

JAMAICA – EU COOPERATION

COUNTRY STRATEGY PAPER

for the period 2008-2013

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PART I
STRATEGY PAPER

DRAFT

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LIST OF ACRONYMS

ACP	African Caribbean and Pacific
BDS	Business Development Services
BOJ	Bank of Jamaica
CARICOM	Caribbean Community and Common Market
CARIFORUM	Caribbean
CBO	Community Based Organisation
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
CSME	Caribbean Single Market and Economy
DFID	Department for International Development
DNAO	Deputy NAO
EDF	European Development Fund
EPA	Economic Partnership Agreement
EU	European Union
FINSAC	Financial Sector Adjustment Company
FTAA	Free Trade Area of the Americas
GDP	Gross Domestic Product
GOJ	Government of Jamaica
HIV/AIDS	Human immunodeficiency virus/Acquired Immune Deficiency Syndrome
HRDIS	Human Resource Development and Institutional Strengthening
IDB	Inter-American Development Bank
IDP	International Development Partner
IMF	International Monetary Fund
ISDNAO	Institutional Strengthening for the Office of the Deputy NAO
JAMPRO	Jamaica Promotion Corporation
JBDC	Jamaica Business Development Centre
JCF	Jamaica Constabulary Force
JLP	Jamaica Labour Party
JSIF	Jamaica Social Investment Fund
MDG	Millennium Development Goals
MTF	Medium Term Socio-Economic Policy Framework
NAO	National Authorising Officer
NGO	Non-Governmental Organisation
NSA	Non-State Actors
ODA	Overseas Development Assistance
PATH	Programme for Advancement through Health and Education
PFM	Public Financial Management
PIOJ	Planning Institute of Jamaica
PMU	Programme Management Unit
PNP	Peoples National Party
PRP	Poverty Reduction Programme
PSD	Private Sector Development
PSO	Private Sector Organisation
SERP	Support to the Economic Reform Programme

SFA	Special Framework of Assistance
SME	Small and Medium Sized Enterprises
SSA	
TA	Technical Assistance
TDP	Trade Development Project
ToR	Terms of Reference
TWG	Thematic Working Group
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFPA	United Nations Family Planning Association
UPE	Universal Primary Education
USAID	United States Agency for International Development
UTECH	University of Technology
UWI	University of the West Indies

SUMMARY

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CHAPTER I: FRAMEWORK OF RELATIONS BETWEEN THE EU AND JAMAICA

1.1.1 General objectives of the EU's external policy

[A standard text will be provided by headquarters.] See guidelines

1.1.2 Strategic objectives of cooperation with Jamaica

[A standard text will be provided by headquarters.] See guidelines

1.1.3 Main bilateral agreements

Jamaica has been a signatory to the African, Caribbean and Pacific (ACP) – European Union (EU) partnership agreements for over thirty years, beginning in 1975 with the first of four Lomé Conventions and continuing to the twenty year Cotonou Agreement signed in June 2000.

The Cotonou Agreement signalled a new era of partnership and political and economic cooperation between the fifteen EU Member States and 77 ACP countries. The Cotonou Agreement promotes sustainable development and poverty reduction, and forms the basis of EU-Jamaica cooperation.

Successive six-year National Indicative Programmes (NIP), funded under the European Development Fund (EDF), and embracing a number of key projects in areas essential to the country's human and economic development, constitute the bulk of EU assistance to Jamaica. Total financial assistance to Jamaica from the EU since the beginning of the Lomé Convention in 1975 is estimated at 710 million euros. This amount does not include bilateral cooperation by EU member states, benefits of the regional programme or the trade preferences and protocols.

Apart from EDF funding, other instruments of EU cooperation with Jamaica have included the European Investment Bank (EIB), which has funded loans from its own resources and risk capital. In addition, Jamaica has benefited from the Special Framework of Assistance (SFA) to ACP banana producers, as well as the Sugar Protocol.

In line with the Cotonou Agreement, in which the ACP countries and the EU agreed to conclude WTO-compatible trading arrangements, Jamaica is actively involved in negotiating, under the framework of CARIFORUM, the Economic Partnership Agreement (EPA) for the Caribbean.

CHAPTER II: COUNTRY DIAGNOSIS

2.1. Analysis of the political, economic, social and environmental situation in the recipient country

2.1.1 Political and institutional situation

Jamaica is a stable **multi-party democracy** with a bicameral legislature, which holds primacy, and separate judiciary and executive functions. The elected House of Representatives was split in the 2002 election in the proportion of 36 for the ruling People's National Party (PNP) and 24 for the Jamaica Labour Party (JLP), both of which are historically based on Labour and Workers' Unions. The next General Election is to be held before the end of 2007 and typically electoral participation is high, at 70 percent.

The continuing reform of the 14 Local Authorities is successful in devolving some decision-making and limited revenue generation powers to the local level. Jamaica's performance in international **corruption** indices is traditionally strong but appears to be declining: between 2002 and 2005 the country's ranking in the CPI index fell from 45 to 64. The public financial systems are subject to accountability, with the Public Accounts Committee, Corruption Prevention Commission and public scrutiny operating effectively to maintain transparency and good governance.

The media is free and openly comments on government activity. **Civil society** is robust, voicing concern on a range of single subject issues (for example Jamaicans for Justice's campaign against capital punishment) and wider debate, such as the Independent Jamaican Council for Human Rights' focus on reform in education and the justice and penal systems. These pressure groups are heterogeneous, displaying conservative (the strong religious lobby), moderate, and more liberal tendencies.

The recently formed Caribbean Court of Justice now has the authority to adjudicate on some regional trade and labour issues, but it has not yet replaced the British Privy Council as the final court of appeal in criminal cases. Although the Jamaican Constitution's Bill of Rights establishes the fundamental **human rights** of individuals and the Government has signed all the relevant international Conventions¹, it neither includes anti-discrimination provisions for sexual orientation nor prohibits capital punishment.

As a leading member of CARIFORUM and CARICOM, Jamaica has consistently pursued the creation of a structure of **regional economic integration** and operates an efficient partnership with the EU.

The government has enacted a series of recent policies and legislation to promote robust **governance** structures and processes. However, it is the efficiency and capacity of implementation that will determine the benefits of these initiatives. In particular, **justice and security** is a recurrent

¹ Such as the Universal Declaration of Human Rights, the Convention on the Rights of the Child and the Convention for the Eradication of All Forms of Discrimination Against Women.

theme and future action by international development partners (IDPs) to address the causes of crime (especially inequality of income distribution) is important.

2.1.2 Economic and commercial situation

Macro-economic performance has improved since the last CSP. Real GDP grew by 1.4% in 2005, recovering strongly in the second half from the impacts of Hurricane Ivan, higher energy prices and the closure of the Petrojam refinery. The data in Annex 1 show a shift away from traditional industries, such as agriculture and manufacturing (although mining remains strong), towards distributive trade, tourism and communications.

The EU Sugar Reform will have a significant impact on the macro-economy and particularly so on the rural economy, as is the government's decision to privatise the industry. The EU is providing support to this structural reform, in the order of € 4.6m in 2006, and larger allocations for the period 2007 – 2013, which will be valuable contributions to the mitigation of this impact on vulnerable rural areas.

The major challenge faced by GOJ is the **external debt** which represents 125% of GDP, along with the potential for debt servicing commitments to increase with international interest rate movements, rising international oil prices, the potential for industrial action, problems in cement production and possible public sector wage inflation. Upside potential is driven by increased space for non-debt expenditure in 2006/7 and demonstrable expenditure restraint, declining debt as a percentage of GDP, exchange rate stability, and the successful negotiation of the Memorandum of Understanding (MOU) restraining public sector wages.

The **unemployment rate** has declined steadily from 15.5 percent in 2000 to 11.3 percent in 2005, yet remains divided on the gender dimension with female unemployment standing at over twice the level of male. Of further concern is the phenomenon of the 'working poor', for whom demand for labour fails to keep pace with inflation and depresses wages in real terms.

The economy is also significantly dependent on receipts from private current transfers in the form of **remittances**. These increased in 2005 by 13.3 percent to US\$1.5 billion representing around 15 percent less than the exports component of the current account balance. Loans comprise around 70 percent of the ODA portfolio, an increase of 72 percent compared to 2004, and required servicing and repayment of US\$167 million. This suggests the paradox that, as the country climbs into the group of middle income countries (now ranked 79th in UNDP's Human Development Index 2004) through demonstrating good governance and some economic progress, sources of grant funding that could assist this trend become less readily available, forcing the government to turn to less preferential rates on capital markets. The EU grant disbursement, the largest by far and representing about 36 percent of all ODA, has the potential to promote a balanced pattern of national development.

These **risks** are mitigated by GOJ's strong commitment to meeting these obligations (reinforced by the constitutional provision to prioritise debt servicing), by the fact that around 75 percent of total

public debt is held by Jamaican nationals and by the self-interested incentive to maintain access to capital markets. GOJ's willingness to repay debt is exemplified by the budgeted reduction of debt servicing by 2.1 percent in 2005/6 compared to the previous year.

Although the International Monetary Fund (IMF) has issued an official caution in regards to the debt level, the government has exhibited a fairly satisfactory ability to provide public services and to swap low for high interest bearing financial instruments. The government has recently secured a 30-year bond issue, suggesting that investor confidence in the economic future is strong. Despite these mitigating factors, the high level of indebtedness remains a barrier to macroeconomic sustainability, absorbing 58 percent of government expenditure for 2005/6 and contributing to the overall **fiscal deficit** of 7.1 percent.

Since the early 1990s, there has been a significant decline in **poverty rates**² even as economic growth failed to take off significantly. This apparent contradiction may be explained in part by growth in remittances and in the informal sector.

In conclusion, vulnerability is linked to external shocks, the debt burden and GOJ's need to manage expenditure while traditional exports (such as banana and sugar) are constrained. High levels of national debt and social risk could threaten the recent gains in the economy. Although there is also concern over the efficiency of converting investment into employment, relatively low private sector growth rates, security challenges, sustainable rural development and the size of the public sector, the GOJ is focused on social development and exercising prudent fiscal expenditure.

The government continues to deploy responsible **fiscal management policies**, with the objective of single digit inflation, a balanced budget, debt reduction, declining interest rates and foreign exchange stability. The extent to which these aims have been achieved, however, is mixed as is demonstrated by the failure to balance the 2005/06 budget and the increase in the debt burden.

On the positive side, **inflation and interest rates** have shown consistent medium term declines. The reform of the public sector has usefully focused on a recruitment freeze and decline in real wages. The high level of foreign reserves, sufficient to cover debt payments due in the coming two years, reduces the country's vulnerability to external shocks. The Bank of Jamaica's (BOJ) reluctance to increase borrowing also minimises a major potential source of money supply expansion and economic instability. With some signs of improvement in the macroeconomic fundamentals and competitiveness, the economic outlook is somewhat optimistic.

These significant gains notwithstanding, a number of challenges remain. Chief among these are the management of the debt burden, the efficiency of tax collection and the balancing of the budget. The major obstacle in balancing the budget lies in low economic growth, low realisation of tax revenue, overspending due to external shocks and debt interest servicing requirements.

Overall, tax revenues have declined in real terms. However, the first reform of the tax structure in over 20 years is expected to deliver considerable benefits, improve compliance with property tax, increase the General Consumption Tax and rationalise Corporate Income Tax. Significant obstacles

² GOJ figures released in May 2006 show a 2.1 percent fall in the poverty rate over the previous year.

to effective tax collection remain, chief among which are institutional capacity, the demographic profile of the tax base, the large informal economy and corporate tax efficiency measures.

Assessment of the reform process

Jamaica possesses a sound and comprehensive policy and legislative framework for fiduciary management. The principal aims of reform are to improve efficiency in investment, through streamlining the public sector, tightening procurement mechanisms and monitoring and evaluating the public expenditure planning process.

The most significant public sector reform yet is the ten-year Public Sector Modernisation Programme (PSMP), initiated in 2002. It is ambitious in scale and scope and aims to deliver benefits ranging from rationalisation of public sector administration to integrating the concept of 'Joined-Up Government'. An evaluative assessment is premature.

It seems that the relatively poor results that have obtained for Jamaica over the long term are more the result of external shocks and macro-economic factors, than inherent institutional weakness. Indeed, GOJ's fiscal management institutions are robust in that the macroeconomic programme relates directly to the budget and GOJ has a clear mandate and majority to deliver it.

Trade policy and external environment, in particular regional cooperation agreements and EPAs

As a small open economy, Jamaica's economic prospects are tied to its ability to trade efficiently with its regional peers and to access the markets of North America and Europe. Trade between the European Union and Jamaica accounted for around 30 percent of domestic exports and 10 percent of imports. Jamaica has worked hard to open the economy to multinational corporations and international capital and success is reflected in the high ranking, relative to peers, accorded to the country by the UN's Transnationality index³.

As far as trade policies are concerned, of interest is the effective participation of Jamaica in international trade fora and agreements, in particular WTO, and Jamaica's full use of the available EU commercial policy instruments. At the bilateral level, efforts have been undertaken by GOJ to promote trade in its national development policies. In this context, Jamaica has been actively involved in the preparation and negotiation of the Economic Partnership Agreement (EPA) under the framework of CARIFORUM. A major trade issue was the reform of the Sugar Protocol. Negotiations under Phase III of the EPA in 2005 provided a framework to strengthen the capacity of GOJ in international trade negotiations under the all ACP programme for capacity building in support of the preparation of the EPA. The EPA seeks to develop a consensus on the priority areas for free trade between the ACP states and the EU. GOJ has reaffirmed its commitment to the regional integration objectives of the Regional Support Strategy for the Caribbean and is committed to playing a leading role in ensuring its realisation.

³ Jamaica scored 23%, World Investment Report, UNCTAD, 2005.

2.1.3 Social situation including decent work and employment

Jamaica's population stands at 2.6 million, with an annual growth rate of 0.6 percent. The speed of growth is consistent with the National Population Policy target for a growth rate below 0.8 percent over the medium-term and a projected population size of fewer than 3 million by the year 2020. This downward trend is desirable in light of a national policy for achieving a stable population at zero growth,⁴ but negative in terms of the potential impacts on the socio-economic profile of Jamaica.

Trends in **international migration** rates impacted on the population profile of Jamaica. However there have been major challenges collecting reliable migration data given the issue of border control. Nonetheless, the level of migration has been offset by the inflow of remittances and the increase in the number of returning to Jamaica. The Caribbean region is the world's largest recipient of remittances as a percent of GDP, accounting for approximately 13 percent of the region's GDP in 2002.

Poverty is characterised through vulnerable groups with low levels of income and consumption and inadequate access to social services that include quality of education and health care. Many live in informal settlements in substandard housing and limited access to running and/or treated water supplies. In rural locations these deficiencies also include rural isolation through poor road conditions that constrain service delivery and accessibility to local markets. Although poverty has declined significantly over three decades, there is no reduction in inequality, as measured by the Gini coefficient (0.4 in 2002, after averaging 0.38 since 1990).⁵

Household size has been declining over the last three decades and in 2005, the average Jamaican household size was 3.3 persons except in rural areas where this average rose to 3.6, most prevalent among female-headed households. Also, consistent with patterns of fertility and migration, rural areas had the highest number of children (1.2) and adult males (1.1).⁶

The National Housing Trust's Corporate Strategic Plan, which runs until 2007, continues to facilitate **home ownership** at reduced rates and increased limits on all loan applications. The MTF outlines government plans to develop more client friendly housing for the institutionalised poor and the forging of public/private partnerships to deliver care for the elderly and infirm. Despite these efforts, Operation Pride, a National Housing Development Corporation (NHDC) programme, managed to build only 14,000 out of a targeted 38,000 homes for those in the low income bracket which highlights the need for a broader housing policy that focuses on both long and short term strategies to deal with the indigent and marginalised homeless. Informal human settlements are a major problem in Jamaica that is fuelled by lack of access to land. Eighty-two percent of these settlements are located in urban areas with the highest figures recorded in Kingston Metro Area (KMA) and St. Andrew (95) and the least in Manchester (11).⁷ Work is currently underway on the

⁴ Statistics taken from This Overview doc. (JG to get full title of doc)

⁵ The Gini coefficient is a value between 0 and 1, where 0 represents a perfect equality in income and 1 represents perfect inequality.

⁶ Jamaica Survey of Living Conditions 2005

⁷ National Squatter Survey Jamaica, August 2004, p.19

development of a housing policy and Cabinet has approved a set of policy guidelines that address the issue of informal settlements.

Indicators for the Housing Quality Index show increases between 1993 and 2002 of 17.4 percent. Some 65 percent of households had access to safe drinking water, while 87 percent had access to electricity. There was more exclusive use of water for those households closest to KMA than other regions, although 7.4 percent of households in KMA do not have a WC. Pit latrines remain the main means of sanitary disposal in the rural areas.

Employment

There are few employment opportunities for the poor, the majority of whom are without skills and work in a narrow range of low paying jobs. Youth unemployment rates are high and unemployment rates for young women stand at 39.7 percent, almost double that of young males.⁸ Employment in mining and quarrying increased by 27.5 percent, whilst transport, storage and communications declined by 7.2 percent. Community, Social and Personal Services continued to provide the largest employment by industry with the service sector accounting for 63 percent of total employment in 2003.

The working age population (15-64) represents 62.8 percent of the total population (848,200 females and 822,100 males), which is projected to show the largest increase among the 30 to 59 year olds.⁹ In 2004, data from the Employed Labour Force by Employment Status showed that the *own account* category accounted for 34.2 percent of the total employed labour force, up from 33.9 percent recorded in 2003. The Informal Sector Study for Jamaica (2004) indicated that wholesale and retail remained the primary activities among small and medium enterprises (SME), employing 18 percent of the total labour force. The study reported that the size of the informal sector stood at 43.7 percent of the economy in 2001. Measures to formalise informal employment practices should be considered.

Social Protection

Jamaica has a long history of providing social assistance to the poor and its most recent Social Safety Net (SSN) programme, established in 2001, delivers a multi-dimensional welfare package that improves on the foundations of the National Eradication Programme launched five years earlier.

The government's social support programmes outlined in the MTF are focused on reducing the number of people living below the poverty line. The policies it promotes are realised through a range of programmes that include the Programme for Advancement through Health and Education (PATH) which is a centrepiece welfare package that amalgamates several former cash transfer programmes into a unified benefits package. A series of planned projects supported by IDPs in conjunction with the government, such as the Inner City Basic Services project, will provide a broad range of infrastructural and social services to underpin human and social capital in community development.

⁸ MTSEPF, 2004

⁹ Jamaica Survey of Living Conditions, 2005

Several of the support programmes are designed to break the cycle of poverty and develop community level capacity through the development of small-scale sustainable community projects, one hundred of which have been facilitated through the Jamaica Social Investment Fund with support from the government and IDPs at a cost of J\$689.9 million. However, policies that predominantly focus on the welfare dimensions of poverty are not economically viable without a parallel focus on the systemic causes of poverty and the MTF does not articulate how poverty reduction is being addressed in government planning and expenditure.

Crime

Jamaica suffers from serious social challenges, in particular high violent crime rates concentrated in pockets of poverty, which threaten to undermine the social fabric. There were 54 murders per 100,000 persons in Jamaica in 2004. Kingston and St. Andrew, which accounts for 27 percent of Jamaica's population, also accounted for an average of 57 percent of murders between 1984 and 2001. The drivers of criminality include low social cohesion at family and community levels, the legacy of marginalised 'garrison' areas, low levels of educational attainment and skills training, and lack of access to employment. These conditions impact most strongly on economically vulnerable young males, the group most likely to be either perpetrator or victim. The Jamaica Constabulary Force (JCF) has implemented a range of measures to promote public confidence and improve its ability to tackle the impact and symptoms of criminality, in areas such as community policing, dispute resolution, and restorative justice through the National Security Strategy. Despite laudable advances in managing the police, public concern over police activity remains.

The public perception of the JCF however, should be seen in the context of its work environment, characterised by high workloads, stress, relatively low remuneration levels, and limited access to counselling, training and other operational support. Furthermore, inadequacy of justice due to lack of timeliness in dealing with problems and the backlog of court cases, contribute to the lack of public confidence in the criminal justice system.

Despite steady progress in the social and economic advancement of women and men, widespread gender inequalities continue to exist in terms of access to education, employment and decision-making. Female unemployment is four times higher than that of men despite higher rates of academic achievement and gender poverty continues to be depicted by female-headed households who register the lowest per capita consumption figures and have the greatest number of children. Domestic violence persists with more than 500 incidents reported in 2005 while teenage pregnancy figures continue to rise.

Gendered poverty is currently being addressed through a number of discreet projects and mechanisms designed to improve gender planning and monitoring. However, efforts to mainstream gender and deal with the disparities through policy and improved programme design is necessary, especially given that all forms of exclusion highlighted through the various manifestations of poverty in Jamaica, have a gender dimension.

Jamaica enjoys the status of a 'country in green,'¹⁰ in making good progress towards achieving its MDG targets in universal primary education and female enrolment. However, its successes are impeded by a lack of improvement in child mortality rates, and in maternal health care where little change has been recorded over the last 20 years. HIV/AIDS cases are rapidly rising and are a cause for concern with the prevailing pattern of sexual behaviours and its links to the large tourism sector. Despite representation of the MDGs, the MTF fails to articulate an approach to poverty reduction that is linked to meeting the MDG objectives.

Health

Jamaica has experienced an overall increase in the prevalence of HIV/AIDS since 1990 and is ranked amongst Haiti, Guyana and the Dominican Republic as a Caribbean country with a high prevalence of HIV and AIDS. The adult infection rate stands at 1.5 percent¹¹ and is most widespread in young women and heterosexual men, with 66 percent of cases through heterosexual spread.¹² The growing prevalence of infection amongst adolescent girls presents a key challenge for the health sector. The Ministry of Health and the National Aids Committee prioritise prevention and care strategies to combat the spread of the disease. However, there is a need for a more joined-up, multi-sectoral partnership approach and effective mechanisms for monitoring outputs. Left unchecked, the disease will significantly impact Jamaica's productivity and the socio-economic make-up of rural and urban societies.

Jamaica's high immunization rates (at 90 percent) of communicable diseases such as cholera, yellow fever, yaws, the plague, polio and measles is exemplary but reductions in vaccine coverage due to budget cuts needs to be monitored. The rise in non-communicable diseases associated with poor lifestyle and nutrition needs focus and the high number of violent deaths and accidents puts pressure on an already under-resourced health service. Adolescent fertility rates in Jamaica are higher than any other country in the English speaking Caribbean¹³ and needs to be urgently addressed.

Rural Development

The poverty rate is high in rural areas with those living below the poverty line categorised as unskilled wage labourers, artisanal fisher families, small hillside farmers, unemployed youth and households headed by female farmers¹⁴.

The problems that these marginalised groups face are exacerbated by poor quality services and physical infrastructure that impact on their educational outcomes, maternal mortality rates, and access to agricultural markets. Changes in the European Union ACP trade regime that will affect the rural based sugar industry on which an estimated 100,000 people depend for their livelihoods, further compound the problem.

¹⁰ 'Country in Green' – indicating sufficient progress in the 1990s to attain the target values in the specified time period (by 2005 for gender equality and 2015 for the others). MTF, 2005.

¹¹ MTF, Feb 2005

¹² DFID Country Assistance Plan, October 2005

¹³ MTF, February 2005

¹⁴ PIOJ, Economic and Social Survey of Jamaica, 1994

Whilst government policy focus on measures to increase efficiency, competitiveness and productivity in the rural environment is far reaching, encapsulation of an integrated and comprehensive strategy for sustainable rural development that acknowledges the heterogeneity of rural poverty, the spatial rather than sectoral inference of the problems, and the interdependence of several sectors to underpin poverty reduction goals is not strategically defined. Although the EU funded Eastern Jamaica Agricultural Support project benefited more than 7000 people, sustainability requires a shift from a sectoral approach to a multidimensional spatial approach.

Steps to reduce rural poverty must go beyond investment in infrastructure and services to include the provision of agricultural technologies that boost local production; non-agricultural livelihood diversification training in areas of micro-enterprise development linked to educational outputs; increased telecommunications and IT to ensure self-sufficiency and competitiveness of a rural based economy and, an overarching integrated participatory process that combine local government systems and community structures. Local government reform places parish councils in a central role to coordinate and manage programme funds that will be supported by the relevant ministries and agencies in the alignment of planning outputs in a territorial context.

Education

Jamaica's international recognition as a country with accomplished MDG targets for UPE, masks the challenges it faces in addressing disparities and inconsistencies in the education system that undermine the performance of the whole sector and impede its participation in the competitive challenges of the global economy.

Although the education sector received 9.7 percent of the governments total budget allocation, 94 percent represents recurrent expenditure earmarked for salaries. This figure falls short of the 20 percent national expenditure on social services allocation set at the 1995 World Summit of Social Development, with spending on social services and education averaging just above 11 percent of the 2006/2007 budget.

Problems pervade all levels of the education system and result in inadequate educational returns in terms of poverty reduction¹⁵. Poor quality teaching¹⁶, an inadequate curriculum, limitations regarding equity and access, highlight some of the key deficiencies the government must address. Social and economic inequities continue to impact on poor attendance and high drop out rates at primary and secondary levels, and is particularly visible in children, especially those of teenage parents, and of the working and non-working poor. This is reflected at Secondary level where participation rates for boys and girls show a decline of 36 per cent and 28 per cent respectively. The rise in anti-social behaviour at school and the poor infrastructure and facilities further amplifies the problem.

¹⁵ World Bank Country Report, 2004

¹⁶ A critical aspect of student under performance has resulted from the migration opportunities for skilled teachers, especially at the lower grades (UNDP) and US Census figures suggest that in 1990, over two-thirds of Jamaica's tertiary graduates were in the US).

Poverty is strongly correlated with low educational achievement as high rates of teenage pregnancy¹⁷, drug abuse, domestic violence, child abuse and high levels of crime amongst poor groups. This is further amplified by class disparities in drop out rates – more than 25 percent of the poorest quintile leave school by 16, while this figure is only 2.2 per cent for the wealthiest quintile. Seventy percent of the wealthiest 10 percent of children aged 17-18 are still in educational institutions compared with under 29 percent of the poorest 10 percent.¹⁸

Interventions to address poverty through education must provide specific focus on early childhood development through parenting initiatives and techniques that improve cognitive and behavioural outcomes for poor children and assist in breaking cycles of intergenerational poverty. The Early Childhood Act (2006) will guide the promotion of educational provisions targeted at vulnerable groups and set standards for early childhood development. The government is also guided by the recommendations of the National Task Force on Education Reform who advise focus on four main components that impact education through governance and management; curriculum, teaching and learning support; stakeholder participation; and Finance.

Support should be provided to students at major transition points in their education to address their lack of preparedness and readiness to access the curriculum needs at the various stages. Attempt to overcome the educational challenges that exist in Jamaica require greater decentralisation of management and funding responsibilities, community buy-in to ensure that indirect socio-cultural issues that impact educational achievement can be addressed.

Overall, in order to stem the tide of intergenerational poverty, provide a boost to the economy and prepare Jamaica for global market access, linkages between education and the cross-cutting issues that can impact or be impacted by education delivery such as issues around national security, health and gender equity, should be addressed in order to increase the stocks of human and social capital in society.

2. 1.4 Environmental situation

The future of Jamaica's economic development is heavily dependent on the quality of its natural environment to sustain its productive activities in agriculture, mining and tourism, which accounts for 18 percent of the country's GDP¹⁹. However, Jamaica's vulnerability to a number of external and man-made hazards threatens to undermine its resource base and impede poverty reduction processes. Impacts from poor fishing practices, land-based pollution, solid waste management and watershed practices, contribute to the degradation of the environment. The impact of widespread deforestation and soil erosion increases the country's vulnerability to natural hazards.

The government has established legislative and planning frameworks with interconnected objectives for dealing with environmental and natural resource challenges, but are at an embryonic stage in delivering real outcomes that can impact on sustainable livelihoods that are in harmony with the environment. Efforts to improve Jamaica's resilience to natural disasters include the Natural Hazard

¹⁷ Adolescent fertility rates in Jamaica are higher than any other country in the English speaking Caribbean. MTSEPF, 2005.

¹⁸ Stats from JSLC ??

¹⁹ MTSEPF, February 2005

Mitigation Policy that addresses hazard mitigation, as well as building national, regional and local institutional and human resource capacities in hazard risk management. Natural resource impacts that impede the poverty reduction process include the country's vulnerability to natural disasters, the unchecked depletion of resources, a slow legal reform process, inadequate planning, poor environmental practices and a culture of non-compliance with regard to natural resources.

2.1.5 Jamaica in the international context

Jamaica is involved in the negotiations and implementations of four multilateral trade agreements. As a signatory to the World Trade Organisation Agreement, Jamaica underwent its first mandatory Trade Policy Review in 1998 when its comprehensive programme of structural reform and trade liberalisation was examined. The dismantling of price controls, privatisation of several public sector enterprises, reduction in import duties from rates as high as 200 percent to 20 percent, and enhancement of the private sector were all noted. Jamaica is advanced in its preparations for the Caribbean Single Market and Economy (CSME) through the signing and implementation of several protocols that include the legislations providing for the free movement of university graduates, artists, media workers and sports persons; the elimination of visa requirement for Intra-Caricom travel; and the transference of social security benefits.²⁰ As a leader of trade expansion policy in the Caribbean region, Jamaica has signed preferential agreements with Venezuela, Colombia, the Dominican Republic, Cuba, and Costa Rica.

2.2. Jamaica's development strategy

Jamaica's Medium Term Socio-Economic Policy Framework (MTF) embodies GOJ's macro-economic, social, environmental and governance policy objectives from 2004 to 2007. GOJ's stated strategic focus is macroeconomic stability and poverty reduction. The government's macro-economic policies therefore emphasise the need for prudent fiscal management, greater control of inflation and the promotion of private sector development.

Social sector gains over the last decade will be underpinned by focusing on areas of health and education that break the intergenerational cycle of poverty through the provision of early childhood development services, all-level educational access, control of the HIV/AIDS epidemic and other preventable diseases, improved health service delivery standards, and continued reduction in child and maternal mortality rates.

National security and justice efforts will endeavour to reduce crime through improvements in the law enforcement infrastructure, the promotion of local level crime prevention strategies, a streamlined and efficient justice system and legislative reform that promotes human rights and social stability.

Environmental sustainability will be addressed through improved land, forestry, watershed and coastal zone management systems and activities that minimise the deleterious impacts of economic

²⁰ Jamaica applies the Revised Treaty of Chaguaramas with the objective of consolidating the Caribbean Single Market and Economy (CSME) and has signed a single market agreement with Barbados, Belize, Guyana, Suriname and Trinidad & Tobago.

activities on the country's natural resource base. Hazard mitigation strategies will also be addressed.

Cross-cutting priorities that underpin the MTF agenda take on an equality perspective with focus on children, youth, gender and strategies that improves the lives of the elderly and those with disabilities.

All government strategies are underpinned by the government's governance structure promoted by participatory democracy, accountability, transparency and fairness and leadership with a clear and coherent vision. A participatory planning process involving local parish development committees fosters participation at the community level.

GOJ is actively working to improve the coordination, prioritisation and monitoring of the public expenditure planning process. In late 2005, the government established a monitoring and evaluation framework for the MTF, to ensure effective prioritisation of projects, efficient channelling of IDP assistance and to monitor and evaluate their impacts.

2.3. Analysis of the viability of current policies and the medium-term challenges

Jamaica's macro economic performance over the last five years, with primary surpluses in the range of 7 to 14 percent of GDP, suggests that the MTF is feasible.

However, within this macroeconomic framework, the achievement of the Government's specific targets is dependent on several critical factors, including absence of external or domestic shocks to production, increase in confidence and an accompanying sustained fall in interest rates, containment of the wage bill in nominal terms and maintenance of a high level of primary surplus. The key challenges to economic growth stem from the combination of economic, political, social and environmental risks, outlined in the annex.

There are some limitations to the MTF. While process indicators have been assigned to most initiatives, the implementation programme matrix would benefit from a higher proportion of measurable output indicators and programme support capacity. The framework is not explicitly pro-poor, is not clearly prioritised and is not linked to expenditure. The operational function of the Thematic Working Groups and the MTF monitoring process will be crucial to success and the harmonisation of IDP inputs will be important to avoid duplication. There is a clear need to strengthen the programme management capacity to facilitate the interface between IDP and other inputs and the relevant line ministries and promote efficiency in investment.

While GOJ rightly ranks infrastructure projects highly, there is a need to balance these activities with support to the elements that encourage the social cohesion that underpins sustainable economic performance. Consequently, attention will be paid in the Response Strategy to the social development goals that are driven by the issues surrounding rural development, security and justice and the delivery of basic social services.

The MTF has already articulated the key social sector policy measures GOJ wants to implement including extending social safety net reforms, modernising the curriculum, increasing access and improving the quality of secondary level education, meeting MDG commitments, and projects and programmes that focus on the needs of the elderly, youth and children.

The current low percentage uptake of targeted welfare support, general decline in the use of primary services, high percentage of students leaving the education system without academic qualifications or skills, presents a bleak outlook on the GOJ's ability to meet its medium term challenges in these areas.

For the GoJ to succeed in meeting its social development objectives it will need to promote community driven social development initiatives by accelerating capacity building of NGOs and civil society organisations to deliver social sector programmes at a community level, with particular emphasis on rural structures; provide a comprehensive implementation framework to support joined-up working arrangements between Ministries on cross-cutting sectoral issues (this objective will require a 'research before action' approach to ensure an understanding of the connectedness of social sector priorities); and develop adequate M&E tools for addressing social development outputs that can inform future 'best practice.'

The sustainability of social sector performance objectives will also rely on the integration of environmental principles across a plethora of policies and programmes and a comprehensive rural development programme.

The EU should provide a framework through which the various social development activities promoted by individual IDPs can be coordinated, monitored and evaluated as the GoJ's weak coordinating structures may fail to provide an adequate umbrella to the range of services currently applied. Support should be programme rather than project oriented to ensure greater overall sustainability.

CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

Overview of past and present EU cooperation

Development cooperation between Jamaica and the EU goes back 30 years and has been valued at some €710 million, not counting the regional programmes.²¹ The EU remains Jamaica's largest grant partner and its development cooperation programme in Jamaica is both consistent with the priorities of GOJ and complements the policies of other international development partners.

Past and current EU strategy in Jamaica, seeking to support activities that would promote growth and employment, has focused on providing macroeconomic support, support to the economic infrastructure, support to the private sector including SMEs, and support for institutional strengthening and poverty reduction. The conditions created by Jamaica's slow emergence from the worst financial crisis in its history, which began in 1996, and which was brought on by that sector's

²¹ Planning Institute of Jamaica, Office of the National Authorising Officer.

rapid liberalisation,²² helped to shape the CSS/NIP 2002-2007. Furthermore, the CSS/NIP 2002-2007 focused on assisting the private sector prepare for competition in a more liberalised global market because this was seen as an urgent and important task in light of the newly emerging international trading regime and the reform of traditional trading arrangements. Finally, the modernisation of Jamaica's deteriorating road transport system was seen as strategically important to the further development of the agriculture, tourism and mining sectors, at a time of severe fiscal constraints.

Lessons Learned

A recent evaluation of the CSS/NIP 2002-2007 concluded that varying levels of progress have been achieved. While there were delays in the start of the private sector development programme, the period also witnessed improved IDP coordination. The MTF, which has benefited from donor support, was the mechanism for this strengthened IDP coordination. The review also noted that programmes financed from the 7th, 8th and 9th EDF have generally displayed continuity in many areas and the accumulation of activities in targeted sectors has generated a positive impact.

Important lessons learned from past Jamaica experience suggest that clear links need to be established between government priorities and the CSP/NIP; that realistic indicators be used to monitor performance; that projects and instruments that reinforce the strategy of poverty reduction be chosen; that strengthening the capacity of state and non state counterpart agencies be prioritised; that each sector and project should incorporate functional indicators to measure its linkage to and contribution to poverty alleviation; that synergies between past and present cooperation be identified to enhance impact; that coordination and complementarity between EU, national and IDP initiatives be included in each project Financing Agreement; that there be coordination with other IDPs at the level of design and implementation of interventions; and that the CSP/NIP should place more emphasis on the role of the NAO office as coordinator of external cooperation.

Other lessons to be drawn include the tendency, when plans are being formulated, to overestimate the speed of reform and underestimate the economic challenges. As such, time-frames need to be carefully and realistically assessed in future programming. Projects and programmes financed under the 9th EDF proved to be slower than intended; and the private sector development programme, in particular, started effective implementation only recently, due in part to complexity of procedures. Likewise, the complexity of procurement procedures for TA in general is well-known and should be adequately considered during future planning. Finally, poorly designed projects always cause delays in implementation and the experience of the HRDIS provided evidence of this other well-known lesson.

3.1.1 Focal Sectors and Macroeconomic Support

Focal Sector I - Private Sector Development

Under the 9th EDF, the EU allocated €20 million for Jamaican PSD. Additional funds allocated to the sector from 3 previous NIPs takes the total EU contribution to €36 million. This last figure is further supplemented by EIB loans for business development. The current PSD programme, which

²² See GOJ, *Medium Term Socioeconomic Policy Framework, 2004-2007*, p 12; and World Bank, *Country Assistance Strategy for Jamaica, 2006-2009*, p.4.

goes beyond the old trade development programme, is meant to empower the private sector organisations and SMEs, strengthen their support organisations, build their capacity for cost-sharing, increase access to corporate finance, and improve their competitiveness. However, due to the slow start of the PSD programme, it is too early to assess the results achieved thus far.

Focal Sector II - Infrastructure Development

Jamaica's road network, which includes some 25,000 km of roads,²³ is essential for the transportation of goods and people to ensure the country's economic prosperity and the improvement of sectors like agriculture, tourism and mining. The EU has been involved in the development and rehabilitation of the road infrastructure, particularly the North Coast Highway (NCH) project, which has been ongoing since the 7th and 8th EDFs. Construction of the EU segment of the NCH commenced in December 2005, and it is expected to take 32 months until completion in June 2008 followed by a 12 month maintenance period.

As far as the involvement of other IDPs, the NCH rehabilitation also provides an example of long-term multi-donor project cooperation as Japan, CDB and IDB were all responsible for rehabilitating different segments of the NCH project.

GOJ drafted, with EU support, a National Transport Policy that outlined the strategy for the development of the transportation sector for the next 20 years. It establishes a policy framework with clear guidelines and indicators. The views and priorities of numerous governmental and NSAs, as well as environmental considerations, were taken into account in the preparation of the national transport policy. A major benefit from EU assistance is that it will allow the ministry to revamp its maintenance programme.

Ongoing programmes from the 8th EDF - Water sector

Activities in the Water sector, which were agreed to under the focal sector of infrastructure development (8th EDF), continue. Projects include the Rural Water Supply Project, phase II, which received €10 million and is expected to be completed at the end of 2007; and the Water and Sanitation project under the Poverty Reduction Programme in Whitfield Town in Kingston where 25,000 people now benefit from improved sanitary conditions.

Under the 9th EDF, the institutional strengthening of the National Water Commission will be supported with €1.1 million to improve its capacity to fulfil its mission of providing safe water and sewerage services to all Jamaicans; and €3 million will be allocated to rehabilitate the Negril Wastewater project/Waste Stabilisation Ponds. These water projects have as their targets either poverty alleviation or the institutional strengthening of critical Jamaican organisations.

Macroeconomic Support

The EU has continued to support the government's macroeconomic reform programme which aims at stabilising the macroeconomic environment and reducing poverty. The EU approved a third

²³ This figure is taken from GOJ, Ministry of Transport and Works, *Jamaica Road Sector Policy and Road Master Plan*, p. 1, and confirmed in an interview with Karl Martin, Coordinator, NISP, Ministry of Transport and Works.

Support to the Economic Reform Programme (SERP III) aimed at improving governance by strengthening the public finance management (PFM) capacity. Twenty-seven million euros were allocated to budgetary support and €3 million was allocated for studies, audits of PFM and institutional capacity building measures.

As part of its larger reform agenda, GOJ has embarked upon an ambitious public financial management reform and has established a framework which includes audits, oversight by the Public Accounts Committee and a new Access to Information Act. In addition, a joint World Bank/IDB public finance management assessment was conducted, as part of the effort to strengthen public procurement and financial management.

Another component of the reform was the preparation, with EU assistance, of the MTF, which outlines GOJ's development priorities and also serves as a framework for monitoring the progress of the reform agenda, especially in light of the discontinuation of the IMF staff monitored programme in 2003.

3.1.2 Projects and programmes outside the focal sectors

The focal themes are supplemented by a non-focal programme of decentralised cooperation with an emphasis on poverty alleviation, good governance and institutional strengthening. The programmes are implemented mostly through participatory decentralised cooperation in order to strengthen community involvement in development. These include the poverty reduction programme (PRP II), which focus on water and environmental health issues; and the SERP III-HRDIS, and support to the NAO, which address cross cutting issues, such as capacity building, human rights, and competitiveness. Under these programmes, support is being provided for institutional strengthening related to community empowerment and the delivery of services to communities.

3.1.3 Utilisation of Envelop B

GOJ received €28.2 million from Envelop B, which is reserved for emergency assistance. A total of €25 million was used to help offset hurricane related and other unforeseen expenditures. The support facilitated social cohesion in a time of great social distress. In 2004 GOJ applied for €2 million to support short-term fluctuations in export earnings (FLEX). Those funds were allocated to 30 rural road rehabilitation projects. Another €1.2 million from Envelope B used to fund ECHO's rapid response to the damage caused by Hurricane Ivan in 2004.

3.1.4 Other cooperation

Apart from EDF support, Jamaica has benefited from various other instruments of cooperation. The Stabex system, established under Lomé to support stability in the export earnings of traditional agricultural commodities, provided Jamaica with €2.3 million in 2000 to compensate for falling banana prices on the world market and losses in exports due to hurricane damage. Sysmin resources in the amount of €70 million were accessed for the Northern Coastal Highway Project. The European Investment Bank (EIB) has to date made available to GOJ €208 million. The focus of recent EIB lending was in line with the current CSS/NIP where some 38 percent of funds were

targeted to the transport sector, 28 percent to financial intermediaries for on lending or investment to small and medium sized enterprises, and 7 percent to the water sector.

In the face of increased global competitiveness, EU support to regional integration seeks to help establish a harmonized economic space that will contribute to meeting this challenge. This support will assist Jamaica and other Caribbean states enter into advantageous international trade negotiations as it engages in structural transformation and economic repositioning. Jamaica currently benefits from a number of regional programmes including the support to the University of Technology (UTECH) and the University of the West Indies (UWI) at Mona.

Community budget lines also finance projects in Jamaica such as HIV/AIDS and Youth in Jamaica, Education and Advocacy for Human Rights and Democracy, the Abolition of the Death Penalty, and Sexual and Reproductive Health.

3.2 Information on the programmes of the EU Member States and other donors (complementarity)

The principal International Development Partners (IDPs) in Jamaica are EU, DFID, USAID, CIDA, JIDA, UNDP, World Bank, IDB, and CDB, although Belgium, France, Spain, Sweden, China and Venezuela also have cooperation programmes with Jamaica. IDPs have intensified their collaboration, coordination and harmonisation with GOJ and among themselves, a process greatly facilitated by the introduction of the MTF. The formation of thematic working groups with the participation of non-state actors has further strengthened this process. The IDPs have committed to further align their efforts, in the context of the MTF, both in the areas of monitoring the framework and in the programming of their future support.

Since 2005, DFID was able to support this monitoring initiative by financing technical assistance for its management. The NAO has agreed to take the lead in the coordination of the monitoring framework. In addition, as part of the intensified coordination, the Ministry of Finance and Planning agreed to meet with the IDPs to discuss the draft budget before its formal presentation to Parliament and after its adoption.

The joint GOJ-EU CSP 2008-2013 will most likely focus on education, good governance (security and justice) and integrated rural development. UK is the member state with the largest portfolio in Jamaica and DFID's CAP 2005-2008 currently focuses on security and safety and on public sector modernisation. France provided police and military equipment and opportunities for cultural exchanges. Spain is providing €12 million over three years for hospitality and language training. Belgium provided both loan and grant funding for a transportation hub and post hurricane Ivan reconstruction respectively. Sweden is giving equipment. USAID's SDS 2005-2009 will provide US\$10 million a year over three years for education, health, poverty and SMEs. CIDA operates at the local level in social infrastructure and institutional strengthening and will provide Can\$7 million over five years. Japan is providing US\$64 million in loans and grants to rehabilitate water reservoirs and for technical cooperation in the health sector. China has signed agreements for infrastructure projects in sports, education water and transportation. Venezuela's PetroCaribe initiative offers energy at concessionary prices.

The World Bank's CAS 2006-2009 will focus on three areas: economic growth, human development, and crime prevention and reduction. It also emphasises two cross cutting themes: governance and environmental sustainability. IDB's CAS 2009-2012 will support private-sector development, public sector reform and disaster preparedness. UN's Development Assistance Framework 2007-2011 will support health, poverty and environment, justice and security, and education. CDB will also continue supporting social and infrastructure projects. CDB, IDB and EU are financing different sections of the NCH rehabilitation project through loans (CDB, IDB) and grants (EU). However, the multilateral financing institutions have had to reduce their loan portfolios due to the inability of GOJ to provide co-financing due to Jamaica's fiscal constraints.

3.3 Other EC policies

Under the Sugar Protocol of the Lomé Convention and Cotonou Agreement, which guarantees a market for Jamaican and other ACP sugar exports to Europe at a set price, Jamaica receives on average US\$75 million annually in foreign earnings from the export of sugar and its derivatives to the EU.²⁴ However, Jamaica stands to lose €24 million per annum in foreign exchange earnings by 2010²⁵ as the EU reduces the price at which it buys sugar from Jamaica and other ACP countries. This should have some bearing on an industry that employs up to 38,000 persons and may lead to an increase in poverty in areas where livelihoods depend on sugar if appropriate measures are not taken to mitigate the impact. However, additional support for Jamaica will come from the multi annual EC assistance strategy which runs until 2013. Furthermore, GOJ has also produced a strategy for the future of the sugar industry that includes strengthening economic diversification, social resilience and environmental sustainability in sugar producing areas.

The Special Framework of Assistance (SFA) for traditional ACP suppliers of bananas

The SFA is a ten year support initiative begun in 1999 that funds the EU Banana Support Programme to Jamaica. Up to 2005, €33 million, including funds from its predecessor, the SSA, had been granted. It was created in the context of the WTO ruling against some elements of the ACP banana regime and against a background of falling banana prices on the world market, with the objective of providing annual allocations to promote an efficient banana industry able to compete in a liberalised world market. However, after SFA 2001, the scope of the banana support programme was expanded and it now also seeks to include diversification as a way to promote sustainable agricultural and non-agricultural development in traditional banana growing areas. This suggests that support should now focus on integrating agricultural production with other aspects of rural life including for example, education, health and infrastructure. It is expected that further diversification will decrease the gender and class based income disparities.

3.4 State of the partnership with Jamaica and progress towards harmonisation

Dialogue between Jamaica and the EU continues to be fluent GOJ continues to strengthen efforts at coordination and harmonisation. At country level, the NAO characterises the relationship with the EU Delegation as open and constructive, comprising Annual Reviews whose production is a joint

²⁴ See Economic and Social Survey of Jamaica, 2005, p 10.4.

²⁵ See GOJ, Jamaica Country Strategy for the Adaptation of the Sugar Industry, 2006-2015, p 9.

exercise, Quarterly Meetings (including with NSAs since the 9th EDF) and regular informal *ad hoc* discussions. In addition, the country strategy paper is a collaborative process that provides the opportunity to further harmonise procedures for programming. However, while the atmosphere is collaborative, the NAO suggests that two issues have emerged: they are those surrounding lack of sufficient human resources in the office of the NAO; and the somewhat bureaucratic nature of EU procedures, particularly when changes to the format are imposed. The production, with EU support, of the MTF, which serves as a basis for harmonisation and is consistent with the goals of stability, growth and poverty alleviation, is an indicator of the positive result derived from coordination and a good example of aid effectiveness.

CHAPTER IV: RESPONSE STRATEGY

Summary of the response strategy

This chapter outlines the EU response strategy for Jamaica for the period 2008-2013 and is based on the country diagnosis, preliminary findings of the assessment of the CSS/NIP 2002-2007, and lessons learned. It also considers Jamaica's needs and progress made so far towards meeting the goals of the Medium Term Socio-Economic Policy Framework (MTF) and GOJ's commitment to achieving them. Finally, due consideration is given to the relative magnitude of financial and administrative resources to be made available by the EU for development cooperation with Jamaica in 2008-2013, as well as their potential impact.

Key objective, main areas for community action

The key objective of EU cooperation in 2008-2013 will be poverty reduction by supporting Jamaica in reaching its goals outlined in the MTF. This objective is to be achieved by providing major financial and technical assistance towards (1) sustaining macroeconomic stability; (2) improving skills, productivity and global competitiveness; (3) reducing crime and violence and promoting social cohesion and inclusion; and (4) reducing poverty in rural areas.

In line with the 2006 EU strategy for the Caribbean and the European consensus on development with its principle of concentration, and Jamaica's priority needs for achieving the objectives of its MTF, the EU country strategy for 2008-2013 will concentrate on a macro-economic support programme and two focal areas which are strongly interlinked and mutually reinforcing to ensure the internal coherence of the country strategy:

- Focal sector 1: Education
- Focal sector 2: (Governance) Security and Justice

The first priority will be focal sector 1, which is based on (1) developing a programme-based support with the Ministry of Education to carry out education reforms and improve educational outcomes; and (2) promoting the replication of past and current IDP and GOJ interventions based on best practices and on GOJ's ability and willingness to provide funding. This sector contributes to poverty reduction as investment in education yields high economic returns.

Focal sector 2 is important for the achievement of GOJ's MTF social sector goals of crime prevention and reduction and justice sector reform. It is also consistent with the European Initiative for Democracy and Human Rights. Crime has a high economic cost,²⁶ and retards economic growth and social development. While poverty may contribute to crime, high crime rates are also an obstacle to poverty reduction. Focal sector 2, then, will be based on (1) developing security projects in collaboration with IDPs and the Ministry of National Security to build effective national security and law enforcement services that will reduce violence and crime and inspire public confidence in law enforcement; and (2) developing justice projects in collaboration with the Ministry of Justice and other IDPs that seeks to promote and improve the human rights of Jamaican citizens in order to create an enabling environment conducive to social stability.

Main principles of EU assistance 2008-2013

EU assistance in 2008-2013 will be based on the following main principles:

Support only those sectors which are receptive – national ownership of the programmes

The EU will only provide assistance to governments where there is the political will to introduce change. This means that the EU will not support stand-alone programmes which do not correspond to policies. Nor will it support programmes that do not enjoy the financial support of the government.

Working at community level but promoting coordination at all levels

EU cooperation programmes shall be designed in a way that they provide some early tangible results at community level, especially in the area of basic services and income generating activities, in order to demonstrate benefits from the reforms at national and community level at an early stage.

Develop in close cooperation with Jamaican authorities and other IDPs models of intervention for replication

It is hoped that by improving Jamaica's own systems, a greater impact on poverty reduction can be achieved. EU cooperation will help to develop, within the context of the MTF, sustainable models for governance, and community-based development. These models may be replicated in the medium-term by other communities using their own funds and these models may eventually contribute to the further development and refinement of the national policy for sustainable rural development.

The influence of the EDF Programme (volume of funds available – principle of concentration – Paris Declaration)

Similar to EU funding in many Caribbean countries, the EU is the largest grant provider for Jamaica. EU assistance is the equivalent of X percent of annual government revenue and comes to €8 euros per year for each Jamaican. Jamaica's annual budget currently stands at X billion Jamaican dollars, which is equivalent to €X million or €X per capita. This means that EU funding is rather significant when compared to the entire national budget. Hence, EU intervention will have an even greater impact when concentrated in those three sectors, education, security and justice, and

²⁶ According to a study by the World Bank, "crime [in Jamaica] costs society at least 4 percent of GDP annually, including lost production, health expenses and public and private spending for security." World Bank CAS, 2005, p.12.

integrated rural development, especially since it would make the EU the largest donor to each of those sectors in Jamaica, giving it the comparative advantage.

Budget Support

Regarding budget support, Jamaica is able and willing to continue with the macro-economic support programme as it completes its economic reform programme which is aimed at sustaining a stable macro-economic environment and achieving the goals of reducing poverty, especially the targets set for the social sectors, such as health, education and social safety-net programmes. The programme would also continue to cooperate with GOJ in its efforts to improve good governance through the strengthening of public finance management.

Cooperation Agreements/Multi-donor support

Coordinating support with other donor agencies, such as those already providing support to Jamaica in the development of sector reforms and action plans in its education, security and justice sectors (World Bank, DFID, USAID, CIDA, UN agencies), is one of the objectives of the Paris Declaration. However, contribution agreements may not be suitable under the present conditions in Jamaica as the country already has institutions developed enough to implement these programmes.

Although the EU has limited experience in Jamaica with cooperation in the education and governance (security/justice) sectors, its past and current intense collaboration and coordination with the international development partners augurs well for the future. Furthermore, EU intervention in these sectors would build upon its prior efforts at supporting economic growth, governance and education under previous EDF allocations at the national and regional levels.

Components of the response strategy

Macro-economic support

Background: The GOJ's obligation to reduce its high debt has put pressure on its ability to meet discretionary expenditure on social services. This has resulted in the deterioration in the quality of the delivery of social services including in particular education and crime reduction. Furthermore, high percentages of students leaving the education system without academic qualifications or skills presents a bleak outlook on GOJ's ability to meet its medium term challenges in these areas. It would therefore be prudent for the EU to continue to provide budgetary assistance to allow GOJ to build on the support already provided through SERPs I-III. This new support should be linked to a strengthened monitoring framework in the context of an expanded MTF. The support will also contribute to the governance measures being instituted in the public finance management reforms. And in consideration of Jamaica's debt profile, the UK is providing bilateral debt relief operations which complement the EU intervention.

Overall objective: Promoting sustainable economic growth over the coming years and contributing to poverty reduction and good governance

Programme purpose: Strengthening government's capacity to effectively implement over the medium term a growth-oriented and poverty-focused macro-economic policy under conditions of continuing fiscal constraints

Results: The EU's budgetary support is expected to assist the government in its efforts to reduce external and internal debt and provide adequate resources to the government's discretionary expenditures for social services. It shall relax the pressure on government to reduce expenditures on social services and, combined with sound financial management and effective delivery mechanisms for social services, the support will facilitate achieving GOJ's qualified and quantified targets for social services and good governance.

Assumptions: The effectiveness of the budget support programme depends on the government's overall efforts in terms of maintaining strict overall expenditure policies, as well as GOJ's ability to improve the effectiveness of spending on social services. It is assumed that the Government succeeds in attracting sufficient donor support in the context of a co-ordinated strategy for debt reduction and direct budget support. An important risk is related to the occurrence of major external shocks such as natural disasters.

Sustainability: It is important that the government implements the strategy, policies and programmes it has defined in the MTF with regards to macro-economic reforms, as well as its plans to strengthen good governance and improve quality and access to social services. Success will be measured against the results achieved in the context of the MTF. The budget support programme requires that measures promoting accountability, transparency and other sound public financial management practices be put in place, on the basis of the support already granted under SERP in the areas of fiscal planning and expenditure review. Social targeting will contribute to reducing poverty and support for institution building will contribute to the sustainability of the reforms. In this, continued technical assistance will be needed.

It should be emphasised that no explicit link is to be made between the amount of budget support and additional government expenditure on social services. In other words, it is not expected that the government increases expenditure on social programmes up to the level of the budget support grant. The achievement of the social targets depends, inter alia, on the effective use of the budget earmarked for social services in the context of the government's policy on poverty reduction and social sector development.

Focal sectors

1. Education

Background: Problems pervade all levels of the education system and result in inadequate educational returns in terms of poverty reduction. Poor quality teaching, an inadequate curriculum, limitations regarding equity and access, highlight some of the key deficiencies the government must address. Social and economic inequities continue to impact on poor attendance and high drop out rates at primary and secondary levels, and is particularly visible in children, especially those of teenage parents, and of the working and non-working poor. The rise in anti-social behaviour at school and the poor infrastructure and facilities further amplifies the problem.

To alleviate poverty, the government is seeking to improve educational outcomes. Weaknesses in the education system and stubborn pockets of poverty threaten the sustainability of the gains being made from economic recovery. Crime and violence are concentrated among the poorest in society who are also those most likely to be out of school and unemployed. Young unemployed men for example, out of school and without skills, are more likely to be recruited as drug sellers because of their relatively low opportunity costs. On the other hand, improved educational outcomes will prepare the young for a world of work, and contributes to higher productivity and competitiveness and higher living standards. As such, promoting full access to educational opportunities for all, full enrolment at the upper secondary level, improvement in teacher training, and decentralised school management, which are considered among the most effective ways to improve educational outcomes, should be supported and facilitated.

The proposed strategy focuses on interventions that address poverty through education. Any intervention must provide specific focus on early childhood development through parenting initiatives and techniques that improve cognitive and behavioural outcomes for poor children and assist in breaking cycles of intergenerational poverty. The Early Childhood Act (2006) is intended to guide the promotion of educational provisions targeted at vulnerable groups and set standards for early childhood development. The government is also guided by the National Task Force on Education Reform which has recommended a focus on four main components that impact education through governance and management; teaching and learning support; curriculum development; stakeholder participation; and finance.

Overall objectives: To improve educational outcomes and increase productivity, skills and global competitiveness

Programme purpose: To improve the quality of and access to education for all

Results: Revise curriculum to meet future needs of labour market; Provide teacher training with particular focus at Primary level; Design and implement strategies that address anti-social behaviour in schools, with specific focus on young males; Build institutional capacity (access, quality of teaching) of community schools; Support mechanisms to impact poverty reduction, such as pre-school / early childhood development standards; support decentralization of school management mechanisms; establish appropriate HIV/AIDS modules in the curriculum.

Assumptions: Ability to retain teachers, Predict accurately the future needs of the labour market, Government capacity and resources to improve and maintain infrastructure; appropriate spatial planning in intervention.

Sustainability: Reduction of international migration by teachers; Robust decentralized management structures; Positive impact of additional poverty reduction strategies in other sectors; Infrastructure maintenance capacity.

2. Governance (Security and Justice)

Background: The Jamaican social and economic structure experiences levels of internal security concerns that are far greater than comparable peers. Indeed, the rate of violent crime is among the highest in the world. Crime impacts across society, particularly on businesses, communities, households and investor confidence, but the effects of crime are primarily felt by the most vulnerable: small businesses, marginalised communities and poor households. The initiatives to be deployed to support security, prevent and deliver justice should therefore be seen in the context of specifically pro-poor investments.

The EU programme response will focus on the underlying causes of criminality and injustice, rather than the more technical issues such as JCF equipment and infrastructure. This is primarily because to focus on the technical issues is to concentrate on the symptoms of crime, which can be an unbalanced approach. It is also because the gaps in other IDP funding occur largely in addressing the root causes of insecurity and the 'softer' areas of crime prevention; because the EU does not hold sufficient experience to possess a comparative advantage among IDPs in this area and because a programme that seeks to address the underlying causes of crime links strongly as a cross-cutting theme to the other social concentrations of Education and Integrated Rural Development.

The programme will support GOJ's National Security Strategy, particularly in regards to Goal 5 (Strengthen the Institutions of Democratic Government) and Goal 7 (Provide the Environment for a Stable Economy and an Effective Delivery of Social Services), as well as promoting crime prevention, socially responsible behavioural patterns and the economic opportunities needed by young men. Just as the causes of crime have many roots, the solutions will involve state and NSA bodies. The institutional capacity in the Ministries of National Security and of Justice will be developed in anticipation of a project management role, particularly in terms of managing project cycles and procurement processes.

Harmonisation between IDP programmes will be a vital component of overall success. As there are a number of externally funded programmes in this sector, opportunities to co-fund existing programmes will be sought. More significant, however, is the potential to share a common approach with IDPs to the extent that co-implementation be pursued.

Overall objective: To reduce crime and violence, improve human rights and promote social inclusion and cohesion

Programme purpose: To enable the executive and judiciary to act efficiently and effectively and to promote greater observance of the rule of law.

Results: Reduction in violent crime, gun crime and domestic violence; increase in crime prevention; improved public understanding of the Criminal Justice System; faster throughput of cases under the Justice system; improved JCF training, working conditions and capacity to engage with community groups; enhanced community security initiatives; reduced number of Human Rights violations.

Assumptions: Recruitment and retention of high quality members of the executive and judiciary; IDP harmonization; JCF ability to change institutional capacity and culture; Raised effectiveness in JCF does not prompt upswing in criminal (re)action; Government commitment to infrastructure and equipment maintenance; IT in Ministry of Justice remains servicable.

Sustainability: Ministry of National Security and Ministry of Justice retain effective working relationship; Effective containment of garrison communities.

Non-Focal Sectors

1. Integrated rural development

Background: The poverty rate is disproportionately higher in rural areas, with those living below the poverty line categorised as unskilled wage labourers, artisanal fisher families, small hillside farmers, unemployed youth and households headed by female farmers²⁷. The problems that these marginalised groups face are exacerbated by poor quality services and physical infrastructure that impact on their educational outcomes, maternal mortality rates, and access to agricultural markets. Changes in the EU-ACP trade regime that will further affect the rural based sugar industry on which an estimated 100,000 people depend for their livelihoods, further compounds the problem.

Whilst government policy has focused on measures to increase efficiency, competitiveness and productivity in the agricultural sector, it is not strategically defined. The IDPs are supporting a variety of rural programmes especially those focusing on the environment, but opportunities exist for jointly funded programmes. EU cooperation has included the rural water supply project, which is currently being implemented, and the Eastern Jamaica Agricultural Support project, which has benefited more than 7000 people. However, sustainability of rural development requires a shift from a sectoral approach to a multidimensional spatial approach.

The strategy in support of reducing rural poverty therefore must go beyond investment in infrastructure and services to include the provision of agricultural technologies that boost local production; non-agricultural livelihood diversification training in areas of micro-enterprise development linked to educational outputs; increased telecommunications and IT to ensure self-sufficiency and competitiveness of a rural based economy and, an overarching integrated participatory process that combine local government systems and community structures.

Overall objective: To reduce poverty in the rural areas.

Programme purpose: Support economic diversification and social resilience in rural areas.

Results: Improved road maintenance technology and capacity; reduced urban migration; Development of alternative revenue generating activities and livelihood diversification; Training in micro-enterprise development; Management of environmentally productive resources and reduction of environmental misuse by vulnerable communities; Provision of agricultural technologies to boost local production; Establishment of Healthy Living Centres to promote integrated public service delivery; Implement a sustainable development framework for co-ordinating and managing inputs into rural development and evaluating outputs.

Assumptions: No dramatic further decline in natural resource base; Absence of significant weather related shocks; Sustainable markets for new and non-agricultural products exist at attainable price

²⁷ PIOJ, Economic and Social Survey of Jamaica, 1994

points and quality levels; Improved education, health services and roads in rural areas; Lack of migration of criminality to rural areas; Participation of rural community organizations; Local authority support for, and alignment with, decentralized decision-making.

Sustainability: Effective environmental sustainability practices; Supply of rural products and services to national market; demographic profile in rural areas trends downwards in terms of age.

Coherence with other EU policies and cross cutting issues

The suggested strategy is fully compatible with other EU policies. Where relevant, EU policies/strategies concerning cross-cutting issues such as gender and the environment have been taken into consideration. This includes as well the building of strategic and operational links between inter-related aspects of development. Synergies exist between the country strategy and other relevant EU policies in the fields of bio-diversity, sustainable development and the information society.

Assistance will be provided for sensitive industries like banana. Support to the banana sector will continue during the period projected in the country strategy paper, through the budget line "Special Framework of Assistance" (which will run through 2013) to increase competitiveness of the banana industry and to facilitate diversification in the rural areas. In addition, through Commission budget lines, funding continues to be available mainly for environmental, democratisation and human rights projects.