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## **JAMAICA**

### **PROGRAM FOR SKILLS DEVELOPMENT FOR GLOBAL SERVICES**

**(JA-L1079)**

#### **LOAN PROPOSAL**

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ABBREVIATIONS	
AOP	Annual Operating Plan
AP	Apprenticeship Program
AFS	Audited Financial Statements
BPIAJ	Business Process Industry Association of Jamaica
BPO	Business Process Outsourcing
CSEC	Caribbean Secondary Education Certificate
EA	Executing Agency
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
FDI	Foreign Direct Investment
FFF	Flexible Financing Facility
FS	Finishing Schools
GDP	Gross Domestic Product
GOJ	Government of Jamaica
GSAT	Grade Six Achievement Test
GS EB	Global Services Executive Board
GSS	Global Services Sector
GSSB	Global Services Skills Board
HEART Trust/NTA	National Training Agency
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IDBG	Inter-American Development Bank Group
IMF	International Monetary Fund
IPA	Investment Promotion Agency
ITeS	Information Technology- enabled Services
ITO	Information Technology Outsourcing
JAMPRO	Jamaica Promotions Corporation
KPO	Knowledge Process Outsourcing
MICAF	Ministry of Industry Commerce, Agriculture & Fisheries
M&E	Monitoring and Evaluation
MOU	Memorandum of Understanding
NEO	New Employment Opportunities for Youth
NCTVET	National Council on Technical and Vocational Education and Training
OECD	Organization for Economic Cooperation and Development
PAJ	Port Authority of Jamaica
PATH	Program of Advancement Through Health and Education
PEP	Pluriannual Execution Plan
PEU	Project Execution Unit
POM	Project Operating Manual
PP	Procurement Plan

ABBREVIATIONS	
PSC	Project Steering Committee
RM	Results Matrix
SMEs	Small and Medium-Sized Enterprises
SPF	Safeguard Policy Filter
SSCs	Sector Skills Councils
SSF	Safeguard Screening Form
STATIN	Statistical Institute of Jamaica
STEM	Science, Technology, Engineering and Mathematics
TC	Technical Cooperation
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development
VTDI	Vocational Training Development Institute
WTO	World Trade Organization
4IR	Fourth Industrial Revolution

**PROJECT SUMMARY**  
**JAMAICA**  
**SKILLS DEVELOPMENT FOR GLOBAL SERVICES**  
**(JA-L1079)**

Financial Terms and Conditions				
Borrower: Government of Jamaica			Flexible Financing Facility <sup>(a)</sup>	
			Amortization Period:	25 years
Executing Agency (EA): Jamaica Promotions Corporation (JAMPRO)			Disbursement Period:	5 years
			Grace Period:	5.5 years <sup>(b)</sup>
Source	Amount (US\$)	%	Interest rate:	LIBOR Based
IDB (Ordinary Capital):	15,000,000	100	Credit Fee:	(c)
Total:	15,000,000	100	Inspection and supervision fee:	(c)
			Weighted Average Life (WAL):	15.25 years <sup>(d)</sup>
			Currency of Approval:	Dollars of the United States of America
Project at a Glance				
<b>Project Objective/Description:</b> The general objective of this operation is to promote the growth of the Global Services Sector (GSS) in Jamaica particularly in higher value-added segments. Specifically, it intends to: (i) provide the sector with better skilled workers; and (ii) increase Jamaica's institutional capacity to attract Foreign Direct Investment (FDI) and increase its exports (¶1.32).				
<b>Special Contractual Clauses prior to the first disbursement of the financing:</b> (i) evidence of the establishment of the Project Execution Unit (PEU) at the Executing Agency (EA) (Project Coordinator, Financial Management and Procurement Specialists), specifically for the project; (ii) approval of the Project Operating Manual (POM) by the EA, under the terms agreed upon with the Bank; and (iii) MOU between the Borrower and the EA for the transfer of loan resources and execution responsibilities (¶3.8).				
<b>Special Contractual Clauses of Execution for Component 1:</b> evidence, to the satisfaction of the Bank, that the necessary agreements between the participating agencies are in place (HEART Trust/NTA <sup>(e)</sup> , Business Process Industry Association of Jamaica (BPIAJ) and the EA, including the establishment of the Global Services Skills Board (GSSB) (¶3.9).				
<b>Exceptions to Bank Policies:</b> None.				
Strategic Alignment				
Challenges <sup>(f)</sup> :	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>
Cross-Cutting Themes <sup>(g)</sup> :	GD	<input checked="" type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input type="checkbox"/>

<sup>(a)</sup> 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.

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

<sup>(c)</sup> 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.

<sup>(d)</sup> The original WAL of the loan may be lower, depending on the signature date of the loan agreement.

<sup>(e)</sup> Heart Trust/NTA is the national agency in charge of developing the workforce through Technical Vocational Education and Training.

<sup>(f)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(g)</sup> 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 and Justification

- 1.1 **The Fourth Industrial Revolution (4IR), characterized by rapid technological change, is significantly transforming the world's economic dynamics.** The development of new digital technologies including artificial intelligence, robotics, biotechnology, and blockchain, marks a period that has been referred to as the 4IR. This Revolution offers the potential to boost economic growth through increased exports from higher value-added, more digitized activities in the manufacturing and services sectors. It is also an opportunity for Jamaica.
- 1.2 **Jamaica has suffered from weak economic performance over the past three decades, owing to policy changes, socio-political vulnerabilities, and susceptibility to exogenous shocks.** Jamaica's real gross domestic product (GDP) has increased by an average of about 1% per year during this time. By comparison, the Latin American and Caribbean (LAC) region grew by about 3% per year from 2007-2016.<sup>1</sup> This modest performance was driven by several factors, including heavy reliance on external demand for a few commodities and tourism.<sup>2</sup> In this context, exports as a percentage of GDP have decreased over the past decade: in 2006 exports represented 40% of GDP, while in 2016, 31%.<sup>3</sup> Jamaica's economy and exports have been highly concentrated both in terms of products—tourism, bauxite, petroleum products and agriculture—and destinations (United States, Canada, and the United Kingdom).<sup>4</sup> Meanwhile, imports in 2016 represented 45% of GDP, resulting in a negative trade balance.<sup>5</sup> Furthermore, foreign direct investment (FDI) declined to 5.6% of GDP in 2016,<sup>6</sup> below its peak of 10% in 2008.<sup>7</sup> Accordingly, fewer jobs are being created by the external sector. Jamaica's unemployment rate was 9.7% in April 2018<sup>8</sup> and it is even higher for youth (25.8%) and females (32.1% for females vs. 20.9% for males).<sup>9,10</sup>

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<sup>1</sup> World Bank (2017a).

<sup>2</sup> Other factors include policies leading to inflation and output volatility, debt and financial crises, shocks driven by adverse weather conditions/natural disasters, political and social unrest, crime, high levels of economic informality, and stagnant productivity growth.

<sup>3</sup> World Bank (2017b).

<sup>4</sup> IDB Group Country Strategy with Jamaica 2016-2021.

<sup>5</sup> World Bank (2017d).

<sup>6</sup> World Bank (2017c).

<sup>7</sup> Globally, FDI inflows have been well below their potential since the economic crisis. Ibid.

<sup>8</sup> IADB Country Strategy for Jamaica (2016-2021) (GN-2868) and the Statistical Institute of Jamaica (STATIN) (2017).

<sup>9</sup> Youth aged 14-24, STATIN (2018).

<sup>10</sup> The data provided for the period examined (2007-2016) reflects the adverse impact on the economy from the global crisis. In contrast to those impacts from the first half of the decade, it is important to note that the country has shown gains accomplished over the last 5 years with respect to improved macroeconomic stability; entrenched reforms to the fiscal policies; a sustained reduction in the debt to GDP ratio; improvements in the doing business environment; gradual strengthening of growth performance with medium term projections in the range of 2%-3%; improvement in levels of employment and a reduction in the unemployment rate.

- 1.3 **Cognizant of these challenges but also of its competitive advantages, Jamaica has invested in sectors that can help it reap the benefits of the 4IR.** Jamaica's strengths lie in its nearshore location, language, cultural affinity with North America and the United Kingdom, competitive labour and real estate costs,<sup>11</sup> and robust telecommunications infrastructure.<sup>12</sup> Given this, the Government of Jamaica (GOJ) has been successful at establishing and consolidating the Information Technology-enabled Services Sector (ITeS),<sup>13</sup> commonly referred to as the Global Services Sector (GSS).
- 1.4 **Global Services are services that have been transformed by information and communications technology, enabling them to be digitized, codified, fragmented and undertaken at any distance from the core business and final customer.** They can be divided into three main segments: (i) Business Process Outsourcing (BPO) - the sub-contracting of specific business processes to a third party, including internal business functions, such as billing or purchasing, and customer-related services, such as marketing and technical support;<sup>14</sup> (ii) Information Technology Outsourcing (ITO) - the production and use of software, such as network management, applications development, IT consulting, and software research and development;<sup>15</sup> and (iii) Knowledge Process Outsourcing (KPO) - the outsourcing to providers with highly skilled and specialized professionals, including market intelligence, business analytics, and legal services.<sup>16</sup>
- 1.5 **The GSS is one of the fastest growing and resilient segments of the services export sector worldwide,<sup>17</sup> with digitization and automation being two of the most important trends influencing it.** This segment's share has grown from 15% of total global services exports in 2010 to 22% in 2014.<sup>18</sup> The global market for the BPO industry alone is projected to reach US\$262.2 billion by 2022, an increase of 74.8% from 2017,<sup>19</sup> while for ITO, analysts expect it to reach US\$481 billion by 2022.<sup>20</sup> KPO is projected to reach US\$124.2 billion by 2025.<sup>21</sup> The introduction of artificial intelligence and other technologies is already

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<sup>11</sup> Maximum wages in customer service are approximately 46%, 23%, and 85% lower than in Barbados, Costa Rica, and Guatemala, respectively. Couto and Fernandez-Stark (2017).

<sup>12</sup> Jamaica's fixed broadband speed is above that of two of the most successful locations for outsourcing in the region: Uruguay and Costa Rica. Ibid.

<sup>13</sup> IT-enabled Services include those associated with outsourcing and offshoring: accounting, financial analysis, call centres, architectural drafting, and health-record transcription, among others. For purposes of this operation, they also include ITeS exports from Jamaican micro, small and medium enterprises.

<sup>14</sup> Fernandez-Stark G. G. (2010).

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> From 2005-2015, services exports globally grew 61%, while those of goods grew 35%. WTO (2016). During the 2009 financial crisis, services exports decreased by 11 while goods fell by 23% (UNCTAD Handbook 2015) Paragraph 2 [GSS annotations](#).

<sup>18</sup> IDB calculations based on IMF International Trade in Services database for the category "other business services" (1-digit level) created by Loungani et al (2017). "Other business services" cover exports of the areas/firms/segments to be captured with loan beneficiaries. Activities under 'other business services' that are unrelated to the GSS are waste treatment and depollution, agricultural, and mining services and operating leasing services. Paragraph 3 [GSS annotations](#).

<sup>19</sup> Global Industry Analysts, Inc. (2017).

<sup>20</sup> Market Watch (2018).

<sup>21</sup> Grand View Research (2017).



impacting the GSS. Furthermore, as artificial intelligence increasingly handles more basic customer requests in the BPO segment, tasks handled by human agents will become more complex,<sup>22</sup> requiring workers to develop more advanced skills that leverage uniquely human characteristics like creativity and empathy.<sup>23</sup>

- 1.6 **Following worldwide trends, the GSS in Jamaica has experienced rapid growth over the past few years and generated high levels of employment. This is expected to continue.** Exports of global services have increased 331% between 2011 and 2016.<sup>24</sup> This translates into a share of global services from almost 2% of total services exports in 2011 to nearly 7% in 2016.<sup>25</sup> This growth generated an increase of 57% in employment from 2015 to 2016 - the highest for any economic sector within the last decade.<sup>26,27</sup> Gross employment projections for the GSS are estimated at 50,000 full-time employees by 2023, 6,000 of which would be in the ITO and KPO segments and the rest in BPO alone.<sup>28</sup> In addition, in 2017 there was US\$33.4 million in GSS investment,<sup>29</sup> generating 6,010 jobs according to JAMPRO.
- 1.7 **Jamaica is aiming to consolidate its current BPO base while moving towards higher value-added services, requiring a pipeline of talent with a more advanced set of skills.**<sup>30</sup> Currently, there are approximately 55 companies offering BPO services in Jamaica.<sup>31</sup> According to a study from 2017 using a sample of 43 companies, 80% of these were focused on the low-end segment of the value chain, providing customer support services (voice, chat, and e-mail), and technical helpdesk support. While still performing low-end tasks, the remaining companies also offer KPO (18%) and ITO (2%) segments. Most employers require workers with basic job-readiness skills (i.e. customer service, computer literacy, English language comprehension) and other technical proficiencies (i.e. accounting, data encoding), fulfilled with secondary school graduates. At present, at least 70% of full-time employees in the industry are individuals who completed secondary education.<sup>32</sup> Employers that offer higher-end services, however, typically demand individuals with tertiary studies.<sup>33</sup>
- 1.8 **Given the actual composition of the industry, the supply of human capital is derived from the pool of secondary and post-secondary school graduates.** Regarding secondary school, in 2017, there were 38,039 graduates

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<sup>22</sup> McKinsey (2018).

<sup>23</sup> Business Insider (2018).

<sup>24</sup> International Monetary Fund (2018). Data based on the category "Other business services" (1-digit level) created by Loungani et al (2017). This dataset most closely approximates the GSS in Jamaica [GSS annotations](#).

<sup>25</sup> IDB based on IMF International Trade in Services database.

<sup>26</sup> JAMPRO. Annual Report 2014 – 2015.

<sup>27</sup> Heart Trust/NTA (2017c).

<sup>28</sup> JAMPRO's Corporate Plan: FY 2017/2018-2019/2020.

<sup>29</sup> JAMPRO calculates investment based on the capital expenditure of a firm in the first year of operation or for local firms, in the first year of operation in a new business line.

<sup>30</sup> Jamaica, with a small labour pool, needs to compete on quality rather than quantity of labour, identifying higher value niches. Couto and Fernández-Stark (2017) Paragraph 5 [GSS annotations](#).

<sup>31</sup> BPIAJ (2017).

<sup>32</sup> JAMPRO (2017) Outsourcing Survey. Mimeo.

<sup>33</sup> Ibid.

in Jamaica.<sup>34</sup> In terms of post-secondary education, HEART Trust/NTA, Jamaica's National Training Agency, offers a total of 194 different programs for individuals at least 17 years of age<sup>35</sup> in several areas and 31% are focused on skills suitable for the GSS.<sup>36</sup> Within those, most are specialization tracks fitting the ICT services (31), followed by business services (10), animation, web design and engineering (10), and customer service (4).<sup>37</sup> The number of graduates in studies related to the GSS has increased marginally in recent years. From 2015 to 2017, HEART Trust/NTA ICT certifications increased only 2%<sup>38</sup> although the employment rate of ICT graduates is 80.4%, considerably above the average of approximately 69.7% for all programs, including customer service (57.9%).<sup>39</sup> Tertiary education institutions like the University of the West Indies and the University of Technology also play an important role, providing candidates with more advanced skills that can fill higher level positions within the industry. At the tertiary level, the enrollment was of about 30,000 students in 2015, and from that cohort, about half graduated.<sup>40</sup> Graduates qualified for higher-end segments like ITO (e.g. software development, IT Services and Infrastructure) have decreased (-69%), while those qualified for high-end BPO (e.g. Finance and Accounting), and KPO (e.g. Legal Services) have increased 33% and 125%, respectively.<sup>41</sup>

**1.9 The Government of Jamaica has taken concrete actions to develop and upgrade its GSS.** Prioritizing it in its Medium-Term Socio-Economic Policy Framework 2015-2018, it has developed a five-year (2015-2020) National Strategy for the Outsourcing Industry. This strategy lays out actions to catalyze the growth of the GSS and increase the number of persons employed in the sector to 40,000 by 2020 and 50,000 by 2023.<sup>42</sup>

**1.10 However, for the GOJ to optimize these actions, it must help address two main obstacles faced by the GSS in Jamaica:** (i) the workforce's skills gap; and (ii) the limited capacity of the Investment Promotion Agency (IPA) – JAMPRO - to attract investment and promote exports in value-added and digital segments.

## **1. Workforce's skills gap**

**1.11 Employers in the sector are unable to find candidates with the skills needed to fill vacancies.** Employers state that only two to three out of ten candidates interviewed have the required skills for employment.<sup>43</sup> This is confirmed by AT Kearney's 2017 Global Services Location Index, which measures and compares the capacity of countries for the provision of offshoring services based on three pillars: financial attractiveness, business environment

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<sup>34</sup> Ministry of Education, Youth, and Information (MOEY) (2017).

<sup>35</sup> For entry level programs, applicants without any qualifications are required to sit diagnostic assessments. For some higher-level-programs applicants are required to have qualifications in certain areas.

<sup>36</sup> Ferrari (2017).

<sup>37</sup> Ibid.

<sup>38</sup> HEART Trust/NTA (2017).

<sup>39</sup> HEART Trust/NTA (2018).

<sup>40</sup> Ibid.

<sup>41</sup> PAJ (2017).

<sup>42</sup> JAMPRO (2017).

<sup>43</sup> Ferrari (2017).

and people skills and availability.<sup>44</sup> In the world ranking, Jamaica ranks 43 out of 55 countries, with its score for the people skills and availability pillar below GSS global competitors like India and the Philippines.<sup>45</sup> Additionally the skills gap is confirmed by the fact that in 2016-2017, certification in GSS-relevant programs were 6,223,<sup>46</sup> under the projected needs of 17,000 certified persons annually.<sup>47</sup> With current levels of trained workers, the BPO industry will only meet approximately 30% of total demand in the next four years.<sup>48</sup>

- 1.12 **In this context, the skills development system<sup>49</sup> has a key role to play.** Skills development systems that successfully respond to labour market needs share key characteristics. First, they have continuous feedback loops between all stakeholders to identify private sector skills needs, communicate them to job-seekers, students and training providers, and translate them into curricula.<sup>50</sup> Second, they have strong workplace learning, like apprenticeship programs, (AP)<sup>51</sup> and shorter types of training, like Finishing Schools (FS),<sup>52</sup> so workers can acquire relevant skills. Third, they pursue quality at all levels: qualifications, institutions, instructors, workplace learning, evaluation, accreditation, certification labour market performance.<sup>53</sup> Lastly, they use innovative financing mechanisms like competitive funds to incentivize demand-driven training while allocating resources transparently.<sup>54</sup>
- 1.13 **The workforce's lack of relevant skills for the GSS in Jamaica is associated with the absence of a strong skills development system that compensates for deficiencies in the formal education system<sup>55</sup> and guarantees relevance and quality of training.** The formal education system does not adequately prepare high school graduates for the world of work. In 2016, out of 34,486 students sitting the Caribbean Secondary Education Certificate (CSEC) examinations,<sup>56</sup> only 25.2% attained five or more subjects including Mathematics and English.<sup>57</sup> These educational deficits are not corrected by the post-secondary TVET system.<sup>58</sup>

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<sup>44</sup> AT Kearney (2017).

<sup>45</sup> Paragraph 9 [GSS annotations](#).

<sup>46</sup> HEART Trust/NTA (2017) based on administrative data.

<sup>47</sup> Heart Trust/NTA (2017b).

<sup>48</sup> Ferrari (2017).

<sup>49</sup> Post-secondary education and training, including the Technical Vocational Education and Training (TVET) and tertiary education systems, which prepare individuals to enter the world of work.

<sup>50</sup> Amaral et. al (2017) Paragraph 1 [Skills Annotations](#).

<sup>51</sup> Apprenticeships are jobs that include structured on-the-job training combined with a share of technical off-the-job training, to learn a skilled occupation that is certified, and industry recognized. They last one year or more. Fazio et al. (2016) Paragraph 2 [Skills Annotations](#).

<sup>52</sup> FS are industry-specific short-term (less than a year) non-formal training programs complementing fundamental skills from formal academic institutions. Garcia & Bafundo (2014) Paragraph 7 [Skills Annotations](#).

<sup>53</sup> Amaral et al. (2017).

<sup>54</sup> de Diego, Gonzalez-Velosa, Rieble-Aubourg and Rucci (2017).

<sup>55</sup> Primary and secondary education systems.

<sup>56</sup> Taken after five years of secondary school. They certify the holder as a secondary school graduate.

<sup>57</sup> Ministry of Education Statistics Unit (2016). Most surveyed companies indicated this level of education (secondary approved) as the minimum requirement for an entry-level position. Ferrari (2017).

<sup>58</sup> In Jamaica, there are 156 post-secondary TVET institutions. 125 are funded by HEART Trust/NTA. The remaining 31 are private providers. Ferrari (2017).

- 1.14 **Jamaica's skills development system faces challenges in effectively capturing employers' skills needs in a timely manner.** HEART Trust/NTA, responsible for developing Jamaica's workforce, has established Lead Groups, comprised of employers, industry associations and instructors from HEART Trust/NTA, to assist in defining the skills and standards required for employment in a sector. Contrary to what occurs in well-regarded skills systems, where employers lead the systematization of skills needs and the development of standards, these Lead Groups suffer from low employer engagement and are driven by the training provider. Consequently, they are unable to accurately capture industry demands and translate them into curricula. Curricular updates occur yearly or once every two years, too long for a fast-moving sector such as the GSS. Furthermore, the fact that there are five GSS Lead Groups promotes isolated efforts instead of an industry-wide strategy. Lastly, there are no information systems or platforms to facilitate the timely collection of skills demands from employers in the GSS, capturing and publishing vacancies and communicating these to job-seekers.<sup>59</sup>
- 1.15 **Employers' needs are not translated into relevant curricula.** First, employers state that the current curricula does not produce graduates with the adequate job readiness skills (soft<sup>60</sup> and cognitive<sup>61</sup> skills, e.g., numeracy and literacy, foundational digital skills<sup>62</sup>) to enter the world of work.<sup>63</sup> In terms of technical skills, they express a need for programs that can promote workers' upskilling and reskilling<sup>64</sup> to facilitate transition of the GSS into the delivery of more knowledge-based activities.<sup>65</sup> Second, existing curricula lacks a strong on-the-job training component critical for enhancing the effectiveness of skills development.<sup>66</sup> Structured, longer term industry-led training programs like AP are not commonplace within the GSS. Additionally, focus groups with students revealed that their exposure to the real working environment during training programs is limited, and only 61% of students think the workplace learning component offered by HEART Trust/NTA programs are good/very good.<sup>67</sup>
- 1.16 **The skills development system's quality assurance also has room for improvement.**<sup>68</sup> There are instruments in place to measure the quality of the skills produced by the system, but they are not comprehensive nor are they integrated into a more coherent quality assurance system for continuous improvement. First, while the National Council on Technical and Vocational

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<sup>59</sup> This was a success factor for the development of the GSS sector in Uruguay through 2590/OC-UR.

<sup>60</sup> Soft skills are associated with individuals' attitudes, beliefs, personality traits, and behavior, including collaboration, communication, and self-control, among others. Prada and Rucci (2016).

<sup>61</sup> Cognitive skills are associated with cognition and biological intelligence, and include mechanisms for learning and problem solving, including memory, attention, and sequencing. Prada and Rucci (2016).

<sup>62</sup> The ability and responsible use of digital technologies and platforms to learn, participate in society, analyze, explore and share data and to work effectively alongside machine intelligence [European Commission](#).

<sup>63</sup> Heart Trust/NTA (2016b).

<sup>64</sup> Reskilling is necessary for individuals to move into new occupations. Upskilling is necessary when the same occupation requires a higher level of skills. McKinsey (2017).

<sup>65</sup> Like accounting and financial management, animation, computer information systems, digital marketing, and engineering and computing.

<sup>66</sup> González, Ripani and Rosas, 2012; Urzúa and Puentes, 2010.

<sup>67</sup> HEART Trust NTA Tracer Study (2018).

<sup>68</sup> [Quality Assurance](#).

Education and Training (NCTVET)<sup>69</sup> has methodologies in place to approve and accredit institutions offering TVET programs, evaluation of training providers' quality relies on basic inputs like infrastructure, number of teachers and teaching hours. It therefore lacks focus on crucial inputs (like teachers' quality and methods, learning materials, training duration) and learning outputs related to training effectiveness.<sup>70</sup> In terms of teacher quality, based on interviews with employers, there are no mechanisms to oversee that trainers' skills are updated in accordance to the latest industry standards, resulting in trainers lacking updated industry-specific knowledge. Moreover, there is no public registry of training provider performance, resulting in low accountability and information asymmetries for individuals seeking training. This contrasts with the experience of high performing training systems where provider performance is public. Second, job-readiness skills assessment is limited. There is a lack of psychometric testing<sup>71</sup> to measure individuals' mental capabilities and behavioral styles before and after a training intervention to measure learning outcomes. Lastly, while HEART Trust/NTA proxies quality by using information from trainees' satisfaction and labour trajectories surveys, it does not capture employers' feedback about the quality of learning.

- 1.17 **Gender considerations regarding the GSS's skills gap.<sup>72</sup> Data from the overall labor market in Jamaica highlight gender challenges in the workforce.** First, labour supply is partly limited by low level of educational achievement among males. The results of standardized tests in Jamaica illustrate significant gender differences in student performance in the areas of English and Math, favoring girls.<sup>73</sup> Second, although girls outperform boys in overall educational attainment, females are less likely to pursue studies that could lead to employment in higher value, knowledge-based activities. In 2015, 7.6% of men followed a tertiary career in Science, Technology, Engineering and Mathematics (STEM)<sup>74</sup> - almost triple that of women (2.3%).<sup>75</sup> Similarly, information from HEART Trust/NTA suggests that women tend to enroll less in technology-based training courses (e.g. computer services, webpage design). Persistent gender differences in these fields of study mean that women will benefit less from new GSS occupations<sup>76</sup> that have a heavy STEM foundation, like those in financial services (e.g. risk management analysis) and information technology (e.g. software development).
- 1.18 **It should be noted, however, that currently there is a lack of data disaggregated by gender within the GSS to identify potential areas of**

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<sup>69</sup> Responsible for the quality of training, ascribed to HEART Trust/NTA.

<sup>70</sup> Bruns & Luque (2014).

<sup>71</sup> Psychometric tests are used by employers to measure candidates' suitability for a role. Paragraph 3 [Skills Annotations](#).

<sup>72</sup> [Gender Annex](#).

<sup>73</sup> Results from the 2014 grade six achievement test (GSAT) required to start secondary school indicate girls outperform boys in all academic subjects. In the 2017 CSEC examination, 28% of females attained five or more subjects, including Mathematics and English, versus 20% of males.

<sup>74</sup> Science, technology, engineering and mathematics. Paragraph 4 [Skills Annotations](#).

<sup>75</sup> PAJ (2017).

<sup>76</sup> In higher-value ITO and KPO activities, engineer, computer sciences, and business administration degrees are required to fill positions like business and finance analysts, and software research and development engineers. Fernandez-Stark V.C. (2017).

**intervention to improve gender equality and prevent the widening of gender and skill gaps.** Through the operation, the collection of accurate and reliable data disaggregated by gender will be improved, which will facilitate a gender diagnosis to address disparities within the GSS.

## **2. Limited institutional capacity of Jamaica to attract investment and promote exports in higher value-added and digital segments**

- 1.19 **JAMPRO, Jamaica's Investment Promotion Agency, has played an important role in the establishment of the GSS in the country.** Under the Jamaica Promotions Corporation Act, JAMPRO's mandate is inter alia to stimulate, facilitate and promote the development in the island of: (i) trade and industry; (ii) export trade; and (iii) investment activities in all sectors of the island's economy.<sup>77</sup> An agency of the GOJ's Ministry of Industry, Commerce, Agriculture and Fisheries, JAMPRO is responsible for facilitating local and foreign investment and nurturing exporting firms by providing a range of services.<sup>78</sup> Since 2012, it has invested heavily in the development of the GSS. First, by stimulating and providing seed funding for the establishment of the Business Process Industry Association of Jamaica (BPIAJ) to serve as a focal point for the development of the sector. Second, by contributing to the creation of a Five-Year National Strategy for the Development of Jamaica's Outsourcing Industry in March 2015.
- 1.20 **However, JAMPRO's effectiveness in attracting investment in higher value-added and digital segments within the GSS has been limited.** In 2016, nearly all firms were engaged in lower-value BPO activities alone, with a small number offering higher-value BPO tasks.<sup>79</sup> Recently established large firms who participate in industries like financial services, life sciences and insurance, have started investing in higher value-added and digital segments. According to the survey of 43 companies done in 2017, 20% offered higher value-added services,<sup>80</sup> driven more by the firms' business needs than by a shift in Jamaica's value proposition.
- 1.21 **In this regard, the literature suggests that the strengthening of IPAs' institutional capacity can have a positive impact on foreign investment attraction and increased exports.** Firms value a strong business environment when selecting a location to base outsourcing operations.<sup>81</sup> This includes incentives and overall operating environment (i.e. regulations, quality of institutions, and IPAs).<sup>82</sup> The literature suggests that strengthening countries' value proposition, and an IPA's capacity to deliver it, yield returns in terms of FDI and services exports.<sup>83</sup> Successful tools leading to FDI flows include re-branding and promotion through social media, ambassadors and diaspora; and strategic partnerships with business associations to increase the attractiveness of the

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<sup>77</sup> Jamaica Promotions Corporation Act, section 4(a).

<sup>78</sup> Paragraph 4 [Skills Annotations](#).

<sup>79</sup> Fernandez-Stark and Couto (2017).

<sup>80</sup> JAMPRO (2017).

<sup>81</sup> AT Kearney (2017) and Deloitte (2017).

<sup>82</sup> Deloitte (2016).

<sup>83</sup> Wells & Wint (2000); Harding and Javorcik (2011); Lederman, Olarreaga and Paton (2006); Volpe (2010).



sector.<sup>84</sup> Another tool to strengthen the business environment and increase new entrants is the creation of a robust digital management platform ('one-stop shop') for foreign investors.<sup>85</sup> These platforms, recognized as best practice, reduce information asymmetries, provide investors with information and support to relocate their operations and create linkages to the appropriate regulatory agencies using only one interface.<sup>86</sup> To develop a stronger services export sector, countries have implemented innovative programs to foster entrepreneurship and provided access to physical spaces (e.g. incubators, accelerators) to support the internationalization of local start-ups and micro, small and medium sized enterprises (MSMEs).<sup>87</sup> Firms that engage in innovative activities can gain a competitive advantage and improve performance.<sup>88</sup>

- 1.22 **JAMPRO's limited institutional capacity to attract higher-value added investments in GSS is evident along several fronts. First, JAMPRO lacks data on firms engaged in the GSS, particularly regarding MSMEs.** The absence of data on GSS firms adversely affects JAMPRO's investment attraction and export promotion activities while limiting its ability to track market trends and use data for predictive analytics. While JAMPRO has an exporter registration platform, it is difficult to determine the size of these companies and the sub segments they participate in, since contracts are often negotiated and settled abroad.<sup>89</sup>
- 1.23 **Second, combined with sub-optimal business processes and institutional and regulatory frameworks the GSS faces, JAMPRO has not created sufficient sub-sector specific incentives and policies to attract higher-end GSS business<sup>90</sup> from new and existing firms.**<sup>91</sup> Efficient business processes, effective institutions and strong regulatory frameworks create economic and political stability and encourage investor confidence. Jamaica's business environment<sup>92</sup> currently scores lower (1.33) than Costa Rica (1.63) and Trinidad and Tobago (1.59). While the GOJ has made efforts to increase the country's attractiveness<sup>93</sup> across all sectors, including the GSS, investment promotion activities and information are dispersed, leading to duplication of processes. This creates overlaps between activities led by JAMPRO, the Port Authority of Jamaica (PAJ) and the BPIAJ, to name a few. Lastly, although the special economic zone policy has created incentives such as value-added tax-free import and 30% employment tax credit,<sup>94</sup> these incentives are neither GSS-specific nor differentiated to attract the targeted higher-value added KPO and ITO.

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<sup>84</sup> Miškinis & Byrka (2014) Paragraph 6 [GSS annotations](#).

<sup>85</sup> OECD (2009) has examples of one-stop-shops from Mexico, Chile, Canada, Spain and Portugal.

<sup>86</sup> Paragraph 6 [GSS annotations](#).

<sup>87</sup> Paragraph 6 [GSS annotations](#) for overall information and the Irish internationalization fund for SMEs.

<sup>88</sup> [De Faria and Mendonca \(2011\)](#).

<sup>89</sup> JAMPRO (2018).

<sup>90</sup> Tholons (2017). Paragraph 5 [GSS annotations](#) for additional information.

<sup>91</sup> JAMPRO (2017) and Paragraph 11 [GSS annotations](#) for additional information.

<sup>92</sup> Business environment is defined as country risk (economic and political, includes FDI confidence levels), cultural adaptability, country infrastructure and security of intellectual property AT Kearney (2017).

<sup>93</sup> World Bank (2018). Jamaica's overall ranking in Doing Business increased from 85th in 2010 to 70th in 2017 Paragraph 8 [GSS annotations](#).

<sup>94</sup> Paragraph 11 [GSS annotations](#).

- 1.24 **Third, JAMPRO lacks a strong value proposition for attracting higher value-added investments.** Currently, as opposed to IPAs like that of Uruguay and Costa Rica, which have been able to attract higher value-added investments, JAMPRO does not have a digital branding strategy with supporting promotional activities<sup>95</sup> to attract investment. Its promotional campaigns do not highlight niche opportunities to attract high value segments. Further, materials do not reference workforce skills outside of English and literacy. All these factors have contributed to the negative image of the sector nationally.<sup>96</sup>
- 1.25 **Fourth, it does not offer programs dedicated to support MSMEs<sup>97</sup> and entrepreneurs to internationalize and capture global and regional value-chains in services.** The development of small firms provides resilience to economic downturns and contributes to economic diversification.<sup>98</sup> In Jamaica, MSMEs account for 98% of classified and registered firms,<sup>99</sup> and although the GOJ has identified the need to support MSMEs in the ICT sector,<sup>100</sup> specific programs for services' exporting firms have not been initiated. Jamaica has invested in incubators to support GSS,<sup>101</sup> yet these are primarily designed to attract BPO firms and not to support the development and internationalization of entrepreneurs offering higher value-added exports.<sup>102</sup> Moreover, GSS start-ups and entrepreneurs currently do not have access to a full open innovation system where Venture Capital, Angel Investors, Accelerators, Industries and Universities work in tandem to support their development. Although JAMPRO has initiatives designed to support market access and capacity building for SMEs, and while these have been successful, they are mostly limited to firms engaging in manufacturing and traditional services like tourism, and not the GSS.<sup>103</sup>
- 1.26 **Fifth, fragmented and decentralized information reduces opportunities for JAMPRO to promote Jamaica as an investment destination while limiting its ability to develop strong data analytics.** Foreign investors increasingly seek high-performing web portals and mobile applications with interactive maps; information on economic development, education, and regulatory affairs; and a comprehensive relocation guide. JAMPRO offers online investor information but services are mostly manual and lack the functionality required by digital firms. Furthermore, there is no central platform to provide investors with information and links to the appropriate regulatory agencies. At the same time, the lack of a dedicated platform and data repository<sup>104</sup> hinders JAMPRO's ability to develop

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<sup>95</sup> Miškinis & Byrka (2014).

<sup>96</sup> Surveys done in Couto and Fernandez-Stark (2017).

<sup>97</sup> JAMPRO defines a Micro Business as employing 1-3 employees and/ or having an annual turnover of less than J\$10 million. A Small Business employs 4- 10 persons with an annual turnover between J\$10 million and J\$40 million. A Medium business employs 11-50 persons with a turnover exceeding J\$40million annually. An entrepreneur is an individual [Jampro \(2018\)](#). The number and types of MSMEs to be assisted in the operation will be identified in Subcomponent 1 (Data collection) in Component 2.

<sup>98</sup> Ibid.

<sup>99</sup> Tax Administration Jamaica (2015), as referenced in MIIC (2017).

<sup>100</sup> MIIC (2017) Paragraph 12 [GSS annotations](#).

<sup>101</sup> BPIAJ recently built a 10,000 square ft, 200-seat fully-equipped facility in Montego Bay.

<sup>102</sup> These could include entrepreneurs in the creative industries, animation, gaming, IT software and app development.

<sup>103</sup> Paragraph 12 [GSS annotations](#).

<sup>104</sup> OECD (2009) Paragraph 6 [GSS annotations](#).



predictive models, robust data analytics and artificial intelligence to discover insights into investors' decision-making.

- 1.27 **Coordination with other Bank projects.** The IDB has supported the GOJ to strengthen human capital and economic growth and diversification. First, it has financed programs to promote employability and human capital accumulation, like the Citizen Security and Justice Program (3191/OC-JA) to increase labour market attachment of at-risk youth, and the Integrated Support to Jamaica Social Protection Strategy (3565/OC-JA), to support beneficiaries of the Program of Advancement Through Health and Education (PATH). Second, it has supported the GOJ via the Multilateral Investment Fund with the New Employment Opportunities for Youth (NEO) Jamaica (MIF-ATN/ME-15283-JA) and Support for the Strengthening of Active Labour Market Policies in Jamaica (ATN/OC-15819-JA).<sup>105</sup> It has also financed the Tholons IT-BPM GSS Sector Analyses (2014 and 2017).
- 1.28 **Justification.** Jamaica has a unique opportunity to propel itself into the 4IR, increasing its economic growth through the development of its GSS. It must invest in human capital to ensure skills availability to respond to firms' current and future skills demands and to facilitate the adoption of new technologies, addressing gender-based imbalances.<sup>106</sup> Simultaneously, Jamaica must develop a strong business environment with incentives for attracting new firms to invest in the GSS and encouraging existing ones to re-invest. These objectives are reflected in Vision 2030, Jamaica's National Development Plan.
- 1.29 **Bank Experience and Lessons Learned.** The project considers lessons learned from the design and execution of similar programs, such as the Program to Support Global Export Services in Uruguay (2590/OC-UR), Global Services Promotion Program in Trinidad and Tobago (3112/OC-TT) and Program to Support Chile's Global Services Sector (4362/OC-CH). For Component 1, lessons include: (i) active participation of employers is fundamental for anticipating skills and validating industries' skills needs, as well as for promoting relevance of public skills development initiatives. For Component 2: (ii) different investment promotion instruments must encompass the entirety of the investment cycle and be coordinated with export promotion. And for the overall project: (iii) centralized strategic coordination through a high-level Steering Committee.
- 1.30 **Government Strategy.** This operation aligns with the priorities of the GOJ under Vision 2030. Specifically, it is aligned with National Outcome 2 (achieve a world-class education and training through strengthening mechanisms to align training with demands of the labour market); and National Outcome 8 (establish an enabling business environment by: (i) strengthening investment promotion and trade facilitation; and (ii) developing an efficient labour market). Additionally, it is aligned with the National Export Strategy 2015-2019, which aims to grow the ITeS sector by 15% annually with focus on higher value-added activities and to

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<sup>105</sup> Provided technical support to strengthen Jamaica's National Apprenticeship Program, FS design proposal, and study tour (Uruguay).

<sup>106</sup> IDB (2018).

add 18,000 new jobs by 2019. Lastly, it supports the operationalization of the National Strategy for the Development of Jamaica's Outsourcing Industry.

- 1.31 **Strategic Alignment.** The project aligns with the IDB Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and with the development challenges of: (i) productivity and innovation, by developing human capital to prepare workers for changing skills demands; and (ii) economic integration, by expanding Jamaica's potential to export services to global markets. It also aligns with the cross-cutting theme of gender equality and diversity, by developing a diagnosis of gender-gaps within the GSS. It is aligned with the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) through: (i) beneficiaries of on-the-job training programs (#); teachers trained (#); and (ii) formal employment of women (%). Additionally, the program is aligned with the IDBG Country Strategy with Jamaica (2016-2021) (GN-2868) in its goal to reinforce human capital protection and development and increase private sector productivity and growth through: (i) improvements in learning outcomes; and (ii) improve the regulatory framework for doing business; the Strategy on Social Policy for Equity and Productivity (GN-2588-4); and the Strategy to Support Competitive Global and Regional Integration (GN-2565-4). It is consistent with the Sector Framework Document for Labor (GN-2741-7) through its dimensions of success: (i) the region's citizens have more, and more equitable, opportunities to access formal jobs with better wage expectations; and (ii) workers are more productive and, consequently, obtain higher wages and more stable employment, and with the Integration and Trade Sector Document (GN-2715-6) through its objective of supporting export and investment promotion policies and programs. Finally, the program is included in the Update of Annex III of the 2018 Operational Program Report (GN-2915-2).

## **B. Objective, Components and Cost**

- 1.32 The general objective of this operation is to promote the growth of the GSS in Jamaica particularly in higher value-added segments. Specifically, it intends to: (i) provide the sector with better skilled workers; and (ii) increase Jamaica's<sup>107</sup> institutional capacity to attract FDI and increase its exports.
- 1.33 Through the implementation of the components described below, the project seeks to transform an industry perceived as providing low-level jobs to a quickly evolving sector providing higher-value jobs and viable career paths to the Jamaican workforce.
- 1.34 **Component 1. Skills Development for the GSS and Strengthening of the Skills Development System (US\$7,940,000).** This component seeks to improve the skills development system to provide the GSS with better skilled workers, particularly, in higher value-added segments. First, it will finance activities to improve the system's ability to guarantee relevance of training to increase the share of activities that are higher up the value chain from 60% BPO to 40% KPO by 2020. Second, it will finance activities to improve training quality. It will include cross-cutting gender activities to support gender balanced employment and

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<sup>107</sup> This falls under the mandate of JAMPRO per The Jamaica Promotions Corporation Act of 1990.

career development in higher-value added GSS segments. The component will finance:

1. **Subcomponent 1.1. Enhancement of processes for interaction of the skills development system with the GSS (US\$1,731,000).** This includes: (i) the establishment of an industry-led body (hereafter the Global Services Skills Board or GSSB<sup>108</sup>) to help identify skills needs, set standards, and chart career pathways; (ii) the design and implementation of a Talent Platform<sup>109</sup> to support industry workers' transitions and raise awareness among prospective and active employees about the Sector and opportunities within it; capture skills of prospective and active employees and vacancies from employers, diagnosing skills gaps; and suggest training options for insertion and career advancement within the GSS. The platform will promote recruiting campaigns targeted to women and gender balance, share information about career options for gender balanced, and showcase women as role models in higher-value added activities given that females are less likely to pursue STEM studies;<sup>110</sup> and (iii) a diagnosis of gender-based imbalances within the GSS and identification of strategies to address them will be financed.
2. **Subcomponent 1.2. Enhancement of job-readiness for the GSS (US\$1,060,000).** This includes: (i) enhancement of the HEART Trust/NTA's job-readiness skills curricula to align training to GSS entry-level standards; and (ii) a train-the-trainer program for trainers to adequately deliver these curricula.<sup>111</sup>
3. **Subcomponent 1.3. Delivery of on-the-job training for the GSS (US\$4,730,000):** This subcomponent will finance the establishment of a competitive fund to manage the application process for the financing of training aligned to industry-specific standards as defined by the GSSB which includes: (i) initiatives to deliver training for 400 AP<sup>112</sup> for upskilling active existing employees within the GSS to access managerial-level positions such as account managers; (ii) delivery of shorter-term industry-specific training for 12,000 trainees (FS);<sup>113</sup> and (iii) establishment of a competitive fund to manage the application process for the financing of training aligned to industry-specific standards as defined by the GSSB. Through its eligibility criteria, the fund will prioritize industry-driven training leading to certifications and/or entailing partnerships with training providers or tertiary institutions in the skills development system to create public goods, and/or integrating job-readiness modules and/or STEM-related

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<sup>108</sup> 80% of GSSB membership will be from industry.

<sup>109</sup> Will consider best practices from the portal in [Uruguay XXI](#), which included a talent registry and labour market and education sector statistics for firms.

<sup>110</sup> Real-life experiences with STEM, including on-the-job training and career counselling can expand female's understanding and interest in STEM studies and professions. Promoting positive images of women in STEM-related fields helps generate interest in these areas. Bohnet (2016) and UNESCO (2017).

<sup>111</sup> Delivery of job-readiness training will be provided and funded by HEART Trust/NTA and be available to other industries.

<sup>112</sup> 100 apprentices annually for four years.

<sup>113</sup> 3,000 beneficiaries annually for four years.

training for females. Detailed operational aspects of the fund will be included in the [Project Operations Manual \(POM\)](#).

4. **Subcomponent 1.4. Strengthening of quality assurance mechanisms for the skills development system (US\$419,000).** This includes: (i) mapping of training providers' characteristics and enhancement of quality standards to measure training provider performance based on quality of teaching and learning outcomes; (ii) design and implementation of new psychometric instruments to measure trainees' level of job-readiness before and after training; and (iii) design and implementation of an employer's survey to measure quality of training and track trainees' labour market outcomes. The implementation of psychometric instruments will support activities under Subcomponent 2 by measuring trainees' levels by gender and based on results, providing gender-differentiated job-readiness curricula.

- 1.35 **Component 2. Strengthening Jamaica's institutional capacity to increase investment and promote exports in the GSS (US\$5,240,000).** The objective of this component is to strengthen Jamaica's capacity to attract investment and increase exports in higher value-added segments. First, the component will optimize investment promotion processes as well as the institutional, regulatory and incentive framework that governs the GSS. Second, it will support the development of a strengthened value proposition for GSS firms (foreign and domestic) seeking to invest or reinvest in Jamaica. Third, it will increase JAMPRO's capacity to support MSMEs in the GSS. Lastly, it will create a digital management system -building on existing one-stop shop platforms- to consolidate trade and business information and strengthen decision-making based on data analytics. A preliminary activity will undertake a data collection exercise, preparing a baseline of firms that will benefit from this operation.<sup>114</sup> The component will finance:

1. **Subcomponent 2.1. Optimization of processes, institutions, regulations and incentives framework (US\$560,000).** This includes: (i) Business Process Reengineering (BPR)<sup>115</sup> of the sector to map and optimize the investment promotion processes governing and the institutions involved in the GSS; and (ii) recommendations for optimizing the institutional and regulatory framework to adapt to digital services. This subcomponent will also identify GSS-specific incentives following those offered by best practice IPAs.
2. **Subcomponent 2.2. Strengthened value proposition for GSS (US\$3,080,000).** This includes: (i) digital GSS Strategy - a gap analysis and a customized action plan for adapting to future demand for digital and

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<sup>114</sup> Data collection of firms operating in the GSS (US\$50,000) financed under ATN/OC-16788-JA [M&E Arrangements](#).

<sup>115</sup> A "fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical measures of performance such as cost, quality, service and speed" Hammer (1990). It would involve an analysis and redesign/optimization of workflow within and between the public and private sector agencies (e.g. HEART Trust/NTA, JAMPRO, PAJ and the BPIAJ) involved in the GSS. In addition to the MOUs entailed as conditions prior, JAMPRO will also include an MOU of collaboration with PAJ for the BPR.

value-added services; (ii) digital GSS branding campaign; (iii) digital GSS promotional activities and materials; (iv) attendance at and hosting of international and regional investment targeting events;<sup>116</sup> and (v) national awareness campaign to increase the attractiveness of the sector to local investors, job-seekers and the public.

3. **Subcomponent 2.3. Incubator and accelerator programs for MSMEs in the GSS (US\$1,000,000).** This includes: (i) design and furniture outfitting of new incubator/shared services facility to foster collaboration between MSMEs in the GSS; and (ii) entrepreneurial accelerator program to embed entrepreneurs in an accelerator, with access to networking, angel investment, venture capital and mentoring. Successful entrepreneurs will transfer knowledge to Jamaican MSMEs through the incubator space.<sup>117</sup>
4. **Subcomponent 2.4. Digital management system (US\$600,000).** This includes the upgrading of the existing one-stop-shop for investment, consolidating trade and business infrastructure of various organizations over an online platform. Current business applications and processes will be digitized and secured over a digital management system with prioritized interventions based on the recommendations of the BPR. The collected data will be used to inform strategic and operational decision-making for JAMPRO.

- 1.36 **Target beneficiaries.** For Components 1 and 2, beneficiaries include unemployed job-seekers, active workers within GSS, current GSS firms (large and MSMEs), both those registered at BPIAJ and those that will be identified through the data collection exercise. For Component 1 specifically, beneficiaries also include unemployed job-seekers with secondary and/or tertiary education completed, active workers within GSS firms, and training providers. For Component 2, beneficiaries also include entrepreneurs in the GSS, both those registered at BPIAJ and those that will be identified through the data collection exercise.

## C. Key Results Indicators

- 1.37 As indicated in the Results Matrix, the main expected impact of this project is increased growth of the GSS in Jamaica, particularly in higher value-added segments. The key expected result for Component 1 is an increased supply of skilled workers in the GSS through the following indicators: (i) share of certified graduates from FS with a formal contract in a GSS firm one year after completing the training (tracked by gender); (ii) percentage change in the average salary of GSS workers who obtained an FS certification one year after completing the training (tracked by gender); (iii) percentage change in the average salary of GSS workers who obtained an AP certification one year after completing the training (tracked by gender). The key expected result for Component 2 is increased export values and capacity of the sector to attract FDI through the

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<sup>116</sup> Paragraph 10 [GSS annotations](#).

<sup>117</sup> Incubators “incubate” new or disruptive ideas to create a business model and company; accelerators “accelerate” growth of an existing company Paragraph 7 [GSS annotations](#).

following indicators: (iv) percentage change in the value of exports of the GSS sector; (v) capital expenditure made by the beneficiary GSS firms; and (vi) share of high-level sub-segments (i.e. high-value BPO, KPO and ITO) that are offered by the beneficiary GSS firms.

- 1.38 An ex ante Cost-Benefit Analysis of the main elements of the project was conducted, demonstrating its economic feasibility. The Net Present Value (NPV), calculated with a 12% discount rate for seven years, amounts to US\$0.89 million dollars, delivering a positive rate of return of 7%. A sensitivity analysis was conducted allowing variation in all assumptions and parameters and rendering positive returns even in the most pessimistic scenario. The analysis also detailed the minimum expected impact for the project to break even [Economic Analysis](#).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing Instruments

- 2.1 This operation will be financed through a specific investment loan for an estimated total cost of US\$15 million chargeable to the Ordinary Capital (OC) of the Bank. Given the timeline of the project, an original disbursement period of five years is being proposed.

**Table 1. Project Budget (in US\$)**

<b>COMPONENT 1. SKILLS DEVELOPMENT FOR THE GSS AND STRENGTHENING OF THE SKILLS DEVELOPMENT SYSTEM</b>		<b>IDB FINANCING</b>
	<b>Subcomponent 1</b>	<b>7,940,000</b>
1.1	Enhancement of processes for interaction of the skills development system with the GSS	1,731,000
1.2	Enhancement of job-readiness for the GSS	1,060,000
1.3	Delivery of on-the-job training for the GSS	4,730,000
1.4	Strengthening of quality assurance mechanisms for the skills development system	419,000
<b>COMPONENT 2. STRENGTHENING JAMAICA'S INSTITUTIONAL CAPACITY TO INCREASE INVESTMENT AND PROMOTE EXPORTS IN THE GSS</b>		
	<b>Subcomponent 2</b>	<b>5,240,000</b>
2.1	Optimization of processes, institutions, regulations, and incentives framework	560,000
2.2	Strengthened value proposition for the GSS	3,080,000
2.3	Incubator and accelerator programmes for MSMEs in the GSS	1,000,000
2.4	Digital management system	600,000
<b>PROJECT EXECUTION UNIT</b>		<b>1,500,000</b>
<b>MONITORING AND EVALUATION</b>		<b>200,000</b>
<b>CONTINGENCIES</b>		<b>20,000</b>
<b>AUDITS</b>		<b>100,000</b>
<b>TOTAL</b>		<b>15,000,000</b>

- 2.2 **Disbursement Period.** Based on the Project's stipulated activities and considering the previous experience with the execution of similar programs in Jamaica, a [Pluriannual Execution Plan \(PEP\)](#) will be carried out that will have a disbursement period of five years as follows:

**Table 2. Project Disbursement Indicative Projections (in US\$)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Amount	1,109,100	5,753,100	3,326,100	3,013,100	1,798,600	<b>15,000,000</b>
%	7.39	38.35	22.17	20.09	11.99	<b>100.00</b>

**B. Environmental and Social Safeguard Risks**

- 2.3 In accordance with the Safeguard and Environmental Policies (OP-703) and the results of the IDB "Safeguards Policy Filter Report", this operation is classified as Category "C" given its low environmental and social impact. The project will not finance any infrastructure or civil works.

**C. Fiduciary Risk**

- 2.4 As indicated in Annex III, the overall fiduciary risk of the project, which was evaluated using the Institutional Capacity Assessment System methodology, is deemed to be medium. The main fiduciary risk is related to potential delays in meeting targets due to PEU financial management capacity and limited awareness of IDB fiduciary procedures. The project financial management and procurement processes will be carried out by JAMPRO, ensuring availability of personnel in its technical team, following terms of reference and Bank's procurement policies. While the fiduciary risk is considered medium, to mitigate this risk, the PEU will be structured with experienced Procurement and Financial Management Specialists, who will be provided with training in IDB procedures and requirements (OP-273-6, OP-274-2, Disbursement Guidelines and Financial Reports and External Audits).

**D. Other Key Issues and Risks**

- 2.5 Potential medium risks include: (i) coordination challenges among government entities; and (ii) insufficient data for M&E (Table 3).



**Table 3. Risk Classification and Mitigation Measures**

Type of Risk	Risk	Risk Level	Mitigation Measure
Public Management and Governance	Coordination challenges among multiple entities could generate implementation delays on Subcomponents 1.2 and 1.4.	Medium	<p>The project will include the establishment of a Global Services Skills Board (GSSB), and a Project Steering Committee (¶3.3) to provide strategic oversight to project activities and will include participation from relevant government stakeholders and the private sector (JAMPRO, HEART Trust/NTA, BPIAJ and GSS firms).</p> <p>The PEU (JAMPRO) will coordinate with HEART Trust/NTA and the BPIAJ, for which Memoranda of Understanding (MOUs) will be developed.</p>
Monitoring and Accountability	Insufficient data for M&E could affect the PEU's and EA's ability to monitor progress and make adjustments as needed.	Medium	A M&E Specialist has been included in PEU to support data collection mechanisms and M&E. Data collection and M&E aspects will be included in the MOUs with participating stakeholders.

- 2.6 **Sustainability.** The project will establish mechanisms to systematically identify skills needs and engage with the private sector as the GSS evolves. For continuity, these could be supported by the national skills development system,<sup>118</sup> Regarding investment attraction and export promotion activities, the strengthening of JAMPRO's institutional capacity will establish processes and tools to support and nurture investors and provide a more attractive business environment for the GSS and other industries.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of Implementation Arrangements

- 3.1 **Borrower and Executing Agency.** The Borrower is the Government of Jamaica and the EA is JAMPRO. The EA will be responsible for: (i) supporting the successful execution of the project; and (ii) collecting information on performance indicators needed to evaluate project results once disbursements have been made.
- 3.2 **Executing Mechanism.** Project execution will be handled by a PEU at JAMPRO. The PEU will be composed of a core operational team consisting of the following: (i) Project Coordinator; (ii) Financial Management Specialist; (iii) Procurement Specialist; and (iv) M&E Specialist. The PEU will supervise the implementation of the project activities, provide appropriate and necessary reports related to expenditure and procurement processes, and prepare the respective financial

<sup>118</sup> The skills development system is currently supported by a wage levy managed through Heart Trust/NTA. HEART Trust/NTA contributions are a statutory requirement under the HEART Act of 1982.



statements. The PEU will coordinate with HEART Trust/NTA and the BPIAJ<sup>119</sup> with which MOUs will be established. The MOUs will outline the co-leadership roles each entity will have for the execution of the different activities of the project, for which they will appoint Focal Points in charge of articulating internally within each organization. Focal Points will conform a Global Services Executive Board (GS-EB), which will report to the Project Steering Committee (PSC). The PEU through its Project Coordinator will report directly to the Chair of JAMPRO and will coordinate actions with the GS-EB.

- 3.3 **Governance Structure.** The PSC will be composed of authorities of the participating organizations (MOFPS, MICAF, PIOJ, JAMPRO, HEART Trust/NTA and BPIAJ) and will be responsible for the strategic direction of the project and the supervision of its execution. The PSC, presided by JAMPRO, will meet at least once a year to approve any changes recommended to the Project Operating Manual (POM) or PEP.
- 3.4 The GS-EB will be composed of the participating organizations' Focal Points and chaired by JAMPRO's Focal Point. Its main function will be to facilitate the execution of activities by GSS firms. The GS-EB will advise the PSC and will approve (prior to the responsible signature of JAMPRO), the project's periodic reports, the plans related to each subcomponent and the AP/FS proposals.
- 3.5 JAMPRO will provide periodic reports to the Government's Outsourcing Task Force to ensure full alignment between project and strategic objectives.
- 3.6 **Programming.** Each fiscal year, the PEU will present an Annual Operating Plan (AOP), the Financial Plan, and the Procurement Plan (PP) to the Bank for its non-objection. The Fiduciary Arrangements (Annex III) provide guidance on financial management and procurement during project execution. Such arrangements have been developed based on Jamaica's fiduciary context, the EA's institutional analysis, and discussions held with key EA personnel and participating entities.
- 3.7 The POM will establish standards and procedures for the EA regarding programming activities, execution plan, procurement audits, fiduciary management arrangements and M&E arrangements, among others. It will contain detailed information on the project execution mechanisms, the composition of the PEU, and participants in the project's technical and strategic committees and their functions. The POM will serve as the basis to draft the MOUs between participating entities, outlining their roles and responsibilities in terms of collecting data, tracking indicators, defining key activities, and establishing yearly targets, among others.
- 3.8 **Special Contractual Conditions Prior to the First Disbursement of the Financing.** To establish obligations that are consistent with operational requirements, the following special contractual conditions precedent to the first disbursement of the loan are included: **(i) evidence of the establishment of the**

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<sup>119</sup> Key to establish GSSB under Paragraph 1.34, Subcomponent 1.1 and lead the initial engagements with industry stakeholders for the implementation of Subcomponent 1.3.

**PEU at the EA (Project Coordinator, Financial Management, and Procurement Specialists), specifically for the project; (ii) approval of the POM by the EA, under the terms agreed upon with the Bank; and (iii) MOU between the Borrower and the EA for the transfer of loan resources and execution responsibilities.** These conditions are considered critical to setting up the proper execution mechanisms and coordination with different project stakeholders, which will set forth the successful execution of the project.

- 3.9 **Special Contractual Clauses of Execution for Component 1.** Evidence, to the satisfaction of the Bank, that the necessary agreements<sup>120</sup> between the participating agencies are in place (HEART Trust/NTA, BPIAJ and the EA), including the establishment of the GSSB<sup>121</sup>. This is considered critical to the successful execution of the activities under Subcomponents 1.2 and 1.3.
- 3.10 **Procurement.** The project 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 supervision method for procurement will be ex ante until the PEU Procurement Specialist has gained experience in observing and executing Bank policies, procedures, and use of standard bidding documents.
- 3.11 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 as indicated in the project supervision plan. When ex post review is recommended, supervision visits will be performed jointly with financial management. When the procurement processes are carried out through the country system, the supervision will also be carried out through the country system.
- 3.12 **Sole Source Selection and/or Direct Contracting.** JAMPRO will engage the Vocational Training Development Institute (VTDI) and the NCTVET under HEART Trust/NTA to implement activities under Subcomponents 1.2 and 1.4.<sup>122</sup> These include: (i) training 1,000 trainers through the VTDI to deliver the updated job-readiness curricula under Subcomponent 1.2; (ii) implementing mechanisms for measuring and improving training providers' quality performance; (iii) implementing psychometric testing for assessing trainees' learning outcomes; and (iv) implementing an employers' survey under Subcomponent 1.4. The total implementation of these activities through VTDI and NCTVET is estimated at an amount of up to US\$1,210,000. According to Bank procurement policies (GN-2350-9, 3.10, d), single-source selection may be appropriate when one firm has experience of exceptional worth for the assignment. This is justified given that NCTVET acts as the quality manager of Jamaica's TVET system and VTDI

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<sup>120</sup> Preliminary drafts of MOUs are being discussed between JAMPRO and participating entities.

<sup>121</sup> GSSB will be established per "Project Governance" section of the [POM](#).

<sup>122</sup> Prior to the implementation of activities under Component 1, external consulting firms will design job-readiness curricula and quality assurance mechanisms.

has responsibility for ensuring that the instructors who are certified to operate in the TVET system are competent.<sup>123</sup>

- 3.13 **Retroactive financing.** The Bank may finance retroactively under the loan, eligible expenses incurred by the Borrower prior to the date of loan approval to finance activities under Component 1 and the establishment of the PEU, up to the amount US\$750,000 (5% of the proposed loan amount), provided that all the requirements are substantially similar to those set out in the loan agreement requirements. These expenses must have been incurred on or after April 27, 2018 (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.
- 3.14 **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's records and IDB records. 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.
- 3.15 **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 project. The financial statements must be conducted by an independent external audit firm approved by the Bank.

## **B. Summary of Arrangements for Monitoring Results**

- 3.16 **Project monitoring will be based on the Results Matrix (RM), the M&E, PP, and PEP.** Current GOJ data collection systems will be strengthened as part of the project to allow for data collection on all RM indicators. The PEU's M&E Specialist will be tasked with maintaining data collection and monitoring systems. The AOP for the first 18 months of the execution of the project will be submitted within 60 days after the entry into effect of the Contract. It will include: (i) an estimated budget; (ii) an updated PP; (iii) expected indicators for the RM; (iv) planned activities; and (v) schedule of implementation. The AOPs for each of the subsequent years will be submitted for the Bank's non-objection before November 30 of each calendar year and will cover the activities to be carried out in the following year. Also, JAMPRO will submit semiannual progress reports within 60 days of the end of each semester, containing: (i) narrative description of activities, procurement processes, and implementation issues for the reported period; (ii) RM indicator update; (iii) statement of costs by component activities and RM indicator; and (iv) identification of implementation risks/events and mitigation measures.
- 3.17 **Results from both components will be evaluated according to the M&E arrangements.** For Component 1, a non-experimental design (a combination of

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<sup>123</sup> Paragraph 5-6 [Skills Annotations](#).

Difference in Differences and Propensity Score Matching methods) will be applied, measuring the effect of the training programme on trainees one year after they complete the training. For Component 2, a pre/post comparison will be implemented by comparing the results in the sector and the firms at the beginning and end of the project [M&E Arrangements](#).

Development Effectiveness Matrix		
Summary		
<b>I. Corporate and Country Priorities</b>		
<b>1. IDB Development Objectives</b>	<b>Yes</b>	
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Economic Integration -Gender Equality and Diversity	
Country Development Results Indicators	-Formal employment of women (%) -Beneficiaries of on-the-job training programs (#)* -Teachers trained (#)*	
<b>2. Country Development Objectives</b>	<b>Yes</b>	
Country Strategy Results Matrix	GN-2868	(i) improvements in learning outcomes and (ii) improve the regulatory framework for doing business
Country Program Results Matrix	GN-2915-2	The intervention is included in the 2018 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
<b>II. Development Outcomes - Evaluability</b>		<b>Evaluable</b>
<b>3. Evidence-based Assessment &amp; Solution</b>		<b>8.3</b>
3.1 Program Diagnosis		1.8
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		2.5
<b>4. Ex ante Economic Analysis</b>		<b>9.0</b>
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
<b>5. Monitoring and Evaluation</b>		<b>9.3</b>
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		6.8
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>		
Overall risks rate = magnitude of risks*likelihood		<b>Medium</b>
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		<b>C</b>
<b>IV. IDB's Role - Additionality</b>		
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:		
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		

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

The project "SKILLS DEVELOPMENT FOR GLOBAL SERVICES" (JA-L1079) aims to promote the growth of the Global Service Sector in Jamaica particularly in higher value-added segments. Specifically, it intends to: (i) provide the Sector with better skilled workers; and (ii) increase JAMPRO's institutional capacity to attract FDI and increase exports. The program has two components: (1) Skills Development for the GSS and Strengthening of the Skills Development System that seeks to provide the GSS with better skilled workers, particularly, in higher value-added segments, and (2) Strengthening JAMPRO's institutional capacity to increase investment and promote exports in the GSS.

The diagnosis explains that Jamaica has a good opportunity to increase its economic growth through the development of its GSS. However, to do this it must address two main obstacles faced by the GSS in Jamaica: (i) the workforce's skills gap; and (ii) the limited capacity of the Investment Promotion Agency (IPA) – JAMPRO – to attract investment and promote exports in value-added and digital segments. The vertical logic of the program is clearly stated, and the activities and products are articulated with the proposed interventions.

The economic analysis suggests net positive benefits mainly through increases in wages and increase in exports. The analysis is based on the indicators in the results matrix. However, some assumptions used to calculate benefits are not supported by evidence or literature. The NPV is positive for a series of different scenarios. The project has adequate monitoring mechanisms and plans to assess the impact on key performance indicators using a non-experimental methodology for component I (objective 1). For component II (objective 2), the analysis will be done using a before and after approach. The risk profile of the project is medium.

RESULTS MATRIX<sup>1</sup>

<b>Project Objective:</b>	The main objective of the project is to promote the growth of the Global Services Sector in Jamaica, particularly in higher value-added segments. Specifically, it intends to: (i) provide the Sector with better skilled workers; and (ii) increase JAMPRO's institutional capacity to attract FDI and to increase its exports.
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## EXPECTED IMPACT

Indicators	Unit	Baseline		Goals		Means of verification	Observations
		Value	Year	Value	Year		
EXPECTED IMPACT: Increased growth of Jamaica’s Global Services Sector (GSS), particularly in higher value-added segments							
1. Value of exports of Global Services	2016 US\$ millions	223	2016	231	2026	IMF Statistics	<b>Baseline:</b> A proxy of services exports value under the classification “Other business services” for 2016 (IMF BOP and IIP Data) which covers the exports from firms in areas related to global services (e.g. gaming, professional services). <b>Goal:</b> Projected GSS exports volume by 2026 in Jamaica. See Annex Economic Analysis.
2. Number of employed individuals in the GSS’	Employed Individuals	22,000	2016	50,000	2023	Heart-Trust/NTA	<b>Baseline:</b> Heart-Trust/NTA (2017b). <b>Goal:</b> JAMPRO’s Corporate Strategic Plan (2018).
3. AT Kearney Global Services Location Index	2017 value (in points)	5.00	2017	5.06	2023	AT Kearney Global Indicators	<b>Baseline:</b> AT Kearney Global Indicators. <b>Goal:</b> Projected in line with the index of Trinidad and Tobago (5.07) –one of Jamaica’s main competitors-. <b>Note:</b> Currently, Jamaica ranks 43 <sup>rd</sup> out of 55 countries in this index. <sup>2</sup>

## EXPECTED RESULTS

Expected Results	Unit	Baseline		Intermediate		Goals		Means of verification	Observations
		Value	Year	Value	Year	Value	Year		
EXPECTED RESULT 1: Increased supply of skilled workers in the GSS									
1. Share of <i><b>certified graduates from Finishing Schools (FS)</b></i> with a formal contract in a GSS firm one	Percentage points (pp)	0	2019	2.5	2021	2.5	2023	Mid-term/final reports based on follow-up survey	<b>Definition:</b> Measures formal employment for unemployed beneficiaries. See M&E Arrangements for complete details ( <i>Formula, Baseline and Goal</i> ).

<sup>1</sup> For complete detailed Results Matrix, please see [Monitoring and Evaluation Arrangements](#).

<sup>2</sup> Available at: <https://www.atkearney.com/documents/20152/793366/The+Widening+Impact+of+Automation.pdf/42b06cf4-e5f9-d8ec-a30c-a82dd26d4953>

Expected Results	Unit	Baseline		Intermediate		Goals		Means of verification	Observations
		Value	Year	Value	Year	Value	Year		
year after training completion  <i>-Share of Female certified (FS)</i> <i>-Share of Male certified (FS)</i>									
2. Percentage change in the <b>average wage of GSS workers</b> who obtained a <b>Finishing School (FS) certification</b> one year after completing the training  <i>- Average wage of Female GSS workers</i> <i>- Average wage of Male GSS workers</i>	Percentage (%)	0	2019	6	2021	6	2023	Mid-term/final reports based on follow-up survey	<b>Definition:</b> This indicator measures improvement in wages for active GSS workers. See M&E Arrangements for complete details ( <i>Formula, Baseline and Goal</i> ).
3. Percentage change in the average wage of GSS workers who obtained an Apprenticeship Programme (AP) certification one year after training completion  <i>- Average wage of Female GSS workers</i> <i>- Average wage of Male GSS</i>	Percentage (%)	0	2019	9	2021	9	2023	Mid-term/final reports based on follow-up survey	<b>Definition:</b> Measures wages improvement for active GSS workers. See M&E Arrangements for complete details ( <i>Formula, Baseline and Goal</i> ).
<b>EXPECTED RESULT 2: Increased export volumes and capacity of the sector to attract FDI</b>									
1. Percentage change in the value of exports of the GSS sector	Percentage (%)	0	2016	-	-	1.7	2023	Final report based on follow-up survey	<b>Definition:</b> Measures the value of exports of the beneficiary GSS firms. See M&E Arrangements for complete details ( <i>Formula, Baseline and Goal</i> ).
2. Capital expenditure made in Jamaica by the beneficiary GSS firms	US millions	33.4	2017	-	-	45.9	2023	Final report based on follow-up survey	<b>Definition:</b> Measures the value of investments based on the capital expenditure made by domestic and foreign GSS firms in Jamaica in a particular year. See M&E Arrangements for complete details ( <i>Formula, Baseline and Goal</i> ).

Expected Results	Unit	Baseline		Intermediate		Goals		Means of verification	Observations
		Value	Year	Value	Year	Value	Year		
3. Share of high-level sub-segments (higher-value added BPO, KPO- and ITO) that are offered by the beneficiary GSS firms	Percentage (%)	0	2017	-	-	25	2023	Final report based on follow-up survey	<b>Definition:</b> Measures the share of high-level sub-segments in GSS firms. High-level sub-segments are divided in KPO and ITO. See M&E Arrangements for complete details ( <i>Formula, Baseline and Goal</i> ) and definition of the segments.

## PRODUCTS

Products	Estimated Cost (US\$)	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final Goal	Means of verification
<b>Component 1: Skills Development for the Global Services Industry and Strengthening of the Skills Development System</b>										
1. Global Services Sector Skills Board (GSSSB) established and active	713,000	# boards	0	-	-	-	-	1	1	Document including the functions and studies signed by the GSSSB
2. Diagnosis for gender imbalances in the industry developed	62,000	#diagnoses	0	-	1	-	-	-	1	Document including the diagnosis signed by the GSSSB
3. Smart Talent Platform online and functioning	956,000	# platforms	0	-	1	-	-	-	1	Proof of platform's accessibility
4. Job readiness curriculum developed and approved	94,000	# curricula	0	1	-	1	-	-	1	Document including the curriculum signed by the GSSSB
5. Places for training trainers with the Job readiness curriculum available	966,000	# places	0	1,000	-	1,000	-	-	2,000	Mid-term/final report
6. Apprenticeships places for the GSS available	1,080,000	# places	0	-	100	100	100	100	400	Mid-term/final report based on data from the Competitive Fund Management
7. Trainees positions in finishing schools available	3,200,000	# positions	0	-	3,000	3,000	3,000	3,000	12,000	Mid-term/ final report based on data from the Competitive Fund Management
8. Competitive Fund Management set up and active	450,000	# funds	0	1	-	-	-	-	1	Mid-term/final report with proof of the fund's availability



Products	Estimated Cost (US\$)	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final Goal	Means of verification
9. Mechanisms for measuring and improving training provider's performance developed and delivered to the NTA	200,000	#mechanisms	0	-	1	-	-	-	1	Document with the mechanism signed by HEART/NTA
10. Psychometric assessment tool designed and delivered to the NTA	125,000	# tools	0	-	1	-	-	-	1	Document with assessment tool signed by HEART/NTA
11. Mechanisms for collecting employers' feedback designed and delivered to the NTA	94,000	# mechanisms	0	-	1	-	-	-	1	Document with the mechanism signed by HEART/NTA
<b>Component 2: Strengthening JAMPRO's institutional capacity to increase investment and promote exports in the GSS</b>										
12. Business process re-engineering/change management strategy designed and delivered to JAMPRO	360,000	# strategies	0	-	1	-	-	-	1	Document including the strategy signed by JAMPRO
13. Regulatory and incentives framework optimization designed and delivered to JAMPRO	200,000	# frameworks	0	-	-	1	-	-	1	Document including the framework signed by JAMPRO
14. Digital Global Services Strategy designed and delivered to JAMPRO	175,000	# strategies	0	-	1	-	-	-	1	Document including the strategy signed by JAMPRO
15. Digital GSS Branding campaign implemented	235,000	# campaigns	0	-	1	-	-	-	1	Document including the campaign description signed by JAMPRO
16. Digital GSS Promotional Activities developed	1,450,000	# activities	0	-	4	4	4	-	12	Mid-term/ final report including activities description and visual proof
17. Digital GSS material packages developed	135,000	# material packages	0	1	1	2	1	-	5	Mid-term/final report with a copy and/or material description.
18. Participation in international and regional investment targeting events	560,000	# events participation	0	1	1	1	1	1	5	Mid-term/final report
19. National Awareness campaign activities executed	150,000	# activities	0	-	1	2	1	-	4	Mid-term/final report
20. GSS SME Incubator designed and furnished	500,000	# incubators	0	-	1	-	-	-	1	Proof of the incubator's accessibility
21. Entrepreneurial accelerator programme active	195,000	# programmes	0	-	1	-	-	-	1	Mid-term/final report

Products	Estimated Cost (US\$)	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final Goal	Means of verification
22. Awards for entrepreneurial accelerator programme presented	205,000	# awards	0	-	6	-	-	-	6	Audited proof (by Executing Agency) of winners' participation
23. Entrepreneurial accelerator programme events (including workshops) delivered	100,000	# events	0	-	2	2	-	-	4	Mid-term/final report
24. Digital management system active	540,000	# systems	0	-	1	-	-	-	1	Mid-term/final report
25. Digital management system licenses acquired	60,000	#licenses	0	-	-	1	1	1	3	Mid-term/final report

## **FIDUCIARY ARRANGEMENTS**

**COUNTRY:** JAMAICA  
**PROJECT:** JA-L1079 – Program for Skills Development for Global Services  
**EXECUTING AGENCY:** Jamaica Promotions Corporation (JAMPRO)  
**FIDUCIARY TEAM:** Naveen Umrao; Rene Herrera; Leon Ferguson; and Martin Nesbeth

### **I. EXECUTIVE SUMMARY**

- 1.1 The fiduciary management evaluation of the program was performed during March 2018 using the PACI questionnaire methodology, as well as through a series of meetings and discussions with the management team of the JAMPRO. The relevant documentations including Annual Report and Finance Manual were also reviewed to corroborate the findings. The evaluation indicates that the program has a *medium-low fiduciary risk*, and as such, it is believed that JAMPRO: (i) based on the current structures and fiduciary systems in place; and (ii) once it has the Program Executing Unit (PEU) established, will have the capacity to execute the program.
- 1.2 Currently, the portfolio of the Bank is managed through the establishment of special project execution units for most of the projects accompanied with the Bank' close operational supervision. At the country's fiduciary management level, the employment of Financial Management Information System (FMIS) is implemented for treasury and financial administration. However, the PEU will employ ACCPACC Accounting System – SAGE 300 ERP, an accounting software, which satisfies the financial administration requirement of the Bank. Further, the Bank recommends the use of the Internal Audit Department of JAMPRO for internal control.
- 1.3 Regarding the country's procurement systems, 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).
- 1.4 The program, totaling US\$15,000,000, does not include local counterpart, nor financing from other multilateral organizations, and no sub-executors are envisaged.

### **II. FIDUCIARY CONTEXT OF THE EXECUTING AND IMPLEMENTING AGENCIES**

- 2.1 JAMPRO, will be the Executing Agency (EA). Its mandate is to promote business opportunities in export and investment to the local and international private sector.

- 2.2 JAMPRO is guided by the Financial Administration and Audit Act (FAAA) for financial management, with its allocations being approved in the national estimates and further its receipt and expenditure subject to an annual audit by the, Supreme Audit Institution (SAI) of Jamaica.
- 2.3 Overall, the ICAS reveals that JAMPRO is at a Medium Development (MD) stage which can then be translated to having a medium level of risk associated with its execution of the operation. A general description of the fiduciary context therefore leads to a rating of medium risk, and includes the following:
- The FMIS currently used by JAMPRO will not be able to satisfy some of the key functionality requirements of the Program;
  - There is no authorized procedures manual in effect for financial management which is critical to the successful execution of the Program.

### III. EVALUATION OF FIDUCIARY RISK AND MITIGATION ACTIONS

- 3.1 The overall fiduciary risk of the program is deemed to be medium-low. There were a few risks identified which are outlined below along with their respective risk rating and mitigation measures.

**Table 1. Fiduciary Risks**

<b>Risk</b>	<b>Risk Rating</b>	<b>Mitigation Measures</b>
Timely financial information for decision making	Low	Accounting software already meets IDB minimum requirements for program financial reporting. Creation of 'New Company' required for the programme <b>Responsible party:</b> PEU/Borrower <b>Timeline for implementation:</b> Prior to 1 <sup>st</sup> disbursement of the loan
Weak financial management capacity of the PEU	Medium	The Procurement Specialist and Financial Specialist personnel should be suitably skilled, recruited and assigned to the program in a timely manner. <b>Responsible party:</b> PEU/Borrower <b>Timeline for implementation:</b> Prior to 1 <sup>st</sup> disbursement of loan
Lack of awareness of IDB procurement, disbursement, and financial reporting procedures	Medium	Create capacity within the PEU through in-house training in IDB's procurement and financial management procedures and requirements <b>Responsible party:</b> IDB <b>Timeline for implementation:</b> During program design and throughout program execution

### IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF THE LOAN CONTRACT

- 4.1 To facilitate the negotiation of the operation, outlined below are agreements and requirements which will be incorporated into the special conditions:

**A. Rate of Exchange Agreed with the Executing Agency**

- 4.2 For purposes of the justification of expenditures to the Bank (including reimbursement/recognition of expenditures, and local counterpart) the equivalent amount to be reported in the project or disbursement currency will be determined using the effect exchange rate used to convert the funds denominated in the project's currency to the local currency.

**B. Financial Statements and Reports**

- 4.3 Annual Audited Financial Statements (AFS) for the program will be required, beginning with the fiscal year in which the first project expenditures were incurred. The AFSs are to be submitted to the Bank within 120 days after the close of each fiscal period, in addition to Final Audited Financial Statements, which are due for submission to the Bank within 120 days of the close (last disbursement date) of the Program. The AFS should report on the overall program, in the expressed currency of the Loan. The AFS of the Program should include, in addition to the basic financial statements an internal control report. A Bank approved/eligible independent external audit firm must conduct the audit.

**C. Requirements and Agreements for Execution of Procurement**

**1. Procurement Execution**

- 4.4 The project 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 [Procurement Plan](#) (PP).
- a. **Procurement of Goods, Works, and Non-Consulting Services.** The PP of the Program covering the first 18 months of project execution, will indicate the procurement method to be used for the procurement of Goods, the contracting of Works and Non-Consulting Services.
  - b. **Procurement of Consulting Services.** The PP of the Program covering the first 18 months of project execution, indicates the selection method to be used for the contracting of Consultancy Services. The Borrower is responsible for preparing and implementing the project, and therefore for preparing the TORs, short lists, selecting the consultants, and awarding and subsequently administering the contract, with Bank supervision.
  - c. **Selection of Individual Consultants:** Individual Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Borrower.

Individual Consultants may be selected on a sole-source basis with due justification in exceptional cases. This will be carried out in accordance with Section V (Selection of Individual Consultants) of GN-2350-9 paragraphs 5.1-5.4.

- d. **Recurring Expenses.** Include payment of rental space for the PEU, utilities and other office operating expenses of the PEU.
- e. **Use of Country Procurement Systems.** 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).
- f. **Retroactive financing.** The Bank may finance retroactively under the loan, eligible expenses incurred by the Borrower prior to the date of loan approval to finance activities under Component 1 and the establishment of the PEU, up to the amount US\$750,000 (5% of the proposed loan amount), provided that all the requirements are substantially similar to those set out in the loan agreement requirements. These expenses must have been incurred or on after April 27, 2018 (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.
- g. **Publication.** The procurement procedures, including advertising, shall be in accordance with these Policies for the eventual contracts to be eligible for Bank financing.
- h. **Direct Contracting.** JAMPRO will hire the Vocational Training Development Institute (VTDI) and the NCTVET under HEART-Trust/NTA to implement activities under Subcomponents 1.2 and 1.4.<sup>1</sup> These include: (i) training 1,000 trainers through the VTDI to deliver the updated job-readiness curricula under Subcomponent 1.2; (ii) implementing mechanisms for measuring and improving training providers' quality performance; (iii) implementing psychometric testing for assessing trainees' learning outcomes; and (iv) implementing an employers' survey under Subcomponent 1.4. The total implementation of these activities through VTDI and NCTVET is estimated at an amount of up to US\$1,210,000. According to Bank procurement policies (GN-2350-9, 3.10, d), single-source selection may be appropriate when one firm has experience of exceptional worth for the assignment. This is justified given that NCTVET acts as the quality manager of Jamaica's TVET system and VTDI has responsibility for ensuring that the instructors who are certified to operate in the TVET system are competent.

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<sup>1</sup> Prior to the implementation of activities under Component 1, external consulting firms will design job-readiness curricula and quality assurance mechanisms.

**Table 2. Country Threshold Table (US\$)** [www.iadb.org/procurement](http://www.iadb.org/procurement)

International Competitive Bidding Threshold *		National Competitive Bidding Range ** (Complex Works and non-common goods)		Consulting Services
Works	Goods	Works	Goods	International Short List
≥1,500,000	≥150,000	150,000 – 1,500,000	25,000 -150,000	≥200,000

\* When procuring simple works and common goods and their amount is under the International Competitive Bidding thresholds, Shopping may be used.

\*\* When procuring complex works and non-common goods with amounts under the NCB range, Shopping shall be used.

**Table 3. Main Procurement Activities**

Activity	Procurement Method	Estimated Date	Estimated Amount 000'US\$
<b>Goods</b>			
-	-	-	-
<b>Non-Consulting Services</b>			
Training trainers in targeted services sectors for job-readiness delivery (1,000 trainers) – VTDI	DC	1 Q 2019	966
Establishment of criteria/mechanisms for measuring and improving training providers' quality performance – NCTVET (Heart-Trust/NTA)	DC	3 Q 2020	100
<b>Firms</b>			
Career Pathway Framework	CQS	4 Q 2019	150
Design of criteria/mechanisms for measuring and improving training providers' quality performance	CQS	1 Q 2019	100
Business Process Reengineering (BPR) of the sector	QCBS	2 Q 2020	400
Design of regulatory framework to adapt to digital services.	CQS	2 Q 2020	200
Design of digital platform: one-stop-shop for investment, consolidating trade and business infrastructure	QCBS	3 Q 2019	425
<b>Individuals</b>			
Program Execution Unit Staffing (total duration of the program)	QCNI	4 Q 2018	1,380

## 2. Procurement Plan (PP)

- 4.5 The PP indicates the procedure to be used for the procurement of Goods, the contracting of Works or Services, and the method of selecting Consultants, for each contract or group of contracts. The PP will be posted on the Bank's website ([http://www.iadb.org/en/projects/procurement-plans,8180.html?keyword=&projectCountry=JA&ProjectNumber=&dateFrom\\_plan=&dateTo\\_plan](http://www.iadb.org/en/projects/procurement-plans,8180.html?keyword=&projectCountry=JA&ProjectNumber=&dateFrom_plan=&dateTo_plan)) and will be updated annually or whenever necessary, or as required by the Bank.

## 3. Procurement Supervision

- 4.6 The supervision method for procurement will be ex ante until the PEU Procurement Specialist has gained experience in observing and executing Bank policies, procedures, and use of standard bidding documents.

- 4.7 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 as indicated in the project supervision plan. When ex post review is recommended, supervision visits will be performed jointly with financial management. When the procurement processes are carried out through the country system, the supervision will also be carried out through the country system.

#### **4. Records and Files**

- 4.8 All records and files will be maintained by the PEU, according to accepted best practices, and be kept for up to three years beyond the end of the operation's execution period.

### **D. Financial Management**

#### **1. Programming and Budget**

- 4.9 Annually, the PEU will prepare annual estimates in the required format for the review and approval by the Permanent/Cabinet Secretary, which will be included in the Ministry's overall budget estimates. The estimates will consider the total cost of financing required for execution of the program. The budget is presented to Parliament before the close of the fiscal year, April 1 to March 31, of the following year. Any additional funding or fiscal space requirement can be done by way of a supplementary budget.
- 4.10 The Borrower has committed to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project; as determined by normal operative instruments such as the Annual Operating Plan, the Financial Plan and the PP.
- 4.11 Even though no counterpart resources are contemplated in the original project budget, the Borrower will undertake to provide all required resources for the total and effective completion of the project activities.

#### **2. Accounting and Information Systems**

- 4.12 Project accounting will be performed using an approved accounting software package, in accordance with the Financial Administration and Audit Act, FAAA, IDB's financial management requirements and the modified cash basis of accounting, which is a comprehensive basis of accounting other an International Financial and Reporting Standards (IFRS). It is expected that the accounting system will facilitate the recording and classification of all financial transactions, provide information related to: planned vs. actual financial execution for the project and the financial execution plan for the next 180 days that will be attached to each request for Advance of Funds.



### **3. Disbursements and Cash Flow**

- 4.13 The Advances of Funds method is the primary method of the provision of finance for the execution of the operation, and these advances will be deposited into a dedicated account.
- 4.14 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's records and IDB records (WLMS1).
- 4.15 Eligible expenditures, authorized by the PTL and incurred prior to the approval of this project will be reimbursed to the Borrower, in accordance with current Bank policy.
- 4.16 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. The following disbursement methodologies will be used:
- i. Reimbursement of Payments Made
  - ii. Direct Payment to Supplier (for large foreign payments)
  - iii. Advance of Funds (to facilitate the day to operations)
- 4.17 Generally, supporting documentation for Justifications of Advances and Reimbursement of Payments Made will be kept at the office of the PEU.

### **4. Internal Control and Internal Audit**

- 4.18 The management of the project, at the level of both the Executing Agency and the PEU, will assume the responsibility for designing and implementing a sound system of internal control for the project. This will be bolstered with the addition of the program to JAMPRO's Internal Auditor's audit plan and subject to the review of JAMPRO's audit subcommittee.
- 4.19 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 project. The financial statements must be conducted by an independent external audit firm approved by the Bank.

### **5. External Control and Reports**

- 4.20 For each fiscal year during project execution, JAMPRO will be responsible to submit Audited Financial Statements for the project. These Financial Statements will be audited by an independent external audit firm approved by the Bank. A final AFS is to be submitted to the Bank within 120 days from the date of last disbursement.

## **6. Financial Supervision Plan**

4.21 Financial Supervision will be developed based on the initial and subsequent risk assessments carried out for the project. Financial, Accounting and Institutional Inspection visits will be performed at least once per year, covering, among other things, the following topics:

- a. Review of the bank reconciliations and other internal control matters related to financial management and efficient execution; review of compliance with the Program Operations Manual.
- b. Conducting ex post reviews, inclusive of supporting documentation for advances and justifications.

## **7. Execution Mechanism**

4.22 The PEU (within JAMPRO) will have three strategic positions: one Program Director/Manager, one Procurement Specialist and one Financial Specialist. The Program Director/Manager will ensure smooth day-to-day operations of the program (described on paragraph 3.2 of the Loan Proposal). The POM further describes the recommended PEU composition and its responsibilities.