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Minutes of Loan Committee to Consider JAMAICA - Industrial and Financial Sector Adjustment Loan and Public Enterprises Sector Adjustment Loan held on January 21, 1986 in Conference Room E-1208

World Bank/World Bank Group

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Minutes of Loan Committee to Consider
JAMAICA - Industrial and Financial Sector Adjustment Loan
and Public Enterprises Sector Adjustment Loan
held on January 21, 1986 in Conference Room E-1208

A. Present
Committee:
Messrs. E. Stern (SVPOP) Chairman
H. Scott (LEG)
V. Dubey (CPD)
J-L. Dherse (EISVP)
V. Rajagopalan (PPD)
J. Wood (FPBV)
Mrs. A. Krueger (VPERS)

Other:
Messrs. Knox (LCN)
Voyadzis (LC2VC)
Wessels (LCPDR)
Flood (LCPII)
Harrold (LC2VC)
Michalopoulos (VPERS)
Clements (SVPOP)
El Serafy (CPDDR)
Roger (VPERS)
Cucullu (LEGLC)
Kohli (INDDR)
Carneiro (LEGLC)
Lysy (PBDCP)
Hardy (IMF)
Thomsen (IMF)
Mss. Donovan (SVPOP)
Fox (CPDDR)

B. Issues
1. The meeting was called to discuss the January 15, 1986 Initiating Memorandum prepared by the Latin America and the Caribbean Region for two proposed Sector Adjustment Loans to Jamaica. The principal issues focused on were:

    (a) Should the operations proceed in the absence of a medium-term framework?
C. Discussion

2. (a) Medium-Term Framework

The Region confirmed that the absence of a medium-term framework raised difficulties for these operations. The Region did not propose to submit the operations to the Executive Directors until after such a framework had been developed by the forthcoming Fund/Bank/AID tripartite mission to Jamaica. Indeed, if no such framework can be developed, the Region would not recommend proceeding with these operations. Moreover, the Region explicitly recognized that the analysis to be carried out under the tripartite mission could result in changes to the scope and/or content of these two operations. These changes would be fully reflected at the next Loan Committee stage.

(b) Sufficiency of Industrial and Financial Sector Reforms

Questions were raised regarding the relative significance of the reforms proposed in these initiating memoranda. It was suggested that the size of the loan in a marginally creditworthy country represented a big risk and that major reforms should therefore be expected. Whilst the Region recognized that there were many issues of importance to be addressed in Jamaica, the particular reforms proposed to be implemented under the two operations were considered sufficiently important in themselves to warrant further processing of the proposed loans. Should the tripartite mission suggest a different emphasis, the Region would adjust the proposed operations accordingly.

(c) Public Enterprise Rationalization

It was agreed that at appraisal the Region should persuade Government to close down enterprises that were clearly not viable, such as the Jamaica Merchant Marine; in any case a timetable for appropriate action on loss-making commercial enterprises reviewed by the mission will be agreed upon with the Government before Board presentation. Further, a statement of the Government’s divestment policy would be agreed upon at appraisal.
(d) Role of the Public Sector

It was considered that these operations suffered from lack of a critical assessment as to the role and function of the public sector in the economy, with respect both to industrial policy, including the controls and incentives affecting private economic activity, and the enterprises. The Region confirmed that this reflected a lack of clarity in Government's thinking with regard to this issue at the present time. Clarification of this would be undertaken in the context of the tripartite mission; the recommendations that would emerge would be included in the overall objectives of the two operations.

(e) Capital Markets Development Project

The Region was advised against proceeding with this proposal, not only with respect to the concept of allocating counterpart funds, but also because of serious doubts about the wisdom of such a scheme.

D. Conclusion

3. The Loan Committee agreed that the appraisal of the two proposed Sector Adjustment Loans could proceed on the basis of the Initiating Memorandum, subject to the comments made at the meeting. The Loan Committee agreed with the Region's recommendation to bring the green cover packages to the Loan Committee only after Senior Management had discussed the results of the forthcoming tripartite mission.

4. Subsequent to the Loan Committee meeting, the Chairman suggested that cross conditionality be incorporated in the two operations. The loan documents are being amended accordingly.

Cleared with: Messrs. Stern, Scott, Dherse, Knox, Dubey, Wood, Rajagopalan, Mrs. Krueger