



Jamaica

Country Strategy Paper

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the UK government department responsible for promoting development and the reduction of poverty. The government first elected in 1997 has increased its commitment to development by strengthening the department and increasing its budget.

The central focus of the Government's policy, set out in the 1997 White Paper on International Development, is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date. The second White Paper on International Development, published in December 2000, reaffirmed this commitment, while focusing specifically on how to manage the process of globalisation to benefit poor people.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to this end. We also work with multilateral institutions including the World Bank, United Nations agencies and the European Community.

The bulk of our assistance is concentrated on the poorest countries in Asia and sub-Saharan Africa. We are also contributing to poverty elimination and sustainable development in middle income countries in Latin America, the Caribbean and elsewhere. DFID is also helping the transition countries in central and eastern Europe to try to ensure that the process of change brings benefits to all people and particularly to the poorest.

As well as its headquarters in London and East Kilbride, DFID has offices in many developing countries. In others, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

JAMAICA: COUNTRY STRATEGY PAPER

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A. SUMMARY

A1. This paper outlines the strategy for development co-operation between the UK Department for International Development (DFID) and Jamaica over the period 2001-2004. Our strategy has been discussed with the Government of Jamaica, representatives of civil society and the private sector in Jamaica and the UK, and key international development agencies. We also took account of the views of poorer Jamaicans themselves as reflected in a 'Consultations with the Poor' study commissioned by DFID as a contribution to the World Bank's Development Report 2000/01.

A2. There is a continuing case for DFID support to Jamaica and to the Caribbean region more generally. Unacceptable levels of poverty, the increasing incidence of HIV/AIDS, vulnerability to the effects of globalisation and the associated risks of social instability and rising crime present significant challenges to regional governments. If the region is to take full advantage of the opportunities created by globalisation, support is needed to help develop and implement Caribbean-led strategies to promote alternative enterprise and economic diversification while protecting the poor from the costs of transition.

A3. Jamaica is a lower middle income country with a population of around 2.5 million and a per capita GNP of US\$1,550.¹ After high growth in the 1950s and 1960s, Jamaica has stagnated economically and decayed socially over the last three decades. Macroeconomic stability has been elusive and the economy has failed to develop new sources of growth to compensate for the decline of traditional industries. High rates of violent crime have increased social deprivation and exclusion and discouraged local and foreign investors.

A4. With international assistance available for debt restructuring, there are good short-term prospects for developing a macroeconomic environment which will encourage growth and reduce poverty. But measures will also be needed to improve the international competitiveness of the economy in the face of globalisation and the phasing out of preferential export markets, and to tackle deep-rooted social problems and violent crime. Systems for monitoring poverty are good, and the Government has made the

elimination of poverty a central objective. However, the Government needs support in putting this policy into practice if it is to make a difference to the lives of the poor.

A5. The challenge for the international development community is to help Jamaica reform its Government institutions, to create an effective modern state and reinforce the Government's commitment to eliminate poverty. The challenges are significant and demand a broad-based and concerted international collaboration in support of Government's efforts to provide :-

- a better macroeconomic and social environment for poverty reduction
- improved public services for poorer people
- improved access to education, and improvements in educational equity and quality
- improved livelihoods
- a stronger voice and better rights for poor people
- improved justice and personal security

A6. Over the next four years, we plan to work as part of the international community in helping Jamaica respond to these challenges. We intend to focus our development support in a number of sectors where we feel that DFID, in collaboration with others, can make a particular impact and add value to the efforts of the Government. These are public sector reform, education, community development, justice and enterprise development. We will review the opportunities to address rural livelihoods. We will also explore ways in which we can assist the Caribbean region more effectively to represent its interests in the globalising world.

A7. External support should be designed in line with Jamaica's priority requirements, as a middle income, small island Caribbean state, to help address a range of specific domestic and regional challenges. Jamaica's resource needs are different from those of the poorest developing countries.

¹ Annex 1 shows selected economic and social indicators for Jamaica and compares them to three similar Caribbean states.

A. SUMMARY

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Its concessional financial assistance needs should be met primarily by the international financial institutions. DFID's role will be to provide targeted expertise and other technical inputs to help tackle Jamaica's human resource and organisational capacity constraints. These will need to be addressed if the political commitment to reform by the Government is to be translated into action programmes capable of accelerating and sustaining the reform process, stimulating economic growth, and improving access by poor people to effective public services.

A8. DFID programme resources available for Jamaica are likely to amount to about £5 million a year, supplemented by our support for Caribbean regional programmes. Jamaica is also party to the UK's Commonwealth Debt Initiative (CDI), which is currently relieving some £4 million a year in debt on past UK aid loans to the country. In addition, the UK contributes about 17% of the EC development programme – amounting to some £4 million a year; and also contributes to the World Bank, Inter-American Development Bank and the Caribbean Development Bank, all of which are providing significant support to Jamaica. We are strengthening links with all these institutions to ensure optimum and co-ordinated impact.

B. THE CHALLENGE

B1. Jamaica attained Independence in 1962 amid great optimism founded on robust economic and social development in the post-War period. Between 1950 and Independence economic growth averaged 7.5% per year as a result of large inflows of foreign capital, mainly into the bauxite and tourism industries, which helped the economy diversify from its traditional agrarian base. Average rates of growth of over 5% per year continued between 1962 and 1973. Industrialisation was central to the Government's post-Independence development strategy and the role of the state in economic management was increased as the Government sought to attract investment and broaden the economic base. This period saw major advances in human development and social well-being with significant investment in education, health, social services and other social infrastructure on which the strong contemporary performance against the International Development Targets is grounded.

B2. Despite the impressive growth, the high capital intensity of industrial production and the enclave nature of the mining and tourism sectors failed to create enough new jobs, and unemployment increased as people migrated out of the declining agricultural sector. Economic performance deteriorated in the early 1970s due to oil price rises and inappropriate policies. Although the impact of the 1973 oil crisis was alleviated by high sugar and bauxite prices, the imposition of a levy on the bauxite companies resulted in a large drop in bauxite production when prices fell in the mid-1970s. The Government's intervention in other sectors of the economy coupled with increasing social tension encouraged private disinvestment, capital flight² and emigration. High oil prices, a drop in foreign exchange reserves and domestic revenues coupled with ambitious public expenditure programmes funded by borrowing from overseas resulted in large external and fiscal imbalances. Between 1973 and 1980 real GDP declined by 15%.

B3. In 1977, Jamaica entered into an economic stabilisation agreement with the International Monetary Fund (IMF). Economic adjustment was intensified when a new government took office in 1980. Currency devaluation, cuts in public expenditure and privatisation helped attract foreign financing for public infrastructure investments. However, the balance of payments did not improve much as

bauxite markets remained depressed and only 1.1% annual growth was achieved over 1981-87. Politically motivated violence and intimidation during the 1980 election campaign led to a rise in organised crime and gang-related violence in urban areas, particularly Kingston.

B4. Economic reforms continued through the late 1980s and early 1990s, notably in the elimination of price controls, tax reforms, privatisation and trade liberalisation – which were all partially successful in terms of restoring fiscal and external balances but failed to deliver sustainable growth. The annual average 3% growth achieved in the late 1980s declined to 1% in the early 1990s.

B5. The country's prospects were then thrown even further off course, due largely to the effects of continuing economic liberalisation unmatched by sufficient governance or regulatory reform. Financial sector liberalisation linked with weak regulation led to a full-blown financial sector crisis in 1996. Problems in the wider economy were magnified by excessive wage settlements unrelated to productivity gains, which required the Government to impose severely deflationary monetary policies in order to curb money supply growth and growing inflation. The overall result was negative economic growth for the four successive years 1996–1999.

B6. The Government embarked on a restructuring of the financial sector in 1997 which helped to stabilise confidence, but the cost of taking over a large number of bad loans led to a sharp increase in both public debt and the fiscal deficit. Onerous public debt-servicing obligations (equivalent to 60% of revenue in 1999/2000) are making fiscal adjustment difficult but the Government recognises that unless the deficit is reduced, continued government borrowing to finance the debt will put upward pressure on interest rates and thus crowd out investment – the very factors which have helped to produce negative growth since 1996.

B7. The Government's efforts to overcome these serious economic difficulties are beginning to have an impact. Public expenditure restraint and revenue generating measures enabled the Government to begin to reduce the fiscal deficit in 1999/2000 and a further decline is expected in 2000/01. The Government's fiscal policies are also

² It is estimated that between 1976 and 1980 private capital outflows totalled US\$412m.

B. THE CHALLENGE

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starting to have a positive impact on interest rates, with the Central Bank rate falling from 21% in March 1999 to 16.5% in September 2000. The Government is also beginning to address the task of improving efficiency in the public sector through better planning and resource allocation systems. Poor management of human resources and payroll costs, coupled with expenditure cuts, have reduced Government's capacity to deliver essential services, as well as its ability to afford protection for the most vulnerable.

B8. Due to the high public debt-to-GDP ratio, the Government intends to maintain a tight fiscal and monetary policy stance in the short-term, accompanied by further public sector, financial and other structural reforms. If these are successful in reducing interest rates, raising business confidence and improving the efficiency of the financial sector, then growth is expected to increase to around 3% by 2003. Whilst there are significant risks associated with the Government's economic policies, particularly from social unrest in response to austerity measures and adverse changes in the external environment, the policies are credible and as a consequence, have attracted support from the international financial institutions. A staff monitored programme was agreed with the IMF in July 2000, which enabled the World Bank, Inter-American Development Bank (IDB) and the Caribbean Development Bank to provide over US\$300 million in concessional loans to restructure the debts of the financial sector. The World Bank Board approved a new Country Assistance Strategy (CAS) in November 2000 (the first since 1993) which will, in addition to support for financial sector restructuring, provide up to US\$70 million for expenditure aimed at vulnerable groups.

B9. Over the longer term, achieving sustainable economic growth in Jamaica involves tackling the longstanding low competitiveness of many export industries. These will need to be complemented by better education and training and measures to combat violent crime and reverse social decay. A continued clear policy direction by the Government coupled with the political will to take difficult decisions and to maintain economic discipline is essential if the Jamaican people are to see real improvements in growth, poverty elimination and essential public services. The challenge for the international community will be to

ensure concerted, co-ordinated and targeted support programmes in line with the Government's policies for sustainable and equitable growth.

Bio. According to the World Bank, 3.2% of Jamaicans were living on less than US\$1 a day in 1996 and 25.2% were below US\$2 a day at international prices based on purchasing power parity³. Jamaica has its own well developed system for monitoring the incidence and distribution of poverty, including nationwide poverty mapping at parish level. This uses a national standard poverty line based on the household expenditure required to meet minimum nutritional requirements and basic non-food items such as clothing and transportation. Based on this poverty line, the incidence of poverty has fallen dramatically since the early 1990s, from a high of 45% in 1991⁴ to 28% in 1995 and 17% in 1999. The improvement after 1995 is even more remarkable given negative economic growth over the last four years. The reasons for this improvement are not fully understood. It is believed that many livelihoods depend on the informal economy and are therefore not fully reflected in statistics. Remittances from overseas⁵ are also thought to have a substantial impact and the sale of assets may also have evolved as a coping mechanism.

POVERTY LEVELS 1989-99 (% POPULATION)

REGION	1989	1991	1993	1995	1997	1999
Kingston	15.5	28.9	16.7	15.0	9.3	10.6
Other towns	22.0	31.4	22.9	22.8	14.8	12.1
Rural areas	40.7	57.2	29.6	37.0	27.4	22.0
Jamaica	30.5	44.6	24.4	27.5	19.9	16.9

Source: Jamaica Survey of Living Conditions 1999

Notwithstanding the declining incidence of poverty as measured by the headcount, other assessments of deprivation have not shown the same improvement. Recent research shows that Jamaicans perceive a significant decrease in the well-being of the very poorest groups over the last ten years.

Bii. Over the last decade, the distribution of expenditure for consumption has become slightly more equal. In 1999, the poorest fifth of the population accounted for 6.3% of

³ World Bank: World Development Indicators 2000.

⁴ The high incidence of poverty in 1991 is associated with a significant drop in real wages following the devaluation of the Jamaican dollar.

⁵ Pensions and other benefits from the UK alone thought to total about £40 million per annum.

B. THE CHALLENGE

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national consumption, while the wealthiest fifth consumed 46% – a ratio of over 7:1. This ratio compares favourably with most other middle income countries in Latin America and the Caribbean.

B12. Poverty in Jamaica is chiefly a rural problem: 69% of poor people live outside the towns. The majority of poor people are unemployed or workers in low-paid employment, depending on incomes from small-scale farming, agricultural labour, domestic service, street vending and crafts, mostly in the informal sector. Around 65% of the unemployed are women. Poverty is also concentrated among the young and the elderly and rising life expectancy and a growing number of old people is leading to an increased demand for services for the elderly. Young people, often with poor educational attainment and few marketable skills, are very vulnerable to unemployment. Half the unemployed are aged 14-25 years, and young people are generally pessimistic about their future. For all groups in society there is a close link between poverty and low educational attainment.

B13. Rural poverty has been declining less rapidly than urban poverty, and can be particularly severe in remote areas. However, the poor inner-city areas of Jamaica face acute problems of violence, drug running and lawlessness, exacerbated by lack of trust and hostility between residents and the police. Jamaica's murder rate, for example, is one of the highest in the Americas; Kingston's is one of the highest in the world. Violence and insecurity have had a devastating impact on the lives of the inhabitants, eroding social relationships and hindering access to basic services and job opportunities.

B14. Nationally, there is little difference in the incidence of poverty between male and female headed households. However, as elsewhere in the Caribbean, gender roles and relationships have been changing over the last ten years. Women are better able to earn income, and they are more likely to take executive positions in church and community organisations. In contrast, increasing unemployment among men is diminishing their status in the household and community. Women seem prepared to work harder and for lower wages than men do, and are less willing to remain in partnerships with economically unproductive men.

PRIORITIES FOR POVERTY REDUCTION

B15. Six problems must be addressed in order to stimulate economic growth and reduce poverty in Jamaica:

- **The lack of economic opportunities and unemployment** in both urban and rural areas;
- **Limited access to credit and saving opportunities** as a result of the social and institutional barriers facing smaller investors and the impact of the high level of Government borrowing on interest rates;
- The low quality and limited relevance of **education and skills training**;
- **Ineffective delivery of public services to poorer people**, especially education, health and social services;
- **The lack of access to basic infrastructure and utilities** (roads, water, electricity, telephones in rural areas; and housing, refuse collection, sanitation and telephones in urban areas – where violence often prevents maintenance of infrastructure);
- **Insecurity and rough justice**, especially in urban areas.

GOVERNMENT OF JAMAICA'S COMMITMENT TO PRO-POOR POLICIES

B16. In recent years, Jamaica has probably done more than any other country in the English-speaking Caribbean to define a poverty eradication strategy, identify priorities, and set up a detailed poverty monitoring system. The Government has declared poverty eradication to be its prime objective, and the National Poverty Eradication Programme (NPEP) was approved by Parliament in 1997. This sets out an integrated approach to tackling poverty, emphasising causes rather than symptoms, focusing resources on the poorest communities, and increasing co-ordination among the various agencies.

B. THE CHALLENGE

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B17. A central role in the NPEP is allocated to the Social Development Commission (SDC), a statutory body which has moved away from 'top-down' welfare to participatory approaches focusing on community empowerment. The Jamaica Social Investment Fund (JSIF) was established in 1996 with support from the World Bank, IDB and other donors. DFID is contributing technical assistance to JSIF to develop staff skills in participatory methodologies. This programme will be expanded to the SDC in 2001 to reinforce the mobilisation of local organisations in local governance.

B18. The Government's commitment to poverty eradication is well articulated at the policy level, but more must be done to achieve the poverty reduction targets. In spite of the encouraging signs that poverty is declining, there is still substantial scope for improving the use of scarce Government resources. The management of the NPEP, for example, is split between too many Government agencies and other partners and does not provide an unifying framework for effective pro-poor policies. The Government is starting to address these concerns through its Public Sector Modernisation Programme (PSMP) and local government reform. The Programme focuses on efficiency, transparency, and reduction of petty corruption and waste. It has the potential to make the NPEP more effective by cutting waste and providing higher quality and better targeted services for poor people.

B19. Jamaica's National Environmental Action Plan (1995) is set firmly within the context of sustainable development. It recognises that this is an essential part of building people's capacity to improve their health and economic well-being. It encourages full participation by the public and private sectors and by civil society.

GOVERNANCE AND CIVIL SOCIETY

B20 There is real respect in Jamaica for the principles of parliamentary democracy and for the freedoms of speech, belief and association. The media, and the press in particular, are independent, informed and critical. There are also deeply rooted societal values about justice, freedom and equity and no major divides on ethnic, religious or other lines.

B21 Jamaica also takes a strong stance on human rights and has ratified the major international accords. However, the continuing high levels of violent crime in the inner city areas, where the local 'dons' are above the law, and violent reactions by the police are major concerns. Prison conditions, the use of the death penalty, and conditions on Death Row are contentious issues. There is evidence of bribery as in most countries in the Caribbean; but so far, fraud and corruption do not seem to be systemic within government. There is a danger that if corruption takes root on a more substantial scale it will undermine efforts towards public sector reform.

B22 The role of civil society in promoting and encouraging activities that address poverty is becoming increasingly important. However, the ability of civil society to influence and to participate in dialogue with the Government on issues which impact on the poor and vulnerable is limited by capacity and funding constraints. The churches continue to be influential, but trade unions have not so far had much influence on pro-poor policy.

C. PARTNERSHIPS

C1 International development assistance to Jamaica has been declining but there is a high level of donor co-ordination within Jamaica. The United Nations Development Programme (UNDP) takes the overall lead, but different donors chair sector groups (DFID co-chairs the education group).

C2 Most donors share DFID's approach to poverty reduction. The European Commission, to which the UK contributes about 17% of its resources, is the largest donor to Jamaica and supports economic reform, infrastructure and agricultural programmes. It is also focusing more on direct poverty eradication programmes, although the EC Delegation lacks expertise in this area. DFID works with the EC Delegation on economic and public sector reform, including linking UK debt relief with EC budgetary aid. There is potential for increased collaboration in using DFID's technical expertise to support the design and implementation of EC poverty reduction programmes in Jamaica.

C3 The World Bank and IDB are also active in Jamaica. Following Government of Jamaica's agreement on a Staff Monitored programme with the IMF in late 2000 and the finalising of a Country Assistance Strategy, the World Bank has agreed a US\$220 million support programme based on financial sector restructuring, debt management and work in the education sector. The World Bank is DFID's key partner in its public sector modernisation programme, and the main contributor to the Jamaica Social Investment Fund (JSIF). The IDB is working with the World Bank and the Caribbean Development Bank (CDB) on financial sector restructuring and in addition has substantial programmes under implementation or planned, in the areas of primary education, security and justice and health sector reform. DFID is working closely with the IDB in justice reform, education and urban poverty.⁶ The CDB has recently finalised its three-year country strategy for Jamaica. It supports infrastructure development and the JSIF, and provides technical assistance for modernising the public sector. Other major bilateral donors to Jamaica are the US, Canada and Japan.

⁶ The EC's active programme amounts to €414 million (of which the UK attributable share is about £70 million). The World Bank has an active portfolio worth \$157 million, and the IDB approved \$65 million of loans in 1999.

D. CURRENT UK DEVELOPMENT PORTFOLIO

D1 The UK's development assistance programme operates within the context of the broader international development effort to support the Government of Jamaica's poverty elimination agenda. The current programme focuses on priorities agreed with the Government in the areas of education, public sector development, enterprise development, urban poverty, community development and social policy reform, and security and justice. In each of these areas we are maximising the opportunities to collaborate with the wider donor community, as indicated above.

D2 The cornerstone of DFID's support to public sector development, in furtherance of the Government's public sector reform programme, is the Jamaica Performance Improvement Project (JAPIP). This is supporting the Government's efforts to strengthen performance in the three biggest spending ministries (Education, Health, and Security and Justice) and the Ministry of Finance and Planning. This performance improvement programme has attracted much attention within Jamaica because of its potential for generating significant savings as well as improving services. Technical support to the Executive Agency Development Programme is enabling the Government to demonstrate that service delivery can be improved and costs reduced through converting selected public sector organisations into autonomous executive agencies.

D3 In the education sector we have concentrated on infrastructure development and, increasingly, on policy support. Our in-country Education Programme Adviser is working closely with the Ministry of Education and Culture and the donor community to help develop a more coherent sectoral approach, helped by reforms to the planning process. We have worked with the Ministry to improve the design and supply of school textbooks in core subjects. A £6.2 million All-Age Schools programme is working closely with local communities to help improve educational opportunity in the poorest and most remote rural areas.

D4 The Jamaican Urban Poverty Project is successfully piloting an integrated approach to reducing urban poverty and violence, based on community empowerment and a partnership between government and non-governmental organisations (NGOs) in inner city Kingston. The project

has won a number of 'best practice' awards and is starting to influence national policy. Technical support to the Jamaica Social Investment Fund is helping to encourage poorer communities to participate in planning and implementing projects. We are supporting the Government's efforts to modernise the Jamaican police force and develop community policing methods, building on initiatives within the urban poverty project.

D5 Jamaica has received debt relief under the UK's Commonwealth Debt Initiative (CDI), which offers relief on the repayment of past UK aid loans to Commonwealth middle income countries that are committed to poverty reduction. Under CDI, the UK has agreed £24.5 million in debt relief to Jamaica since 1998, some £12 million of which has been used to support capital works in the country's poorest schools.

D6 Several initiatives funded by DFID's Caribbean Regional Programme are also focused on areas which are relevant to the Government's long-term development priorities:

- technical support to the Caribbean Community (CARICOM) Regional Negotiating Machinery to enable effective Caribbean participation in the critical range of recent and ongoing international trade negotiations. These include negotiations with the EU under the new Cotonou Agreement, and likely forthcoming negotiations for a new World Trade Organisation round and for a Free Trade Area of the Americas;
- a Caribbean civil society capacity building programme; and
- technical assistance to the EC-supported programme to combat the illegal drugs trade in the Caribbean.

LESSONS LEARNED

D7 The focus of the current programme matches many of Jamaica's poverty priorities and builds on DFID's areas of comparative advantage. The programme has demonstrated that our work is most effective when we build up close

D. CURRENT UK DEVELOPMENT PORTFOLIO

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working relationships with the Government and other key development partners. Initiatives have worked best where Jamaican counterparts have clearly articulated goals and have the authority to follow through to implementation. Such close and regular contact helps encourage policy changes that maximise and sustain the benefits to poor people.

D8 We must continue to respond flexibly to opportunities arising for joint work within our selected areas of collaboration. For example, the reform work with the key ministries, and support for the Government's Social Policy Evaluation have both developed out of policy reviews which we funded.

D9 Good donor co-ordination and collaboration, both within Jamaica and with the Washington-based institutions, is important in order to make effective use of the limited amounts of development assistance available. This external assistance needs to be clearly consistent with and supportive of the Government's own priorities and strategies for poverty eradication. The additional effort which close donor co-ordination requires is necessary to achieve sustainable developmental impact and to avoid the dilution of government focus resulting from potentially competing interventions from different donors.