

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

JAMAICA

PUBLIC FINANCIAL AND PERFORMANCE MANAGEMENT PROGRAM

(JA-L1003)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Gonzalo Afcha (ICF/ICS) Team Leader; Julie Feinsilver, Jorge Von Horoch, Joel Korn (Peer reviewer), and Valeria Wedolowski (ICF/ICS); Carina Cockburn (MIF/CJA); and Diego Buchara (LEG/SGO)

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PROJECT SUMMARY

ANNEXES	
ANNEX I:	Policy Matrix

ELECTRONIC LINKS	
REQUIRED	
1.	Policy Letter http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1722328
2.	Means of Verification Matrix http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1723405
3.	Results Matrix http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1669626
4.	Independent Macroeconomic Assessment http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1723197

ABBREVIATIONS

CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Report
EAs	Executive Agencies
EU	European Union
FAA	Financial Administration Act
GOJ	Government of Jamaica
IFMIS	Integrated Financial Management Information System
MfR	Managing for Results
MOFPS	Ministry of Finance and Public Service
MTAP	Medium Term Action Plan
PBIs	Performance Based Institutions
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PMES	Performance Management and Evaluation System
PRODEV	Program to Implement the External Pillar of the Medium-Term Action Plan for Development Effectiveness
PSs	Permanent Secretaries
SC	Steering Committee

PROJECT SUMMARY
JAMAICA

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(JA-L1003)

Financial Terms and Conditions			
Borrower: Government of Jamaica		Amortization Period:	20 years
		Grace Period:	5 years
Executing Agency: Ministry of Finance and the Public Service (MOFPS)		Disbursement Period:	12 months
Source	Amount		
IDB (OC)	US\$60,000,000	Supervision and Inspection Fee:	*
		Interest Rate:	Adjustable
		Credit Fee:	*
Total	US\$60,000,000	Currency:	US dollars Single Currency Facility
Project at a Glance			
Project Objective/Description: The objective of the program is to support the GOJ reform efforts to improve expenditure management and performance management in the public sector. The reforms combine policy initiatives and government actions in four areas: fiscal responsibility, financial management, public procurement; and performance management and accountability. These reforms are critical for the coherent operation of the fiscal responsibility framework and for increasing the efficiency of public expenditure, which contribute to ease the fiscal burden.			
Special contractual conditions: See Policy Matrix (Annex I) and Means of Verification (electronic links)			
Exceptions to Bank policies: None			
Project qualifies for: SEQ[<input type="checkbox"/>] PTI [<input type="checkbox"/>] Sector [<input type="checkbox"/>] Geographic[<input type="checkbox"/>] Headcount [<input type="checkbox"/>]			
Procurement: N/A			
ESR Verification Date: June 09, 2008			

(*) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy on lending rate methodology for ordinary capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Introduction

- 1.1 This operation has been designed as a programmatic policy-based loan (PBL) in accordance with the guidelines set forth in the New Lending Framework (document GN-2200-13) and in the “Policy-based loans: Guidelines for preparation and implementation” (document CS-3633). This is the first of a series of three single-tranche operations, technically interrelated but independently funded one from each other. This financing arrangement is regarded as being the most appropriate because it is a flexible and effective mechanism to support complex and long term reforms that require sequenced actions for implementation and broader dialogue. The following two operations are expected to be up to the amount of US\$60 million each and their financing will be subject to the compliance by the Government of Jamaica of the triggers referred to in Annex I.

B. Background, Problems Addressed, Justification

1. Background

- 1.2 The Economic Context and the GOJ’s Fiscal Strategy: Jamaica has a history of low economic growth, large fiscal imbalances and high levels of public indebtedness, the latter originated mainly from debt absorption related to the financial crisis of the mid-1990s and the debt of public enterprises. Public debt peaked at 143.9 percent of GDP in March 2003 and has since declined to an estimated 127% of GDP in FY2007/08. High public sector debt imposes onerous debt servicing costs, leaving the country vulnerable to adverse shocks, increasing macroeconomic uncertainty and lowering the long term growth perspectives as public investment capacity is crowded out by the debt service.
- 1.3 One of the key elements of the Government of Jamaica (GOJ) fiscal agenda has been to obtain high fiscal primary surpluses in order to achieve debt sustainability in the long run. The fiscal deficit has declined from 7.6 percent of GDP in 2002/03 to an estimated 4.9 percent in 2007/08. The tight fiscal policy allowed Jamaica to successfully achieve primary fiscal surpluses between 8% and 11% of GDP during the last three years. In FY2007/2008 the primary surplus is estimated at 9.0 % of GDP; achieved as in previous years mostly at the expense of investment spending. Capital expenditures have declined from over 4% percent of GDP in the mid 90s’ to an estimated 2% of GDP in FY2007/08. This sharp decline in capital expenditures has restricted the GOJ’s ability to promote growth through public investment and has intensified the need to increase the efficiency of public expenditure.
- 1.4 The country’s exposure to natural disasters further increases its vulnerability. Moreover, Jamaica’s modest economic growth record along with a weakened global economy and increased international financial volatility make it necessary

to accelerate the adoption of key policies to achieve more effective, transparent and responsible fiscal management.

- 1.5 As a result, the new GOJ administration has an ambitious medium term strategy that places high priority on the maintenance of macroeconomic stability, fiscal consolidation and structural reforms to address the country's economic challenges. Key objectives of the GOJ fiscal consolidation strategy are related to reversing existing public debt build-up dynamics and improving efficiency of public expenditure by strengthening fiscal discipline and modernizing its public financial and performance management practices and systems.
- 1.6 Sustained fiscal discipline may require the adoption of specific fiscal rules to circumscribe government borrowing, spending and debt accumulation. These rules together with improved debt, financial and performance management systems should help to promote fiscal responsibility and credibility.
- 1.7 **Debt sustainability.** Early this year, the Bank conducted an Independent Macroeconomic Assessment (IMA) which indicates that under current macroeconomic conditions, the primary surplus required to stabilize the debt-to-GDP ratio is 4 percent of GDP. Recently a new IMA¹ was prepared updating the debt sustainability analysis using the same model employed in the January IMA². This analysis suggests that the debt-to-GDP ratio will decline over time given certain baseline assumptions are met. Declining debt to GDP is also obtained from the analysis in the face of specific individual shocks, however if Jamaica is subject to multiple shocks or larger individual shocks the debt to GDP ratio would rise. This suggests that there are certainly risks to debt sustainability going forward implying a continued need for fiscal probity, ensuring very high returns from public spending and an overall pro-growth strategy. To the extent that the present Program achieves its goals, it would strengthen macroeconomic sustainability.

2.- Public Sector Modernization: Challenges for a more effective financial and performance management.

- 1.8 During the last decade, GOJ interventions in public sector modernization included reforms for the creation of Executive Agencies (EAs) to deliver public services, the improvement of corporate planning, piloting a new financial information system and the introduction of accrual accounting, the issuance of a procurement handbook and new staff orders for public servants. The GOJ strengthened financial management policy and oversight, and issued legislation governing the role of the Contractor General in procurement, access to information, and prevention of corruption. In order to further consolidate these reform initiatives, Cabinet approved its "Public Sector Modernization Vision and Strategy 2002-

¹ IDB, Independent Macro-economic Assessment, October 2008.

² IDB, Independent Macro-economic Assessment, January 2008

2012”, which identifies among its key objectives the establishment of systems and practices to achieve better value for money in the delivery of services.³

1.9 Despite the above mentioned achievements in moving forward the public sector modernization agenda, the assessment conducted under the Joint CFAA/CPAR⁴ and other studies indicate that a number of critical reforms are still pending, limiting the impact of the reforms already undertaken.

a. First, the CFAA/CPAR identifies several persistent systemic issues which continue to affect the PFM systems performance. Main weaknesses and problems are:

i. The current financial management information system (FMIS) is still limited in its coverage and functionality. These shortages contribute to:

a) The lack of timely information on actual budget expenditures, reducing the efficiency of public spending and budget monitoring that would contribute to better fiscal control and oversight.

b) The lack of consolidation of budget entity submissions to an aggregate budget implementation profile limits the information available for policy decisions and management control. The consolidation of accounts would impose an additional accounting discipline and ensure greater accuracy of fiscal data.

c) The absence of a centralized mechanism for effective commitment controls facilitates the accumulation of arrears. This is an issue of concern since it serves as an informal debt acquisition mechanism bypassing budgetary management controls.

The movement to a more modern FMIS is a critical element for improving public financial management. In addition, improving recording and reporting will require the adoption of a new chart of accounts and budget classification in line with the international standards.

ii. There is a need to enhance the internal audit and control, and incorporate enhanced and modern practices for these functions, while improving coverage and enforcement capabilities. In addition, from an institutional perspective, there is a potential overlap between the Internal Audit Units (IAU) at the portfolio ministry level and the IAUs at the executive agencies level, in terms of responsibilities and scope of work. A reform agenda in this area should include the introduction of legislation

³ This strategy is broad and ambitious, and at some time faced considerable constraints, particularly inadequate and insufficient financial support, limiting the progress of its implementation.

⁴ Joint Country Financial Accountability Assessment and Country Procurement Assessment Report, World Bank – Inter-American Development Bank June 2005.

strengthening and supporting the internal control system and providing guidelines for the needed coordination among the different levels of internal control within ministries and the executive agencies under their supervision.

- b. Second, in relation to public procurement, probably the most significant feature is that no detailed procurement procedures are directly embodied in laws and official regulations. The governing instrument for procurement is the Procurement Handbook of Public Sector Procurement Procedures, which derives its administrative authority from the Contractor General (CG) Act. However, there appear to be different views regarding this status and the Handbook's enforceability. In addition, the Handbook does not provide sanctions for noncompliance. There is a need to complete the preparation of comprehensive procurement regulation. From the institutional point of view, there is also a need for regulation dealing with the delineation of responsibilities and functions between the National Contracts Commission (NCC), the CG and MOFP, placing the MOFP as the normative body. In addition, there is a clear need for standardization of procedures and procurement documents, and to take advantage of technological improvements by adopting and implementing an effective e-procurement strategy.
- c. Third, evolution of the institutional framework is outpacing that of its underlying accountability and business processes. Institutional changes supporting the reform have included creation of Executive Agencies and Performance Based Institutions (PBIs). The newly created Executive Agencies are taking over management of a share of public resources from the central government ministries, but the new accountability mechanisms for these agencies are being implemented slowly and unevenly.

Strengthening the accountability framework for government's senior management is part of the fundamental management reform initiative under way in Jamaica. Delegation of responsibility for certain human and financial resources to Executive Agencies (EAs) and other Public Bodies (PBs) requires a more clarified, streamlined, and strengthened accountability framework, critical for management for results. Currently, there are multiple accountability and monitoring mechanisms for Permanent Secretaries (PSs), Heads of Departments (HODs), and Chief Executive Officers (CEOs) of EAs and PBs. Moreover, the existing accountability system needs to be standardized and integrated with other mechanisms to focus public service capacities on achieving results. This will provide the context for improving the accountability of top level officials by clarifying the performance standards, modes of operation and the deliverables for which and to whom, they will be held accountable as part of the wider Management for Results Framework.

- 1.10 **The MTAP:** Last year, the GOJ, with the Bank's financial support, undertook a diagnostic review of the results achieved in the execution of its "Public Sector Modernization Vision and Strategy 2002-2012". Based on this work and other core studies financed by the PRODEV I technical cooperation (JA-T1015), and previous assessments such as the CFAA/CPAR and the Report on Public Expenditure and Financial Accountability (PEFA), the GOJ has prepared a Medium Term Action Plan (MTAP) for Managing for Results (MfR)⁵.
- 1.11 The MTAP focus the public sector modernization efforts in the following three key areas: (i) the Performance Based Institutions Model; (ii) the public financial management and public procurement systems; and (iii) the performance monitoring and evaluation systems. Through the implementation of this plan, GOJ authorities expect that government interventions and activities will be better-prioritized, more focused on the objectives of modernization, better communicated and subject to regular fundamental reviews. The plan contains actions to improve the accountability mechanisms to better monitor and evaluate Government institutional performance. Recently, the Bank has approved the PRODEV II technical cooperation (JA-T1024) to finance the implementation of some of the key interventions contemplated in the MTAP.
- 1.12 **Fiscal Prudence:** High indebtedness narrows fiscal space and strongly influences public financial management (PFM) practice in Jamaica. Even though the MTAP includes instruments to carry out more effective public sector management, given Jamaica's high public debt, the GOJ has decided to pursue a fiscal policy in accordance with principles of prudent fiscal management specified in a fiscal responsibility framework. The adoption of this framework is a key element in a sound and sustainable fiscal policy because it may significantly contribute to reversing existing public debt build-up dynamics and improving efficiency of public expenditure.

3.- Justification.

- 1.13 The CFAA/CPAR, the PRODEV I and II TCs, and other Bank technical assistance have intensified the dialogue around the GOJ's reform agenda. As a result, GOJ authorities requested Bank support for an extensive policy reform program. The best mechanism to provide effective and flexible support to the request is through a policy based loan under the programmatic modality because it supports complex and long term reforms that require sequenced actions for implementation and broader dialogue.
- 1.14 The reforms to improve expenditure and performance management have been widely discussed with the government authorities. The Bank has agreed with the GOJ on the sector policies outlined in the policy letter (Annex I) sent by the Government to the Bank. This letter describes the main components of the

⁵ The GOJ's document "Government at Your Service. Comprehensive Review of Ministry Paper No. 56/2002 and a Medium Term Action Plan for Managing for Results".

government's strategy and policies, as well as its commitment to implement the reforms and activities agreed upon with the Bank.

- 1.15 The Bank's country strategy, approved in August 2006, recognizes the importance of a stable macroeconomic framework as the cornerstone for future growth. The Public Financial Management component of the strategy seeks to promote management for results, support improvements in financial management, transparency and accountability. The strategy specifies a Policy – Based Loan as the tool for addressing the key issues of public financial and performance management identified in the “Country Strategy”.
- 1.16 The GoJ has currently embarked on a strategy to “reengagement” with multilaterals including the Inter-American Development Bank, the World Bank and the Caribbean Development Bank. The strategy seeks to increase multilateral lending to allow GOJ to retire external commercial debt as it comes due and hence will not have to issue in external markets during the next two years. Needed funding from multilaterals is estimated to be US\$850 millions over the next three years.
- 1.17 The GOJ and the Bank have agreed that given the serious nature of the fiscal challenge facing Jamaica, the envelope of funding available to Jamaica should be increased. The elements of the strategy for this increase include achieving positive net flows with no increase in net debt. Increased IDB lending will be linked to the pace of reforms and will take the form of both investment loan and policy based cooperation in priority areas. Any cash savings generating by amortizing more expensive borrowing from commercial lenders with this increasing lending from the Bank will be targeted toward either debt reduction or poverty alleviation and growth program.
- 1.18 The proposed policy-based loan of US\$60 million to finance the first operation will make a useful contribution to Jamaica's projected gross financing needs, and is dimensioned primarily with a view to supporting the reforms that will be undertaken, consistent with the lending envelope and areas of priority in the Country Strategy with Jamaica

C. Objective, Components and Cost

- 1.19 **Objective.** The objective of the program is to support the GOJ reform efforts to improve expenditure management and performance management in the public sector. The reforms combine policy initiatives and government actions in four areas: (i) fiscal responsibility, (ii) financial management, (iii) public procurement; and (iv) performance management and accountability. These reforms are critical for the coherent operation of the fiscal responsibility framework and for increasing the efficiency of public expenditure, which contribute to ease the fiscal burden.

- 1.20 **Components.** In the context of a stable macroeconomic framework consistent with the program's objectives, the program has been structured into two reform areas or components: Expenditure Management and Performance Management, each with targets related to changes in the relevant legal framework as well as procedures and/or instruments necessary to achieve the desired goals.
- 1.21 The present operation, the first of the programmatic series, represents the initial step towards the achievement of the overall program objectives, laying the foundation for the rest of the program. The conditions prior to disbursement of the loan for each component are detailed in the program's policy matrix (Annex I).
- 1.22 **Component I: Expenditure Management.** Under this component the program aims at improving the efficiency of expenditure management by enhancing the legal framework for fiscal responsibility and debt management, and addressing critical public financial management and procurement issues identified in the CFAA/CPAR. Specifically, the program interventions and targets under this component are:
- a. ***Fiscal Responsibility:*** To enhance accountability, transparency and sustainability in debt and medium term fiscal management the program will seek the development and adoption of fiscal responsibility legislation. The legislation will provide increased transparency and greater accountability by requiring the Government to pursue its policy objectives in accordance with the principles of responsible fiscal management and imposing regular fiscal reporting obligations. **As a condition for disbursement of the first loan, the Ministry of Finance and Public Service will** submit to Cabinet a proposal for a new Framework for Fiscal Responsibility that includes amendments to the FAA and the PBMA Acts in the areas of fiscal responsibility, reporting and debt and cash management.
 - b. ***Public Financial Management:*** Program emphasis will be on critical elements for improving the effectiveness of Public Financial Management (PFM), such as the enhancement of the legal framework and supporting systems and instruments. This includes: (i) amendment of the Financial Administration and Audit Act (FAA) to include an enhanced framework for internal audit and control and the adoption of improved instruments to perform these functions; (ii) modernization of the financial management instruments, including the adoption of a new Chart of Accounts and budget classification system, and the operation of an effective integrated management financial information system (IFMIS). **As a condition for disbursement of the first operation, the GOJ will:** (i) submit to Parliament an amendment to the FAA act that enhances the framework for internal audit and internal control; and (ii) issue the internal audit quality assurance manual and make its use mandatory.
 - c. ***Public Procurement:*** To improve efficiency and transparency in public procurement the program will focus on reforms to support standardization and

enforcement of policies and procedures. In this regard the program will seek (i) the issuance of the new regulations for procurement that include sanctions for non compliance; (ii) the modification of the procurement thresholds and the adoption of improved procedures and instruments for public procurement; and (iii) the introduction of e-tendering as a first step of an e-procurement solution. **As a condition for disbursement for the first loan the GOJ will:** (i) table in parliament new regulations for public procurement that include sanctions for non-compliance; (ii) issue provisions that increase procurement thresholds for cabinet approval; (iii) approve by Cabinet the revised procurement Handbook; (iv) approve and issue by the MOFPS standard bidding documents; and, (v) approve by the MOFPS an e-procurement strategy.

- 1.23 **Component II: Performance Management.** Under this component the program aims at establishing a Performance Management and Evaluation System (PMES) and enhancing the accountability framework for the improved functioning of the Executive Agency (EA) and Performance Based Institutions (PBIs) models. Specifically, the program interventions and targets under this component are:
- a. ***Performance Management:*** The program will focus on key elements for enhancing performance management including: (i) the development and initial implementation of a PMES, and the establishment of a Unit in Cabinet Office to lead system implementation; (ii) the implementation of the first phase of the MTAP for Managing for Results; and, (iii) the improvement of instruments to better link the planning and budgeting functions of government. **As a condition for disbursement of the first loan the GOJ will:** (i) initiate the implementation of the MTAP for Managing for Results; (ii) implement the pilot Performance Monitoring and Evaluation System (PMES) in the Ministry of Transport and Works; and, (iii) have a draft proposal for an enhanced system for project prioritization for public investment, prepared by the Working Group appointed by the Cabinet Office.
 - b. ***Accountability framework for EA and PBIs:*** Performance management relies on improving the accountability framework, consequently the program focus is on: (i) the issuance of regulations for the EAs Act; (ii) development and approval of a detailed framework for improved performance and contract agreements for Permanent Secretaries (PSs) and CEOs of EAs and PBIs, and; (iii) development of an improved governance and accountability framework for the Regional Service Delivery System. **As a condition for disbursement of the first operation, the GOJ will** (i) submit to Cabinet a detailed framework for improving performance agreements and service contracts for PSs and CEOs of Executive Agencies and PBIs; (ii) have the draft regulations of the Executives Agencies Act, submitted to the EAs Inter-sectoral Technical Advisory Body comprised of the Ministry of Finance, the Attorney General's Chambers and the CEOs of EAs.

D. Key Result Indicators

- 1.24 GOJ focus on modernization of public sector management is directed to implement priority measures to address the fundamental issues of indebtedness and efficiency of expenditures. In this regard, the programs' results are directly related to the GOJ's commitment to initiate and continue systemic changes aimed at ensuring that the reforms are sustainable, fiscal policy and management are consistent with principles of prudence, procurement and financial management processes are better integrated, and the regulatory framework consistent with international standards.
- 1.25 The results for this program are presented in the last column of the matrix of Annex I. The key result indicators associated to the policy commitments made by the borrower with respect to the three operations that comprise the present programmatic series are:
- a. An enhanced legal framework for fiscal responsibility and transparency. This result will be achieved by incorporating into the FAA and other fiscal-related Acts principles of responsible fiscal management and provisions to ensure full disclosure of relevant fiscal information and the application of best practices for financial control.
 - b. An enhanced expenditure management and control system, as well as an improved quality of the financial information given to the public. The enhanced legal framework will be complemented with the results derived from upgraded instruments for public financial management, such as the new integrated information system and the new Chart of Accounts and Budget Classification according to good international practices, as well as the adoption of improved standard practices and working methodologies for internal audit and internal control.
 - c. Improved transparency and accountability in Public Procurement, that is expected to result from the combination of the new regulations and the upgraded instruments for Public Procurement that will support standardization and enforcement of policies and procedures. The new regulations that incorporate enforcement mechanisms, the new manuals and standard bidding documents, and the implementation of an e-tendering solution as the first step towards e-procurement, are some of the outputs that will support the achievement of the expected result.
 - d. Improved performance of government entities, that will result from the implementation of the MTAP in MfR, including the implementation of a modern Performance Management and Evaluation System, the operation of a new system for public investment project prioritization, and the adoption of improved delivery mechanisms for selected government services.

- e. Improved functioning and accountability of Executive Agencies (EAs) and Performance Based Institutions (PBIs). This result is expected to be achieved through an enhanced institutional accountability framework for EAs and PBIs, as well as for the Regional Service Delivery System. The application of the new regulations to the EA Act and the new framework for improving the performance and contract agreements for PSs and CEOs will also support the achievement of the results in this area.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 This operation has been structured as a Programmatic Policy Based Loan comprised by three individual but technical related operations, the first of which will be for the amount of US\$60 million to be financed from the Ordinary Capital resources of the Bank. The second and third operations are estimated to be of a similar amount⁶.

B. Environmental and Social Safeguard Risks

- 4.1 Given the nature of the program involving institutional strengthening activities, no social or environmental issues are foreseen. Based on the afore-mentioned, according to Policy Directive B-13, and based on the results of the Safeguard Policy Filter Report, no classification is required for this Program.

C. Other Key Issues and Risks

- 2.2 The European Union (EU) is preparing a budgetary support operation “Debt Reduction and Growth Enhancement Program”. The present Program supports GOJ efforts to achieve some EU Program conditionalities related to debt management and fiscal responsibility.
- 2.3 The conditions for the disbursement of the operation represent the GOJ long-term commitment to a reform agenda to improve effectiveness, transparency and responsibility in fiscal policy and management. Although some conditions include the enactment of legislation, which is already advanced in the legislative process, other conditions involve the drafting of policy and regulatory frameworks that will require further legislative drafting and enactment in the medium term; it is expected that these efforts will be supported by the subsequent operations. The programmatic structure of the operation allows for flexibility in the design of the details of the second and third operations while maintaining the overall objectives.

⁶ The Minister of Finance and the Public Service in a letter dated September 17th, 2008, requested that the amount for the second operation be adjusted to US\$60 million. Since disbursement of the third operation is expected by early 2011, its exact amount will be determined in the next programming cycle.

- 2.4 The implementation of a number of very visible reforms supported by this program require a high level of political commitment on the part of the GOJ authorities, in order for the reforms to yield their full potential benefits in the medium- to long-term. In this particular case, this risk is mitigated by the high political commitment of the GOJ authorities to the implementation of the program as indicated in the policy letter.
- 2.5 Some key reform initiatives could affect vested interest of specific groups that may resist changes, obstructing the implementation of the improved accountability mechanisms and internal control measures. This risk could be mitigated through a coordinated effort in the following actions: rising public awareness of the need for reform, maintaining a continuous dialog with the GOJ and providing valuable technical support through the implementation of the PRODEV II TC.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary Implementation Arrangements

- 3.1 The executing agency will be the Ministry of Finance and Public Service (MOFPS) which will provide the needed evidence for compliance with the program's conditions and for the subsequent individual operations. The MOFPS will establish a program Steering Committee (SC) with responsibility for overall program guidance and oversight. The SC will review the progress on the execution of the policy reforms, and will interface with other institutional actors in order to facilitate the orderly implementation of the program. The Financial Secretary or his/her designate will chair the Committee, and its membership will include the representatives of the Planning Institute of Jamaica (PIOJ) and the Public Sector Modernization Division of the Cabinet Office (PSMD), as these institutions have specific responsibilities in the implementation of the reforms.
- 3.2 The MOFPS will appoint a Program Coordinator who will be responsible for: (a) providing support to the entities involved in the implementation of program's initiatives; (b) coordinating program execution; (c) revising and presenting the work plans and progress reports to the SC; (d) monitoring the compliance of conditionalities and performance benchmarks set out in the policy and verification matrix agreed between the GOJ and the Bank; (e) collect the evidence of compliance of program's commitments; (f) collecting the information needed for the indicators specified in the results matrix; and (g) assisting the procurement and processing of the contracts required for the implementation of the agreed program interventions.

B. Summary of Arrangements for Monitoring Results

- 3.3 The implementation of the reform program will be monitored by the GOJ through the MOFPS and the SC with technical support from the project team. The Borrower and the Bank will hold semiannual meetings in order to review the

progress achieved in implementing the Program and on the fulfillment of the conditions defined as triggers for the subsequent operations. For these meetings, the Borrower will furnish, prior to each meeting, information and documentation requested by the Bank regarding the advancement of the program. The meetings will focus on: (a) verifying the degree of achievements with the indicators for the program and its components; (b) taking stock of the successes and shortcomings of program design and execution and its effectiveness in working toward the country's development objectives; and (c) recommending corrective or monitoring measures for the second and third operations of the programmatic series.

C. Complementary Bank interventions and Technical support activities

- 3.4 Most of the activities to achieve the commitment for the first operation are in advance stage of completion, and it is expected that all commitments will be achieved before the end of the year. Some of the activities for achieving the goals of the second and third operations are being supported by the PRODEV II Technical Cooperation. In addition, the GOJ has committed to create a dedicated account with complementary resources to support the institutional strengthening activities in the areas necessary for achieving the second and third operations goals. The MOFPS will be responsible for administering this technical support account.

**JAMAICA: PUBLIC FINANCIAL AND PERFORMANCE MANAGEMENT PROGRAM
(JA-L1003)**

Policy Matrix

Objective	First Operation: Policy Reforms	Second Operation: Triggers	Third Operation: Triggers
1. Enhanced macroeconomic Stability	The macroeconomic framework of the borrower is consistent with the objectives of the program and the GOJ policy letter	The macroeconomic framework of the borrower is consistent with the objectives of the program and the GOJ policy letter	The macroeconomic framework of the borrower is consistent with the objectives of the program and GOJ policy letter.
2. Improve the efficiency of expenditure management by enhancing the legal framework for fiscal responsibility and the mechanisms for public financial management and procurement.	<u>Fiscal Responsibility</u> (a) Proposal for a new Framework for Fiscal Responsibility that includes amendments to the FAA and the PBMA Acts in the areas of fiscal responsibility, reporting and debt and cash management, submitted to Cabinet.	(a) Legislation to enable the new framework for fiscal responsibility, submitted to Parliament.	(a) Regulations of the legislation for fiscal responsibility, issued.
	<u>Public Financial Management</u> (a) An amendment to the FAA Act that enhances the framework for internal audit and internal control, submitted to Parliament. (b) Internal audit quality assurance manual, issued and provisions that make its use mandatory, approved by the MOFPS.	(a) Regulations of the FAA Act amended, issued. (b) A mechanism for monitoring performance of the internal audit units, fully operational at the MOFPS; Internal audit guidelines and standards for IT and value for money (VFM) audits, issued by MOFPS. (c) A new information system for financial management, procured or its implementation, started.	(b) IT and VFM audits in major spending ministries and Executive Agencies, conducted. (c) New information system for financial management, fully operational, and central govt. financial reports, available on MOFPS web site.

Objective	First Operation: Policy Reforms	Second Operation: Triggers	Third Operation: Triggers
		(d) Chart of Accounts and budget classification, revised to comply with international accounting standards.	(d) Financial instructions for new budget classification and Chart of Accounts, issued, and New accounting manual, issued by the MOFPS.
	<u>Public Procurement</u>		
	(a) New regulations for public procurement that include sanctions for non-compliance, submitted to Parliament; (b) Provisions that increase procurement thresholds, approved by Cabinet.	(a) General Secretariats of NCC and Office of the Contractor General, separated.	(a) Draft Procurement Act that includes provisions compatible with ongoing trade negotiations, submitted to Parliament.
	(c) Revised procurement Handbook, approved by Cabinet. (d) E-government procurement strategy, approved by MOFPS. (e) Standard bidding documents, approved and issued by the MOFPS.	(b) E-tendering solution, procured or implementation of E-tendering solution, commenced. (c) Standard bidding documents used for all government procurement.	(b) E-tendering system, operational and its use mandatory for all government procurement above a pre-established threshold.
3- Establish a public sector Performance Management and Evaluation System and enhance the accountability framework for the improved functioning of the Executive Agency and PBIs models.	<u>Performance Management</u>		
	(a) Implementation of the Medium Term Action Plan (MTAP) for Management for Results, initiated. (b) Pilot Performance Monitoring and Evaluation system (PMES) in the Ministry of Transport and Works, implemented.	(a) Implementation of the MTAP on schedule, particularly the priority service delivery interventions in the areas of food safety & development. applications. (b) Framework for the PMES that includes monitoring requirements and independent evaluations of Government programs, approved by Cabinet; PMES Unit at the Cabinet Office to lead implementation of the system, established.	(a) Implementation of the MTAP on schedule, particularly the priority service delivery interventions with respect to the one stop delivery centers. (b) PMES in two additional Ministries, implemented; At least 2 independent evaluations of Government programs, conducted; and Progress report on PMES implementation that includes an assessment of the effectiveness of the PMES based on the pilots, submitted to Cabinet.

Objective	First Operation: Policy Reforms	Second Operation: Triggers	Third Operation: Triggers
	(c) Draft proposal for an enhanced system for project prioritization for public investment, prepared by the Working Group appointed by the Cabinet Office.	(c) Framework for the enhanced system for project prioritization, approved by Cabinet; Criteria and standards for public investment analysis and prioritization, established.	(c) Three-year Public Investment Program based on the enhanced system for project prioritization and new standards, prepared.
	<u>Enhancing the Governance and Accountability Framework</u> (a) A detailed framework for improving performance agreements and service contracts for PSs and CEOs of Executive Agencies and PBIs, submitted to Cabinet.	(a) Framework for improving performance agreements and service contracts for PSs and CEOs of Executive Agencies and PBIs, approved; and (b) 100% of new or renewed performance agreements and service contracts for PS and CEOs Executive Agencies and PBIs, in compliance with new framework.	(a) Results of performance agreements for PSs and CEOs of Executive Agencies and PBIs, monitored according to the new framework.
	(b) Draft regulations of the Executive Agencies Act, submitted to the EAs Inter-sectorial Technical Advisory Body comprised of the Ministry of Finance, the Attorney General's Chamber, and CEOs.	(b) Regulations of the Executive Agencies Act, issued.	(b) Modernization plans for at least three performance based institutions with framework documents reflecting requirements of the new regulations, developed.
		(c) Corporate Governance Framework which includes procedures for appointing Boards of Directors and principles to improve accountability structures, capacities and responsibilities of Boards of PBs, designed	(c) Corporate Governance Framework, approved by Cabinet, and implementation, initiated
		(d) Proposal to improve the governance and accountability framework for the Regional Service Delivery System, submitted to Cabinet.	(d) Improved Framework for Regional Service Delivery System, approved by Cabinet and implementation, initiated.