

TC Document

I. Basic Information for TC

▪ Country/Region:	JAMAICA
▪ TC Name:	Strengthening Implementation and Risk Response of the Skills Development for GSS in Jamaica
▪ TC Number:	JA-T1198
▪ Team Leader/Members:	Pavon, Fernando Yitzack (SCL/LMK) Team Leader; Brown, Nicole (CCB/CJA); Cecilia Siccha (SCL/LMK); Gonzalez Herrera, Beatriz Maria (SCL/LMK); Maxwell, Jody Kay Amoy (SCL/LMK); Vila Saint-Etienne, Sara (LEG/SGO)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	JA-L1079.
▪ Date of TC Abstract authorization:	28 Jul 2021.
▪ Beneficiary:	JAMPRO, the Project Executing Unit (loan executing agency) and beneficiaries (unemployed jobseekers, active workers within GSS, current GSS firms) supported under the Program for Skills Development for Global Services (JA-L1079)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Social Development(SOC)
▪ IDB Funding Requested:	US\$146,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months (execution period: 18 months)
▪ Required start date:	March 2022
▪ Types of consultants:	Individual Consultant and firms
▪ Prepared by Unit:	SCL/LMK-Labor Markets
▪ Unit of Disbursement Responsibility:	SCL/LMK-Labor Markets
▪ TC included in Country Strategy (y/n):	Yes.
▪ TC included in CPD (y/n):	No.
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation

II. Description of the Associated Loan/Guarantee

- 2.1 The Government of Jamaica has requested the IDB the operation “Skills Development for Global Services” (JA-L1079).** The total amount of this loan is US\$15 million. The programme was approved on October 31, 2018 and is currently under execution until January 2024 to support the Government of Jamaica to develop strategic economic sectors, such as Global Service Sector (GSS), through increasing the pipeline of talent and strengthening the investment ecosystem.
- 2.2 Following worldwide trends, the Global Services Sector in Jamaica has experienced rapid growth over the past few years and has generated high levels of employment.** Exports of global services have increased from nearly US\$52 million to US\$223 million between 2011 and 2016, an increase of 331 percent. The share of global services has grown from almost 2 percent of total services exports in 2011 to nearly 7 percent in 2016. With this growth came an increase in employment from approximately 14,000 people in 2015 to over 22,000 in 2016 (57 percent growth) - the

highest for any economic sector within the last decade. However, for the GSS to continue to grow and upgrade into higher value-added activities it must overcome two main obstacles: (i) the workforce's skills gap and (ii) the lack of a robust ecosystem to attract investments in value-added and digital segments.

- 2.3 **Similarly, a strong investment ecosystem is critical to attract investments in value-added segments.** Surveys confirm that firms value a strong business environment when selecting a location to base their outsourcing operations. Critical selection criteria include the availability of incentives and the overall operating environment (regulations, quality of institutions, transparency, and timeliness of accessing government approvals, and Investment Promotion Agencies "IPAs").
- 2.4 **The general objective of JA-L1079 is to promote the growth of the Global Services Sector in Jamaica.** Specifically, it intends to: (i) provide the Sector with better skilled workers; and (ii) increase the Sector's capacity to attract Foreign Direct Investment (FDI), particularly in higher value-added segments and to increase its exports. This operation proposes the following components:
- i. **JA-L1079 Component 1. Skills Development for the Global Services Sector and Strengthening of the Skills Development System.** The objective of this component is to improve the skills development system to provide the Sector with better skilled workers. First, it will finance activities that improve the system's ability to guarantee relevance of training and second, it will finance activities that can help improve the quality of training. Even though the activities will be focused on addressing the skills needs of the GSS, it is expected that there will be positive spillovers into other economic sectors because of improvements in the skills development system.
 - ii. **JA-L1079 Component 2. Global Services Sector Ecosystem.** The objective of this component is to create a stronger enabling ecosystem or environment for existing and future GSS firms. First, it will improve business processes governing the sector, as well as optimize the regulatory and incentives framework. Second, it will support the development of a strengthened value proposition for GSS, both for foreign and domestic firms, as well as the general public. This will increase the number of firms seeking to invest or reinvest in Jamaica, as well as the likelihood that existing firms add more value-added sub-segments to their business operations. Third, this component will increase support for small- and medium-sized enterprises (SMEs) in the GSS through the design of incubator spaces and the delivery of accelerator programmes. Lastly, it will create a digital management system which consolidates trade and business infrastructure of various organizations, which will reduce overlapping processes and formalities. This system will build on existing one-stop shop platforms.

III. Objectives and Justification of the TC

- 3.1 **The onset of COVID-19 occasioned a contraction in economic activities in Jamaica,** ranging from 1.5 percent to 2.5 percent in the March 2020 quarter. Real GDP (Gross Domestic Product) contracted by 0.1 percent in FY2019/20, reflecting a significant decline in economic activity due to the strict measures implemented by the Government of Jamaica through the Disaster Risk Management Act (DRMA) to manage the spread of COVID-19 (C-19) disease. The Global Services Sector (GSS) experienced a 15 percent decline in employment from 43000 persons in December

2019 to 36,000 persons in April 2020, due to the strict measures and temporary closures of some of the major firms in the industry due to outbreaks, even as some firms transitioned to work-from-home. Despite a promising outlook on the sector, strong business confidence and improved employment levels, the execution of many of the activities remains uniquely challenged because of the reliance on in-person activities.

- 3.2 The resultant effect of COVID-19 is a reprioritizing and replanning of some key targets under the Skills Project that were programmed for implementation in 2020 and 2021 to 2022 and in some cases in 2023. The ability of key beneficiary agencies to navigate the pandemic and while also responding to a rapidly rebounding sector are also stymied with competing priorities. Changes to the Government of Jamaica's supplementary budget (in May and October 2020, as well as January 2021) for FY2020/21 have resulted in fiscal space limitations which could further curtail implementation activities under the Skills Project (JA-L1079). As the pandemic wears on, the need to support the GSS ecosystem -including the executing agency and the Project Execution Unit (PEU), has never been greater, considering its importance in improving the economy, increasing employment levels, and productive and export capacities.
- 3.3 To address these needs and in response to a request from the Government of Jamaica, the IDB is providing non-reimbursable technical support to Government of Jamaica, through the Technical Cooperation (TC) JA-T1198. The main objective of the TC is to strengthen the institutional capacity of Jamaica Promotions Corporation (JAMPRO) as it navigates the additional execution challenges of the loan brought about by the ongoing global pandemic. This TC will also help to close the capacity support gap to the Executing Agency and the Project Executing Unit, that was otherwise supported under ATN/OC-16788-JA (Implementation Support for Skills Development for Global Services), which expired in August 2021, and will support the operationalization of the disaster risk management framework that was developed under to loan to support business continuity.
- 3.4 **Objective.** The main objective of this TC is to strengthen JAMPRO's and its PEU implementation and risk response capacity for the Skills Development for GSS in Jamaica in order to support the industry to pivot to higher value services towards a 60% BPO and increase KPO to 40% by 2023. This TC is needed to bolster execution of the remaining activities under the loan as it navigates the continued impact of C-19 on the sector.
- 3.5 **Strategic alignment.** The TC is consistent with the Update to the Institutional Strategy (AB-3190-2) and is aligned with the development challenge of: (i) productivity and innovation, by increasing equality, access and use of labor training, and life-long skills development, and labor intermediation services, specifically for inserting youth, and the unskilled into the workforce. The TC is aligned with Ordinary Capital Strategic Development Program for Social Development (SOC) (GN-2819-1) to strengthen public institutions' efforts to become more effective and efficient in social programming, group targeting, and social sector project execution. The TC is also aligned with the priorities of the sector strategy "Social Policy for Equity and Productivity" (GN-2588-4) by: Individuals (all, men, women, youth) benefited from programs to promote higher labor market productivity. The TC is consistent with the Labor Sector Framework Document (SFD) (GN-2741-12): workers and companies

have access to relevant and cost-effective workforce training mechanisms. This TC is aligned with the cross-cutting theme of institutional capacity and rule of law in view of the activities to enhance JAMPRO capacity. The objectives of this TC are aligned with the Bank's subregional initiative, Build Forward, in keeping with the Banks Vision 2025 Strategy, to promote smart and resilient investments for the Caribbean. This TC is aligned with Vision 2025, specifically, support to the digital economy and support to SMEs. This TC is also aligned with IDBG Country Strategy 2016-2021, specifically with strategic objective 3.3 support consumption, protect and promote the human capital accumulation of the poor and vulnerable. This TC will also contribute to the indicators of the Corporate Results Framework (2020-2023) (GN-2727-12), specifically the priorities related to productivity and innovation and economic integration.

- 3.6 This operation is aligned with the priorities of the Government of Jamaica in its medium-term socio-economic policy framework 2015-2018: (i) the development of human capital; and (ii) economic stability, growth, and employment (Vision 2030 National Development Plan) and with the National Policy on Work on its focus on the development of individuals in labor and growth areas, such as BPO (Business Process Outsourcing). Lastly, aligned with the National Export Strategy 2015-2019 – to grow the IT-enabled services (ITeS) sector by 15% per annum with focus on the higher value-added areas and to add 18,000 new jobs by 2019.

IV. Description of activities/components and budget

- 4.1 **Component 1: Risk Management support for the execution of the Skills Development Programme for the GSS.** This component will finance operational support provided through the development and implementation of risk management tools to support JAMPRO and the PEU to strengthen implementation, risk response planning, and execution through the preparation. Specifically, it will develop an: (i) integrated GSS risk management plan; and (ii) operationalization of the disaster risk management framework to support business continuity of the industry. These activities will support both JAMPRO via its PEU and the GSS to stay on track and meet its project objectives to pivot to higher-value services towards a 60% BPO and increase KPO to 40% by 2023 and creating new jobs.
- 4.2 **Component 2: Capacity building support to JAMPRO and the PEU for programme implementation.** This component will finance activities aimed at enhancing JAMPRO's and its PEU capacity by strengthening implementation support to improve risk response planning of the Skills Programme. This will entail risk management and monitoring workshops, which could take on a virtual or face-to-face format depending on the progression of global pandemic for the execution of the remainder of the programme. By fostering this capacity building, JAMPRO positions itself as a solid industry partner for a more conducive ecosystem for investment.
- 4.3 The expected result of the TC is to strengthen the institutional capacity of JAMPRO and the PEU to execute the remainder of the Skills Development for the GSS Programme (JA-L1079) and to help structure an integrated risk management plan to reduce the impact of the pandemic on the GSS ecosystem.

Indicative Budget (US\$)

Component	Description	IDB/Fund Funding	Total Funding
Component 1: Risk Management support for the execution of the Skills Development Programme for the GSS.	Development of integrated Risk Management Plan to support the execution of the Skills Development Programme for the GSS.	US\$75,000,00	US\$75,000,00
Component 2: Capacity building support to JAMPRO and the PEU for programme implementation.	Capacity Building Support to JAMPRO and the PEU.	US\$71,000,00	US\$71,000,00
Total		US\$146,000,00	\$146,000,00

- 4.4 The Bank, through SCL/LMK, will execute this TC, to facilitate the execution, according to the indicative request of the Government of Jamaica. The Labor Markets and Social Security Division (SCL/LMK) will be responsible for the direction, supervision, and coordination of this TC. The Bank will coordinate its work extensively with JAMPRO, and by extension the Global Skills Sector Project Executing Unit, the main beneficiary.
- 4.5 This execution scheme is proposed for the following reasons: (i) JAMPRO does not have the necessary technical, operational or institutional capacity to duly and timely execute the activities provided in the respective project (see Annex: client request) (ii) The Bank also has technical expertise and resources to help support risk management and risk response planning specifically based on international best practices; and (ii) to reduce the administrative burdens of the government, particularly in the identification and contracting of international experts. These are supported by the special circumstances and exceptional criteria laid out in Annex II of the updated procedures for the processing of TC (OP-619-4).
- 4.6 **Supervision, Monitoring and evaluation reports.** The TC will be supervised by a sectoral specialist who is also the leader of the related loan. The TC will be monitored and evaluated according to the requirements of the Bank and through the Results Matrix (see Annex).

V. Executing agency and execution structure

- 5.1. The Bank, through SCL/LMK, will execute this TC to facilitate the execution, according to the official request of the Government of Jamaica. The Labor Markets and Social Security Division (SCL/LMK) will be responsible for the direction, supervision, and coordination of this TC. The Bank will coordinate its work extensively with Government of Jamaica benefitting entities, most directly with JAMPRO, the Executing Agency, the

(PEU) and the Global Services Skill Sector. JAMPRO, through (PEU) will be the main beneficiary entity as the agency with the mandate to implement the Skills Development for Global Services in Jamaica. This execution scheme is proposed for the following reasons: (i) SCL/LMK has technical expertise in social development and labor market programs, specifically based on international best practices; and (ii) administrative burdens can be reduced on the government, particularly in the identification and contracting of international experts.

- 5.2. **Procurement.** The activities to be executed under this operation have been included in the Procurement Plan and will be carried out in accordance with the Bank's established procurement methods, namely: (a) Hiring of individual consultants, as established in the regulations AM-650; (b) Hiring of consulting firms for services of an intellectual nature according to GN-2765-4 and its associated operating guides (OP-1155-4) and (c) Hiring of logistics services and other services other than consulting, according to the policy GN-2303-28.

- VI. Major Issues.** Potential risks include: (i) coordination challenges among beneficiary and other key stakeholders to identify project risk and agree on risk response and action plan; and (ii) difficulty to operationalize risk management plans giving the changing nature of the GSS industry and the ongoing COVID-19 challenge to the sector. To mitigate these risks, this TC will: (i) strengthen JAMPRO's capacity to coordinate risk response through dedicated risk management training of beneficiaries and stakeholders; and (ii) assigned technical support to develop risk response and risk management plans as well as support to the implementation of GSS Action plan. All knowledge products derived from this TC will be the Bank's intellectual property.

VII. Exceptions to Bank policy

- 7.1. None.

VIII. Environmental and Social Strategy

- 8.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).

[Request from the Client - JA-T1198](#)

[Results Matrix - JA-T1198](#)

[Terms of Reference - JA-T1198](#)

[Procurement Plan - JA-T1198](#)