upgrading to bring strategic investments to market. This assistance responds to specific and urgent requests for support in these areas from GOJ stakeholders. Benefits of this support will include ensuring technical, economic, financial, and social and environmental sustainability of PPPs and divestment projects; identifying and fairly allocating project risks between government and investors; ensuring broad market exposure for strategic investment opportunities; enhancing competition in the procurement process; avoiding unnecessary delays in the project go-ahead and implementation processes; and, importantly, strengthening the investment planning capacity of the GOJ to make better-informed decisions about PPPs, divestments, and other strategic investments. This package of Bank support has been designed and may be implemented in close collaboration with IFC, so that technical assistance to GOJ through this project both benefits from the IFC transaction experience in PPPs and is complementary to ongoing IFC advisory services to GOJ.

11. The Bank has global experience in the area of supporting PPFs and related TA. For example, in Bank-funded PPP projects in Ghana and Kenya, PPFs were used to prepare PPP investments for the market. In each Bank project, there was a focus on 'first-mover' PPP transactions. Additionally, the Bank funded a PPF in Vietnam through the Project Preparation Technical Assistance Facility (PPTAF), which sits with the Ministry of Planning and Investment. Initially the PPF in the PPTAF was set up to fund largely infrastructure projects but with time other strategic investments became eligible for funding. Another Bank-funded activity that includes PPF support is the Indonesia Infrastructure Guarantee Fund Project (IIGF). The IIGF provides funding to screen, appraise, and supervise projects as a single window for all government agencies for infrastructure PPPs, manage its operations, build capacity, and develop standardized documents and procedures for preparing PPP projects to receive guarantees. Results of these PPFs have been mixed, although it is noted that most projects with PPFs are still early in implementation. The three key lessons learned from the design of the aforementioned PPFs are the following: (1) procurement of world-class, international advisors to provide needed studies to progress first-mover transactions takes more time than expected, thus there needs to be an early focus on procurement procedures; (2) in-country progress on needed studies can also be delayed if communication between the PPP unit and line ministries is poor; and (3) it is critical that the Bank provide TA to complement the establishment of a PPF in order to support the entire investment project cycle The lessons learned and overall Bank experiences with these projects have been incorporated into the design of the Jamaica PPF, with specific project activities including:

Component 2A: Project Preparation Facility (US$ 8.5 million)

12. The project will finance a PPF with the primary objective of funding the development expenses of GOJ PPPs, divestment implemented by DBJ, and other strategic investments to be implemented by respective MDAs, with the overall fund implemented by DBJ. The PPF will coordinate and finance outstanding activities required to ensure that investment projects are well structured, commercially viable, and packaged in line with global best practices; deliver value for money to the GOJ and are fiscally prudent; and are executed in line with relevant GOJ policies and procedures – complementing and adding value to other available support, including

IDB and other donor resources, including from trust funds. Implementation of the PPF may be done in close collaboration with IFC so that transactions benefitting from IFC advisory services may also benefit from PPF studies in a complementary way. The costs of individual studies are expected to range from US$ 200,000 to more than US$ 1 million, depending on the type of study and the underlying investment transaction. Eligible activities will support all stages of the transaction life cycle where there are identifiable outstanding public sector capacity needs, and will include:

(a) Consultant services to prepare and bring approved projects to the market

(b) Pre-feasibility and feasibility studies, including:

(i) Demand forecasts

(ii) Technical designs and specifications

(iii) Environmental and social impact analyses, and any other required safeguard policy or other studies to protect the public interest

(iv) Preparation of detailed cost estimates and financing plans

(v) Assessment of the need for direct government support in case the project is not viable on its own

(vi) Analysis of project delivery options

(c) Preparation of financial models or cash flow projections

(d) Valuation reports

13. Selection criteria and a screening mechanism for projects eligible for funding have been established through a collaborative GOJ process with the support of the Bank, and will be further refined as required in the Operational Manual. These include:

(a) High likelihood of commercial and economic viability.

(b) Economic impact, transformational potential, and contribution to jobs and broader economic growth. This prioritizes projects with significant linkages to the domestic economy, and with impact within the short to medium term.

(c) Readiness for implementation.

(d) The demonstrated need for funding support from the PPF, given available complementary advisory and financial resources from the IFC, IDB, and other donor resources, including trust funds. In this regard, the project will liaise closely with GOJ and its donor partners to ensure the PPF does not crowd out advisory services available to GOJ. An appropriate mechanism in this regard is detailed in the Operational Manual.

14. To ensure quick utilization of funds and facilitation of projects, GOJ has already begun a consultative process with the support of the Bank to identify priority projects with relevant MDAs, using the selection criteria outlined above. This process will continue so that a specific short list of projects will be ready for submission for approval as soon as PPF funds are available. Enterprise teams are formed by the PPP and Privatization Unit to oversee the process of bringing individual strategic investment projects to the market. This unit is authorized on behalf of Cabinet to issue requests for proposal to bring deals to the market.[10] These enterprise teams include participation of MDAs such as the Ministry of Transport and Works that own

[10] This authorization is given via two GOJ policies: the Policy Framework and Procedures Manual For the Privatisation of Government Assets (The Privatisation Policy), and the Policy and Institutional Framework for the Implementation of a Public-Private Partnership Programme for the Government of Jamaica (The PPP Policy).

and/or control the relevant assets forming the basis of the investment transaction. To access PPF funds for a particular study or TA, the relevant MDA will apply to DBJ for PPF funding support; DBJ will act as the LCA for this project component. In the situation that the specific MDA needs assistance to prepare a PPF application for a study or TA, DBJ will provide this assistance to the MDA, in collaboration with technical advisors in the PEU in PIOJ. It is critical that DBJ provides this assistance to the MDAs, as many do not currently have sufficient capacity to outline the kind of studies or TA needed to facilitate successful private sector participation in key transactions. The PPF will focus on projects with significant transformational potential. Strategic sectors that the PPF will focus on include agribusiness, energy, information and communications technology, logistics, transportation (airports, ports etc.), social sector PPPs (health, education), tourism, and water and sanitation. Transactions activities support, led by DBJ, include PPPs and privatizations, which are generally large transactions related to infrastructure development, productivity and export enhancement, and modernization of operations in the key growth sectors. Prioritized projects also include strategic investment projects in response to new global or regional market opportunities that capitalize on Jamaica's competitive advantages.

15. As the Lead Coordinating Agency for Component 2, DBJ will administer the PPF on behalf of GOJ. DBJ will oversee the operations of the PPF, with specific operational details provided in the Project Operational Manual. DBJ will have management responsibility for the PPF as it is intended to be a 'revolving' facility. All procurement and financial management responsibilities of the PPF (Component 2A) and its related TA (Component 2B) will be handled by PIOJ. DBJ's enterprise teams in the PPP unit will work closely with relevant MDAs that own and/or control infrastructure and other assets that form the basis of the investment project to ensure the funded prioritized studies have the backing of all relevant GOJ agencies. DBJ will act as the secretariat and head of the PPF Management Board – the Board that will receive and give technical review of all applications for project studies and TA submitted by MDAs. This PPF Management Board will consist of one representative from DBJ, one from PIOJ, one from JAMPRO, two from MDAs, and two representatives from private sector organizations to participate on a rotating basis. This Board stands ready to be formed as soon as applications for PPF financing are ready for consideration. The Management Board will review and make recommendations for studies to be funded (or not) to the overall Project Steering Committee, who will have ultimate approval authority, with no-objection required from the Bank. The PPF will be established as a revolving facility to the extent possible, with costs of the studies related to commercially viable transactions ultimately borne by the successful bidders for the investment projects or transaction proceeds. To achieve this, all PPF-funded studies would be made transparently available to qualified interested bidders, thus providing this information to investors before requests for proposals in order to inform bids; subsequently, after project award, all winning bidders of commercially viable transactions will reimburse the PPF for the cost of the relevant studies. These reimbursed costs will be held in a separate account under GOJ control that can then be drawn down to pay for additional studies and TA after all PPF funding financed by the Bank loan has been used. It is expected that the PPF will provide funding support for a smaller number of commercially non-viable transactions, such as social sector PPPs. In this case, it is not expected that successful bidders would reimburse the PPF. The details of this repayment mechanism as agreed by the Bank and GOJ will form part of the Operational Manual. All projects supported by the Fund will have to comply with relevant GOJ policies, such as the PPP and Divestment policies. It has been agreed with GOJ that each time funds are drawn from the

PPF and are used to develop new EIAs (and ESIAs) that such EIAs and ESIAs will comply with World Bank Performance Standards for Private Sector Activities and all relevant Equator Principles (see Annex 3 for more details). GOJ has advised the Bank that it is keen to follow relevant Bank safeguard guidelines when putting together new EIAs and ESIAs as this will facilitate new investment funds from outside Jamaica, especially on the larger transactions. Although the EIAs and ESIAs studies will be drafted to Bank standards, GOJ will continue to apply NEPA rules for project development. These require environmental impact assessments and social impact assessments to be conducted whenever appropriate, thereby minimizing the risk that investment transactions supported by project funds have adverse environmental or social impacts.

Component 2B: TA and studies for investment support (US$ 9.1 million)

16. The project will also fund TA to JAMPRO, DBJ, and other MDAs involved in investment generation, pre-commissioning, and monitoring to support the effective usage of studies funded by the PPF and other aspects of overall project preparation and implementation. The capacity-building TA will support GOJ and build the requisite capacity within GOJ to appropriately plan for, handle, and manage transactions along the entire transaction cycle, especially given recent transaction delays in origination, bringing deals to market, and contract enforcement. In this regard, the TA includes:

(i) Project origination (US$ 1.5 million). TA will be provided to JAMPRO to support their work in generating investments by identifying and targeting potential investors, packaging investment opportunities, and organizing investor engagement sessions. JAMPRO's focus in originating investment projects will include the identification and packaging of potential investments for promotion; development of collateral material to support the promotion of validated sectors; capacity building to support sales efforts in technical areas such as logistics and energy; and direct and indirect in-market sales support. This TA will also support a refocusing of JAMPRO's investment generation approach to attract investments in key nascent sectors, such as health and wellness tourism, limestone mining, and software development.

(ii) Project pre-commissioning (US$ 2.5 million). Before transactions are brought to market and an investor is eventually selected, a range of pre-commissioning steps is required including economic and financial appraisal, structuring privately-financed infrastructure project contracts, procurement, and contract management. TA will be provided to facilitate these steps, including legal assistance and contract negotiation support. Assistance will be provided to DBJ for projects related to PPPs, divestments, and other strategic investments. One important area of support will be the establishment of a commercial task force in the Attorney General's Chambers (AGC) and the hiring of consultant attorneys with significant commercial experience. The commercial task force will add urgently needed GOJ legal capacity to facilitate the required review of key transaction documents and provide support during contract negotiations. The commercial task force will significantly increase the speed and efficiency with which the AGC is able to provide the requisite legal support and advice as the country seeks to urgently implement strategic projects, thereby ensuring that transactions are brought to market and

negotiations concluded as quickly as possible. The AGC as currently resourced has been under significant pressure to deliver the required support for transactions, given the substantial case load and increase in the number of transactions being pursued by the GOJ, especially in the area of PPPs and privatization. Given the AGC's relatively limited financial resources and budget, the TA would allow them also to fund office space and related administrative resources for an initial two-year period.

During the pre-commissioning stage, GOJ will also require the support of advisors to prepare business cases (relying primarily on technical, social and environmental studies, legal due diligence, and financial models, such as those funded through the PPF) to determine optimal privatization strategies and PPP transaction structures. This will include preparing requisite requests for proposals and information memoranda to facilitate investor due diligence and assisting with evaluation of proposals.

(iii) Ex-post contract management (US$ 1 million). Following contract award, GOJ will need to monitor post-contract investor activities to ensure that contract obligations are achieved, including follow-up on the investment plans of local and foreign investors. Where such capacity does not exist within GOJ, relevant MDAs and DBJ may require funding to engage expert technical consultants to assist in monitoring specific technical aspects of the development plans agreed with private sector investors. It may also be necessary to engage expert legal assistance should there be any need to negotiate or renegotiate any terms or arbitrate disagreements between the GOJ and the investors (although no such support would involve Bank supervision of GOJ negotiations with private investors). One specific contract monitoring activity requiring financing is the monitoring by PAJ of the concessionaire implementing the PCS. The PAJ will establish a specific monitoring unit to ensure that the concessionaire fulfills its obligations under the contract, and the project will finance TA to assist the unit in this technical monitoring.[11]

(iv) Critical sector and development planning studies (US$ 4.1 million). The project will finance three upstream, non-transaction sector and planning studies to improve GOJ planning capacity for critical future strategic investments: a Master Plan for the LHI with an industry analysis for SEZs, a redevelopment plan for downtown Kingston, and a tourism-agribusiness demand and linkages study. These studies will increase GOJ's capacity to adequately prepare and implement investment and linkages plans in these sectors. PIOJ will have oversight of these studies given its overall coverage of policy and planning issues, with close technical collaboration with relevant ministries.

Component 3: Enhancing SME capabilities and finance (US$ 23.175 million)

17. Those SMEs in Jamaica that could potentially grow rapidly face significant constraints. Many lack sufficient knowledge and skills to significantly upgrade their productivity and thereby sell more competitive outputs and generate more jobs. Existing, largely supply-driven business

[11] This support to PAJ for contract monitoring of the PCS concession is separate from and in addition to the support that will be provided under C1 for TA related to the regulatory environment for the PCS, although the contract monitoring support will be informed and guided by the ultimate regulatory regime in place.

training services have not adequately equipped small firms to meet global quality standards and have not helped ensure that there is a market for the higher outputs facilitated by the capabilities upgrading activities. Access to finance for SMEs is heavily constrained by supply factors such as public sector crowding out and macroeconomic uncertainty, and such as limited bankability of SMEs due to a lack of sufficient acceptable collateral and/or proper financial statements. In the short run, training activities designed jointly with other SMEs and with larger firms operating in the same high-potential-growth supply chains can help better align training provision with market demand – both to more directly meet the quality and quantity purchasing needs of large buyers and to address other identified shortfalls in capabilities by participating SMEs. Importantly, such training activities would also assist SMEs to prepare more bankable loan applications for associated physical capital investments and working capital needs.

18. To address these needs, the project will fund a combination of supply chain learning and skills upgrading support to SMEs, along with a LOC for on-lending to SMEs by AFIs. DBJ will implement this component, working with existing private sector organizations, business service providers, and commercial banks to conduct the following activities:

Component 3A: SME supply chain support and skills upgrading (US$ 7 million)

19. The objective of this component is to jump-start local job growth by supporting capabilities upgrading by existing SMEs in specific eligible supply chains and thereby meet the purchasing needs of large buyers, as well as other possible local and foreign buyers. [12] Eligible supply chains include all productive sectors that can generate high job multipliers from invested resources and ideally sustainable and growing foreign exchange earnings through exports and/or foreign exchange savings through import substitution. Initial supply chains identified as having potential for productivity upgrading and increased linkages between SMEs and large buyer firms include agriculture and agro-processing (such as food products, herbs and spices, and beverages), light and heavy manufacturing, and logistics services. These include existing supply chains in the Jamaican economy broadly, or operating in a GOJ SEZ designed to support the industry. Support will be provided to increase private investment at the SME and large firm level primarily in knowledge capital along these supply chains to increase productivity, sales, and job growth.

20. The specific activities involved in this supply chain linkages, support, and skills upgrading process include:

(a) Call for proposals and submission of bids by firms along a supply chain. The project will announce the availability of matching grant funding available for eligible groups of firms operating in high-potential value chains. Groups of SMEs in a supply chain led by a larger-scale firm will submit a proposal for productivity upgrading support, including anticipated skills upgrading needs, a non-binding offtake agreement in which the large buyer agrees to specific purchase quantities from SMEs once training has been provided and assuming that agreed-upon standards are met, and identifying anticipated

[12] As mentioned in the Strategic Context of this document, this project uses the definition of SMEs per the MIIC MSME & Entrepreneurship Policy of 2013 as having up to 50 employees and annual sales/turnover of up to J$ 150 million.

economic benefits such as new jobs created. The project will provide facilitation support to help groups of firms form, working with potential large anchor firms and the various private sector member organizations in Jamaica to identify potential participants SMEs. The project will select winning proposals based on potential productivity upgrading, increases in jobs and sales, and demonstrated commitment of the group to the program. This selection will be done initially by the private firm hired to implement the supply chain support program, with confirmation given by a joint public-private steering committee established and led by DBJ to provide overall implementation support to the program.

(b) Supply-chain problem-identification and business plans. For successful initial applicant groups of SMEs and large buyers, the project will then provide facilitation and TA resources to help the group identify specific problems and constraints along their value chain This problem-identification process would typically include visits to the plants of participating SMEs and large buyers to better understand the supply chain and its key commercial challenges, and to agree on group solutions to address the most important identified challenges. It may also involve TA to support the firms in identifying challenges relevant for the sector, including with attaining relevant international quality, health, or other standards, attaining timely and reliable quantity requirements, and adequately engaging in partnerships, learning from and negotiating with large buyers. Any TA provided will identify potential environmental impacts along supply chains that will be considered wherever appropriate.

This TA will help the firms produce a 'supply chain business plan'. This plan will identify the specific expected benefits together with the need for grants to finance the capabilities upgrading needs identified by the group, including firm-specific skills such as development of a bankable business plan or managing cash flows, as well as group skills required to meet large buyer quality and quantity needs. The plan could also include required complementary finance needs for working capital and physical capital investments in equipment and materials, which could in principle be supported through the SME financing under Component 3B, subject to being approved for a loan by one of the participating financial institutions.[13]

Supply chains in an estimated six to ten sectors are expected to be supported with TA resources. Project assistance at the supply chain level will be made publicly available, so that other groups of firms operating in the same sector will also be able to benefit from the project's TA.

(c) Matching grants to co-finance training and skills upgrading for SMEs. Based on acceptable supply-chain business plans, the project will provide matching grants to firms to co-finance needed training activities identified in the business plans. Project co-financing would be used to purchase relevant business development services from a range

[13] While there is not an automatic direct link between participation in component 3A and funding in 3B, it is expected that training received through matching grants in (b) below and participation in a supply chain with an identified large buyer should help enhance the commercial likelihood of qualifying for such funding.

of eligible local providers, such as the Bureau of Standards Jamaica (BSJ), Small Business Development Centers and other training initiatives established by DBJ, JPC, the Scientific Research Council (SRC), the University of the West Indies (UWI), University of Technology (UTEC), local private consulting companies, and overseas TA service providers. Enabling flexible purchasing of relevant business services is expected to spur the local demand-driven supply of such services. Eligible services will include a range of general business development needs, supply-chain-specific learning, or other types of 'soft technology' knowledge capital assets.

The ratio of counterpart private funds provided as co-financing will range from 33% of costs of training for SMEs to 75% for skills upgrading support for larger firms; this support to larger firms will be provided when a lead firm in an enterprise partnership identifies a justifiable need to receive a grant in its own right, with a significantly higher copayment reflecting the likelihood that such firms will be in a better position than the smaller firms in a supply chain to make investments without grant assistance. The high level of support for SMEs from project funds is designed to encourage maximum participation in the program. Clear, transparent rules will be established for selection and co-financing in the SME fund Procedures Manual to minimize scope for discretion.

Co-financing for skills upgrading is expected to support approximately 15 SMEs in each of eight to twelve specific supply chains, reaching up to 180 SMEs.[14] Performance clauses would be included in the SFM that penalize bad performance, such as significantly deviating from initially-projected anticipated benefits due to misuse of public support funds.

(d) Public-private dialogue (PPD). The project will also finance the continuation of the initial group facilitation process as required, evolving into a PPD mechanism to help resolve broader implementation bottlenecks that may arise in specific sectors. The PPD approach is expected to facilitate joint public-private implementation of supply chain activities that have been tried before without success due to the divergent starting points of different stakeholders. Such issues to be addressed include achieving improvements in the farmer-to-hotel supply chain by helping overcome a variety of problems in turn, including traceability, terms of payments, the fact that many hotels have their central procurement in the US or Europe, and the fact that producers are not sufficiently well organized to produce a steady and large volume of high and equal-quality products. The PPD approach will also facilitate dialogue between DBJ, AFIs and other financial institutions, and SMEs to help the financial institutions better understand and meet

[14] An initial demand assessment was carried out, including discussions with large enterprises and SMEs, associations representing these, as well as business development service providers, followed by more in-depth discussions with specific potential large buyers indicating interest in participating in this component – suggesting interest and a high likelihood of uptake and disbursements. As illustrations of potential partnership, large domestic buyers in agri-business indicated interest in collaborating with 8 to 20 SMEs operating in a specific agricultural product supply chain, for instance red peppers or ginger, which in turn would be working with 80 to 150 farmers each. The large buyers indicated that they would have sufficient incentives to participate given the assistance to upgrade the capabilities of SMEs and to enhance the know-how within the broader supply chain that the component would provide, thereby generating higher sales and profits.

evolving SME capabilities and needs. This PPD mechanism will provide a useful means of channeling the significant experiences of the wide range of stakeholders organized by the project into GOJ policymaking processes. The TA provided to support these PPD processes will be based on an application by the supported supply chains and approval by the public-private steering committee, based on pre-established criteria including an assessment of need that compares expected benefits of the PPD process against estimated costs, including expected benefits from supply chain spillover effects.

21. This process of inviting proposals and providing support to firms will be done in two stages. Lessons learned during the first phase of providing support to a limited number of supply chains can be incorporated into the second phase to improve implementation. This structure will also provide the opportunity to evaluate the impact of the supply chain learning support, using a time delay methodology to compare the impacts on groups of firms across the two phases.

22. This design benefits from lessons learned from a range of successful WBG projects seeking to enhance enterprise competitiveness and strengthen supply chains.[15] The specific design of the proposed project reflects an innovative combination of successful elements of previous interventions, tailored to the current Jamaican context by focusing on increasing large firms' purchase of higher-quality products from SMEs. Select WBG project experience and lessons learned include:

- An evaluation of completed matching grant schemes focused on export development and competitiveness enhancement projects that were client-driven, providing co-financing for knowledge-based business services from a range of private service providers. [16] One lesson identified was the benefits of using competitive private service providers to implement the schemes, with broad government oversight provided through a policy committee with limited power. Another lesson was to use grants for know-how to provide services that are strategic and based on an up-front needs assessment. There were some questions raised about additionality, in terms of whether beneficiary firms would have been able to procure similar services without the financial support from the schemes; but overall output was rated satisfactory, with sales or export multiples of between 35 and 50:1 generated across the matching grant schemes.
- The IFC has implemented numerous successful supplier development programs. In Uruguay, the Small Milk Supplier's Development Project worked with the largest milk exporting organization to support small producers to improve their productivity and quality. For the more than 350 small dairy producers participating in the supply chain support, sales more than doubled and production quantity increased by 20%. A similar approach was taken in Central America to strengthen the coffee supply chain. Technical assistance and training were provided by technicians from a large coffee trading firm to help producers meet the quality standards of a major global coffee buyer. This approach

[15] See for example "Developing SMEs through Business Linkages", an IFC Practice Note drawing on lessons of the MozLink Mentorship Experience in Mozambique, and Campos et al 2012, "Learning from the experiments that never happened: Lessons from trying to conduct randomized evaluations of matching grant programs in Africa," World Bank PRWP 6296

[16] "Implementing the Market Approach to Enterprise Support: An Evaluation of Ten Matching Grant Schemes," David Phillips, WB Policy Research Working Paper #2589, 2001.

of large buyers helping smaller suppliers meet quality standards generated $5.7 million of net income across thousands of coffee farmers. These types of supplier development approaches are concurrently being applied in Jamaica by IFC in the design of a Food SME advisory program, which will identify internal market demand for processed food products and then provide technical assistance to agribusiness MSMEs to improve quality and increase production to meet this demand. Component 3A has been designed in a very similar way and will be implemented in close collaboration with this IFC program, taking advantage of synergies between these complementary activities.

- A Kenya MSME Competitiveness Project addressed insufficient linkages and support along value chains and a mismatch between training providers and MSME skills needs by providing partial financing for eligible training and knowledge-based services, based on the approval of a value-chain business plan developed jointly by the main players along value chains. This program was implemented by a private firm, with close involvement of IFC in the design of value chain support. The value chain-based matching grants program achieved successful results in co-financing training services to MSMEs along four value chains, including increases in production, price received per unit, labor used in production, and subcontracting for firms participating across the value chains.
- An impact evaluation of the Moldovan Competitiveness Enhancement Project identified significant results in terms of enhancing enterprise competitiveness via a matching grants fund that co-financed technical assistance and consulting services to private firms to upgrade their operations. The project was administered by a private business chamber responsible for promoting the scheme and administering the fund. The project accredited service providers that beneficiary firms could use on a demand-driven basis to procure quality certification or business advisory services. Matching grant recipients exported significantly more than comparable firms in a control group over two subsequent years, and more than three quarters of beneficiary firms reported improvements in technical efficiency and managerial skills as a result of the co-financed services.

23. DBJ will lead this component and will be responsible for overseeing finalization of the matching grants Procedural Manual, overseeing the design of the component's M&E with support from JPC, and serving as Secretariat of the component's public-private Steering Committee that would be responsible for approving supported supply chains. DBJ will contract and oversee a private company hired to implement activities financed by the component, including contributing to finalization of the Procedural Manual; the hiring of commercial supply chain experts; initial evaluation of supply chain learning and business plans; and administration and auditing of the support funds. The public-private Steering Committee would have a maximum of nine voting people (4 public, 4 private, and 1 representative of civil society), with joint public and private co-chairs; it would be desirable to include as observers the participating AFIs under Component 3B, to help them better understand the presumably lower credit risk of participating SMEs under Component 3A. Its decisions would be supported by rigorous empirical evidence as facilitated by DBJ and supported by Component 4, including expert judgments about the likely long-term global competitiveness of specific supply chains.

Component 3B: SME finance (US$ 16.175 million)

24. A range of factors constrain the commercial provision of financing to SMEs, including limited financial deepening towards the private sector; crowding out due to high historic returns from public lending; limited market competition resulting in high lending spreads and bank profitability;[17] and lack of liquidity in domestic currency due to a combination of factors.

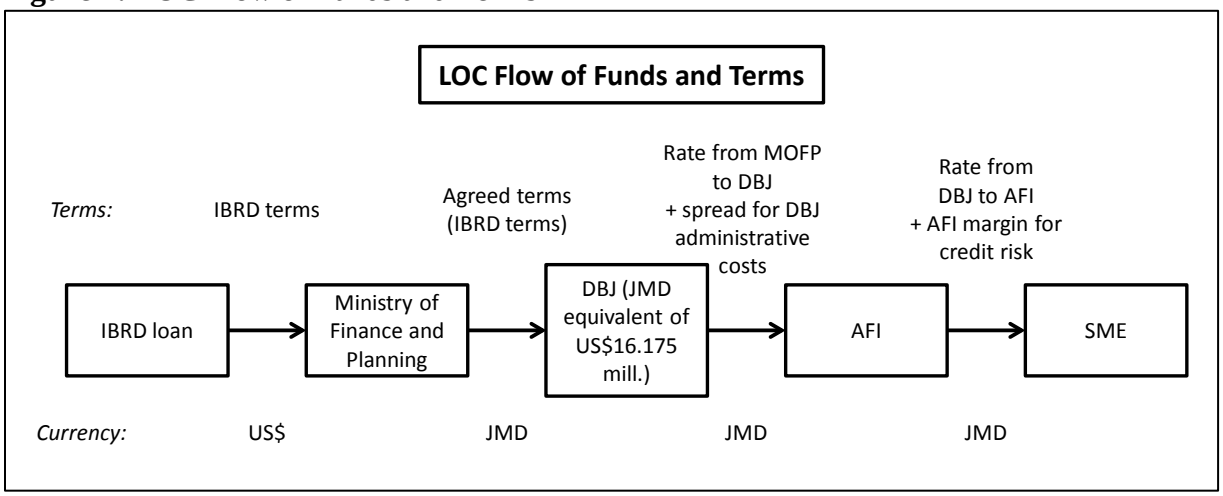
25. In response to these factors, the project will establish a line of credit equivalent to US$ 16.175 million to provide loans to SMEs. DBJ will act as an apex institution, borrowing the funds from MOFP, on-lending to a set of DBJ's AFIs that meet established financial performance criteria, which will then lend to SMEs. MOFP will make funds from the project available to DBJ in local currency. (Supplemental details on the financial sector in Jamaica and on the appraisal of DBJ's capacity to implement the LOC are available in the project files).

26. AFIs will be able to access the funds under two modalities: requesting funding from DBJ for individual eligible credits to SMEs, or requesting a revolving seven-year credit line from DBJ of up to US$ 3 million to provide eligible credits to SMEs. Under the first modality, DBJ will make funds available to AFIs after reviewing required documentation. Under the second, AFIs can access funds once an eligible SME credit has been approved by its credit department, and will then provide periodic reporting to DBJ who will verify ex-post eligibility. AFIs will pay interest to DBJ only on the used portion of the funds and a commitment fee on the unused portion. If the AFI does not use the credit line funds over a certain amount over a 12 month period, DBJ will have the authority to reduce the amount of the line. These features will facilitate and induce use of funds under the revolving-credit line modality, but only institutions with capital over a certain threshold will be eligible for this modality.

27. Interest charged by DBJ to AFIs for the fund used under both modalities will be identical and will include two components: a charge equal to the rate at which DBJ borrows the funds from MOFP plus a spread that reflects DBJ administrative costs and AFI credit risk (see flow of funds graphic below). All SMEs as per official GOJ definition are in principle eligible for funding through this LOC and may request a DBJ-funded loan from participating AFIs.

[17] Lending spreads in Jamaica averaged 1460 b.p. the last three years, well above the 960 b.p. LAC regional average (Finstats). This regional spread is already high, compared to recent three-year averages of 670 b.p. in EAP and 800 b.p. in ECA. Average return on assets the past three years was 2.6% compared to a 1.5% regional average (BOJ).

Figure 1: LOC Flow of Funds and Terms



Component 4: Project Implementation and M&E (US$ 6.1 million)

28. The project's multi-pronged programmatic approach requires an appropriate implementation and M&E structure to ensure that activities are managed effectively and that sufficient learning takes place so that implementation approaches can be flexibility revised to best achieve project results. The full range of project stakeholders, from MDAs of GOJ to private firms and civil society at large, should be aware of project activities as they relate to the Government's growth agenda. This component will fund the core project implementation unit and other management costs, as well as help build broad support for the job growth and other benefits of upgraded productivity and competitiveness in the economy. Learning from project activities, including building GOJ capacity to better monitor and analyze private sector data through support given to STATIN and JPC, will improve planning for subsequent years in this project as well as for improved public policy formulation and implementation related to productivity and growth more broadly. This component provides financing to support these areas, through the following specific activities:

Component 4A: Project management and implementation (US$ 4.5 million)

29. This sub-component will fund all project management and operational costs associated with the project, Responsibility for project implementation will lie with PIOJ and the other Lead Coordinating Agencies to ensure ownership of project activities and sustainability of the capacity generated to implement other private sector productivity and growth-related projects. Given the wide array of donor programs in Jamaica at the moment, as well as the tight fiscal budget envelope, GOJ MDAs face capacity constraints. In this context, the project will finance additional staff required by PIOJ, DBJ, and JAMPRO to implement the project activities, as elaborated below in Annex 3. Financing for TA will also be provided to enable appropriate training and capacity building of GOJ staff in PIOJ, JAMPRO, and DBJ as needed. This sub-component also includes costs for the loan front-end fee and routine project audit and evaluation expenses.

Component 4B: TA for communications and productivity evaluation (US$ 1.6 million)

30. In addition to the core project implementation unit funded in Component 4A, the project will also finance TA to support the capacity of PIOJ and other organizations to implement and evaluate the project. This will include two types of activities:

(a) Communications and outreach (US$ 800,000). The project will finance public relations consultants to help implement a public outreach campaign. The campaign will increase public awareness of project activities and successes, both at the firm and supply-chain levels, with the goal of achieving demonstration effects to broaden project impact. It will help advance project activities as needed, such as raising awareness of the importance for enterprises to participate and truthfully report in the business census and surveys. It will also include a 'learning from civil society' element, in which the enterprise and civil society perspective on what is working and what is not in the project and in GOJ's economy-wide productivity and growth efforts will help improve project and broader growth policy implementation. Specific activities include: conducting an annual 'State of Productivity' address to the Jamaican Parliament, timed around National Productivity Month events in November, to contribute project insight to the national productivity dialogue; and (2) implementation of a consultation plan to encourage broad stakeholder engagement and awareness of environmental and social implications of project activities, focusing as relevant on high-visibility investment projects. Assistance will also be provided in the Growth Secretariat within the PIOJ in the establishment of an M&E framework to monitor growth trends and developments.

(b) Capacity support for productivity evaluation (US$ 800,000). TA will be provided to PIOJ, STATIN, and the Jamaica Productivity Center (JPC) to upgrade the quality of private sector data for broader GOJ impact evaluation and policy making and to support evaluation study of the impact on SMEs of the skills upgrading and loans component. A proper business census has never been conducted in Jamaica, significantly curtailing capacity to conduct appropriate sampling of firms to measure changes over time. The project will cover the costs of a census to be undertaken by STATIN, which will provide a baseline that can be used to more precisely measure productivity, growth, employment, and other trends in the private sector through subsequent annual surveys. The project will also be able to benefit from the survey data to better monitor the impact of project activities. Consultants will also be hired to help design at least one impact evaluation of the impact of project activities on SMEs, structured as a randomized control trial to the extent possible, and to provide additional support to staff at PIOJ, JPC, and STATIN in the analysis of productivity data.

Annex 3: Implementation Arrangements

JAMAICA: FOUNDATIONS FOR COMPETITIVENESS AND GROWTH

Project Institutional and Implementation Arrangements

Project administration mechanisms

1. The Implementing Agency responsible for overall project administration will be PIOJ, which is a legally autonomous entity in Jamaica that leads the process of policy formulation on economic and social issues. PIOJ reports to MOFP, which is responsible for coordinating the achievement of growth under the joint IMF/WBG/IDB program, and the decision of MOFP as the borrowing agency to keep responsibility for the project by designating PIOJ as the IA reflects the full commitment of the Ministry to achieving project success as part of the overall GOJ growth strategy. PIOJ will have full implementation and fiduciary responsibility for the project, and will be guided by a high-level Project Steering Committee and will collaborate with several Lead Coordinating Agencies for implementation of specific project components.

2. A Project Steering Committee led by the Minister of Finance and Planning or his designee and established within one month of project effectiveness will guide PIOJ in the implementation of the project. Steering Committee members will include senior management of PIOJ and the Program Manager; the CEO of DBJ or his designee as one of the Lead Coordinating Agencies; the CEO of JAMPRO or her designee as one of the Lead Coordinating Agencies; a representative of the MIIC; and two representatives from the private sector organizations (including PSOJ, JCC and the Associated Chambers of Commerce, JMA, JEA, and SBAJ), participating on a rotating basis. Project Steering Committee meetings will be held on a bimonthly basis or more frequently as needed to receive updates on project activities and guide PIOJ on the project's direction. The committee will also oversee a mid-term review of the project not later than twenty-four (24) months after the effective date of the project, or such later dates as may be agreed upon by the Bank, in coordination with the Bank, to review progress to date and decide on possible reorientation of project activities.

3. A project team will be established within PIOJ to oversee project administration. The team will be led by a Program Manager who will be responsible for overseeing all project activities and achieving results; the hiring process for this selected candidate for this position was initiated during the project appraisal stage. The Program Manager will be responsible for supervising a financial management specialist, a procurement specialist, and a technical advisor to be funded with project funds, as well as environmental and safeguard consulting support on a retainer basis and monitoring and evaluation staff within PIOJ. The procurement and financial management specialist functions were also filled by PIOJ during appraisal stage using internal financing and resources to ensure establishment of a fully functioning Project Execution Unit prior to project effectiveness. These responsibilities of PIOJ as Implementing Agency will be set forth in a MOU to be signed between MOFP and PIOJ by effectiveness.

4. The Lead Coordinating Agency for Component 1 will be JAMPRO given its responsibility for overseeing investment climate reforms as the NCC Secretariat. JAMPRO will chair a technical working group for this component consisting of relevant MDAs involved in investment

climate activities, including the Fair Trading Commission (FTC) and the Port Authority of Jamaica (PAJ), as well as representatives of the private sector. Through this technical working group, JAMPRO will identify and prioritize the specific TA and implementation support needs to achieve the five investment climate reforms targeted by the project, with final approval given by the Project Steering Committee. The project will finance a program coordinator at JAMPRO to oversee project activities, and/or other support deemed necessary for project implementation and jointly agreed with the Bank. These responsibilities of JAMPRO as Lead Coordinating Agency will be set forth in a MOU to be signed between MOFP, PIOJ, and JAMPRO as a condition of disbursement.

5. The Lead Coordinating Agency for Component 2 will be DBJ given its responsibility for PPPs and privatizations within GOJ and experience with large investment deals which involve the private sector. PIOJ will provide technical oversight of the design and funding of sector studies given their coverage of government policy and planning issues. DBJ has already begun working with PIOJ to consult with the relevant MDAs involved in PPPs, divestments, and other large investment deals, such as PAJ, the LHI Taskforce within MIIC, UDC, Factories Corporation, and JAMPRO, to develop an initial priority project list. DBJ will also establish with PIOJ an independent PPF Management Board to oversee and approve formal applications for financing. This management board will consist of one representative from DBJ, one from PIOJ, one from JAMPRO, two representatives from the MDAs, and two representatives from the lead private sector organizations, to participate on a rotating basis. This board stands ready to be formed as soon as applications for PPF financing are ready for consideration. As with other aspects of the project, no-objection will be required from the Bank for any study to be financed, and final approval for studies to be financed will be given by the PSC. The management board will also oversee the identification and prioritization of TA needs related to project origination, commissioning, and monitoring. The project will finance a program coordinator at DBJ to oversee project activities, and/or other support deemed necessary for project implementation and jointly agreed with the Bank. These responsibilities of DBJ as Lead Coordinating Agency, including for Component 3A as described below, will be set forth in a MOU to be signed between MOFP, PIOJ, and DBJ by effectiveness.

6. The Lead Coordinating Agency for Component 3 will be DBJ given its experience on-lending to commercial banks and coordinating TA to private firms. Specific sub-component implementation arrangements include:

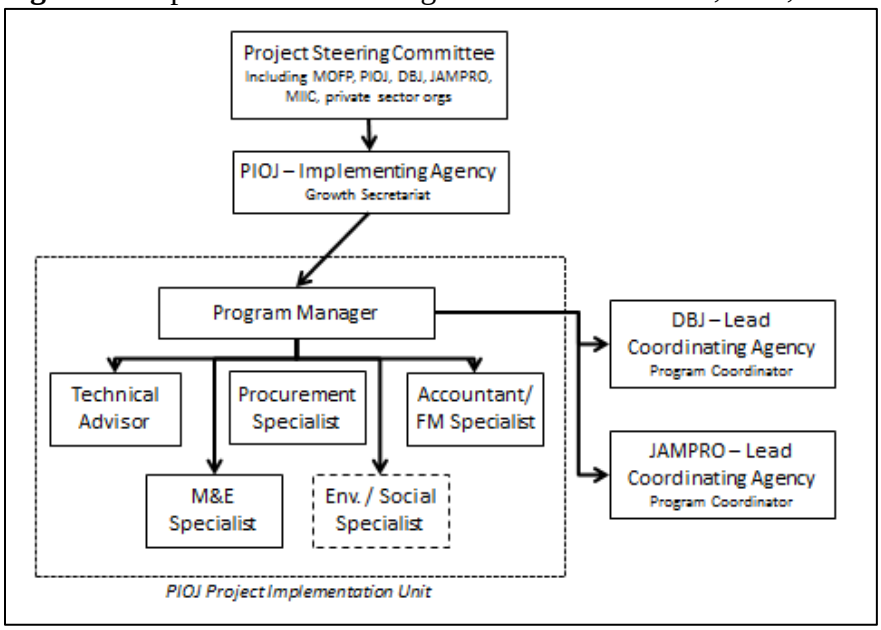
a. For Component 3A, DBJ will hire a private grant administration firm to implement the supply chain TA and firm-level co-financing to support SMEs working with large buyers in supply chains. DBJ will provide overall guidance and policy direction for this component, including chairing a Public-Private Steering Committee that will approve TA and grant funding decisions made by the firm. DBJ will also jointly agree with the private grant administration firm to a Matching Grants Procedural Manual, an operations manual specific to the support program, establishing a decision mechanism to review and approve support fund proposals. The Bank will give no-objection to the final Procedural Manual for the matching grants program, which will include criteria for the matching grant agreements with individual firms. DBJ and the grant administration firm will coordinate with the various private sector umbrella organizations in Jamaica to

help identify and link large firms and SMEs, as well as with JPC in funding public-private dialogue activities. From a fiduciary perspective, the grant administration firm will be hired via a joint contract with DBJ and PIOJ. DBJ will be responsible for technical approval of deliverables, with payments to the firm being made by PIOJ from the overall project account. The grant administration firm will then be responsible for hiring appropriate experts to provide supply chain TA and PPD support and to administer the matching grant support to firms.

b. For Component 3B, DBJ will receive funding in Jamaican dollars from MOFP for on-lending to Approved Financial Institutions (AFIs). The AFIs will pay a fee for use of the credit line or credit guarantee fund from DBJ, and will lend directly to SMEs in accordance with selection criteria approved by DBJ and PIOJ in addition to the AFI's commercial practices, as set forth in sub-loan agreements between AFIs and individual SMEs. DBJ will conduct ex-post review of the loans to ensure compliance with the selection criteria. These responsibilities of DBJ for implementing the LOC will be set forth in a subsidiary loan agreement to be signed between MOFP and DBJ. DBJ will then sign subsidiary loan agreements with each AFI receiving a sub-loan from DBJ. Both the DBJ subsidiary loan agreement and the AFI subsidiary loan agreements will be signed under terms and conditions acceptable to the Bank.

7. The Lead Coordinating Agency for Component 4 will be PIOJ given the responsibility of the IA to monitor and evaluate project implementation. All costs for project management, including the project implementation team described in Paragraph 3 above, will be covered under this component. PIOJ will designate an individual responsible for project monitoring and evaluation within the project team. PIOJ will coordinate with STATIN and JPC regarding updating baseline private sector data, improving capacity for growth and productivity data collection and analysis, and implementing a project communications campaign. The figure below presents the relation between PIOJ as IA and DBJ/JAMPRO as LCAs.

Figure 2: Implementation Arrangements between PIOJ, DBJ, and JAMPRO



8. The implementation arrangements by component and sub-component are demonstrated in the following table. The Financial management, disbursement, and procurement details are elaborated in the subsequent section, with additional details provided in the Project Operational Manual.

Table 4: Implementation Arrangements by Component

Component	Technical design and oversight responsibility	Procurement responsibility	FM and disbursement arrangements
Component 1, Enhancing competition in the business environment	JAMPRO as LCA, with technical input from MDAs on the development of TORs	PIOJ will procure consulting services, with evaluation committee participation of JAMPRO and beneficiary MDAs	Paid out of the PIOJ JMD project account (or by PIOJ out of the DA for payments made in USD)
Component 2A, Project Preparation Facility	DBJ as LCA, with technical input from MDAs on the development of TORs	PIOJ will procure consulting services, with evaluation committee participation of DBJ and beneficiary MDAs	Paid out of the USD DA or the PIOJ JMD project account, depending on the consulting contract
Component 2B, TA and studies for investment support	DBJ as LCA, with technical input from JAMPRO or other MDAs on the development of TORs. PIOJ will lead the sector studies, with technical input from MDAs on the TORs.	PIOJ will procure consulting services, with evaluation committee participation of beneficiary MDAs	Paid out of the PIOJ JMD project account (or by PIOJ out of the DA for payments made in USD)
Component 3A, SME supply chain support and skills upgrading	DBJ as LCA, hiring a private firm to implement the matching grants to firms	PIOJ will procure the consulting firm, with evaluation committee participation of DBJ	Paid out of the PIOJ JMD project account (or by PIOJ out of the DA for payments made in USD)
Component 3B, SME finance	DBJ as LCA	No procurement; DBJ will on-lend to AFIs	Paid out of the DBJ JMD project account
Component 4, Project implementation and M&E (including 4A and 4B)	PIOJ as LCA, with technical input from STATIN and JPC on the development of TORs	PIOJ will procure consulting services, with evaluation committee participation of STATIN and JPC	Paid out of the PIOJ JMD project account

Financial Management, Disbursements and Procurement

Financial Management

9. The overall fiduciary responsibilities for the project will be under the PIOJ, the implementing entity of the project. The financial management unit within PIOJ is fully and adequately staffed. It includes a Finance Manager and seven financial management staff. All staff have sufficient background and experience for their duties. However, it was agreed that the PIOJ would appoint a Financial Management Specialist for the project to be funded with project funds to avoid extra work load on the existing FM staff. The FM Specialist would maintain liaison with other participating implementing agencies such as, Development Bank of Jamaica and participating ministries/ agencies. An amount of $16.175 million would be provided to DBJ

for intermediary financial operations. DBJ has adequate financial management and regulatory capacity to manage this fund, which would be provided to accredited financial institutions. The overall financial management risk for the project is assessed as Moderate as multiple agencies will implement the project activities.

10. *Budgeting*. All expenditures to be financed by the Bank under the project will be budgeted by the PIOJ/ DBJ and other participating agencies. PIOJ follows the government budgeting system. DBJ has its budget system as a fully autonomous organization, which is approved by its Board. The following is the total project budget that would be financed by the Bank:

Table 5: Project Budget by Expenditure Category

Category	**Amount of the loan allocated (expressed in USD)**	**Percentage of expenditures to be financed (inclusive of taxes)**
(1) Goods, non-consulting services, training and consultants' services for Components 1 and 2.B (i) of the project	$4,600,000	100%
(2) (a) Goods, non-consulting services, training and consultants' services for Components 2A, 2B (ii) and 2B (iii) and 3 (other than under SME sub-loans and matching grants)	$14,500,000	100%
(2) (b) Sub-loans	$16,175,000	100% of the amounts disbursed as per the terms of the respective sub-loan agreement or matching grant agreement
(2) (c) Matching grants	$4,500,000	
(3) Goods, non-consulting services, training and consultants' services for Components 2.B (iv) and 4 of the project and operating costs for all components of the project	$10,100,000	100%
(4) Front-end fee	$125,000	
(5) Interest rate cap or interest rate collar premium	$0	
TOTAL AMOUNT	$50,000,000	

11. *Accounting System and Financial Reporting***.** A project Operational Manual was prepared by project appraisal, which was reviewed and found acceptable to the Bank, and will be agreed upon at negotiation. The implementing entities (PIOJ and DBJ) use computerized accounting systems, which has a detailed chart of accounts. The accounting systems of both PIOJ and DBJ are able to produce timely reliable financial reports and would be able to capture all activities related to the project. PIOJ will consolidate all budget requirements for the project, and will submit Interim Financial Reports (IFRs) to the World Bank within 45 days from the end of each quarter. Financial coordination between PIOJ and DBJ is detailed in the project operational manual. The project will use the accrual system of accounting as the accounting systems of both the main implementing entities are on accrual basis.

12. *Internal Controls and Internal Audit***.** The PIOJ and DBJ have adequate rules/procedures, which would be followed while implementing the project. The relevant sections of these rules and procedures are integrated in the project Operational Manual. Internal audit would be conducted by the Internal Audit Units of PIOJ and DBJ and the findings of the reports would be shared with the Bank during supervision of the project.

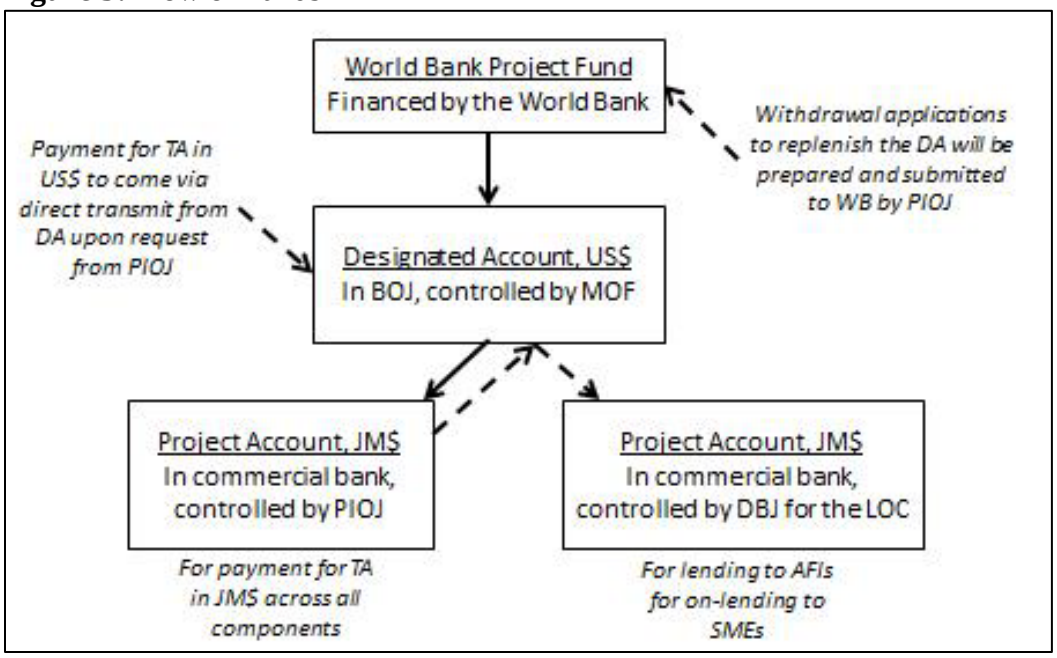
13. *External Audits***.** Annual financial audits of the project will be conducted by an auditor acceptable to the Bank. The audit report should be transmitted to the Bank no later than six months after the end of the fiscal year of GOJ, which ends March 31.

14. *Supervision plan***.** Given the risks related to the overall financial management system, close supervision will be required. Financial supervision missions will be conducted by the Bank at least twice a year. The IFRs and the annual audit report will also be reviewed by the Bank every quarter and annually respectively.

Disbursements

15. Disbursements under the project will be report-based. The Project Progress Report (PPR) will comprise two elements: (i) Interim Financial Reports (IFRs); and (ii) a summary of financial and physical progress report of the project. The PIOJ will send to the Bank, no later than 45 days after the end of each quarter, the Project Progress Report together with the disbursement request. The project funds would be disbursed to a Designated Account (DA) in the Bank of Jamaica to be operated by the Ministry of Finance and Planning (via PIOJ). The funds from the Designated Account would be transferred to project accounts in Jamaica Dollars to be opened with a commercial bank in Jamaica acceptable to the Bank. Upon loan effectiveness, advances will be made for the first six-monthly period of expenditures. The PIOJ will submit to the World Bank Project Reports that will serve as the basis for the subsequent disbursements. The formats for Interim Financial Reports would be agreed during project negotiation. Disbursements request for the project fund will be made of: (i) Statement of the Designated Account; and (ii) Cash flow forecast for the following period. The designated account will be denominated in US dollars, with an authorized limit of US$ 4.0 million. Any payment of the project made in USD will be drawn out of this DA upon request by PIOJ. A separate sub-account in the BOJ in USD will also be created for payments made associated with the PPF, Component 2A.

Figure 3: Flow of Funds



16. Flow-of-funds arrangements have also been agreed to between the Bank and GOJ regarding the repaid costs of PPF studies paid by successful bidders for the associated investment projects. These funds will be held in an escrow account in USD held by GOJ, to be withdrawn to pay for future PPF studies once the Bank loan financing for PPF studies has been exhausted. As this account and the repaid funds are under the control of GOJ and will not be used for Bank loan funds, they are not reflected in the formal flow-of-funds chart above.

Procurement

17. Procurement of goods and selection of consultants would be carried out in accordance with: (i) "Guidelines: Procurement of Goods, Works, and non-Consulting Services Under IBRD Loans and IDA Credits & Grants by Bank Borrowers," dated January 2011; (ii) "Guidelines: Selection and Employment of Consultants Under IBRD Loans and IDA Credits & Grants by Bank Borrowers," dated January 2011; (iii) “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants,” dated October 15, 2006, and revised in January 2011.

18. A Procurement Plan was agreed between GOJ and the Bank covering the first 18 months of the project. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

19. A General Procurement Notice will be prepared and published in United Nations Development Business (UNDB), on the World Bank’s external website, and in at least one national newspaper after the project is approved by the World Bank’s board, and/or before project effectiveness. Specific procurement notices for all goods to be procured under International Competitive Bidding and Requests for Expressions of Interest for all consulting services to cost the equivalent of US$ 300,000 and above would also be published in the UNDB,

on the Bank's external website, and in the national press. For goods and non-consulting services using National Competitive Bidding (NCB), the Specific Procurement Notice will only be published nationally.

20. Goods financed by the proposed operation would be procured through a combination of the following procedures: (a) International competitive bidding for contracts estimated to cost more than the equivalent of US$ 500,000; (b) national competitive bidding for contracts of value amounting to more than the equivalent of US$ 50,000 but less than US$ 500,000 and; (c) shopping for contracts estimated to cost less than the equivalent of US$ 50,000. In situations and circumstances that are in compliance with the provisions of paragraph 3.7 of the Guidelines for procurement direct contracting may be used with Bank prior review.

21. Consultancy services for technical assistance assignments would generally be selected through quality-and-cost-based selection. Consultancy services for short term technical assistance, preparation of specifications, and supervision and contract enforcement would use other selection methods for firms and individuals, as appropriate. Other procurement activities related to incremental operating costs would use finance and administrative procedures acceptable to IBRD. Consultancy firms will be selected using any of the following methods: (a) Quality-and Cost-based Selection (QCBS); (b) Quality Based Selection (QBS); (c) Fixed Budget Selection (FBS); (d) Least Cost Selection (LCS) and (e) Selection based on Consultants' Qualifications (CQS) for services estimated to cost less than US$ 200,000 per contract. Selection of Individual Consultants (ICS) would be followed for assignments which meet the requirements of paragraphs 5.1 to 5.5 of the Consultant Guidelines. Single Source Selection (SSS) of Consultants would be followed for assignments, which meet the requirements of paragraphs 3.8 to 3.11 of the Consultant Guidelines for firms, paragraph 5.6 of the Guidelines for individuals and will always require the World Bank's prior review regardless of the amount.

22. Short lists of consultants for services estimated to cost less than US$ 200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines if a sufficient number of qualified firms are available. However, if foreign firms have expressed interest, they would not be excluded from consideration.

23. Training, workshops, conferences attendance and study tours do not involve procurement process. This includes expenditures for cost tuition, traveling, and venue. Related activities and expenses would be carried out on the basis of approved quarterly programs that would identify the general framework of training or similar activities for the year, including the nature of training/study tours/workshops, number of participants, and cost estimated. The specific format required will be included in the Operational Manual, with a no objection from the Bank required.

Procurement risk and mitigation measures

24. An assessment of procurement risks was carried out in January 2014 for PIOJ. PIOJ has extensive experience with procurement using country procurement regulations. This experience is useful as the regulations for procurement of goods and non-consulting are consistent with the Bank guidelines. The procurement management system follows a clear and defined cycle of

procurement planning to the delivery of goods and services as part of the procurement cycle. The GOJ's standard bidding documents are substantially modelled after IDB and World Bank forms.

25. There are notable challenges in the preparation of bidding documents and evaluation reports. In particular the process leading to award of contracts is subject to multiple reviews and approvals. Furthermore the project will mostly finance consulting services to be conducted by firms. For this type of activity, Bank guidelines and procedures are quite different from the National regulations. PIOJ has not been involved in this type of selection process for consulting firms and when PIOJ has been exposed to procedures of MDB all the contracts were subject to prior review and with substantial support from staff of the donors' organizations in the preparation TORs and drafting of RFP. This kind of support was feasible for limited activities but cannot be sustained for the activities foreseen under the proposed operation. Therefore, a procurement specialist and technical advisor to assist in the drafting of TORs are being hired.

26. The measures aimed at mitigating the main procurement risks are described in the table below. The risk for procurement was considered Substantial when the assessment was conducted. The risk can be significantly reduced and considered as Moderate if in the view of the relevant Bank Procurement Specialist the measures proposed in the table are correctly applied.

Table 6: Procurement Risks and Proposed Mitigation Measures

No	Key Risks	Risk Mitigation Measures	By Whom	By When
1	PIOJ may be overwhelmed by the volume and complexity of procurement activity that will be added to their usual work program.	Recruit and maintain a procurement specialist at PIOJ to handle PIOJ procurement tasks and assist lead coordinating agencies (DBJ/JAMPRO) to handling large/complex packages. Recruit when deemed appropriate technical expert to provide guidance and support in drafting of TORs and technical evaluation report.	PIOJ	The project specialist together with other key staff by project effectiveness.
2	The lack of adequate professional training opportunities for staff to train using selection guidelines.	Organize initial three-day procurement training for key staff of lead implementing agencies and MDAs and conduct procurement training on regular basis on matters identified as bottlenecks in smooth implementation of procurement activities.	PIOJ using the proceeds of the loan	Procurement training activities will be conducted during the life of the project
3	Lack of a procurement expert and technical experts who can provide support, mentoring and coaching to procurement staff and technical staff to promote confidence, and efficiency in procurement deliveries.	Identify an internationally hired procurement specialist (consultant) and technical expert that can hired with project funds to provide support and guidance to PIOJ and other key implementing agencies	PIOJ	By project effectiveness, and as deemed appropriate during the life of the proposed project.

Environmental and Social (including safeguards)

27. **Component 1** of the project intends to improve the existing complex construction permitting process, which could indirectly affect environmental aspects if revisions/updates were to reduce the adequate consideration of potential environmental impacts in the permitting process. The potential risk for these environmental impacts is considered relatively limited.

28. **Component 2** includes prefeasibility, feasibility, sector planning, and other studies for infrastructure. The intent of this TA is to finance studies needed to bring large projects to commercial and financial close and to guide GOJ planning processes. The project will only finance studies, not actual investment project works. The potential risk is if these studies do not adequately address environmental impacts and risks. While some limited risk is present since these studies will be for projects with more significant potential impacts (i.e., large infrastructure), this risk is offset by the value-added of having these studies better incorporate environmental and social considerations, thereby enabling the Bank to support GOJ in integrating sustainability principles within sub-projects regardless of whether the construction is financed by the Bank.

29. Recognizing that there are a variety of study types with varying degrees of environmental implications, a three-tiered impact assessment approach will be adopted:

a) In order to provide overarching guidance and a framework for future assessments, regional scoping and planning documents funded by the project such as the Master Plan for the LHI will include an identification of environmental and social assessment needs, definition of TOR elements for future assessments, and an estimation of costs to complete those studies for LHI-related projects (which may include airports, new manufacturing and warehouse facilities, aircraft repair facility, drydocks, container terminals, and a rail system). This high-level integrated approach to environmental and social assessment within the Master Plan will provide guidance, direction, and input for future more detailed assessments if and as they are subsequently proposed, whether or not such studies are funded by the Bank.

b) The "second tier" of assessments that may be funded by the project would consist of in-depth Environmental and Social Impact Assessments (ESIAs) for specific potential investment transactions. ESIAs would be specified to include thorough analysis of regional and cumulative effects, social assessment needs, extensive consultation (including NEPA and in-country authorities), biological resource assessment, and other elements as identified in the scoping-level first-tier assessments. The second tier of assessments would be specified to comply with World Bank Performance Standards for Private Sector Activities and would provide due-diligence information consistent with Equator Principles to meet private investor needs. Specifically, "Performance Standards" means the Bank's Performance Standard 1 (Assessment and Management of Environmental and Social Risks and Impacts) dated July 1, 2012, the Equator Principles Performance Standard 2 (Environmental and Social Assessment) dated June 4, 2013 and the associated performance standard in both documents determined to be applicable during the assessment process.

c) The third and final tier of assessment would be directed towards in-country NEPA permitting and would essentially repackage the ESIAs to incorporate final technical

details, and serve to pre-scope and streamline the final detailed design/permitting. This third tier could be funded with project loan financing as a near-final step in the project preparation process; or it could be conducted by the owners of infrastructure or other assets involved in the transaction process, but benefitting from any scoping document or second-tier assessments previously funded by the project.

The benefit of this approach is that it will satisfy the need for an assessment of potential regional impacts in large planning studies funded by the project, but without including unnecessary details for future project elements which could substantially change or never materialize. It would also reduce reputational risk to the Bank by presenting an integrated approach at the early planning stages and providing guidance for future assessments to meet Bank policy and safeguards requirements. Finally, the adequate treatment of environmental aspects will reduce risk during technical assistance related to project origination, commissioning and ex-post contract management.

30. The Operational Manual will include requirements for ESIAs funded through the PPF to comply with the protocols set out in the regional planning and scoping studies, including World Bank Performance Standards for Private Sector Activities and Equator Principles standards with public consultation, cumulative impact assessment, and incorporation of relevant environmental policies and legislation of the Government of Jamaica. In this way, any environmental and social concerns of offshore investors will be addressed proactively, in a manner supportive of NEPA protocol, in a comprehensive and transparent fashion, and significantly advancing project preparation and permitting time.

31. **Component 3** will provide loans to SMEs. The projects carried out by SMEs that receive financing for working capital or specific project investments could have negative environmental impacts. The SMEs eligible will include a range of sectors, but there is some desired focus on agroindustries, ICT, and logistics, and could be located anywhere in Jamaica. On average these are credits are expected to be in the US$ 100,000 to 300,000 range to SMEs (defined as less than 1.5 million USD gross income per year), and thus there is a low potential for sub-project investments to have moderate or high potential significant impacts. The types of SME activities could include tourism, agroprocessing, agricultural production, energy, manufacturing, warehousing, IT, or services.

32. To address potential impacts from Component 3 activities, DBJ will use an Environmental Policy and Management System (EPMS)[18] to screen applications, determine whether additional environmental investigation is required, and document the appraisals, as well as summarize and report the results in these risk management activities. DBJ developed an EPMS in 2011 for another World Bank-funded project (Energy Security and Efficiency Enhancement), and DBJ has updated and reissued this internal guidance document, which has been included in the EPMS for this project. AFIs who receive line-of-credit will be required to adhere to the standards and protocols of DBJ's EPMS at a minimum.

[18] This EPMS is included in the project Operational Manual as part of the Environmental Management Framework.

33. Initial screening against an exclusion and referral list is first performed, using information provided in the credit application. Projects classified as Category A under World Bank OP/BP 4.01 are not eligible for financing under Component 3, as well as those on the IFC Exclusion List.[19] The screening checklist further identifies those projects for which no further environmental investigation is required, and those for which the application process requires additional investigation. The checklist requires that the applicant provide information pertaining to local (Parish) permits and national (NEPA) permits; further, DBJ requires that all applicable permits be obtained prior to disbursement. If further environmental and social investigation is required, then DBJ will assign an Investment Officer and conduct a site visit. Roughly 40% of DBJ's portfolio of over 1,000 loans has included such site visits as part of the application process, often conducted jointly with AFIs. The inclusion of expanded evaluations of environmental and social aspects will be conducted by staff of the Strategic Services section of the Bank (who will also support the financing of studies under Component 2). Environmental and social investigation may be cursory or detailed as required, and the results and evaluation of risk will be summarized in the credit documentation. DBJ will perform monitoring and reporting through annual reports to include the nature of the loans, environmental and social screening and risk evaluations, and a summary of the portfolio's performance with respect to environmental and social aspects. SMEs will be obliged to comply with relevant environmental and social requirements as established in their sub-loan agreements, per the Operational Manual.

34. DBJ requires that all projects must comply with relevant GOJ policies as required by the National Environment and Planning Agency (NEPA), which include permits and/or environmental and social impact assessments whenever appropriate. DBJ will require that AFIs adhere at a minimum to the environmental and social management standards as detailed in the EPMS for screening, appraisal, and reporting. The EPMS and the associated environmental and social requirements will be included in the project Operational Manual.

35. **Component 4** includes capacity building and technical assistance by World Bank. PIOJ will have a qualified environmental consultant on retainer to assist with the PPF relative to evaluation of TORs for ESIAs on large infrastructure projects. The existing DBJ system will be adapted and improved through World Bank supervision, training support and capacity building, including the addition of an environmental and social risk management specialist in the Strategic Services section of DBJ.

36. The World Bank environmental safeguard specialists will provide periodic supervision and training relative to the identification and management of environmental risk in project evaluation and implementation. The World Bank will assist DBJ to identify appropriate external training opportunities for environmental screening and environmental management for AFI project officers, field supervision staff, small and medium enterprise development officers and selected community representatives to familiarize them with the principles and procedures.

[19] http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Sustainability+Framework/IFC+Exclusion+List/

37. Permitting through NEPA will be checked as part of all supervision and monitoring actions. A permit or license may be suspended or revoked if any of its terms or conditions is breached, or if the holder fails to submit any documents and information as NEPA may require. The undertaking of a prescribed activity without the holding of an appropriate Permit will bring substantial penalties, on conviction in a court of law. Environmental monitoring reports may be required by NEPA as a condition of an Environmental Permit. In such cases, the Bank will also review these reports during the periodic supervision missions.

38. Regarding consultation, the draft EMF for the project was disclosed publicly by PIOJ prior to appraisal; a consultation on the EMF was held in Jamaica with key stakeholders; and the final EMF is disclosed on the World Bank website. Continued consultation of future projects would occur through ESIAs compliant with Equator Principles and World Bank Performance Standards for Private Sector Activities and using in-country systems through NEPA for projects under the PPF (Component 2). The Master Plan for the LHI will lay out public consultation elements for high-visibility large infrastructure projects to encourage transparency and broad stakeholder engagement, and will define the consultation plan for environmental and social aspects.

Monitoring & Evaluation

39. The project is designed with a rigorous M&E structure to ensure that sufficient learning takes place so that components are implemented as effectively as possible and that project results are achieved. PIOJ as the IA will have responsibility for overall project M&E, drawing on its significant experience conducting M&E for government and donor-funded projects. The Project Steering Committee will ensure a regular demand for updates on project results, and will guide the mid-term review of project results to date.

40. PIOJ will oversee data collection on project activities and reporting on PDO-level and intermediate results indicators, presented in Annex 1. PIOJ will also oversee data collection on a range of supplementary indicators that will be used to monitor project outputs and provide inputs to overarching intermediate and PDO-level indicators. One member of the PIOJ project management team will be designated as responsible for overseeing M&E for the project to ensure accountability for coordination and M&E results. Each participating agency will then be responsible to provide inputs for project M&E. JAMPRO will report on assistance provided to various regulatory agencies and on results achieved in terms of reforms implemented. DBJ will report on the number of project feasibility studies provided and the amount of private capital ultimately mobilized for those projects. DBJ will also be responsible for gathering firm-level data on the beneficiaries of project-funded training or credit. This will involve working in collaboration with PIOJ to establish firm-level reporting requirements with AFIs receiving a line of credit and with the private firm hired to administer grant funding.

41. The project will conduct at least one evaluation of firm-level impact of project activities. Support to SMEs via training and financing yields the possibility to conduct an evaluation of project impact on firms, ideally using at least some elements of randomization. The project will finance evaluation design assistance to PIOJ and DBJ as necessary. The impact of financing and of support for SME skills upgrading and supply chain learning could, for example, be evaluated

using a time delay methodology, bearing in mind lessons learned from previous related evaluation attempts.[20] The project has begun discussions to partner with relevant impact evaluation organizations, including within the WBG and external organizations, to collaborate on this evaluation work.

42. In addition to project-specific M&E and learning through implementation, the project will also finance capacity building for broader private sector and productivity M&E in Jamaica. The project will support STATIN and JPC in their work gathering and analyzing firm-level data for productivity purposes, as well as supporting PIOJ through its collaboration with these other organizations. The project will fund a business census that will provide a valuable baseline to more precisely monitor the private sector development through subsequent annual surveys. This support will improve and build productivity analysis capacity, enabling improved public policy formulation and implementation related to productivity and growth more broadly.

[20] See for example: http://go.worldbank.org/IUTP4HLKV0.

Annex 4: Operational Risk Assessment Framework (ORAF)

JAMAICA: FOUNDATIONS FOR COMPETITIVENESS AND GROWTH

Project Stakeholder Risks						
Stakeholder Risk	**Rating**	**Moderate**				
Risk Description: Borrower/government relations are very good. GoJ including MOF, DBJ and others agree that private sector-led growth is important to achieving national development plans and the project's PDO. It is unlikely that during the course of the project such views will be disrupted given the scarcity of fiscal resources available to GoJ, especially under the 4-year IMF program that started in May 2013. GoJ has identified for itself a path of private sector-led growth – including through the logistics hub initiative (LHI), a long-term initiative – thus it is unlikely that GoJ will reverse course. The new MSME Policy further substantiates this view. The project has been designed through extensive consultations with GoJ stakeholders. Key donors including IMF, IDB, DFID and CIDA are aware of the project and are supportive, as are key private sector business associations such as PSOJ, JCC, JEA and JMA. The Jamaican private sector (of which 98% are MSMEs) are highly supportive; many MSMEs do feel that they are not integrated into the supply chains or industries attracting large-scale investments, which this project will address.	**Risk Management:** The project has been designed in close consultation with stakeholders to mitigate stakeholder risk. The project's components - including pro-competition and regulatory streamlining investment climate reform, support for skills across all sectors that MSMEs operate in, SME line of credit, and TA for investment generation - collectively support the full range of the private sector stakeholders. The project has been explicitly designed to support both small and large transactions. This balanced approach mitigates the risk that any single stakeholder (public or private) will perceive that support from the project is geared towards specific firms or sectors.					
	Resp: Both	**Status:** Completed	**Stage:** Preparation	**Recurrent:** ☐	**Due Date:**	**Frequency:**
	Risk Management: Communicate with public stakeholders during project implementation to maintain awareness of the project focus on private sector development broadly, targeting firms across an array of sectors and of varying sizes.					
	Resp: Client	**Status:** Not Yet Due	**Stage:** Implementation	**Recurrent:** ☑	**Due Date:**	**Frequency:**
Implementing Agency (IA) Risks (including Fiduciary Risks)						
Capacity	**Rating**	**Substantial**				
Risk Description: The IA will be the Planning Institute of Jamaica (PIOJ), an agency affiliated with the Ministry of Finance and Planning (MOFP). PIOJ has substantial experience implementing Bank and other donor funded activities. It has significant staff with high capacity to implement and monitor private sector development projects. It is very familiar with Bank projects and systems. Capacity in fiduciary matters is generally good. However, this project requires a substantial amount of	**Risk Management:** The project will provide capacity support for PIOJ in fiduciary issues. This will involve standard Bank training in procurement, as well as staff capacity as necessary for FM and procurement issues.					
	Resp: Bank	**Status:** In Progress	**Stage:** Both	**Recurrent:** ☑	**Due Date:**	**Frequency:**

procurement, especially of TA. It also requires fiduciary oversight of project activities being implemented by a range of technical agencies. The project is designed to have quick disbursement to achieve impacts in the short term as much as possible.						
Governance	**Rating**	**Substantial**				
Risk Description: PIOJ has been fully involved in the preparation of the project. Given its responsibility for the overall GOJ growth agenda, the PDO for the project is fully in line with the PIOJ agenda, and PIOJ has substantial internal capacity for governance of the project. PIOJ will be responsible for coordinating the activities of several other lead technical agencies; this creates a challenge, as it adds layers of coordination and increases the number of decision makers affecting project success. The range of public and private organizations that will be involved in the governance of the project, and the range of technical activities to implement, makes this a substantial risk for project success. Furthermore, many activities supported by the project (especially support for large investment projects under Component 2) will ultimately require political approval at the Cabinet level. This also represents a governance challenge, if Cabinet preferences for the ultimate direction of the project differ from that considered appropriate by the Bank.	**Risk Management:** Establish a strong governance structure for the project to oversee project implementation and coordinate the various agencies and other stakeholders. This will include specification of people in PIOJ and other participating MDAs with accountability for various components of the project. This is reflected in a well-designed Operational Manual designed in close collaboration between PIOJ, DBJ, JAMPRO, and the Bank.					
	Resp: Both	**Status:** In Progress	**Stage:** Both	**Recurrent:** ☑	**Due Date:**	**Frequency:**
	Risk Management: Maintain ultimate fiduciary responsibility with PIOJ to maximize its oversight of the use of funds throughout MDAs involved in the project.					
	Resp: Both	**Status:** Completed	**Stage:** Implementation	**Recurrent:** ☐	**Due Date:**	**Frequency:**
	Risk Management: Create a management structure for the matching grants fund that enables strong fiduciary oversight and ensure that a commercial approach is taken to implementation of the fund, such as contracting the grants administration to a private firm.					
	Resp: Both	**Status:** In Progress	**Stage:** Both	**Recurrent:** ☐	**Due Date:**	**Frequency:**

Project Risks						
Design	**Rating**	**Substantial**				
Risk Description: As the project is designed to be transformative, many design elements are new to Jamaica, and therefore rely on largely untested approaches in the country. There are thus country-specific risks inherent to the project design. Project design also encompasses a range of investment climate reforms and work with large investors and MSMEs, reflecting a wide technical scope.	**Risk Management:** The Bank collaborated closely with government and private sector stakeholders in Jamaica in project design. The GoJ has been moving towards providing stronger technical support for MSMEs; there is agreement on the need for project preparation facilitation for large anchor investments; and investment climate reforms are based on dialog with the private sector, reflecting accuracy of the proposed project design.					
	Resp: Bank	**Status:** Completed	**Stage:** Preparation	**Recurrent:** ☐	**Due Date:**	**Frequency:**
	Risk Management: Allow for flexibility in implementation, to consider lessons learned as the new design elements are tested in practice. This includes for example allowing flexibility in funding allocation between different SME finance mechanisms, including an early review process of the grants operation to learn lessons, and ensure a mid-term review to modify project design as appropriate.					
	Resp: Both	**Status:** In Progress	**Stage:** Both	**Recurrent:** ☐	**Due Date:**	**Frequency:**
Social and Environmental	**Rating**	**Moderate**				
Risk Description: There are moderate social and environmental risks because of indirect effects of infrastructure feasibility studies and SME activities, which the project could fund. There is also a reputational risk of Bank-funded EIAs being inadequately prepared.	**Risk Management:** The Project Preparation Facility will be available to fund environmental impact assessments (EIAs) as needed with a stipulation that the studies would follow Equator Principles and IFC Guidelines. For all projects (PPF and SME LOC), DBJ will ensure that they comply with relevant in-country environmental law and regulations, such as the NEPA requirement for environmental impact assessments and social impact assessments to be conducted whenever appropriate. DBJ will further minimize the risk that deals supported by project funds have adverse environmental or social impacts by using the DBJ Environmental Policy and Management System, which will be reviewed and revised during implementation as a means of continual improvement with World Bank support.					
	Resp: Both	**Status:** In Progress	**Stage:** Both	**Recurrent:** ☐	**Due Date:**	**Frequency:**
	Risk Management: TORs for EIA studies would be provided to World Bank for no-objection, and to ensure that Equator Principles and IFC Guidelines are followed. Additionally, where appropriate, the project will integrate social and environmental analysis in the feasibility studies.					

	Resp: Both	**Status:** In Progress	**Stage:**	**Recurrent:** ☐	**Due Date:**	**Frequency:**
Program and Donor	**Rating**	**Low**				
Risk Description: This risk is low. The project will coordinate with other donors, but will not depend on their programs to a great extent for project success. There has already been close collaboration with other donors on project design, such as with IDB and EU. There has also been close collaboration with the Bank DPL and IMF program support in terms of fitting this project into the broader donor programming in Jamaica.	**Risk Management:** The Bank worked closely with other donors during design of this project and will continue to coordinate with other donors during implementation. There are opportunities to collaborate with other donor programs in most key project components (including business training for MSMEs, credit for SMEs, support for the LHI, support to other competitive industries, and investment climate reform work); these have been built into project design and will be pursued during implementation. But the opportunity for such collaboration does not represent a substantive risk to successful project implementation.					
	Resp: Both	**Status:** In Progress	**Stage:** Both	**Recurrent:** ☑	**Due Date:**	**Frequency:**
Delivery Monitoring and Sustainability	**Rating**	**Moderate**				
Risk Description: The main risks related to delivery monitoring and sustainability are those associated with PIOJ, outlined in the IA risks above. PIOJ staff do have capacity in project implementation and monitoring and evaluation. There are some challenges with data availability in Jamaica, which makes precise evaluation of some project interventions difficult.	**Risk Management:** The project will coordinate with PIOJ to determine any capacity gaps, either from a technical/management or from a procurement/FM perspective, and provide resources to address them.					
	Resp: Both	**Status:** In Progress	**Stage:** Both	**Recurrent:** ☐	**Due Date:**	**Frequency:**
	Risk Management: Substantial project resources are being made available to support M&E efforts, including financing for updated baseline information that will help this project and others moving forward.					
	Resp: Both	**Status:** In Progress	**Stage:** Both	**Recurrent:** ☐	**Due Date:**	**Frequency:**
	Risk Management: Additionally, the Bank Group is working on a joint business plan (JBP) whereby Bank, IFC and MIGA work closely with the GoJ to support the drivers of growth, including all components of this project. The JBP process will inform and support this project. Together steps agreed under supervision and monitoring and JBP will be self-supporting and will help ensure project success.					
	Resp: Both	**Status:** In Progress	**Stage:** Implementation	**Recurrent:** ☑	**Due Date:**	**Frequency:**

Overall Risk		
Overall Implementation Risk:	**Rating**	**Substantial**
Risk Description:		
The main implementation risk associated with the project is the country economic and fiscal situation. An external shock or economic mismanagement could result in economic contraction, which would decrease investor interest and limit the government's ability to drive an economic reform agenda. Risks to specific components include a lack of political support for proposed pro-competition regulatory reforms; limited response to or political capture of project preparation facilitation and generation efforts; ineffective disbursement of financial support to SMEs; and not effectively linking MSMEs to large infrastructure and industry investments. There are also risks associated with implementing agency capacity to implement project activities in a timely way. Implementation risks due to project design will be mitigated through close collaboration with Jamaican stakeholders and drawing on WBG expertise and risks associated with the implementing agency will be mitigated through careful selection and close support and supervision. Risks due to a contracting economic situation are difficult to mitigate, resulting in a substantial overall implementation risk.		

Annex 5: Implementation Support Plan

JAMAICA: FOUNDATIONS FOR COMPETITIVENESS AND GROWTH

I. Strategy and Approach for Implementation Support

1. The project's Implementation Support Plan (or ISP) is meant to help the GOJ achieve the expected project results based on the project's nature and risk profile. Specifically, the ISP is meant to put more attention on the inputs and actions required to facilitate better risk management, better results, and increased institutional development, while ensuring compliance with the project's Legal Agreements to meet the Bank's fiduciary obligations.

2. The TTL and specialists responsible for each component will be based at World Bank headquarters. Initially (at least until mid-term review), they will undertake supervision missions three times a year. The frequency of missions thereafter will be determined considering the development of the Project.

3. Overall Project oversight will be ensured by frequent supervision and coordination with PIOJ – which has overall responsibility for the project – and the Lead Coordinating Agencies for the four Project components. Initially, supervision missions will be carried out every four months. After the mid-term review and assuming the Project activities are well on track, supervision will likely decrease to semi-annual missions, however technical missions by the team's specialists may be carried out more frequently throughout the Project. In addition, there will be regular interactions with the Project team, including the locally-based STC staff hired by the Project. Regular supervision by the TTLs and IBRD specialists will focus on the following areas:

a. Strategic – To the extent possible, implementation support missions will meet with the fiduciary entities and the partner institutions to: (i) review Project activities, (ii) re-confirm strategic alignment of the Project's activities to the PDO, and (iii) ensure the necessary coordination among respective stakeholders.

b. Technical – The implementation support team for the Project will consist of WBG specialists and consultants who will review and supervise the execution of the Project components with partner institutions, ensure the activities keep in-line with the PDO, and make adjustments to the design and procurement plan when necessary.

c. Safeguards – IBRD environment and social specialists or consultants (Headquarters based) will assist as needed Project implementation, and M&E.

d. Fiduciary – The Bank's Headquarters and field-based financial management and procurement specialists will provide timely, targeted training to GOJ partners and other executing institutions prior to Project effectiveness and through periodic supervision missions during Project implementation. These specialists will ensure the capacity of the PEU to manage flow of funds and accounting procedures, in line with FM guidelines. Supervision of the Project's financial management arrangements will be conducted semi-annually and, as needed, in response to client needs. Procurement supervision will also be carried out semi-annually during regularly-scheduled Bank supervision. The support will focus primarily on contract management and in improving proficiency and efficiency in

implementation, according to the Bank guidelines. There will be less focus on training in procurement or FM guidelines.

e. Client-relations – The TTL will: (i) coordinate Bank supervision to ensure consistent Project implementation, as specified in the legal documents (i.e. Financing Agreement, Project Operational Manual), and (ii) meet regularly with the client, to gauge Project progress in achieving the PDO and address implementation roadblocks as they may arise.

4. Notwithstanding the multi-pronged nature of the project and resultant complex institutional structure, implementation support needs will work within the supervision norms for IBRD lending operations; the TTL will be responsible for managing this budget and prioritizing implementation support. Given budget considerations, implementation support will leverage other ongoing work in Jamaica (including the Joint Business Plan) and the Caribbean region to the extent possible, and supplementary funding sources will be sought for discrete implementation support wherever possible.

II. Implementation Support Plan

Table 7: Focus of Implementation Support

Time	Focus	Skills Needed	Partner Role
First twelve months	Focus would be implementation of all 4 project components (component 1: investment climate reforms; component 2: support for strategic investments; component 3: support for SME linkages through training and lines of credit; component 4: monitoring and evaluation)	Task Team Leader; Financial Sector Specialist; PPP Specialist; Transport/ICT Specialist; Procurement Specialist; FM Specialist; Safeguards Specialist	Liaison – no resources needed from partners
12-48 months	Focus in years 2, 3 and 4 would be the same as year 1, i.e., focus on implementation of all 4 components	Task Team Leader; Financial Sector Specialist; PPP Specialist; Transport/ICT Specialist; Procurement Specialist; FM Specialist; Safeguards Specialist	Liaison – no resources needed from partners

Table 8: Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips per year
Task Team Leader – DC (from Trade and Competitiveness Global Practice)	12	3
Financial Sector Specialist – DC (from Finance and Markets Global Practice)	4	2
PPP Specialist – DC (from PPP Cross-Cutting Solutions Area)	2	2
Transport/ICT Specialist – DC (from Transport/ICT Global Practice)	2	2
Procurement Specialist – DC	4	1
FM Specialist – DC	2	2
Safeguards Specialist – DC	2	1

Table 9: Partners

Name	Institution/Country	Role
EU	Jamaica	Liaison
IDB	Jamaica	Liaison
CIDA	Jamaica	Liaison
DFID	Barbados	Liaison
IFC	DC and Kingston	Collaborate on all 4 project components