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**MINISTRY OF FINANCE AND THE PUBLIC SERVICE
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JAMAICA**

August 25, 2017

**POLICY LETTER
JAMAICA: SUPPORT TO THE PUBLIC SECTOR TRANSFORMATION PROGRAMME**

Mr. Luis Alberto Moreno
President
Inter-American Development Bank
1300 New York Avenue, N. W.
Washington, D.C. 205771
United States of America

Dear President Moreno,

The Government of Jamaica (GOJ) is firmly committed to the tenet of fiscal prudence as indicated in the Fiscal Policy Paper FY 2017/18 and fully recognizes that the pathway of fiscal prudence requires fortitude and the vision of a country where entrepreneurship is facilitated by a transformed public sector. It is within this context that the GOJ and the Inter-American Development Bank (IDB) have had several discussions regarding the Support to the Public Sector Transformation Programme which will be a hybrid operation consisting of an Investment Loan and a Policy Based Loan (PBL). Among the GOJ's priority objectives are achieving sustainable economic growth and creating substantial employment opportunities. In keeping with these objectives, a transformed, efficient and facilitative public sector will be critical going forward. Continued commitment to the overall economic reform programme working in tandem with fiscal prudence and discipline will help to facilitate the ongoing reduction of public debt and maintenance of a stable macroeconomic environment, as the Government seeks to achieve its priority objectives over the medium to long term.

Under the *Vision 2030: Jamaica National Development Plan*, the GOJ has outlined the following goals: a prosperous economy; a secure, cohesive and just society; and empowering Jamaicans to achieve their fullest potential. The GOJ intends to mobilize key Ministries, Departments and Agencies (MDAs) towards becoming more client-centred, technology-enabled providers of essential services, and to focus on providing excellent customer service with the key outcome

of increased customer and client satisfaction. The Ministry of Finance and the Public Service (MOFPS) as one of the leaders of this charge has embarked upon the path of being transformed into a Centre of Excellence (COE) by FY 2018/2019 with the intention of being internationally certified as a COE. The support of the IDB in this regard will assist the GOJ to improve the delivery of public goods and services for greater client satisfaction, govern more effectively, strengthen accountability and provide the requisite economic infrastructure that will improve efficiencies and ultimately lead to government savings and increased growth. These measures will ultimately enhance the efficiency of the public sector, thereby making more resources available for capital and social spending which will have a positive impact on economic growth and job creation.

The Support to the Public Sector Transformation Programme builds on the gains of the Public Sector Efficiency Programme (PSEP) (3121/OC-JA), with further implementation of initiatives targeting the effective management of our human resources as well as information and communications technology governance.

Components of the PBL within the Support to the Public Sector Transformation Programme

The GOJ has demonstrated its firm commitment to the reform agenda, in executing the policy actions outlined in the following three (3) Components of the Policy Matrix for the Programme, namely:

- a. Maintaining a Stable Macroeconomic Framework;
- b. Enhancing the Quality of Public Services; and
- c. Enhancing Efficiency in Public Spending.

Component 1: Maintaining a stable macroeconomic framework

Having effectively negotiated a Stand-by Arrangement (SBA) with the International Monetary Fund (IMF) in November 2016, the successor to the Extended Fund Facility (EFF), the GOJ has signaled its continued commitment to implementing reforms aimed at achieving fiscal and debt sustainability among other key macroeconomic objectives.

Jamaica has benefitted significantly from the successful implementation of the reforms undertaken to date. Notably, there was a 1.3% increase in Gross Domestic Product (GDP) during FY 2016/17. Inflation remains in single-digits at 4.1% for FY 2016/17. Net International Reserves (NIR) amounted to US\$2,769.2 million in March 2017, which represents approximately 39 weeks of imports, reflecting an increase from US\$2,416.5 million in March 2016, which represented approximately 34 weeks of imports. Preliminary data for the quarter ending December 2016 indicates modest improvement in the current account deficit for the 2016

calendar year from approximately US\$327.1 million to a deficit of US\$103.0 million (0.7% of GDP), in comparison to the previous calendar year.

With respect to the Debt to GDP ratio, the prior GOJ definition which includes Central Government, Bank of Jamaica (BOJ) and external guaranteed debt was 121.2% for FY 2016/17, representing a slight decrease from 122.3% in FY 2015/16 (under the EFF, the ratio was 119.7% in FY 2016/17 compared to 120.2% in FY 2015/16), due to proactive management of the GOJ's portfolio.

Additionally, Jamaica benefitted from improved credit ratings during FY 2016/17. Moody's Ratings Agency upgraded the country's sovereign ratings from Caa2 to B3 in November 2016, while Standard and Poor's Global Rating and Fitch Ratings affirmed the country's 'B' rating in September 2016 and February 2017, respectively.

Component 2: Enhancing the Quality of Public Services

The development of a National Identification System (NIDS), through the approval of a Bill shortly entitled, "The National Identification and Registration Act, 2017", will provide enhanced identity verification of citizens and enable the GOJ to more efficiently and effectively deliver public services and social welfare. The drafting of the Blueprint Report: Road Map and Action Plan for Information and Communications Technologies (ICT) Transformation in the GOJ, the establishment of the Information and Communications Technology (ICT) Authority and the design of the government-wide communications network infrastructure, are significant milestones that will lay the foundation and provide the governance framework for increased capacity in the public sector for the streamlining of business processes and the realization of greater efficiencies in the utilization of ICT.

Furthermore, with a new policy on Customer Service as well as the development of customer service improvement plans in two (2) pilot Ministries, the GOJ has signaled its intention to improve its engagement with clients and citizens, and set and adhere to higher standards of service. Along with the thrust towards improved customer service on the part of the GOJ, the establishment of a Steering Committee tasked with developing a strategy for streamlining and simplifying selected business processes, further highlights the Government's intentions to deliver better services to citizens and firms over the medium to long term.

To strengthen capacity to implement these reforms, the GOJ has established the Public Sector Transformation Implementation Unit (PSTIU) within the Office of the Prime Minister, and the Public Sector Transformation Oversight Committee (PSTOC), consisting of external stakeholders who keep track of the Public Sector Transformation Programme and publish the associated

progress reports for the information of Jamaican citizens. This clearly signals the high level commitment to Public Sector Transformation.

Component 3: Enhancing Efficiency in Public Spending

The GOJ has committed to reducing the Wage to GDP ratio to 9.0% by FY 2018/19 and it is projected to be 9.5% during FY 2017/18. The funding that will be provided under the Support to the Public Sector Transformation Programme will further assist the Government in achieving this target, with actions taken to:

- address adherence to existing policies on normal retirement in the public sector;
- implement a Special Early Retirement Programme for public sector employees;
- establish controls pertaining to payroll and established positions in the Public Service; and
- introduce a pension scheme for public servants which is geared towards sustainability through legislation for employee pension contributions among other provisions.

In addition, with respect to the national goals of improved public financial management and strengthening accountability, actions have been taken to continue the process of rationalizing public bodies, with the development of policies to guide the process of rationalization as well as improve the compliance of public sector bodies with the requirement of the submission of annual reports within the specified timeframe.

In conclusion, the foregoing actions which have already been implemented and those that will also materialize under the Support to the Public Sector Transformation Programme, will enable the GOJ to continue its efforts to achieve sustained economic growth and remain fiscally prudent. This will be achieved by continuously streamlining the public sector, with focus on improving the delivery of services and creating greater efficiencies. The GOJ reiterates its commitment to the Programme and wishes to express its appreciation to the Bank for this productive and important collaboration.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Audley Shaw', with a long horizontal stroke extending to the right.

Audley Shaw, CD, MP

Minister of Finance and the Public Service