

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

JAMAICA

SUPPORT TO THE PUBLIC SECTOR TRANSFORMATION PROGRAMME

(JA-L1073; JA-L1078)

LOAN PROPOSAL

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CONTENTS

PROJECT SUMMARY	1
I. DESCRIPTION AND RESULTS MONITORING	2
A. Background, Problem Addressed, Justification	2
B. Objective, Components and Cost	11
C. Policy Based Loan	11
D. Investment Loan	14
E. Key Results Indicators	16
II. FINANCING STRUCTURE AND MAIN RISKS.....	17
A. Financing Instruments.....	17
B. Environmental and Social Safeguard Risks	18
C. Fiduciary Risk	18
D. Other Key Issues and Risks.....	19
III. IMPLEMENTATION AND MANAGEMENT PLAN	20
A. Summary of Implementation Arrangements for the PBL	20
B. Summary of Implementation Arrangements for the Investment Loan	20
C. Summary of Arrangements for Monitoring Results.....	23
IV. POLICY LETTER	24

ANNEXES	
Annex I	Development Effectiveness Matrix (DEM) - Summary
Annex II	Policy Matrix

ELECTRONIC LINKS	
REQUIRED	
1.	Policy Letter
2.	Means of Verification Matrix
3.	Results Matrix
4.	Monitoring and Evaluation Arrangements
5.	Pluriannual Execution Plan (PEP) and Annual Operating Plan (AOP)
6.	Procurement Plan (PP)
7.	Fiduciary Arrangements
OPTIONAL	
1.	Economic Analysis
2.	Institutional Capacity Assessment (ICAS)
3.	Social Mitigation Strategy
4.	Upskilling Retraining Process
5.	Programme Operating Manual (POM) (Draft)
6.	Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF)

ABBREVIATIONS	
ACSI	American Customer Satisfaction Index
AFS	Annual Audited Financial Statements
AOP	Annual Operating Plans
CRF	Corporate Results Framework
EA	Executing Agency
EFF	Extended Fund Facility
FY	Fiscal Year
GDP	Gross Domestic Product
HCMES	Human Capital Management Enterprise System
HR	Human Resources
ICT	Information and Communication Technologies
IDB	Inter-American Development Bank
ILO	International Labour Organization
IMF	International Monetary Fund
INJUPEMP	<i>Instituto Nacional de Jubilación y Pensiones de los Empleados Públicos</i>
INPREMA	<i>Instituto Nacional de Previsión del Magisterio</i>
KMA	Kingston Metropolitan Area
MDA	Ministries, Departments and Agencies
MICAF	Ministry of Industry, Commerce, Agriculture and Fisheries
MIND	Management Institute for National Development
MLSS	Ministry of Labour and Social Security
MOEYI	Ministry of Education Youth and Information
MOFPS	Ministry of Finance and the Public Service
M&E	Monitoring and Evaluation Arrangements
NIDS	National Identification System
NPV	Net Present Value
NWA	National Works Agency
OC	Ordinary Capital
OPM	Office of the Prime Minister
PB	Public Bodies
PBL	Policy-Based Loan
PCR	Project Completion Report
PEP	Pluriannual Execution Plan
PEU	Programme Executing Unit
PMR	Project Monitoring Report
POM	Programme Operating Manual
PP	Procurement Plan
PST	Public Sector Transformation
PSTIU	Public Sector Transformation Implementation Unit
PSTOC	Public Sector Transformation Oversight Committee
SERP	Special Early Retirement Programme
SIP	Service Implementation Plans
SFPB	Self-Financing Public Bodies
SLA	Service Level Agreements
SPF	Safeguard Policy Filter
SSF	Safeguard Screening Form
WB	World Bank
WEF	World Economic Forum

PROJECT SUMMARY
JAMAICA
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Financial Terms and Conditions				
Borrower: Jamaica			Flexible Financing Facility ^(a)	
			Amortization Period PBL: Amortization Period Investment Loan:	20 years 24 years
Executing Agencies (EA): Ministry of Finance and the Public Service (MOFPS) – PBL; and Office of the Prime Minister (OPM) – Investment Loan			Original WAL PBL:	12.75 years
			Original WAL Investment:	15.25 years
			Disbursement Period PBL:	3.00 years
			Disbursement Period Investment:	6.00 years
Source	Amount (US\$)	%	Grace Period PBL:	5.5 years ^(b)
			Grace Period Investment:	6.5 years ^(b)
IDB Policy-Based Loan (PBL) (Ordinary Capital):	110,000,000	69.0	Supervision and Inspection Fee:	(c)
			Interest rate PBL: Interest rate Investment:	Libor based
IDB Investment Loan (Ordinary Capital):	50,000,000	31.0	Credit Fee:	(c)
			Currency of Approval:	Dollars of the United States of America
Total:	160,000,000	100.0		
Project at a Glance				
Project Objective/Description: The main objective of this programme is to improve the delivery of public services in Jamaica through enhancing: (i) quality of transactional services; and (ii) efficiency in public spending.				
Special Contractual Clauses prior to the first disbursement of the financing of the Investment Loan: The EA will provide evidence to the Bank’s satisfaction: (i) approval of the Programme Operating Manual (POM) in accordance with the terms and conditions previously agreed upon between the EA and the Bank; (ii) the creation of the Programme Executing Unit (PEU) and of the assignment or hiring of its project manager, as well as one procurement management and one financial management specialist; and (iii) Memorandum of Understanding or Agreement has been entered into between the EA and e-Gov Jamaica Limited, specifying their collaboration in the programme’s execution (¶3.13).				
Special Contractual Condition prior to the disbursement of each tranche of the PBL: The PBL will be financed using the multi-tranche modality with two tranches for US\$55 million each. Disbursement of the resources for each tranche will be contingent on carrying out the policy measures or institutional changes agreed upon for their release, in accordance with the Policy Matrix (Annex II) and the Policy Letter (¶4.1), and other conditions established in the Loan Contract (¶3.5).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges ^(d) :	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>
			EI	<input checked="" type="checkbox"/>
Cross-Cutting Themes ^(e) :	GD	<input type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

(a) Under the Flexible Financing Facility (FN-655-1), the borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

(b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long as the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed, Justification

- 1.1 **Background. The Government of Jamaica's fiscal performance has been commendable in the last four years.** The stabilization took place under a fiscal adjustment programme supported by the International Monetary Fund (IMF) through an Extended Fund Facility (EFF) since 2013. A second programme in the form of a stand-by arrangement was signed in November 2016 to continue the strengthening of public finances. Through a major tax reform and measures taken to control public spending, the central government's primary surplus was over 7% of the Gross Domestic Product (GDP) during the period 2014-2016, which allowed the government to reduce the debt burden as well as fiscal vulnerabilities.¹ An adjustment of the exchange rate, accumulation of international reserves, improvements in competitiveness and a supportive external environment have also reduced external risks. This reduction and more stringent regulation have decreased the risks to the financial sector.
- 1.2 **Poverty and unemployment are decreasing but remain high.** Jamaica's poverty rate has remained close to 20% since 2012. Unemployment reached 16.3% in 2013 and has slowly receded to 12.2% (April 2017), compared with 9.4% in 2007 before the 2008 global financial crisis.² Economic growth is projected at 2.1% in Fiscal Year (FY) 2017/18, following 1.7% the year before. The 2017/18 budget also targets a primary surplus of 7% of GDP, with increased budget allocation to social and growth-enhancing capital spending. Inflation is modest and international reserves are above the IMF's programme target.
- 1.3 **Public Sector Transformation (PST) Policy is a long-term effort for which Jamaica has already done much work, but much more is needed.** The focus of the Government of Jamaica economic policy is to accelerate economic growth while further strengthening fiscal policy. A more efficient public sector would reduce red tape, facilitating investment, economic growth and job creation. Jamaica ranked 117 out of 140 economies in the world in a quality of public expenditures indicator produced by the World Economic Forum (WEF).³ The central government's relatively high wage bill, which remains close to 10% of GDP,⁴ accounts for one-third of public expenditures, creating budgetary rigidities and limiting the fiscal space available for important areas, including social spending, capital spending⁵ or a reduction in tax rates. The legally binding

¹ The design and implementation of the tax reform was supported by the Bank through technical assistance and through the Fiscal Structural Programme for Economic Growth I, II and III, a Policy-Based Loan (PBL) series completed in 2016 (3148/OC-JA, 3511/OC-JA and 3880/OC-JA); the Fiscal Administration Modernization Programme (2658/OC-JA), an investment loan which supports tax administration and public financial management; among others.

² Source: STATIN, Government of Jamaica

³ Source: [Global Competitiveness Index by the World Economic Forum \(2016/2017\)](#).

⁴ IMF (2016). Request for Stand-by Arrangement and Cancellation of the Current Extended Fund Facility. Press Release and Staff Report.

⁵ Capital spending in Jamaica was around 2% of GDP in 2015/2016, one of the lowest percentages in comparison to with other Caribbean countries for the same period: Bahamas (3%), Trinidad and Tobago (4.3%) and Guyana (7.6%). When compared to countries with similar GDP per capita, Jamaica's capital

Jamaican fiscal rule targets a wage bill of 9% of GDP by FY2018/19, which is also the target under the current IMF arrangements.⁶ The primarily non-contributory public-sector pension system and spending by Public Bodies (PB)⁷ are additional critical factors for fiscal sustainability and public sector efficiency over the medium to long term.

1.4 Building on the more stable fiscal situation, and alongside efficiency efforts, the Government of Jamaica is committed to tackle a long-standing structural challenge within Jamaica's public sector: the quality of public services.⁸

Jamaican citizens and firms demand easier, better and more seamless access to government services, with higher levels of quality and performance in service delivery. Waiting times, customer service and very limited web, telephone or mobile apps services are the main issues that explain citizen satisfaction levels below 50% for transactional public services.⁹ Moreover, according to the Global Competitiveness Index 2016-2017, of the WEF, inefficient government bureaucracy ranked as the most problematic factor for doing business in Jamaica.

1.5 The main problem targeted by this programme is the quality and efficiency of public services in Jamaica. This is associated with: (i) the underutilization of Information and Communication Technologies (ICT) across the public sector; (ii) cumbersome processes to access public services; (iii) a relatively large workforce, in particular of administrative staff, which combined with a primarily non-contributory public pension system represents a critical proportion of primary expenditures; (iv) limited monitoring of PB financial performance; and (v) weak capacity to implement public sector reform initiatives.

a. The Jamaican public sector underutilizes ICT for its day to day operations. Digital government in the delivery of public services is directly linked to citizens' satisfaction.¹⁰ The limited use of ICT in the provision of public services in Jamaica increases the costs for the government and citizens (mainly related to time), weakens internal accountability in government, and reduces the overall quality and fairness of service delivery.¹¹ Quality of service

expenditure also remained the lowest: Costa Rica (2.8%), Guatemala (2.9%) and Dominican Republic (2.9%) (Source: IMF Article IV).

⁶ Both the 2010 SBA and the 2013 EFF aimed at reducing Central Government salaries as a share of GDP but were only partially successful.

⁷ PB are "defined as statutory bodies, authorities or government companies" (MOFPS/PED Jamaica PB: Estimates of Revenues 2016, p.1).

⁸ The term "public services" in this document will refer to transactional services, except otherwise noted. Transactional Public Services refer to any request or submission of information individuals or firms make to a public institution, either to comply with an obligation, obtain a benefit, permit or service. Examples of these services include obtaining a driver's license, paying taxes or requesting a medical appointment in the public health system.

⁹ Source: Hurwich and Co Inc (2015), "Assessment of Jamaica's Public Sector Customer Service for the Cabinet Office".

¹⁰ Inter-American Development Bank (IDB) (2016), "Simplifying Lives: Quality and Satisfaction with Public Services", Institutional Capacity of the State Division. Within the dimensions affecting the quality of public services (processes, resources, ICT, management and regulations and management of customer service) the strongest correlation with citizen satisfaction is found in ICT and customer service.

¹¹ The United Nations General Assembly has stated the "[potential of e-government in promoting transparency, accountability, efficiency and citizen engagement in public service delivery](#)" (included in United Nations e-Government Survey 2016).

provision is limited in key ministries such as the Ministry of Labour and Social Security (MLSS), which delivers critical services in the area of social welfare. The processing of work permits, a widely used process for businesses and citizens in the MLSS, currently takes 2.2 months due to the lack of ICT tools and the existence of outdated processes that are mainly manual and paper-based.¹² Additionally, fragmented data centers lead to inefficiencies in current ICT spending.¹³ Despite ongoing efforts¹⁴ the 2016 United Nations e-Government Development Survey places Jamaica in the 112th position out of 193 countries, just above Cuba and Haiti in the Caribbean Region (a downgrade of three positions compared to 2014 and much lower compared to its 59th position in 2005).¹⁵ The Government of Jamaica faces two major challenges in this area: (i) an unclear ICT governance framework and strategy that constrains the government's capacity to set priorities, standards and guidelines in this area;¹⁶ and (ii) fragmented ICT operational functions across government,¹⁷ which negatively affect quality of services, create inefficiencies in the use of resources and forces Ministries, Departments and Agencies (MDA) to rely heavily on their own limited ICT capabilities. In the area of telecommunications there is a dependency on private sector communications providers, which provide limited coverage island-wide, have low reliability and generate very high costs for the government in general. This has led to inefficiencies calculated in US\$1.8 million per year in telecommunications and network costs.¹⁸ Additionally, the fragmentation of hosting across the government agencies has created issues related to security, storage and redundancy.

- b. **Cumbersome processes related to transactional services negatively affect citizens and businesses.** Government bureaucracy and poor management of customer service have strong negative effects on citizen satisfaction.¹⁹ In addition to government bureaucracy being perceived as the most problematic factor for doing business in Jamaica, the country ranked 112th out of 140 countries in the burden of government regulation index of the Global Competitiveness Index 2016-2017. The lack of data on citizen satisfaction limits the capacity of the MDA to create strategies for the improvement of public services. Furthermore, the government has not developed a public sector customer service policy that allows for common

¹² Jamaica Productivity Center (2016), "Productivity Audit of the Work Permit Department in the MLSS: A Business Process Reengineering Approach".

¹³ E-Gov Jamaica estimates that by consolidating data center investments across MDA more than 50% of current costs could be saved. For example, the United States Government Accountability Office reported more than US\$1 billion in savings from data center consolidation in 2015 ([GAO Report to Congressional Committees on Data Center Consolidation, March 2016](#)).

¹⁴ Including, for example, the modernization activities of the Public Sector Efficiency Programme (3121/OC-JA) like the online business registration, an e-procurement system and the strengthening of e-Gov Jamaica and the office of the Chief Information Officer (CIO) and the Ministry of Science, Energy and Technology.

¹⁵ This index includes both back office and front office aspects of e-Government, as well as infrastructure.

¹⁶ While the CIO Office and e-Gov Jamaica are the policy and operational arms of ICT in the public sector, the current governance structure has led to overlaps and inefficiencies.

¹⁷ CIO Office (2015), "Inception Report, ICT Transformation Programme".

¹⁸ Mason (2009).

¹⁹ On the effects of government bureaucracy, please see: Tummers, L.G., Weske, U., Bouwman, R. & Grimmelikhuijsen, S. G. (2015), The impact of red tape on citizen satisfaction: An experimental study. *International Public Management Journal*.

standards and guidelines for the provision of services across the government, incorporating key performance indicators.²⁰ Currently, Jamaica doesn't have a unique and reliable National Identification System (NIDS), which increases the transactional costs for citizens to access services in the public and private sectors, and also the costs for public sector providers.²¹ In the case of the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF), overregulated trade practices, high levels of uncoordinated inspections, absence of an integrated and harmonized framework for border agencies, and the prevalence of manual processes²² negatively affect imports and exports for businesses. As a consequence, Jamaica is behind the rest of the region in terms of the hours for border compliance, ranking 27 out of 32 Latin American and Caribbean countries.²³

- c. **Jamaica's public sector workforce is large and represents a substantial share of primary expenditures, which is further exacerbated by a primarily non-contributory pension scheme for public officers.**²⁴ The public sector workforce as a percentage of the population (4.5%) is considerably larger than in comparable countries.²⁵ Administrative and support staff represent a relatively large share of employment: they exceed teachers as a percentage of the total central government staff (31% versus 29%), an unusual proportion for international standards.²⁶ Corporate services such as procurement, finance and accounts and ICT are provided in a fragmented way, with duplicated structures across MDA. Even when posts are found to be unnecessary, the 1947 Pensions Act provides an early pension to the affected public officers instead of a severance payment, making it too costly for the public sector to adapt its Human Resources (HR) structure to its current needs.²⁷ Another factor affecting efficiency within the government's public sector workforce is the lack of enforcement of the retirement age; according to the e-Census system, over 8,000 public officers were above the normal retirement age of 60 as of January 2017. In terms of the management

²⁰ Hurwich and Co Inc (2015), "Assessment of Jamaica's Public Sector Customer Service for the Cabinet Office".

²¹ Average passport application process has an overall transactional cost for citizens of US\$115.09 per passport (equivalent to 96 times the hourly minimum wage) (Source: Transactional Costs Survey done in public and private sector entities, 2016). The implementation of the NIDS and the establishment of the new National Identification and Registration Authority (NIRA) is financed under the operation in pipeline JA-L1072.

²² MICAF (2017), "Trade Facilitation Reform Programme".

²³ See: <http://www.doingbusiness.org/data/exploreeconomies/jamaica>.

²⁴ The term "primarily non-contributory" system refers to the fact that some public officers already make contributions (for example, members of the police force currently contribute 1.7% of their salary toward their pensions, Parish Councilors and Parliamentarians contribute 6% and some public officers currently contribute 4% of their salary to the Family Benefit Scheme). Other public-sector employees currently make no contributions.

²⁵ Countries comparable to Jamaica in terms of population and territory tend to present lower levels. For example: Belize (4.1%), Panama (3.5%), Dominican Republic (3.1%) and Costa Rica (2.5%). Source: IDB (2016), Mission Impossible? How to Achieve Better Results in Health and Education Through Better Management of Human Resources; and IDB estimates for Jamaica based on e-Census.

²⁶ Teachers average 35% to 40% of Central Government employment in comparable countries (for example, Belize 40%, Costa Rica 36% and Panama 35%), while administrative staff tend to be closer to 20%. Sources: IMF (2016) p. 24; IDB (2016). The unusual ratio between teachers and administrative staff in Jamaica is not due to a shortage of teachers: its student per teacher ratio (23:1) and net coverage (93% in primary and 78% in secondary) tend to be better than in comparable countries. Sources: IMF (2016) p. 24; IDB (2016), and Ministry of Education Youth and Information (MOEYI) of Jamaica.

²⁷ Robertson, A. (2017), Modalities of Separation of Public Sector Employees", IDB (unpublished).

of personnel expenditures, while the design and roll out of the Human Capital Management Enterprise System (HCMES) has been initiated,²⁸ it only covers 14 MDA, leaving out the majority of the public service and therefore not allowing for a better control over personnel expenditures nor for a solid workforce planning. In terms of the public-sector pensions system, the expenditure on pension payments has increased significantly in recent years, from 0.4% of GDP in 1990 to approximately 1.6% of GDP in 2016.²⁹ As the wage bill increases and the public sector grows, pension expenditures will continue to rise rapidly, reaching 2.2% of GDP by 2025 and more than 3.2% of GDP by 2047.³⁰ Given the age profile of public employees and that most public-sector pension schemes are non-contributory, the Government of Jamaica has been dealing with the problem of balancing the need of providing adequate benefits for employees, while ensuring fiscal sustainability in the long term.

- d. **PB represent a large part of public spending and the monitoring and evaluation of PB's financial performance is weak.** As of August 2017, there were 187 active PB, 70 of which were characterized as Self-Financing Public Bodies (SFPB).³¹ Their gross assets were equivalent to 74.6% of GDP and their staff was 10% of the total public sector workforce in FY2016/2017. PB characterized as self-financing are monitored separately from those that are included in the central government's estimates of expenditure and, based on available information, some incur deficits. However, since over half of SFPB do not comply with submitting their audited financial statements within the period established under the law, their financial situation is difficult to assess.³² While there has been progress in the compliance with this requirement in recent years, the pace of improvement has been slow (compliance went from 43% of the total in 2015/2016 to 47% in 2016/2017),³³ which does not allow the government to address potential inefficiencies incurred by these entities on a timely basis.³⁴

²⁸ This activity is being supported by the Public Sector Efficiency Programme (3121/OC-JA).

²⁹ The pension system in Jamaica consists of three different pension schemes: The National Insurance Scheme (NIS), the public-sector pension system and voluntary private pensions. The NIS is a contributory defined benefits pension scheme for all public and private workers (including salaried and independent workers). The public-sector pension system supplements the benefits provided by the NIS for public employees. Some of the categories of workers covered by the public-sector pension system include: public officers, teachers, members of the Jamaica Constabulary Force and Members of the Jamaica Defense Force. The voluntary private pension system consists of occupational pension schemes and retirement accounts. For more information of the pension system, please see IDB (2017), "A road map for Long-Term Structural Pension Reform in Jamaica" (Not published).

³⁰ Source: Ministry of Finance.

³¹ SFPB are entities which have authority to collect revenue, borrow and spend outside of the central government budget.

³² PB are required to report as follows: (i) the annual report including audited financials within 120 days of the end of the financial year to the MOFPS; (ii) contracts awards which are submitted to the office of the Contractor General on a quarterly basis; and (iii) monthly procurement reports which are required by the Ministry of Finance under the Public Reporting System.

³³ Source: 2017, Public Enterprise Division, MOFPS.

³⁴ PB that do not submit their annual reports within four months, are liable to be sanctioned under the Public Bodies Management and Accountability Act.

- e. **Limited capacity in the government to implement PST.** Despite efforts and progress made in the last decade, responsibility for PST has traditionally been fragmented across different MDA. Although there has been consistent work in identifying reform measures to enhance efficiency and public services, implementation has been slower than planned, accountability of MDA has been weak and coordination across entities has been limited.
- 1.6 To address these challenges, the Government of Jamaica outlined a policy for PST including a new Public Sector Transformation Implementation Unit (PSTIU) in January 2017. The government's policy defines a transformed public sector as dynamic, innovative and responsive to the needs of citizens and businesses, constantly measuring itself and improving. This is to be achieved through an in-depth and focused modernization strategy. The PSTIU, mapped to the Office of the Prime Minister (OPM), has overall responsibility for coordinating the entire spectrum of transformation activities included in the PST Programme across MDA.³⁵ As a way of enhancing accountability, a newly created Public Sector Transformation Oversight Committee (PSTOC), which consists of non-governmental stakeholders, is monitoring the activities of the PSTIU and all public sector reform activities.
- 1.7 **Bank experience and lessons learned.** This programme will build on the Bank's experience in other projects and analytical work³⁶ to improve public service delivery, public sector efficiency, human resources management in the public sector, and the improvement of the fiscal sustainability of pensions systems. Among them: Jamaica: Public Sector Efficiency Programme (3121/OC-JA); Public Financial and Performance Management Programme III (2521/OC-JA); Fiscal Structural Programme for Economic Growth I, II and III (3148/OC-JA, 3511/OC-JA and 3880/OC-JA); Ecuador: Public Administration Institutional Reform Programme (2653/OC-EC); and Programme to Improve Citizen Service Management (3073/OC-EC); Honduras: Support Programme for Reform of Pension Institutions and the Human Resources Management System (2627/BL-HO),³⁷ and Tax Administration and Institutional and Operational Strengthening (3541/BL-HO); and Uruguay: Program to Support the e-Government Management, phases I and II (1970/OC-UR and 2591/OC-UR) and Program for Improvement of Public Services and State-Citizen Interaction (3625/OC-UR). In addition, the

³⁵ [Prime Minister's Policy Statement on Public Sector Transformation dated January 9, 2017.](#)

³⁶ IDB (2016), [Simplifying lives](#); IDB (2016), [Useful Governments](#); and IDB (2016), [Mission Impossible? How to Achieve Better Results in Health and Education Through Better Management of Human Resources](#).

³⁷ With the support of the IDB, the Government of Honduras introduced in 2011 and 2013 reforms to ensure the long-term fiscal sustainability of pension system and close the actuarial deficits of the main public pension institutes—*Instituto Nacional de Previsión del Magisterio* (INPREMA), which serves the private sector and public sector teachers, and *Instituto Nacional de Jubilación y Pensiones de los Empleados Públicos* (INJUPEMP), which covers central government public officers. Both reforms. The reform included changes in the parametric variables and other factors that affect the calculation of benefits paid by the system, restoring the balance between contributions and benefits. According to a study prepared by the International Labour Organization (ILO) (2014)**, the reforms introduced in INPREMA in 2011 and INJUPEMP in 2013 were made in the right direction and had positive and significant effects on the financial sustainability of both programmes. ILO, Social Protection Department 2014, ** "*Valuaciones actuariales del Instituto Hondureño de Seguridad Social (IHSS), el Instituto Nacional de Jubilaciones y Pensiones de los Empleados y Funcionarios Públicos (INJUPEMP) y el Instituto Nacional de Previsión del Magisterio (INPREMA)*".

programme's service delivery activities will be coordinated with the Implementation of the NIDS for Economic Growth (JA-L1072) under preparation.

- 1.8 The main lessons learned from these projects are: (i) the implementation of digital solutions for public management must incorporate business processes reengineering in order to enhance the delivery of public services, and must be aligned with the expected objectives and available resources; (ii) ownership of reforms and high level leadership is essential for the success of PST; (iii) the implementation of change management and communications strategies are critical elements of public sector reform programmes; (iv) the risk of resistance to reform activities, especially those that involve HR, can be mitigated when the project is framed within the context of a wider public sector reform programme and with dialogue and discussion of the reforms with labour unions; (v) solid technical documents and actuarial analysis are critical when discussing rightsizing programmes and pension reform; (vi) the preparation of social mitigation strategies for HR actions in the public sector is critical, even in a low risk context given the voluntary nature of an early retirement programme; and (vi) public sector reform programmes require a strong coordination entity, capable of ensuring that activities can be implemented across different government institutions.
- 1.9 **Justification.** At the request of the authorities, the Bank is supporting key government reforms and activities under the PST Programme, which build on the achievements made during previous fiscal programmes. This intervention is justified by the experience and lessons learned that the Bank has gained supporting Jamaica and other member countries in implementing policies and activities which enhance the quality of public services and the efficiency in public spending. The reforms and activities supported under this programme – through its policy-based and investment loans, respectively – follow good international practices and lessons learned by the Bank and other institutions which are relevant for the Jamaican context. These are summarized below.
- 1.10 In the area of quality of public services, according to recent empirical studies in the United States and in Latin America and the Caribbean, a stronger digital government contributes to an increase in citizen satisfaction with public services.³⁸ These same studies identified the total processing time of public services as the main variable affecting citizens' satisfaction. A unique NIDS is a critical factor to deliver better public services as an enabler for digital government and for producing gains in administrative efficiency, which are expected to produce shorter waiting times for citizens.³⁹ The implementation of a government-wide communications network constitutes a critical pillar for the development of a digital government: it makes digital services possible, allowing for the exchange information in a timely and efficient manner, and while generating important

³⁸ See: IDB (2016), "[Simplifying Lives: Quality and Satisfaction in Public Services](#)", and American Customer Satisfaction Index (ACSI) (2016), [Federal Government Report 2016](#).

³⁹ Multiple functional documents and the absence of a unique and reliable identification system can result in inefficiencies, and high administrative and transactional costs for citizens and institutions. World Bank (WB) (2016), "Identity for Development. Strategic Framework", shows that in Morocco the operation of government agencies under different identification documents that were not harmonized, depending on individual or household identification, generated high administrative burden arising from the lack of a reliable unified system.

savings as well.⁴⁰ Government services portals such as UK.gov in the United Kingdom have improved satisfaction and generated savings by gradually digitizing transactions.⁴¹ Customer service policy and improvement plans which measure public citizen satisfaction have been used in several countries with good results.⁴² Process reengineering is a common practice to enhance services, usually designed before introducing ICT to ensure the right procedure is automated.

- 1.11 In terms of efficiency of public spending, retrenchment and early retirement programmes have been implemented in over 37 countries across the world in the past years, leading to important savings in personnel expenditures. According to global studies, over 50% of the programmes tend to target public officers close to retirement age and the average payback period on investment was two years and three months.⁴³ The introduction of employee contributions to public sector pension schemes and the increase in retirement age generates more fiscal space for the public sector. The introduction of shared corporate services in several agencies of the United States Federal Government has been another mechanism to enhance efficiency in personnel expenditures by shifting funding and personnel from administrative support to mission-critical functions. This practice has been going on for over a decade.⁴⁴ Centralized HR management systems in the public sector can improve administrative efficiency, which comprises faster information processing, improved employee communications, greater information accuracy, lower HR costs and overall HR productivity improvements.⁴⁵
- 1.12 The reforms supported under the PBL are concentrated on legal aspects for the first tranche, and mostly on the implementation of these reforms in the second tranche. Beyond the two PBL disbursements, expected to be completed by June 2019, investment activities to be undertaken until 2023 will contribute to the sustainability of these reforms. After the completion of the programme, in the area

⁴⁰ In fast developing countries such as Korea, the establishment in the early 1980s of a high-speed communications network for the government was the foundation for an e-Government. Also, Garbin, D. (1997) "Toward a National Data Network: Architectural Issues and the Role of Government" highlights the economies of scale that can be achieved through the implementation of a government-wide network and its contribution for building a solid National Information Infrastructure. Furthermore, an independent economic impact study, conducted by the South Australian Centre for Economic Studies, found that at least \$64 million in savings were achieved during the first six years after the implementation of the government-wide network in Australia.

⁴¹ Savings for the first 18 months were estimated in US\$270 million. In addition, some transactions like registering to vote went from 0% of digital transactions to 82% during the same period, reflecting the citizens preference for a virtual channel (Source: gov.uk). In the case of Peru, the recently launched portal gob.pe had over 22,000 visits in its first three weeks, and citizens provided over 2,500 messages of positive feedback (Source: Government of Peru).

⁴² See: ACSI (2016) for the United States, ChileAtiende in Chile or MACs in Peru.

⁴³ See: Haltiwanger, J. y M. Singh (1999). Cross-Country Evidence on Public Sector Retrenchment. The World Bank Economic Review, Vol. 13, No. 1. Pp 23-63; Holzmann, R. et al (2011). Severance Pay Programs around the World: History, Rationale, Status, and Reforms, IZA Institute for the Study of Labor, Discussion Paper Series, IZA DP No. 5731; and Rama, M. (1999). Public Sector Downsizing. The World Bank Economic Review, Vol. 13, No. 1. Pp 1-22. The payback period includes a majority of redundancy cases as opposed to early retirement, for which the additional pension costs have to be calculated.

⁴⁴ Partnership for Public Service (2014), Helping Government Deliver: Transforming mission and support services.

⁴⁵ See: Beadles et al. (2005), "The impact of human resource information systems: an exploratory study in the public sector", Communications of the IIMA, Vol. 5 No. 4, pp. 39-46.; Dery et al. "Human resource information systems: replacing or enhancing HRM", Proceedings of the 15th World Congress of the International Industrial Relations Association IIRA 2009, Sydney, Australia, August 27; and Wiblen et al. (2010), "Transitioning from a proprietary to Vanilla HRIS: the resulting implications for talent", Proceedings of the 3rd European Academic Workshop on Electronic Human Resource Management 2010, Bamberg, Germany, May 20-21.

of quality of services it is expected that the Government of Jamaica will continue moving towards a stronger digital government – in terms of connectivity, technology and governance – to enable better public services for citizens and firms. In the area of efficiency of public spending, it is expected that the Government of Jamaica will continue its efforts to enhance efficiency through a more flexible HR structure, a more modern public sector pension system and a better management of public bodies, with a stronger alignment of public expenditures to fiscal capacity, and prioritizing expenditures with direct impact on economic growth.

- 1.13 **Bank's value added.** The Bank has been supporting the Government of Jamaica with technical assistance and dialogue in all the areas included under this programme which are part of the government's broader PST Programme. Through different instruments and bringing lessons learned from other experiences, the Bank has played an important role in the NIDS, in moving forward the ICT agenda in the public sector, in the enhancement of service delivery in public institutions, in the improvement of human resources management in the public sector, in the conception and design of the SERP, in the pension reform and in the strengthening of controls over PB.
- 1.14 **Country Alignment.** This programme is aligned with the National Development Plan-Vision 2030 Jamaica. This programme will contribute to the achievement of key "Vision 2030" goals, including effective governance, a stable macroeconomy, an enabling business environment, a technology-enabled society and improved national competitiveness. The programme is also aligned to the strategic area of the Medium Term Socio-Economic Policy Framework (2015-2018), namely, Economic Stability and Competitiveness and Employment. Furthermore, PST has been included as a key area in Jamaica's Stand-by Arrangement with the IMF approved in 2016. Finally, this highly innovative programme will directly support the Government of Jamaica's commitment to the establishment of e-Government and the development of a digital society. The policy measures and the investment interventions under this programme, especially in the implementation of online services, support innovation and contribute to this high-level objective of the government.
- 1.15 **Strategic Alignment.** This project is included in the 2017 Operational Program Report and in the Country Program Document 2017 (GN-2884). It is included as a strategic area under the improvement of the public-sector management and contributes to the strategic objectives of reducing the central government's wage bill as a percentage of GDP and increasing efficiency of the public sector in the IDB Group Country Strategy with Jamaica 2016-2021 (GN-2868). This project is also consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the development challenges of social inclusion and equality,⁴⁶ productivity and innovation⁴⁷ and economic integration⁴⁸ by: (i) providing inclusive services (access and quality) in different sectors like labor

⁴⁶ See indicators in the results matrix of: "Level of citizen satisfaction with public services", and "Time to process a work permit".

⁴⁷ See indicators in the results matrix of: "Percentage of budget resources used for capital spending", "Government-wide communications network infrastructure implemented in the Kingston Metropolitan Area (KMA)", and "Service Level Agreements (SLA) signed to deliver upskilling training for public officers".

⁴⁸ See indicator in the results matrix of: "Time to export border compliance".

and social protection and education; (ii) supporting the development of work relevant skills throughout the life cycle of public sector workers; (iii) the application of information technology to both drive public sector modernization as well as make the delivery of public services more effective, efficient and transparent; and (iv) promoting integration by facilitating market access and modernizing regulatory regimes for border agencies. The programme is also aligned with the cross-cutting theme of institutional capacity and rule of law⁴⁹ by improving the quality of public services, as well as the quality of the civil service. Additionally, the programme will contribute to the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) output indicators of government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery.⁵⁰ The programme is also aligned with the Sector Strategy on Institutions for Growth and Social Welfare (GN-2587-2) in the area of improving the provision and utilization of resources for growth and social welfare.

- 1.16 **Gender equality additionality.** The project will contribute to improving gender equity by making available information by gender on wages and positions in the MDA where the system MyHR+ is implemented.

B. Objective, Components and Cost

- 1.17 **Objective.** The main objective of this programme is to improve the delivery of public services in Jamaica through enhancing: (i) quality of transactional services; and (ii) efficiency in public spending.

**C. Policy Based Loan
(US\$110 million – Tranche 1: US\$55 million; Tranche 2: US\$55 million)**

- 1.18 **Component 1. Macroeconomic Stability.** The objective of this component is to maintain an appropriate macroeconomic policy framework, in line with what is established in the Policy Matrix (Annex II).
- 1.19 **Component 2. Enhancing Quality of Public Services.** The objective of this component is to improve the quality of transactional public services for citizens and firms. This is expected to be achieved through three specific objectives:
- a. The establishment of an adequate digital government framework for PST This subcomponent will contribute to:
 - i. The tabling⁵¹ in Parliament of a National Identification and Registration Act 2017, which will create the main source for identity verification in the country, a critical factor for digital services, and in the second tranche, the publication

⁴⁹ See indicators in the results matrix of: "Government wide communications network infrastructure implemented in KMA", "SLA signed to deliver upskilling training for public officers", "MDA in which the Payroll module of MyHR+ is operational", "Level of citizen satisfaction with public services", "Percentage of budget resources used for capital spending", and "Time to process a work permit".

⁵⁰ Through the following output indicators of the project: (i) ministries with improved services; (ii) government-wide communications network infrastructure implemented in the KMA; and (iii) MDA in which HR+ is operational; and (iv) corporate services converted into shared services.

⁵¹ This implies that Cabinet has given clearance to the document, and that a minister has introduced the bill to Parliament and is in charge of leading the debate.

of its effective date in the Gazette and the instructions for its implementation in the databases of all public sector entities;

- ii. The approval by Cabinet of an ICT Road Map and Action Plan including the establishment of an ICT Authority and the launching of the gov.jm portal as the virtual one-stop-shop for public services to citizens and firms and, in the second tranche, the tabling in Parliament of the legislation to establish the ICT Authority and of the Data Protection Act to enhance data sharing within public institutions while safeguarding the privacy of individuals; and
 - iii. The submission to Cabinet for approval of design proposal for the government-wide communications network infrastructure, which will be a redundant and reliable wide-area network, interconnecting MDA to enhance connectivity of government entities and enabling greater efficiency and quality in service delivery and government operations, and in the second tranche, the submission to Cabinet for approval of an implementation plan for the government-wide communications network infrastructure.
- b. The enhancement of service delivery in prioritized sectors. This subcomponent will contribute to:
- i. The mandate by Cabinet of the development of a Customer Service Policy for the Government of Jamaica and, in the second tranche, the submission to Cabinet for approval of such policy after completing the design and consultation phases with MDA, civil society and the private sector;
 - ii. The mandate by the Cabinet Secretary to ministries instructing the preparation of plans for service delivery improvements and the approval of these plans in two pilot ministries⁵² and, in the second tranche, the publication of the results of these plans following their implementation, including citizen satisfaction levels for each of them; and
 - iii. Creation by the Task Force for Trade Facilitation mandated by Cabinet of a Steering Committee for the simplification, streamlining and integration of certification, licensing and permitting functions of border regulatory agencies, and in the second tranche, the initiation of the implementation of a strategy for administrative simplification and regulatory reform to reduce red tape in trade facilitation;
- c. The strengthening of the institutional capacity of the government to implement public sector reform. This subcomponent will contribute to:
- i. The publication of a Policy Statement on PST, and the creation of institutional mechanisms both within government (PSTIU) and outside of government (PSTOC) to enhance its effective implementation, including a Transformation Action Plan and quarterly progress reports by the PSTOC in 2017, and in the second tranche, the publication of quarterly reports by the PSTOC of the progress of the PST plan in 2018.

⁵² It is expected that these two ministries will be the Ministry of Health and MICAF.

1.20 **Component 3. Enhancing Efficiency in Public Spending.** The objective of this component is to enhance the efficiency of public spending. This is expected to be achieved through two specific objectives:

- a. The enhancement of the efficiency of personnel expenditures. This subcomponent will contribute to:
 - i. The instruction of policies mandating the timely retirement of persons under the government's pension plan who are over the normal age of retirement, the restriction to hire retirees in the public sector and the containment of contract for services for beneficiaries under the Special Early Retirement Programme (SERP),⁵³ and in the second tranche, the effective implementation of said policies;
 - ii. The approval by Cabinet of a proposal for the SERP, which will exclude defined occupational categories (such as health professionals, security forces and teachers) and will lead to wage bill savings, allowing for restructuring the public sector to the current institutional needs and the approval of a project plan by the Financial Secretary further detailing critical aspects of the SERP, and in the second tranche, the initiation of the implementation of a strategic HR workforce plan to make these changes in staffing sustainable over time and the approval by the Auditor General of the payments of SERP packages for those employees approved under said programme;
 - iii. The approval by Parliament of amendments to the Employment (Termination and Redundancy Payments) Act to remove the exemption of public sector workers from eligibility for redundancy payments to allow for a better alignment of human resources to institutional needs and, in the second tranche, the achievement of a reduction in the wage bill to 9.5% of GDP for FY 2017/2018;
 - iv. The issuance of a policy by the Financial Secretary to MDA mandating the linking of the payroll with approved positions, to strengthen centralized control over filling or creation of new posts, and in the second tranche, the initiation of the implementation of an action plan to enforce said policy in a sustainable manner; and
 - v. The approval by Parliament of the Pensions (Public Service) Act 2017, which establishes a mandatory contribution by public officers, increases the normal age of retirement and which contributes to fiscal sustainability in the medium and long term, and in the second tranche, a circular to implement employee contributions in accordance to the said Act;
- b. The enhancement of the efficiency of non-personnel expenditures. This subcomponent will contribute to:

⁵³ According to the Government's estimates, it is expected that 2,000 applicants will be accepted for the SERP, for a total cost of US\$40 million and total savings equivalent to 0.15% of GDP.

- i. The approval by Cabinet of a Policy on the Categorization and Rationalization of Public Bodies and an Action Plan for rationalization of 79 PB, and in the second tranche, the implementation of the Policy and the Action Plan for two PB; and
- ii. The approval by the Financial Secretary of an Action Plan to increase the compliance of SFPB with the submission of annual reports (including audited financial statements) within the four month period, and in the second tranche, the submission of at least 55% of annual reports within this period for the financial year 2017/2018.

1.21 **Status of policy measures under the first tranche.** As of October 20, 2017, a total of eleven out of sixteen measures for the first tranche had been completed. The rest of the measures are expected to be completed by April 2018.

D. Investment Loan (US\$50 million)

1.22 **Component 1. Enhancing Quality of Public Services (US\$20.4 million).** The objective of this component is to improve the quality of transactional services for citizens and firms. To this end, this component will finance: (i) modernization interventions in three prioritized MDA⁵⁴ which will include organizational and process reengineering and ICT investments to improve specific services and to make them available online as well as project management offices in each institution to enhance the capacity of the government to successfully implement these activities; (ii) building on the existing infrastructure laid and/or owned by the National Works Agency (NWA),⁵⁵ the project will: (a) extend and create a network connecting e-Gov Jamaica's data center to all MDA in the KMA through fiber optics, creating a redundant, reliable, connectivity network across the government,⁵⁶ and (b) upgrade the current data center in e-Gov⁵⁷ to include additional servers, virtual machines, and required technology to accommodate initial consolidation of data centers and applications that MDA currently carry out separately;⁵⁸ (iii) upskilling and retraining of public officers, which will include upskilling activities that are mandatory and focus on public officers whose functions will change as a result of the reforms, including the need to enhance the quality of public services;⁵⁹ and retraining activities that focus on persons leaving the public service who request these services, with the objective of acquiring a broader set

⁵⁴ MLSS, MICAF and MOEYI. The criteria followed for the selection of these entities were direct provision of services to citizens and readiness for implementation. At least one Pro-Gender service will be prioritized.

⁵⁵ NWA has the rights of way required and access to ducts and fiber laid as part of infrastructure projects across the country, including highways and telecommunications.

⁵⁶ This activity will be part of the national government network called GovNet, through which e-Gov expects to connect all MDA across the country with a reliable, high speed, fiber-based network. e-Gov Jamaica, will be implementing this activity with the NWA, as e-Gov is the government entity with the mandate for the implementation of ICT policies and projects for the Government of Jamaica.

⁵⁷ The government plan is to upgrade e-Gov's current data center this would help to ensure a level of reliability and redundancy that is significantly better than the one that MDA currently have.

⁵⁸ Even though the proposed investments will not allow the migration of all data centers and applications, it should allow for those that have been prioritized by e-Gov.

⁵⁹ These two activities will be channeled through ten Service Level Agreements (SLA) between MDA and private sector providers, with participation from the Management Institute for National Development (MIND) as a shadow entity. For more information see [Upskilling Retraining Process](#).

of skills to become more employable in the wider labour market;⁶⁰ and (iv) strengthening of the PSTIU to enhance the capacity of the government to successfully implement the overall PST Programme as well as six change management and six communication strategies (for activities (i) through (iii) of this paragraph).

- 1.23 The activities under this component complement the policy reforms being supported in the PBL to enhance the quality of public services (Component 2). The implementation of improvements in service delivery requires an adequate digital government framework. Without reforms such as the unique identification system, the strengthening of ICT's legal institutional and legal framework or an adequate plan for connectivity, the investments planned would not produce the results expected. A customer service policy and the requirement to make citizen satisfaction levels per institution public, in turn, generate the right incentives for the modernization efforts of specific services to take place. In addition, a solid policy on PST with strong ownership from the highest level in government is also critical before investing in capacity for implementation of a PST programme.
- 1.24 **Component 2. Enhancing Efficiency in Public Spending (US\$24.3 million).** The objective of this component is to enhance the efficiency of public spending, both in personnel and non-personnel expenditures. This component will finance: (i) the expansion to 85 MDA (which represent the majority of the central government wage bill) of the electronic HR Management System, MyHR+, that the government is currently implementing in 14 MDA, which will allow for inter-alia: (a) integrated payroll management; (b) better workforce planning; and (c) the identification of wage differential between males and females in the public sector and type of positions occupied by women in the public sector;⁶¹ (ii) the implementation of an operational model for three shared corporate services for the public sector in key strategic areas, including financing HR activities resulting from their implementation;⁶² (iii) the implementation of specific activities coming out of the compensation review including the development of a single salary structure, an allowances review and structuring of performance management; and (iv) six change management and six communication strategies (for the activities under (i) through (iii) of this paragraph).
- 1.25 The activities under this component complement the policy reforms being supported in the PBL to enhance the efficiency of public expenditures (Component 3). For example, the inclusion of public officers as eligible for redundancy payments, the efforts to enforce the retirement age and the SERP are critical reforms which will enable the implementation of shared corporate services.

⁶⁰ This will be based on a expression of interest from SERP participants to take a training course (also voluntary), a "prioritization" for vulnerable groups will be implemented. See [Social Mitigation Strategy](#).

⁶¹ The government has expressed their intention to engage Quidgest, the firm that is engaged to provide the HR Management System, on the basis of continuation of services and given the level of satisfaction of the government with the company. Quidgest was selected through a competitive process under the Public Sector Efficiency Programme (3121/OC-JA).

⁶² These expenditures are aligned with the policy on "Modernization of Policies and Practices that Restrict the Use of Resources in Investment Loans" (document GN-2331-5), the same as the "Directives for the eligibility of retroactive financing in investment loans: Proposal for modification" (document CC-6004-2). This activity is a part of the broader policy for PST of the Government of Jamaica, and is a consequence of the implementation of shared corporate services which will improve efficiency and productivity across the public sector, contributing significantly to the objectives of the broader transformation programme.

At the same time, investment activities such as the expansion of MyHR+, will ensure a stronger control over public employment and the payroll, ensuring that the policy to link payroll with approved positions is met and the savings from the SERP are sustainable.

- 1.26 The estimated costs for the functions of management, coordination, monitoring and evaluation and auditing along the six years of the project are US\$4.1 million. A total of US\$1.2 million is available for contingencies.
- 1.27 **Beneficiaries.** The programme's direct beneficiaries will be: (i) the citizens and private sector firms of Jamaica, that will benefit from better services and a more efficient use of public resources; (ii) the central government, which will have a larger share of resources to allocate to capital spending and social programmes; and (iii) public officers, who will be employed in more productive tasks and will receive better corporate services and training.

E. Key Results Indicators

- 1.28 The main expected impact of this project will be on the increase in the level of citizens' satisfaction with public services and in the percentage of budget resources used for capital spending. The following outcomes will contribute to the expected impact: (i) a reduction in the time to deliver prioritized services;⁶³ (ii) a reduction in the wage bill as a percentage of the GDP; and (iii) an increase in the public officers' annual contributions as a percentage of annual pension expenditures.⁶⁴ The reduction in two of the largest recurring costs, such as the wage bill and pension payments, will contribute to create space for growth-enhancing capital spending. The government's target for 2020/2021 is 3.6% of GDP (an increase of 44%).
- 1.29 **Economic Analysis.** The project is expected to enhance the quality of public services and the efficiency of public spending. The ex ante [Economic Analysis](#) for the investment loan estimated the following monetizable benefits: (i) improving government connectivity; and (ii) improving the quality of services provided by the MLSS. The main results are: Net Present Value (NPV) of US\$9.2 million and an internal rate of return of 20% (clearing the IDB threshold of 12%). In a conservative scenario (in which the expected results are not achieved in the assumed time frame), the results are still positive and above IDB's threshold. The ex ante economic analysis for the PBL estimated the following savings for the Government of Jamaica: (i) implementing a contributory pension scheme, and (ii) implementing a SERP. The main results are: NPV of US\$83.6 million and an internal rate of return of 52% (clearing the IDB threshold of 12%). In a conservative scenario (in which the expected results are not achieved in the assumed time frame) the results are still positive and above IDB's threshold. All estimates in both exercises are considered extremely conservative.

⁶³ These include: work permits (MLSS); and Time to export / border compliance (MICAF), which are critical for economic growth.

⁶⁴ This indicator will exclude pension expenditures derived from the SERP.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 The programme's total cost is estimated to be US\$160 million, financed by the Ordinary Capital of the Bank (OC). The programme will be financed through: (i) a PBL with an estimated cost of US\$110 million, using the multi-tranche modality with two tranches of US\$55 million each; and (ii) a specific investment loan with an estimated total cost of US\$50 million (see Table 1). Jamaica's projected gross financing requirements for FY20018/19 are estimated at around US\$1 billion, equivalent to 6.7% of GDP, and almost completely caused by principal repayments (overall deficit estimated at 0.1% of GDP). Over two thirds of financing is expected to come from domestic sources while external official sources should contribute the remainder. This operation will contribute to this external, official financing. Therefore, the loan dimensioning is justified under the Bank's Policy-Based Loans Guidelines for Preparation and Implementation (CS-3633-1), paragraph 3.27 (b). As noted in the Policy Letter, the reforms proposed in this operation are central for Jamaica's economic growth and fiscal sustainability.
- 2.2 The hybrid structure of the programme, with a multi-tranche PBL and an investment loan, has been chosen to meet the programme's objectives. The measures in the first tranche of the PBL, such as the NIRA, the proposal for a government-wide infrastructure network, the Public Service Pensions Act and the design of the SERP open up the path to critical reforms, while the policy measures of the second tranche, expected to be achieved by the second year of the programme, will show progress in the implementation of these reforms. The investment loan components, in turn, will finance activities such as service improvements, the government-wide infrastructure network and the HR system during a period of six years, which will allow the government to consolidate the new sector policies for the enhancement of quality of services and of efficiency in public spending, ensuring their full implementation and making them sustainable over time.
- 2.3 Use of the multi-tranche modality for the PBL, wherein disbursement conditions for each tranche are specified at the beginning of the operation, is appropriate since the key steps of the policies it supports are clear and are part of a well-established government agenda. The use of this modality also signals the high level of ownership and commitment by the government to the medium-term institutional reforms in PST. The multi-tranche modality will generate incentives for timely attainment of the objectives established for those policy processes. The specific policy measures that must be fulfilled as a requirement for disbursements are presented in the Policy Matrix (Annex II).

Table 1. Investment Loan - Project Budget (in US\$ millions)

Category	IDB
Component 1: Enhancing Quality of Public Services	20.4
Subcomponent 1.1 Process reengineering and ICT investments to improve specific services	4.9
Subcomponent 1.2 Improving government connectivity and ICT services	10.6
Subcomponent 1.3 Retraining and upskilling of public officers	3.9
Subcomponent 1.4 Strengthening of public sector transformation implementation, communications and change management	1.0
Component 2: Enhancing Efficiency in Public Spending	24.3
Subcomponent 2.1 Expansion of MyHR+	17.6
Subcomponent 2.2 Implementation of Shared Corporate Services for the Public Sector	6.0
Subcomponent 2.3 Compensation Review	0.4
Subcomponent 2.4 Communications and change management	0.4
Project Management and Coordination	3.7
Auditing and M&E	0.4
Contingencies	1.2
TOTAL	50.0

- 2.4 PBL disbursements are planned during the first two years. Given the fiscal space limitations that could arise and the length of the procurement processes, it was agreed with the government that the execution of the programme's investment loan will be spanned over six years to ensure achieving the desired outcomes and impact.

Table 2. Investment Loan - Project Disbursement Projections (in US\$ millions)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
10.0	6.2	7.8	9.0	7.7	9.3	50.0

B. Environmental and Social Safeguard Risks

- 2.5 According to the results of the IDB "Safeguards Policy Filter Report", and the safeguard and Environmental Policies (OP-703), this operation is classified as Category "C", given the low impact on environmental and social issues. The programme will not finance any infrastructure or civil works. While the SERP is a voluntary programme with relatively low risks (all beneficiaries will receive a severance package plus a pension), the government and the Bank agreed on a [social mitigation strategy](#) which: (i) defines social vulnerability in Jamaica's legal and policy framework; (ii) estimates the number of vulnerable individuals who could be affected by the programme; and (iii) proposes a strategy to mitigate any adverse effects based on providing these individuals with priority access to social protection, retraining and private employment programmes.

C. Fiduciary Risk

- 2.6 As indicated in the [Fiduciary Arrangements](#), the overall fiduciary risk of the programme's investment loan components, which was evaluated using the Institutional Capacity Assessment System methodology, is deemed to be medium. Nevertheless, the evaluation indicates that, based on the current structures and

fiduciary systems in place, the OPM will have the capacity to execute the programme once the Programme Executing Unit (PEU) is established.

- 2.7 The following medium risks were identified for the programme's investment loan components: (i) timely financial information for decision making; (ii) weak financial management capacity of the PEU; and (iii) lack of awareness of IDB procurement, disbursement and financial reporting procedures. To mitigate these risks, the following mitigation strategies were recommended: (i) acquisition of an accounting software that meets IDB minimum requirements for project financial reporting; (ii) recruitment of a procurement and financial specialist to be assigned to the project and identification of a dedicated area (physical space) to adequately house the PEU, its operations and file retention; and (iii) create capacity within the PEU through periodic training on IDB's procurement and financial management policies, procedures and requirements.⁶⁵

D. Other Key Issues and Risks

- 2.8 A risk analysis workshop was held with relevant stakeholders, during which of the six key risks identified, three were rated as "high", two were rated as "medium" and one was rated as "low". A summary of the "medium" and "high" risks and their corresponding mitigating measures is presented below:

Table 3. Project Non-Fiduciary Risks (High and Medium)

Type	Risk	Mitigation measure
Public Management and Governance	High: Sustainability of the reform and reform fatigue may hinder their achievement	(i) High level policy oversight steering committee established; and (ii) change management programme implemented
Public Management and Governance	High: Slow pace of approval of legislative reforms that may cause delays in the implementation of the PBL and the investment components of the programme, impacting the implementation timeline of the operation	(i) Ensuring legislative actions are initiated early; (ii) inclusion of the legislative process in the critical path of the activities in the project; and (iii) early establishment of the PEU for the project
Public Management and Governance	High: Lack of coordination between the project stakeholders can risk the completion of the activities in the programme	(i) Establishment of the steering committee; and (ii) design and implementation of change management and communications strategies
Macroeconomic and Fiscal Sustainability	Medium: Insufficient fiscal space allocation for the investment portion of the programme can cause delays in the implementation	(i) Increasing the implementation time to 6 years; and (ii) quarterly reports to the MOFPS on the project progress, commitments and disbursements
Public Management and Governance	Medium: Specific interest groups obstructing/adjusting certain transformation reforms that may affect their interests	(i) Change management activities implemented, including consistent consultations with all stakeholders; and (ii) inclusion of the public-sector trade unions in the steering committee

⁶⁵ For more detail, please see [Fiduciary Arrangements](#).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements for the PBL

- 3.1 The Executing Agency (EA) will be the MOFPS, which will be responsible for: (i) coordinating between relevant government entities involved in the PBL's execution and presenting to the Bank evidence of the fulfillment of the policy conditions of the policy matrix; (ii) promoting actions to achieve the policy objectives defined in the programme; and (iii) compiling, maintaining, and delivering to the Bank the necessary information, indicators, and parameters to monitor and evaluate programme outcomes.
- 3.2 **Coordination with other donors.** The Bank has been effectively coordinating efforts with the IMF since 2015 regarding several of the policy measures being supported by the PST Programme. These include the design of the SERP and other public sector HR measures (led by the Bank), as well as the policy dialogue in the areas of public sector pensions and rationalization of PB. The Bank has also been coordinating with the WB in the areas of public sector pensions (supported by both a recent WB development policy loan⁶⁶ and this programme) and digital government (technical assistance to establish the ICT authority).⁶⁷ In addition, the WB is supporting improvements in public investment management and performance management, which are part of the government's PST but are not covered under the Bank's programme.
- 3.3 **Coordination between government agencies.** The MOFPS's International Program Management Unit will take direct responsibility for the monitoring of all means of verification for the policy reforms and will liaise with all MDA which participate in the PBL. This applies, in particular, to the policy measures of Component 2 (Enhancing Quality of Public Services), which are led by different MDA.⁶⁸ All policy measures under Component 3 (Enhancing Efficiency of Public Spending) are being led by the MOFPS.
- 3.4 **Disbursement.** PBL disbursements are planned by April 2018 (first tranche), and June 2019 (second tranche).
- 3.5 **Special contractual condition prior to the disbursement of each tranche of the PBL.** Disbursement of the resources for each tranche of the PBL will be contingent on carrying out the policy measures or institutional changes agreed upon for their release, in accordance with the Policy Matrix (Annex II) and the Policy Letter (¶4.1), and other conditions established in the Loan Contract.

B. Summary of Implementation Arrangements for the Investment Loan

- 3.6 The OPM, in the capacity of EA, will be responsible for executing the investment loan. Its mandate is to support the Prime Minister in meeting constitutional responsibilities to provide quality leadership, strategic direction and control for an

⁶⁶ Second Competitiveness and Fiscal Management Programmatic Development Policy Financing (Report No. 110677-JM), April 2017.

⁶⁷ Strategic Public Sector Transformation Investment Loan (Report No: PAD946), June 2014.

⁶⁸ These are: Cabinet Office, the OPM, the Ministry of Science, Energy and Technology and MICAF.

efficient, effective and economical government. The OPM is the government body with a wide enough mandate to ensure proper coordination among all concerned institutions.

- 3.7 The OPM will establish a PEU, which will be responsible for project administration, including planning, budgeting, accounting, procurement implementation, monitoring and evaluation. The PEU will include a full-time project manager, a financial management specialist and two procurement management specialists.⁶⁹ Furthermore, the PEU will have two component coordinators and additional staff working in the following areas: business processes, communications and change management and shared services.
- 3.8 The PEU responsibilities will include: (i) preparation of semi-annual progress reports; (ii) preparation, and implementation of the Annual Operating Plans (AOP); (iii) preparation of budgets, and disbursements; (iv) preparation of the [Procurement Plan \(PP\)](#); (v) financial administration of the project according to accepted accounting principles and presenting audited financial statements; (vi) ensuring the quality and efficacy of procurement processes and their compliance with both the policies of the Bank and those of the Government of Jamaica; (vii) ensuring the consistent alignment of expected project results with day-to-day programme implementation as well as continuous data collection to enable the measurement of the indicators included in the [Results Matrix](#); and (viii) being project liaison with the Bank.
- 3.9 It is anticipated that the staff currently hired through a competitive process under the Technical Cooperation [ATN/OC-16179-JA](#) will form part of the PEU through the execution of the project. These consultants were hired to support the OPM in the implementation of the PST Programme.
- 3.10 **Governance structure.** The PEU for this project will be an integral part of the PSTIU, in charge of implementing the broader PST Programme of the Government of Jamaica. The PEU's manager will report directly to the Executive Director of the PSTIU, who is in charge of ensuring that the agreed actions under the government's PST Programme are implemented on time. Furthermore, the permanent secretaries of the ministries in charge of implementing activities under this project will have direct oversight for these activities. The PSTOC, which monitors the achievement of the targets agreed under the stand-by arrangement with the IMF, will also serve as a monitoring body for the achievement of the results of this programme.
- 3.11 **Programming.** Each year, the PEU will present an AOP, the financial plan and the PP to the Bank for its non-objection. The [Fiduciary Arrangements](#) provide guidance for the financial management and procurement during the execution of the project. Such arrangements have been developed based on the fiduciary context of Jamaica, the institutional analysis of the EA, and the several meetings held

⁶⁹ The Operational Support Technical Cooperation (TC) [Institutional Strengthening of the Office of the Prime Minister \(ATN/OC-16179-JA\)](#), approved in June 2017 for US\$180,000 and under execution, is financing a full-time project manager and part-time procurement specialist from September 2017 to August 2018, among other activities.

between the project team and key personnel of the EA and the participating entities.

- 3.12 **Programme Operating Manual.** The [Programme Operating Manual \(POM\)](#) will establish standards and procedures for the EA with regards to programming activities, execution plan, procurement audits, fiduciary management arrangements and [Monitoring and Evaluation Arrangements \(M&E\)](#), among others, which will govern programme execution. The POM will also detail the collaboration between the EA and the MLSS, MOEYI and MICAFA, in charge of the implementation of activities under the programme.
- 3.13 **Special contractual conditions prior to the first disbursement.** The EA will provide evidence to the Bank's satisfaction: (i) approval of the [POM](#) in accordance with the terms and conditions previously agreed upon between the EA and the Bank; (ii) creation of the PEU and of the assignment or hiring of its project manager, as well as one procurement management and one financial management specialist; and (iii) Memorandum of Understanding or Agreement has been entered into between the EA and e-Gov Jamaica Limited, specifying their collaboration in the programme's execution. These prior conditions are critical to ensure the timely execution of the project.
- 3.14 **Procurement.** The programme will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Bank (GN-2349-9), and the Policies for the Selection and Contracting of Consultants Financed by the Bank (GN-2350-9), with the provisions established in the loan contract and PP. The Bank has approved the use of the Jamaican Procurement Sub-system of Limited Tender/Restricted Bidding, for all contracts for works below the Bank's threshold for Price Comparison (up to US\$150,000) and contracts for goods and non-consulting services that fall within the Bank's threshold for the said method (US\$25,000). The supervision method for procurement will be ex ante until the PEU procurement specialist has gained experience observing and executing Bank policies, procedures, and use of standard bidding documents.
- 3.15 The ex post modality may be recommended by the procurement specialist to the team leader depending on outcomes of supervision visits, if appropriate evidence is presented to demonstrate capacity to perform under the ex post supervision modality. Supervision visits will be performed every 12 months and as indicated in the project supervision plan. When ex post review is recommended, supervision visits will be performed jointly with the Bank's financial management specialist. When the procurement processes are carried out through the country system, the supervision will also be carried out through the country system.
- 3.16 **Direct Contracting.** The Borrower has expressed its interest in advancing the direct contracting of the NWA, e-Gov Jamaica Ltd. and Quidgest. Additionally, the PEU consultants (Project Manager and Procurement Specialist) contracted under the TC "Institutional Strengthening of the OPM" (ATN/OC-16179-JA), will remain throughout the execution of the project. These single source and sole-source selections are justified under this operation: (i) as a continuation of activities started

by the government with IDB support;⁷⁰ and (ii) given the ownership of the infrastructure and the legal mandate of the government institutions to be contracted. The single source and sole source selection of these firms and individual consultants respectively is justified under the Bank's Policy paragraph 3.10 (a) and paragraph 5.4 (a) (GN-2350-9), paragraph 3.6 (c) and (d) (GN-2349-9). (Please see [Fiduciary Arrangements](#)).

- 3.17 **Retroactive financing.** The Borrower has expressed its interest in retroactive financing. The Bank may recognize, eligible expenses incurred by the Borrower prior to the date of loan approval up to the amount of US\$800,000 (1.6% of the proposed loan), provided all the requirements are substantially similar to those set out in the loan contract requirements. The eligible expenses will be related mainly to: (i) PEU staff; and (ii) institutional capacity strengthening of the PSTIU. These expenses must have been incurred on or after July 25th, 2017 (approval date of the Project Profile) and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.
- 3.18 **Disbursement.** The PEU will maintain strict control over the utilization of the advance of funds to ensure the easy verification and reconciliation of balances between the EA and IDB's records. Eligible expenditures, authorized by the project team leader and incurred prior to the approval of this project, will be reimbursed to the borrower, in accordance with Bank policies. The project will provide adequate justification of the existing advance of funds balance, whenever 80% of said balance has been spent. Advances will normally cover a period not exceeding 180 days and no less than 90 days.
- 3.19 **Auditing.** The PEU will submit the following documents to the Bank: (i) Annual Audited Financial Statements (AFS) of the project, to be submitted within 120 days after the close of each fiscal period; and (ii) final audited financial statements, to be submitted within 120 days after the day of the last disbursement date of the programme. The financial statements must be conducted by an independent external audit firm approved by the Bank.

C. Summary of Arrangements for Monitoring Results

- 3.20 Monitoring arrangements for the programme will be based on: (i) compliance with the policy and means of verification matrix; (ii) the achievement of the results and outputs indicators contained in the Results Matrix; and (iii) the [M&E](#).
- 3.21 For the PBL, the monitoring of the programme will include the following instruments: (i) [Results Matrix](#); (ii) [Means of Verification Matrix](#); (iii) Project Monitoring Report (PMR); (iv) Project Completion Report (PCR); and (v) administration missions. The MOFPS will monitor the fulfillment of the general and special conditions established in the policy and means of verification matrix prior to the disbursement of each tranche. For each tranche, the MOFPS will send a report of compliance for the preparation of the disbursement memorandum for

⁷⁰ Institutional Strengthening of the Office of the Prime Minister (ATN/OC-16179-JA) and Public Sector Efficiency Programme (3121/OC-JA).

the Bank's approval. The results of the programme will be measured from administrative data, performance and qualitative evaluation.

- 3.22 For the investment loan, the monitoring of the programme will include the following instruments: (i) [Results Matrix](#); (ii) [Pluriannual Execution Plan \(PEP\) and Annual Operating Plan \(AOP\)](#); (iii) [PP](#); (iv) PMR; (v) progress reports; (vi) audited financial statements; (vii) PCR; (viii) administration missions or inspection visits; and (ix) citizens satisfaction survey to measure the change the programme had over citizens perception on service delivery, among others. The EA, through the PEU, will submit semi-annual progress reports on the progress of activities identified in the AOP within 45 days of each semester end, containing: (i) narrative description of activities, procurement processes, and implementation issues for the reported period; (ii) Results Matrix indicator update; (iii) statement of costs by component activities and Results Matrix indicator; and (iv) identification of implementation risks/events and mitigation measures. The specific characteristics of each of these instruments are detailed in the MEP.
- 3.23 For the evaluation of the programme, the PEU will procure an independent consulting services to conduct the programme's mid-term and final evaluation⁷¹ and an ex post cost-benefit analysis. The Results Matrix, Policy Matrix and [M&E](#) will be used to carry out the programme's evaluation. The intermediate evaluation will assess the progress towards the established product and results indicators, as well as the achievement of the plans set forth in the AOP, and will also formulate recommendations on corrective actions and identify good practices. The final evaluation will include an updated version of the activities listed for the intermediate evaluation and an ex-post cost-benefit analysis taking into consideration: (i) the results achieved by the programme; and (ii) the relevance of the programme, examining the factors that could affect the continuity of the results achieved. The ex-post cost-benefit evaluation will be conducted to: (i) review the achievements of the programme; and (ii) compare the results of the programme using real data versus the results of the ex-ante economic analysis. This evaluation should apply the same methodology used in the economic analysis. The source of information of the ex-post analysis will focus on information provided by the Government of Jamaica.

IV. POLICY LETTER

- 4.1 The Bank and the government have agreed on the macroeconomic and sector policies set out in the [Policy Letter](#), which describes the components of the strategy implemented in the programme's areas of action described in this document.

⁷¹ The mid-term and final evaluations will be carried out upon: (i) commitment of 60% of loan resources or 3 years of project execution (whichever occurs first); and (ii) commitment of 90% of loan resources or 5.5 years of project execution (whichever occurs first), respectively.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Economic Integration -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2868	i) Reduce Central Government wage bill as a percentage of Gross Domestic Product, and ii) Increase efficiency of public sector.
Country Program Results Matrix	GN-2884	The intervention is included in the 2017 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability	Evaluable	
3. Evidence-based Assessment & Solution	8.2	
3.1 Program Diagnosis	2.4	
3.2 Proposed Interventions or Solutions	2.8	
3.3 Results Matrix Quality	3.0	
4. Ex ante Economic Analysis	10.0	
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0	
4.2 Identified and Quantified Benefits	1.5	
4.3 Identified and Quantified Costs	1.5	
4.4 Reasonable Assumptions	1.5	
4.5 Sensitivity Analysis	1.5	
5. Monitoring and Evaluation	7.1	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	4.6	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	C	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury. Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Gender Equality	Yes	The project will contribute to improving gender equity by redesigning services that will benefit women directly (reducing transaction costs), and by making available information by gender on wages and positions in the public service.
Labor		
Environment		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	The Technical Cooperation JA-T1145 was approved to strengthen the capacity of the Office of the Prime Minister (OPM) to implement this project and public sector transformation activities.
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The problem that this operation addresses is the low quality and efficiency of public services in Jamaica. The factors that contribute to the problem are properly identified and relevant empirical evidence is provided. The factors listed are associated with: (i) IT under-utilization which is linked to citizen dissatisfaction, higher costs to both the Public Sector and its beneficiaries, and (ii) cumbersome transactional processes in citizen services which also affect satisfaction and costs to both parties. Also, the public-sector workforce is unbalanced, corporate services are fragmented, retirement policies are not enforced, workforce planning is inconsistent, public sector pension legislation is complex and inefficient, and financial performance is weak.

The proposed intervention is linked to the challenges identified in the diagnosis. The intervention is structured as a hybrid operation which includes a Policy Based Loan for US\$ 110 million and an investment loan for US\$50 million, both of which address the main problems with specific instruments. The project's vertical logic is clear. It is important to note that as a hybrid operation, it was critical to integrate the vertical logic of both instruments. The impacts (citizen satisfaction and increased resources for infrastructure) are derived from the two strands of actions included in both the PBL matrix and the investment loan. Both instruments contribute to their achievement. These impacts are contingent on achieving three results: improved service delivery, contained fiscal bill and sustainable pension bill. In turn, these results emerge from both actions included to the policy matrix and specific products in the investment loan.

Two separate analysis were prepared to estimate the economic impact of the operation. On the investment side, a full cost benefit analysis was undertaken analyzing the potential impact of improved government connectivity and the efficiency improvement in services in the Ministry of Labour and Social Security. On the PBL side, an estimate was prepared for costs and benefits related to the implementation of reforms to the Pension Act, particularly to the Early Retirement Programme. A sensitivity analysis is provided for both. The monitoring and evaluation plan is complete. The plan includes an ex-post cost benefit analysis and a before and after analysis.

Policy Matrix

Specific Objectives	Policy Triggers for 1st Tranche	Policy Triggers for 2nd Tranche
Component 1. Macroeconomic Stability		
Maintain a stable macroeconomic framework	The Borrower shall maintain an appropriate macroeconomic policy framework congruent with the programme's objectives and in accordance with the provisions of the Policy Letter.	The Borrower shall maintain an appropriate macroeconomic policy framework congruent with the programme's objectives and in accordance with the provisions of the Policy Letter.
Component 2. Enhancing Quality of the Public Services		
Establish an adequate digital government framework for public sector transformation	1. Tabling in Parliament of the <i>National Identification and Registration Act, 2017</i> , which establishes: <ul style="list-style-type: none"> (i) The National Identification and Registration Authority for the promotion, establishment and regulation of a National Identification System (NIDS) for the enrolment and registration of all citizens and individuals who are ordinarily resident in Jamaica and the verification, and the authentication of their identity; (ii) The National Civil and Identification Database; (iii) A National Identification Number (NIN); (iv) The issuance of National Identification Cards; and (v) The mandatory submission of the NIN for any transaction with the Government of Jamaica for all citizens and individuals who are ordinarily resident in Jamaica. 	1. (i) Publication of the effective day notice of the National Identification and Registration Act in the Jamaica Gazette; and (ii) Circular issued by the Cabinet Secretary providing instructions on the adoption of the NIDS in the databases of all public sector entities.
	2. Approval by Cabinet of the Blueprint Report: Road Map and Action Plan for Information and Communications Technologies (ICT) Transformation in the government, including the establishment of the ICT Authority and the launching of the gov.jm portal as the virtual one-stop-shop for public services to citizens and firms.	2. Tabling in Parliament of: (i) legislation creating the new ICT Authority; and (ii) the Data Protection Act.
	3. Submission to Cabinet for approval of a design proposal for the government-wide communications network infrastructure.	3. Submission to Cabinet for approval of an Implementation Plan for the government-wide communications network infrastructure.

Specific Objectives	Policy Triggers for 1st Tranche	Policy Triggers for 2nd Tranche
Enhance service delivery in prioritized sectors	<p>4. Mandate by Cabinet for the development of a Customer Service Policy for the public sector that addresses inter alia:</p> <ul style="list-style-type: none"> (i) Management of feedback on service delivery and mechanisms for sustaining citizen engagement in service design and performance monitoring; (ii) Accountability for the quality of services delivered; (iii) Reinforcement of the roles and responsibilities of each Ministry in managing the quality of service; (iv) Creation of capacities for embedding service excellence; and (v) Establishment of a centralized customer service function to support Ministries, Departments and Agencies (MDA) to maintain service excellence. <p>5. Mandate by Cabinet Secretary to Ministries instructing the preparation of Service Implementation Plans (SIP) for service delivery improvements, and approval by the Cabinet Secretary of two (2) plans in pilot Ministries.</p> <p>6. Creation by the Task Force for Trade Facilitation mandated by Cabinet, of the Steering Committee for the simplification, streamlining and integration of the certification, licensing and permitting functions of border regulatory agencies.</p>	<p>4. Submission to Cabinet for approval of the Customer Service Policy for the public sector, informed by consultation processes with MDA, civil society and private sector.</p> <p>5. Publication of the results of implementation of approved SIP for Ministries, including customer satisfaction levels for each of them.</p> <p>6. Initiation of the implementation of the strategy for administrative simplification and regulatory reform to reduce red tape in Trade Facilitation.</p>
Strengthening the institutional capacity of the government to implement public sector reform	<p>7a. Publication of a Policy Statement on Public Sector Transformation (PST), creating the Public Sector Transformation Implementation Unit (PSTIU) to lead the implementation of the Public Sector Transformation Plan, and the Public Sector Transformation Oversight Committee (PSTOC) to include members from outside government, to oversee the timely implementation of the plan.</p> <p>7b. Ensuring the appointment of all members of the PSTOC by the Office of the Prime Minister (OPM), the development of a Transformation Action Plan, and the completion and publication of PSTOC quarterly progress reports for January, May and July 2017.</p>	<p>7. Publication of quarterly reports by the PSTOC on the implementation of the Public Sector Transformation Plan in 2018.</p>

Specific Objectives	Policy Triggers for 1st Tranche	Policy Triggers for 2nd Tranche
Component 3. Enhancing Efficiency in Public Spending		
Enhance the efficiency of personnel expenditures in the public sector	<p>1. Issuance of:</p> <ul style="list-style-type: none"> (i) a directive to all human resources departments across the public sector to start implementing the requirements for the process of retirement of persons under the Government of Jamaica pension plan who are over the normal age of retirement; and (ii) an instruction from the Chief Personnel Officer of the Office of the Services Commission to all Permanent Secretaries and Heads of Departments instructing that the hiring of retirees must be approved by the Public Services Commission. (iii) An instruction from the Financial Secretary to the MDA directing the containment of the reemployment of persons through contract for services who would have retired under the SERP. 	<p>1. Enforcement of the normal age of retirement and of the restriction for the hiring of retirees; and the creation of a monitoring mechanism for contracts for services awarded to the SERP beneficiaries.</p>
	<p>2a. Approval by Cabinet of a proposal for a Special Early Retirement Programme (SERP), which will contribute to the net wage bill savings, including:</p> <ul style="list-style-type: none"> (i) Criteria for selection and prioritization of candidates, which will exclude defined occupational categories (such as health professionals, security forces and teachers); (ii) Limiting the cost of replacing persons taking the SERP to no more than 15% of the total value of the wage bill savings; (iii) The payment of an incentive, unused leave and gratuity to approved participants; and (iv) Restriction of the rehiring of public officers taking SERP for at least five years. 	<p>2a. Initiation of the implementation of a strategic Human Resources (HR) workforce management plan in the MDA that would result in the sustainability of the wage bill savings derived from SERP proposal approved by Cabinet.</p>
	<p>2b. Approval by the Financial Secretary of the Project Plan for the implementation of the SERP, which will include:</p> <ul style="list-style-type: none"> (i) Criteria to prioritize candidates in case demand exceeds available resources; (ii) Defined incentive, including caps on number of weeks, accumulated leave to be paid, and the 	<p>2b. Approval by the Auditor General of the calculations and payments of SERP packages to employees approved under the SERP; and confirmation that the criteria for selection and prioritization of candidates to exclude defined occupational categories, as outlined in the</p>

Specific Objectives	Policy Triggers for 1st Tranche	Policy Triggers for 2nd Tranche
	<p>structure, sequencing and estimated timeline for the payments;</p> <p>(iii) The processes and procedures for the development and maintenance of a consolidated list of retirees who are approved for the SERP, which should be used to enforce the restriction of rehiring;</p> <p>(iv) Rules to manage vacant posts in each institution after resignations become effective; and</p> <p>(v) A description of the retraining plan for those approved candidates who are interested in enrolling.</p> <p>2c. Approval of amendments to the Employment (Termination and Redundancy Payments) Act to remove the exemption of public officers from eligibility for redundancy payments.</p>	<p>Early Retirement Implementation Project approved by Cabinet, was complied with.</p> <p>2c. Achievement of a reduction in the wage bill to 9.5% of GDP for Fiscal Year (FY) 2017/18.</p>
	<p>3. Policy issued by the Financial Secretary mandating the linking of the payroll with approved positions.</p>	<p>3. Initiation of the implementation of the action plan on the approved policy options in respect of employment outside of the establishment and measures to prevent reoccurrence</p>
	<p>4. Approval by Parliament of the Pensions (Public Service) Act 2017, which makes the provision for, inter alia: (i) a mandatory contribution by public officers; (ii) an increase in the normal age of retirement for members of the pension scheme; and which contributes to fiscal sustainability in the medium and long-term.</p>	<p>4. Circular by the Ministry of Finance and the Public Service instructing MDA to make the pension deduction from public officers' salary, in accordance with the Pensions (Public Service) Act 2017.</p>
<p>Enhance the efficiency of non-personnel expenditures in the public sector</p>	<p>5. Approval by Cabinet of:</p> <p>(i) a Policy on the Categorization and Rationalization of Public Bodies (PB) (allowing for options to integrate, merge, close, contract out and divest); and</p> <p>(ii) an Action Plan for public sector transformation that includes the rationalization of 79 PB.</p>	<p>5. Implementation of:</p> <p>(i) the Policy on the Categorization and Rationalization of Public Bodies; and</p> <p>(ii) the Action Plan for the rationalization of two (2) PB that were originally considered under the Action Plan approved by Cabinet for the first tranche.</p>

Specific Objectives	Policy Triggers for 1st Tranche	Policy Triggers for 2nd Tranche
	6. Approval by the Financial Secretary of an Action Plan to increase the compliance of Self-Financing Public Sector Bodies (SFPB) with the submission of annual reports (including audited financial statements) within the four-month period.	6. Submission of at least 55% of annual reports of SFPB (including audited financial statements) within the four-month time period after the end of the financial year 2017/18.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/17

Jamaica. Loan ____/OC-JA to Jamaica
Support to the Public Sector Transformation Programme

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Jamaica, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a support to the public sector transformation programme. Such financing will be for the amount of up to US\$110,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on __ _____ 2017)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/17

Jamaica. Loan ____/OC-JA to Jamaica
Support to the Public Sector Transformation Programme

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Jamaica, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a support to the public sector transformation programme. Such financing will be for the amount of up to US\$50,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on __ _____ 2017)