

Beyond a Stronger Recovery Strategy for Jamaica: Shaping Rebuild Smarter!

In the wake of Hurricane Melissa, which devasted Jamaica with Category 5 winds of 185 mph coupled with wind gusts of 252mph, and torrential rains, the nation stands at a pivotal moment. With many homes flattened, roads washed out, entire communities displaced, and 45 reported deaths up to the time of writing this article, the destruction was clearly widespread. As Jamaica ponders an infrastructure damage bill estimated by the World Bank to be US\$8.8 billion or 41 per cent of last year's gross domestic product (GDP), the government secured US\$6.7 billion in mainly debt financing from a consortium of multilateral agencies within record time. However, amid the heartbreak, weighty damage bill, and concerns about how to evade the debt traps of the past, a new vision is emerging—one that calls not for a return to the old but for a leap toward the future.

Prime Minister Andrew Holness outlined a multi-layered recovery strategy that includes disaster risk financing, resilient infrastructure, and community empowerment. “We must rebuild differently,” he declared in a recent parliamentary address, “not just to restore what was lost, but to create a Jamaica that can withstand what’s coming.” Opposition Leader Mark Golding concurred and pledged to offer suggestions on how the implementation activities might be strengthened. Other policymakers, private sector, churches, civil society groups, local and international charities, media, and the general citizenry have been rallying around those most impacted by Hurricane Melissa. These groups have been demonstrating the indomitable ‘Jamaican spirit’ whilst insisting that Jamaica must not just aim to recover stronger—it must also rebuild smarter. ***But what does it mean to rebuild smarter? And how might the government and other key stakeholders transition to getting rebuild smarter done?***

Unpacking rebuild smarter

A smarter rebuild involves multifaceted stakeholder engagement, implies fundamental change and change management, and demands collaboration, coordination, and currency. It requires the government to strengthen resilience by expanding Jamaica’s climate-resilient infrastructure, technology risk mitigation, disaster risk financing, building code reform, building regulation enforcement, health system upgrade, energy security, and sustainable and smart farming activities. More fundamentally, rebuild smarter will be heavily infrastructure and human capacity building focused. Therefore, the government should align these interests/pursuits with its growth agenda and develop an integrated growth-rebuild framework to guide them. The influencing of stakeholder mindset change should be a central component of this strategy and the future dispensation. The aim is that this somehow contributes to improved citizenry discipline and responsibility in terms of adhering to the pending revised building code and processes.

Rebuild smarter is not a short-term consideration, it is a long-term proposition that should be underpinned by a clear vision, strategy, phased approach, technical resource plan, and of course—fiscal commitment. It must also be structured, responsive, and agile. One of the greatest threats to rebuild smarter is not the lack of resources to move forward but the potential complacency of stopping at recover stronger having received relatively decent outcomes. The government must therefore be mindful of this risk and ensure that it moves beyond recover stronger to unlock the transformative gains of rebuild smarter.

Beyond a Stronger Recovery Strategy for Jamaica: Shaping Rebuild Smarter!

Rebuild smarter requires collaboration, coordination, and currency/capital. From Christchurch—New Zealand, to Roseau—Dominica, and New Orleans—USA, in-between, there is compelling evidence showing that rebuild smarter, though contextual, is successful only if it is outfitted with clear communication and these features. Hence, while the relocation of the Office of Disaster Preparedness and Emergency Management to the Office of the Prime Minister was widely debated, the government's push to establish a national reconstruction body initially capitalized with US\$1.15 billion was largely welcomed. Still, few Jamaicans would disagree that this body requires considerable oversight. Additionally, the concerns about the productivity losses experienced in various key sectors (e.g., tourism and agriculture), the reduction in tax revenues associated with it as well as the exemptions from port taxes, and the inflationary pressures, are all well placed. These considerations may cause some to question the affordability and urgency of rebuild smarter. Yet, in this era of climate change where the next category 5 hurricane can hit Jamaica at any time with little prior notice, the creation of more robust socio-economic, technology, energy, and housing infrastructure is not just essential, it is urgent.

Unlocking rebuild smarter—a case for housing and electricity reforms

The building of more housing islandwide, coupled with the transitioning of people from vulnerable communities into them, can significantly increase Jamaica's resilience but has political implications. Hence, the government must seek and consider the views of the opposition in these movements and should build out social and 'for purchase' models that are not just affordable; they should also be accessible and sustainable. And yes, a prioritization matrix would be needed that commences with the communities devastated by Hurricane Melissa. However, it should not end there—it should move to communities that would have been significantly affected, had Melissa directly hit them. The housing infrastructure should be packaged and segregated from other infrastructure—for instance, road infrastructure and energy infrastructure. As the TransJamaican Highway and Wigton Windfarm model have shown, this segregated approach enables partial and/or full infrastructure divestments via the stock market, thereby enabling the country to recoup its infrastructure investment spend and reduce its debt-to-GDP ratio.

Another key area ripe for reform in Jamaica is that of electricity infrastructure. There have been recent calls locally for Jamaica to expand its underground wiring infrastructure as a means of increasing the nation's electricity and economic resilience. While 'undergrounding' would have to be phased to prioritize, e.g., vulnerable areas, education, healthcare, and economic zones, the idea is well placed and could help to reduce electricity theft—a perennial issue in Jamaica. However, it is best twinned with a deeper and broader reform of the electricity market. As the much-touted existing sole electricity distribution license in Jamaica nears its July 2027 expiry date, getting the reform done ahead of this timeline without disrupting market supply and sustainability, would be a necessity.

The primary areas of reform should be on the transmission and distribution fronts. At a minimum, it should involve the debundling of these domains and the entry of new infrastructure firms operating as independent regulated entities. A zonal approach with different players covering particular localities in Jamaica would not be an unreasonable proposition.

Beyond a Stronger Recovery Strategy for Jamaica: Shaping Rebuild Smarter!

The debundling of electricity transmission and distribution infrastructure would build on the relative debundling in the electricity generation domain and enable greater competition in Jamaica's electricity market. This would ultimately provide a better deal for the Jamaican consumers by way of lower prices and better service delivery. It would also reduce the Jamaica Public Service Company's infrastructure financing thrust and debt-to-equity ratio over time, positioning it to leverage its vast institutional knowledge in the newly competitive marketplace.

The proposed transition would require the government to fund and own the new infrastructure. Yes, it would negatively impact the nation's debt-to-GDP ratio in the short-term. However, the special purpose vehicle used to fund the undergrounding infrastructure could be offloaded on the Jamaica Stock Exchange quicker than other government entities were offloaded in the past—say within its first year of operation. The proposed move would not only help to stimulate the local stock market, enable the government to make a profit on its investment while quickly reducing the effect of the transitory debt burden, and broaden the investment opportunities for pension funds and other long-term investors. It would also position this independent infrastructure entity to do further capital raises on the open market to fund the bulk of its activities. Overall, this entity could largely be for electricity transmission in Jamaica, what Chorus is for the telecommunications transmission in New Zealand.

In sum, rebuild smarter requires synthesized strategic thinking and action that integrates Jamaica's reconstruction interests with other activities that can unlock higher levels of GDP growth, expand local and foreign direct investments, and increase Jamaica's competitiveness. Such strategic market reform actions would align with and address the ethos of a recent Inter-American Development (IDB) report, which found that improving market competition within Latin American and Caribbean countries could improve GDP growth by as much as 11% and reduce inequality by up to 6%. Therefore, this push for electricity transmission and distribution reform in Jamaica is timely as greater competition in this arena could ultimately enable the desperately needed price reduction, increase GDP growth beyond the 1%-2% normalized rate, and deepen market stability and resilience.

Dr. Joel Allen is a Chartered Investment Manager and International Management Consultant who currently serves as the Managing Director of Growth Perspectives Limited.