

TECHNICAL COOPERATION PROFILE

JAMAICA

NOVEMBER 17, 2005

I. BASIC PROJECT DATA

Project name:	Strengthening Government of Jamaica's Capacity to Manage for Results		
Project number:	JA-T1015		
Project team:	Leader: Gonzalo Afcha (RE3/SC3); Julie Feinsilver (RE3/OD6); Sandra Henry (RE3/SC3); Ralph Denize (COF/CJA), and Ana Lucia Saettone (RE3/SC3).		
Date of request:	Letter of Agreement dated April 12, 2005		
Beneficiaries:	Ministry of Finance, Public Sector Reform Unit of Cabinet Office (PSRU), Auditor General's Department, Planning Institute of Jamaica (PIOJ)		
Executing agency:	Ministry of Finance and Planning (MOFP)		
Financing plan:	IDB: (PRODEV)	US\$	450,000
	Local:	US\$	<u>50,000</u>
	Total:	US\$	500,000
Technical and basic responsibility:	Ministry of Finance and Planning (MOFP)		
Tentative dates:	Orientation mission:	December 2005	
	Loan Committee:	January 2006	
	Approval by President:	February 2006	

II. BACKGROUND

A. Background

- 2.1 To support the development effectiveness initiatives of the borrowing countries, the Bank approved a Program to Implement the External Pillar of the Medium-term Action Plan for Development Effectiveness (PRODEV), which provides resources to finance related activities with non-reimbursable technical cooperation funds.

- 2.2 In accordance with the regulations for accessing PRODEV funds, the Government of Jamaica (GOJ) and the Bank signed a Letter of Agreement on April 12, 2005, setting the framework for the implementation of PRODEV in the country. Through the Agreement, the Bank and the GOJ concurred to work together to strengthen performance capacity and enhance development effectiveness by designing and implementing systems for resource management and administration, as well as for measurement of results. The agreement also states that during the first phase of PRODEV, the Bank will assist the GOJ complete relevant diagnostic work and develop a comprehensive Action Plan for enhancing the Country's development effectiveness.

B. Public sector modernization in Jamaica

- 2.3 A number of previous government initiatives provide the background for this proposal. The Public Sector Modernization Program (PSMP) supported by the World Bank during the 1990s set the basis for a comprehensive approach to these matters. This approach also has been supported by other donors, including the United Kingdom Department for International Development (DFID), the Canadian International Development Agency (CIDA), the European Union (EU) and IDB. Under the PSMP, the government elaborated the Public Sector Modernization Vision and Strategy 2002-2012, which identifies among its key objectives the establishment of systems to manage all the resources in the public sector to achieve better value for money in the delivery of services. It addresses the management of financial, physical and human resources in a framework of improved transparency, equity and accountability.
- 2.4 One of the main results achieved is the establishment of nine Executive Agencies emphasizing the separation of ministerial operational activities from policy and regulatory functions. Reported progress suggests that Executive Agencies also have introduced cost accounting. Furthermore, the Ministry of Finance and Planning is piloting a new financial management information system to introduce accrual accounting within the Ministry, its revenue entities and the Ministry of Transport and Works.
- 2.5 Recently, the Government introduced a Performance Management and Appraisal System that is currently in its initial stages of development. This system mandates organizations, departments and individuals to focus on outputs and results and to monitor and manage the achievement of these results through individual work plans and regular appraisals. The system is also related to the review of the strategic planning framework and efforts to establish a prioritization process for financing Government's capital projects and programs.

C. Public financial management background studies

- 2.6 The GOJ with the support of multilateral institutions and bilateral donors has prepared a wide range of studies in different areas, including some related to Management for Results (MfR). The most recent relevant study is the *Joint Country Financial Accountability Assessment and Country Procurement*

Assessment Report completed in June 2005 by the World Bank and IDB (Joint CFAA/CPAR). Its main conclusions are presented in the following paragraphs.

- 2.7 A sound foundation for Public Financial Management (PFM) is provided by the Constitution and the Financial Administration Act (FAA), which set forth the basic principles for efficient management of public resources, including procurement. Since 2002, five major new pieces of legislation have been passed, governing public sector management and accountability, the role of the Contractor General in procurement, the creation of Executive Agencies, access to information, and prevention of corruption. A procurement handbook also has been issued, along with new Staff Orders for public servants, including a code of conduct. The impact of these reforms is, however, affected by two major issues.
- 2.8 First, evolution of the institutional framework is outpacing that of its underlying accountability and business processes. Institutional changes supporting PFM reform have included creation of Executive Agencies and of a Public Sector Reform Unit (PSRU) within the Cabinet, along with several new policy formulation and monitoring units in the MOFP. 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 primarily due to lack of resources.
- 2.9 Despite the GOJ's reform efforts, there is still a weak link between planning and budgeting that defeats the purpose of corporate planning. This creates a disconnect between the current and capital budgets, and between stated objectives, costs and outcomes. The *Joint CFAA/CPAR* report also highlights two critical areas that require attention: (i) the need to upgrade the financial management information system; and (ii) the need to enhance the institutional setting of public sector oversight.
- 2.10 Secondly, the PFM regulatory framework includes no detailed procurement procedures. The existing Procurement Handbook is not clearly enforceable because of the absence of sanctions for non-compliance. The preparation of standard bidding documents is lagging due to lack of resources, and there is an inherent conflict of interest between the oversight and operational function in procurement, since the National Contracts Commission and the Contractor General (CG) share staff.

D. Bank's strategy

- 2.11 The Country Strategy currently in preparation, rests on three pillars: (i) promoting private sector development; (ii) getting better value for money; and (iii) reducing vulnerability to crisis. The proposed operation to be financed under PRODEV supports the second objective, an element of which is improving management systems for planning, financial management, procurement and fiscal and fiduciary oversight. The PRODEV operation will support improved mechanism for a more effective and efficient use of public resources. Related Bank operations include

the support to strengthen the statistical system through ATN/SF-8238 (Modernization of the Statistical Institute of Jamaica).

E. Support of other donors

- 2.12 DFID, CIDA and EU are currently supporting the public sector modernization efforts of the Government through technical assistance grants. They also provided resources to prepare the results based social policy matrix of the Medium Term Social and Economic Policy Framework (MTF) and to design a monitoring system for it.

III. THE PROGRAM

A. Objective

- 3.1 In keeping with the Bank's commitment to improve development effectiveness in member states, the current non-reimbursable technical cooperation seeks to strengthen results-based management in Jamaica by supporting the preparation of a medium term action plan to improve the performance, management, monitoring and evaluation capacity of the public sector. The preparation of the Action Plan will include critical capacity building activities to disseminate MfR concepts within the public sector and civil society, and to facilitate future implementation of the action plan.

B. Description

- 3.2 The Technical Cooperation will be implemented through the following components:

1. Preparation of the strategy and medium term action plan for improving government's management for results

- 3.3 The component will consist of activities directed to developing the strategy and medium term action plan to promote MfR in the GOJ, and to facilitate consensus building around this. The main actions will include:
- a. Completion of the institutional and operational diagnostic work of PFMs and other systems related to MfR, including the analysis of the country's capacity for ex-ante and ex-post evaluation of projects, and the quality and capacity of the statistical system as a whole. The diagnostic work will cover the analysis of the regulatory framework and applicable institutional arrangements, as well as the assessment of the technical and operational capacity of the public entities responsible for leading the systems;
 - b. Review and streamlining of the Government's planning, prioritization and results monitoring mechanisms, including the Medium Term Social and Economic Policy Framework, the Capital Projects and Policy Prioritization System and the current Corporate Planning process.

- c. Preparation of technical proposals to support the action plan that will include the following: (i) tools to strengthen the process in which priorities are set and decisions are made; (ii) the improvement of linkages between corporate planning and budgeting; (iii) the provision of guidance and analytical capacity to enhance parliamentary oversight; (iv) improving methodologies and instruments for full implementation of results-based budgeting; (v) mechanism to improve inter-institutional coordination; (vi) completing the design of the strategy for the improvement of the public financial management systems (including procurement and oversight) following the recommendations of the joint CFPA/CPAR; and (vii) the design of a strategy to enhance the institutional capacity of the leading public entities in the areas of planning, financial management, procurement and fiscal oversight.
- d. Consulting services to support the preparation of the Strategy and Action Plan in its draft and final versions
- e. Consultation within the GOJ. Workshops and seminars with other stakeholders, including parliament.

2. Capacity building for management for results: institutional and technical settings

- 3.4 Under this component the program will support work in critical areas of public sector modernization and public financial management that will facilitate the implementation of the action plan once it is approved. The selected activities correspond to ongoing GOJ modernization efforts and are compatible with the recommendation of sector work studies performed by international organizations and bilateral donors. Some of these activities will be related to pilot experiences as a way of deriving lessons for implementation before the experiences are rolled out to other public entities. In general, the activities of this component will include:
- a. Support the pilot program for the implementation of the financial management information system in the Ministry of Finance and Planning, and the Ministry of Transport and Works.
 - b. Support the completion of the pilot experience of MfR in the MOTW. This will include: (i) the establishment of a system to perform investment project monitoring and evaluation in the MOTW with possible expansion into the Ministry of Finance and the Planning Institute of Jamaica (PIOJ); and (ii) tools for monitoring and evaluating the overall performance of Executive Agencies in the sector.
 - c. Support to the Auditor General's Department in the preparation of a needs assessment for upgrading IT and the design and initial implementation of a training program in value for money auditing.

- d. Revision of the existing Procurement Hand Book, development of Standard Bidding Documents and design of an e-procurement strategy
- e. Support the preparation of a proposal to improve the linkage between the financial management system, the procurement process and corporate planning.
- f. Review program format accounting codes.
- g. Design of a mechanism to regularly collect and analyze data on Government employment.

3. Training and dissemination

3.5 Activities under this component will comprise of the following:

- a. A flexible training program in MfR focused on: training for technical staff; individualized seminars for groups such as public sector executives, parliamentarians and civil society; internships; workshops on selected topics and cross cutting management systems.
- b. Dissemination of concepts, methodologies, tools and applications.
- c. Strategy for dissemination of the action plan, and the GOJ results on plan implementation. The strategy should put emphasis on improving communications with and information to the public.

IV. COST AND FINANCING

- 4.1 The cost of the program has been estimated at US\$500,000, of which the Bank would finance up to US\$450,000 of the costs on a non-reimbursable basis from the funds allocated to PRODEV. The Government of Jamaica will contribute the equivalent of US\$50,000 as counterpart funds.

BUDGET (US\$)			
	IDB	GOG	TOTAL
1. Action Plan and Strategy	100,000	20,000	120,000
2. Capacity Building Activities	230,000	20,000	250,000
3. Training and Dissemination	70,000		70,000
4. Administration and Contingencies	50,000	10,000	60,000
TOTAL	450,000	50,000	500,000

V. EXECUTION

- 5.1 During the preparation of the Plan of Operations, the project team will analyze with GOJ authorities the most effective and efficient implementation architecture for this program. It is expected, however, that the technical execution of the program will be conducted jointly by the Ministry of Finance, the Public Sector Reform Unit, the Ministry of Transport and Works, and the Auditor General

Office in the areas of their respective competence. An inter-institutional technical committee will ensure coordination and be responsible for the general guidance of the program. The estimated timeframe for the execution of the program is 12 months.

VI. MAJOR ISSUES

- 6.1 Main risks for the program are related to political will and the inter-institutional rivalry for program leadership and resources. The proposed program is built around the government's own vision and strategy to mitigate the risk of insufficient political will. Moreover, the project team will undertake consultations with key stakeholders to build consensus around the execution mechanism to mitigate the risk of inter-institutional rivalry.
- 6.2 The effectiveness of the financial management information system has been questioned by the CFAA/CPAR. Since this system will be a critical element for the future implementation of the MfR action plan, the current program will finance the completion of the pilot in the MOTW in order to have a fully implemented version to evaluate in terms of its efficiency and effectiveness before it is rolled out to the rest of the central government agencies.

VII. ACTION PLAN

- 7.1 It is expected that an orientation mission will take place in December 2005 to start the preparation of the Plan of Operations (PO), projected to be approved in February 2006.
- 7.2 For the preparation of the Plan of Operations the GOJ and the project team will be assisted by consultants with demonstrated expertise in MfR and PFM information systems. The consultancies will be financed with PRODEV funds.

VIII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 8.1 Given the nature of the program involving institutional strengthening activities, no social or environmental issues are foreseen.