

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

JAMAICA

PUBLIC SECTOR EFFICIENCY PROGRAM

(JA-L1046 AND JA-X1007)

LOAN AND NONREIMBURSABLE FINANCING PROPOSAL

This document was prepared by the Project team consisting of: Jorge von Horoch (IFD/ICS), Project Team Leader; Mariano Lafuente (IFD/ICS); Miguel Porrua (IFD/ICS); Maria Jose Jarquin (IFD/ICS); Mariel Fiat (ICS/CJA); Brodrick Watson (CCB/CJA); Lila Mallory (FMP/CJA); Graham Williams (FMP/CJA); Francisco Mejia (SPD/SDV); Monica Lugo (LEG/SGO); Leslie Harper (IFD/FMM); Victoria Flores (ORP/ORP); Claudia Oglialoro (ORP/GCM); Michele Viegas (ORP/ORP); Nadine Schiavi (ORP/GCM); Alonso Chaverri-Suarez (LEG/CLA); Melissa Gonzalez (IFD/ICS); and Alan Girón (IFD/ICS). Comments received from Ariel Zaltsman (IFD/IFD); Joel Korn (IFD/ICS), and Alejandro Pareja (IFD/ICS) contributed to the quality of the document.

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

CONTENT

PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING.....	2
A.	Background, Problem Addressed, Justification.....	2
B.	Objective, Components and Cost	8
C.	Key Results Indicators	12
II.	FINANCING STRUCTURE AND MAIN RISKS	12
A.	Financing and contractual conditions	12
B.	Risks	12
III.	IMPLEMENTATION AND MANAGEMENT PLAN	14
A.	Summary of Implementation Arrangements	14
B.	Summary of Arrangements for Monitoring Results	15

ANNEXES	
ANNEX I	Development Effectiveness Matrix (Summary)
ANNEX II	Results Framework
ANNEX III	Fiduciary Arrangements

ELECTRONIC LINKS	
REQUIRED	
1.	Annual Operations Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38178655
2.	Monitoring & Evaluation Arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38156398
3.	Procurement Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38176059
OPTIONAL	
1.	Project Execution Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38178655
2.	Economic Analysis (2A) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38176023
3.	Economic Analysis (2B). Cost-Benefit Calculations for Economic Analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38176027
4.	Detailed Budget http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38176059
5.	Project Monitoring Report http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38177595
6.	Standard Benchmark Assessment to PSMD (EA) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38178631
7.	Logical Framework http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38178730
8.	Projection Disbursement Table http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38191714
9.	General Conditions applicable to European Community contribution agreements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38202118
10.	European Community resources allocation Table http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38252061
11.	Safeguard and Screening Form for Screening and Classification of Projects http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38178128

ABBREVIATIONS

AGD	Auditor General's Department
AMANDA	Application Management and Data Analysis
AOP	Annual Operations Plans
CHC	China Co-Financing Fund for Latin America and the Caribbean
COJ	Companies Office of Jamaica
EA	Executing Agency
EFF	Extended Fund Facility
EA	Executing Agency
EC	European Commission
EU	European Union
GDP	Gross Domestic Product
GEI	Government Electrical Inspectorate
GOJ	Government of Jamaica
HCMS	Human Capital Management System
HRM	Human Resources Management
HRSSC	Human Resources Shared Service Centre
IDB	Inter-American Development Bank
IAS	Internal Audit System
ICT	Information and Communication Technologies
ICTM	Information and Communication Technologies Management
IT	Information Technology
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MDAs	Ministries, Departments, and Agencies
MOFP	Ministry of Finance and Planning
MSTEM	Ministry of Science, Technology, Energy, and Mining
PP	Procurement Plan
PC	Program Coordinator
PCU	Program Coordination Unit
PEFA	Public Expenditure and Financial Accountability
PFM-RAP	Public Financial Management Reform Action Plan
PMI	Project Management Institute
PSG	Project Specific Grant
PSIP	Public Sector Investment Program
PSMD	Public Sector Modernization Division
SC	Steering Committee
SHRMD	Strategic Human Resources Management Division
WB	World Bank

PROJECT SUMMARY
JAMAICA
PUBLIC SECTOR EFFICIENCY PROGRAM
(JA-L1046 AND JA-X1007)

Financial Terms and Conditions				
Borrower and Beneficiary: Jamaica (JA) Executing Agency (EA): Public Sector Modernization Division (PSMD) - Office of the Cabinet			Flexible Financing Facility*	
			Amortization Period:	25 years
			Original WAL:	15.25 years
			Disbursement Period:	5 years
Source	Amount (US Dollars)	%	Grace Period:	5.5 years
IDB (Ordinary Capital)	14,000,000	44	Supervision and Inspection Fee:	**
			Interest Rate:	Libor-Based
China Co-Financing Fund for Latin America and the Caribbean (CHC)***	11,000,000	35	Credit Fee:	**
European Commission (EC) – JA-X1007****	6,650,000	21	Administrative Fee:	N/A
Total	31,650,000	100	Currency of Approval:	US dollars chargeable to the Ordinary Capital
Project at a Glance				
Project Objective/Description. The general objective of the Program is to improve the efficiency of the Jamaican public sector by strengthening government capacity in: (i) Human Resource Management (HRM); (ii) Information and Communication Technologies Management (ICTM); and (iii) control systems and accountability mechanisms.				
Special contractual conditions prior to first disbursement. The Program Executing Agency (EA) will send to the Bank evidence that: (i) the Program Coordination Unit (PCU) has been created, and the Program Coordinator (PC), the Program Procurement Specialist and the Program Financial Specialist have been appointed; (ii) the Steering Committee (SC) of the Program has been created; and (iii) the Program's Operations Manual has been duly approved by the EA on the terms previously approved by the Bank (¶3.2).				
Procurement. The procurement of works, goods and services will be conducted in accordance with the Bank's Policies and Procedures for the Procurement of Goods and Works (GN-2349-9) and for the Selection and Contracting of Consultants (GN-2350-9). For the implementation of Component 3, which will be financed with resources from the Project Specific Grant (PSG), the exception to the IDB's Policies, contemplated in the Proposal for the Establishment of a Framework Agreement between the EC and the Bank (GN-2605) and in Resolution DE-13/11, will be applicable. Therefore, goods, related services, and consultancy services from non-Bank member countries may be eligible for procurement provided that the country of origin of the goods and the nationality of the suppliers, contractors and service providers is recognized as eligible by the EC under its applicable regulations (¶2.5). Annex III outlines the agreements for managing procurement.				
Project qualifies for: SEQ <input type="checkbox"/> PTI <input type="checkbox"/> Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>				

(*) 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 all cases subject to the final amortization date and original Weighted Average Life (WAL). In considering such requests, the Bank will take into account market conditions and operational and risk management considerations.

(**) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the relevant policies.

(***) This segment of the financing will be governed by the provisions set forth in document GN-2686-4. The terms and conditions for this segment of the financing will match those applicable for the segment of the Ordinary Capital resources, including the applicable provisions of the Flexible Financing Facility.

(****) Grant resources to be provided to GOJ by the EC, under the Framework Agreement with the EC (GN-2605), will be administered by the IDB through a Project-Specific Grant. The EC is expected to commit 5,000,000 in Euros, which is equivalent to 6,650,000 in U.S. Dollars, based on the exchange rate of 1.33US\$/Euro. A PSG is administered by the Bank according to Document SC-114. As contemplated in these procedures, and in the "Framework Agreement between the European Commission and the Inter-American Development Bank," dated July 19, 2011, the commitment from EC will be established through a separate "Standard Contribution Agreement ("Contribution Agreement"). In addition to compliance with the special contractual conditions prior to first disbursement (see ¶3.2), EC resources will be available for disbursement once the Contribution Agreement is signed with EC and the funds from EC are received by the Bank. Contributions received from the EC shall be maintained and reported by the Bank in Euros, and all commitments and disbursements shall also be administered and executed by the Bank only in that currency, unless the IDB and EC agree otherwise in writing (see paragraph 1.22). Therefore, the amount in US Dollars associated with the EC contribution is provided for reference purposes only. In accordance with the Contribution Agreement to be entered into between EC and the Bank these resources will be administered by the IDB and the IDB will charge an administrative fee for this purpose equivalent to 5% of EC's contribution.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed, Justification

- 1.1 **Background.** Jamaica is at a crossroads to reverse the protracted trends of fiscal deficits, high debt, and low growth. The overall annual public sector deficit averaged 7.2% of Gross Domestic Product (GDP) between FY 2007/2008 and FY 2011/2012 GDP. Jamaica's public debt stock has been consistently on the rise since the late 1990s and is now close to 150% of GDP. Debt servicing costs also increased over the years limiting the fiscal space for the provision of key services. Over the last 20 years, its economy grew on average less than 1% per year, significantly below the average for Latin American and the Caribbean countries (3.8% and 2.0% respectively).¹
- 1.2 Aware that fiscal and debt sustainability are necessary conditions for macroeconomic stability and economic growth, the Government of Jamaica (GOJ) has embarked on a comprehensive fiscal consolidation program. Supported by a 48-month International Monetary Fund (IMF) Extended Fund Facility (EFF), approved by the IMF on May 1, 2013, the GOJ is committed to improve the overall public sector deficit from 4.3% of GDP in FY 2012/13 to a surplus slightly above 1% of GDP by FY 2016/17.² This situation poses a double challenge for the GOJ. Eliminating the fiscal deficit is imperative to reducing the debt burden, restoring fiscal sustainability, and facilitating growth. On the other hand, it is essential to improve public sector efficiency to preserve a given quality in service delivery in the midst of spending cuts and austerity measures.
- 1.3 **Problem Addressed.** A public sector that costs less and delivers better services is one of the biggest challenges facing the GOJ today. According to the *Global Competitive Index 2013-14*, Jamaica scores 2.5 out of 7 and ranks 117 out of 148 countries in the world on government efficiency in public spending.³ Recent works in Public Sector Efficiency show that an improvement in efficiency is obtained by reducing the administrative costs.⁴ In addition, more transparency, accountability, and control of corruption increase government efficiency.⁵
- 1.4 There are several causes explaining the relatively low efficiency of the Jamaican public sector, among the most important of which include: the excessive bureaucracy and red tape, high wage bill relative to GDP, duplication of functions, underutilization of Information and Communication Technologies (ICT), and silo operations resulting in high transactional costs and the absence of

¹ Sources: 2013 Public Expenditure and Financial Accountability (PEFA) Report and IMF staff estimates. Fiscal years cover from April 1 to March 31.

² Memorandum of Economic and Financial Policies - April 2013. Jamaica: program with the IMF.

³ See "Wastefulness of government spending" <http://www.weforum.org/issues/competitiveness-0/gci2012>

⁴ See Matei and Savulescu (2009).

⁵ Alfonso, Romero, and Monsalves (2013)

economies of scale.⁶ Furthermore, weaknesses in the control systems and accountability mechanisms also hamper a more efficient use of public resources.⁷

- 1.5 Numerous factors need to be addressed to improve the efficiency of the Jamaican public sector. This operation will focus on three priority areas of intervention: (i) Human Resources Management (HRM) in the public sector; (ii) Information and Communication Technologies Management (ICTM); and (iii) public sector control systems and accountability mechanisms. These interventions have been prioritized because: (i) they are issues identified by the GOJ as priorities for their significant potential for efficiency gains and long-term savings; (ii) they support initiatives included in the EFF with the IMF, specifically, the streamlining of the business registration process, the implementation of activities included in the PFM Reform Action Plan (PFM-RAP) and the introduction of the HR system and shared corporate services; and (iii) they are cross-cutting issues with strong strategic coherence among themselves.
- 1.6 **Weak government capacity for HRM.** The GOJ central government's wage bill, the main category of expense after debt services, represented 11.1% of GDP in FY 2011/2012,⁸ one of the highest in the region. During 2000-12, it consumed on average one third of total public expenditures. The large wage bill remained predominantly rigid at around 11% of GDP in the past four years.⁹ This high level of personnel spending, driven both by a relatively high number of government employees as a percentage of the population (4.5%)¹⁰ as well as by pay increases granted in the 2000's, has crowded out public investment and posed a continuous challenge to fiscal sustainability.
- 1.7 As part of the letter of intent related to the IMF program in April 2013, the GOJ announced its intention to reach a ratio of wages/GDP for the central government of no more than 9% by fiscal year 2015/2016. To do this, the GOJ has embarked on different rationalization and long-term saving initiatives, which include an attrition program,¹¹ a temporary wage freeze, and the implementation of shared corporate services (sharing of back-office administrative functions).¹² The effectiveness of these efficiency measures, however, will depend on the government's capacity to exercise three key functions: (i) measure progress and forecast wage bill reductions; (ii) control the existing payroll, so as to make this effort sustainable in time; and (iii) redeploy current staff following retirements to limit the growth in the number of employees, maximizing existing skills in the

⁶ Public Sector Master Rationalization Plan - May 2011.

⁷ Repeat PEFA Assessment: Jamaica (March 2013).

⁸ See: Jamaica. IMF Country Report No. 13/304

⁹ Repeat PEFA Assessment: Jamaica (March 2013).

¹⁰ Countries comparable to Jamaica in terms of population and territory, and therefore with the same challenge for achieving economies of scale, tend to present lower levels. For example: Panama (3.2%) and Costa Rica (2.7%) (Source: AECID, 2012).

¹¹ Gradual reduction of the workforce size by not replacing personnel lost through retirement or resignation

¹² Memorandum of Economic and Financial Policies (April 2013). Jamaica: program with the IMF.

public service. Current capacity to carry out these three functions is weak due to two main factors: weak governance and lack of appropriate management tools.

- 1.8 HRM governance in the Jamaican public sector has been fragmented for many years with dispersed responsibilities among central agencies, and limited enforcement capacity over Ministries, Departments, and Agencies (MDAs) and, in particular, on over 200 existing public bodies. The GOJ lacks appropriate tools for controlling the payroll and managing its human resources. GOJ's lack of an integrated HR system inhibits its ability to manage its HRM processes efficiently. The nominal roll of the entities and their payroll are not linked, nor integrated. There is no mechanism in place to collect personnel data and to reconcile them with the monthly payroll.¹³ Controls on transfers, termination and changes are manual, and do not have reconciliation mechanisms. Having an integrated solution (HRM with payroll) comprising all MDAs would allow the GOJ to increase the efficiency of HRM processes, ensure the accuracy of the payroll and maximize the human capital present in the administration at a crucial time (very limited recruitments), realizing significant savings in the GOJ's annual wage bill.
- 1.9 **Weak government capacity for ICTM.** The GOJ aims to leverage ICT facilitating data sharing across-government, online service delivery, and access to information.¹⁴ With this the GOJ expects cost reductions in service delivery, lower transaction costs for citizens and businesses in engaging with government, and increasing operational efficiency. However, the GOJ has been slow in taking advantage of ICT to transform and rationalize the public sector. The GOJ lacks a whole of government e-government strategy, basic ICT norms and regulations, and the governance framework for ICT is still evolving.¹⁵ The lack of a robust institutional foundation for ICT management delayed e-government development in Jamaica. In the adoption of ICT to modernize the public sector, Jamaica has clearly lagged. The United Nations e-Government Survey 2012¹⁶ places Jamaica in the 108th position just above Cuba and Haiti in the Caribbean Region. In the Online Service Component of this index Jamaica scored 0.31 out of 1, below the 0.46 average for the Americas. This score indicates a relatively low automation of public services and suggest that the Jamaican public sector still predominantly operates with paper documents and files. The consequence of this is the prevalence of inefficient service delivery reflected in large numbers of procedures, long delays and high transactional costs. Securing electricity service,

¹³ Repeat PEFA Assessment: Jamaica (March 2013).

¹⁴ GOJ: Information and Communications Technology (ICT) Policy. March 2011.

¹⁵ The GOJ is taking the first steps to set a new institutional and governance framework for ICT. At the operational level, Fiscal Services Limited (FSL), the primary government-owned provider of ICT services, has been reassigned from the Ministry of Finance and Planning (MOFP) to the Ministry of Science, Technology, Energy and Mining (MSTEM). FSL will be converted into E-Gov Jamaica Limited, expanding its scope of intervention beyond fiscal-related ICT initiatives. At the strategic level, the Central Information Technology Office (CITO) has been wound up into the same Ministry, MSTEM, and will be led by a Chief Information Officer, who will be responsible to develop and drive ICT and e-Government initiatives across the Public Sector.

¹⁶ <http://unpan3.un.org/egovkb/>

registering a business, and duplication of back-office services are specific examples of this situation. The GOJ considers that the efficiency in the delivery of these public services can be significantly improved with the adoption of ICT.

- 1.10 Electricity service: Obtaining an electricity connection in Jamaica is cumbersome and time consuming. According to the “*Doing Business Report*”, it requires six procedures and 96 days for an entrepreneur to obtain electricity in Jamaica. Globally, in 2013 Jamaica stands at 123 in the ranking of 185 economies on the ease of obtaining electricity service, well below the Latin American and Caribbean Region (LAC) average of 73. Furthermore, Jamaica lost 13 positions in the ranking from the previous year.¹⁷ The Government Electrical Inspectorate (GEI) is responsible for the safety inspection of electrical installations in Jamaica. Only installations for which certification has been issued by the GEI are allowed to be connected to the electrical system. A recent GEI’s operational assessment reveals that in spite of the increasing service demand (35 thousand applications per year), its core service delivery process (application filing, job scheduling, inspections, approvals, and certifications) remain highly manual, time-consuming, and prone to errors and delays in decision-making due to the proliferation of paper forms in every step of the process with the subsequent manual effort required to collect data.¹⁸
- 1.11 Starting a business: Jamaica stands at a relatively strong 21 in the ranking of 185 economies on the ease of starting a business, well above the LAC Region average of 98. Starting a business in Jamaica requires 6 procedures and takes 7 days.¹⁹ Although Jamaica enjoys a good position in the ease of starting a business indicator, over the last six years, when numerous governments around the world were massively adopting ICT solutions to enhance service delivery, no e-government reform has been introduced by the GOJ to facilitate starting a business.²⁰ Business registration in Jamaica lacks a citizen-centered approach. In today’s Jamaican business registration system, an entrepreneur must physically file different forms with the National Insurance Scheme, Tax Administration Jamaica, National Housing Trust and Human Employment and Resource Training Trust/NTA, in addition to Companies Office of Jamaica (COJ). These agencies are not interconnected and do not share data among themselves; thereby forcing the citizens to complete a function that nowadays should be performed by ICT. COJ has one office in Kingston that serves the entire island, forcing entrepreneurs from outside the capital to travel in order to register a business. Annually, approximately 2,000 new companies and 6,000 business names are registered. All forms received are manually entered into a database by a clerk therefore wasting human resources time and increasing the risk of errors due to the manual data input.

¹⁷ Doing Business Report 2013. Country Profile: Jamaica. The World Bank.

¹⁸ PWC: Automation of the processes of GEI. August 2013.

¹⁹ Doing Business Report 2013. Country Profile: Jamaica. The World Bank

²⁰ Doing Business Report 2013. Country Profile: Jamaica. The World Bank.

- 1.12 **Shared Services:** The GOJ has identified the duplication of certain functions among MDAs as one of the causes of the relatively low efficiency of the Jamaican public sector.²¹ Currently, all MDAs provide the following back-office services: finance, human resources, information technology, procurement, legal, communications, asset management and internal audit. This duplication increases administrative and overhead costs depriving the GOJ of economies of scale. Seeking to lower these administrative costs, the GOJ has decided to adopt a gradual approach for the implementation of shared corporate service environment. A GOJ Steering Committee (SC) comprised of Permanent Secretaries recently approved an implementation strategy for the introduction of government-wide shared corporate service delivery of the mentioned functions. GOJ plans to deploy the transaction aspects of the HR function as the first of its shared corporate services.
- 1.13 **Weak control systems and accountability mechanisms.** In spite of the significant progress made by the GOJ in the management of its public finances over the past six years,²² weaknesses remain. Recent assessments reveal that weaknesses in the control systems and accountability mechanisms, particularly in external and internal audit, public procurement, and parliament oversight of public finances, still hamper the management of budget resources and pose challenges to efficient service delivery²³. The Public Expenditure and Financial Accountability (PEFA) assessment reports recurrent breach of rules, particularly with regard to financial management and procurement. Compliance is affected mainly by the lack of training of internal audit officers and adequate IT systems.²⁴ Public procurement is also affected by the weak control environment due in this case to the lack of: (i) a consolidated and modern procurement law; (ii) adequately trained procurement officers; and (iii) ICT to conduct procurement (e-procurement). For 2014, a new Procurement Act is expected to be enacted and an e-tendering system implemented.
- 1.14 Lastly, legislative oversight of public finances and scrutiny of the budget process is limited due to capacity constraints. Neither Parliament nor its Committees have the necessary technical support to undertake a thorough and meaningful review. To fulfill its constitutional oversight role of public finances, Parliament requires in-house capacity to analyze the budget and audit documents. To address this gap, a recent assessment²⁵ recommends: establishing a technical unit headed by a Technical Officer, enhancing Parliament's research and ICT capacity, and training its members with respect to oversight of public finances and review of the performance of the GOJ, in particular the members of the Public Administration

²¹ Public Sector Master Rationalization Plan - May 2011

²² The GOJ showed progress in budget credibility, the introduction of program and results-oriented budgeting, the move towards the centralization of treasury management, as well as some measures in public procurement, and internal and external audit.

²³ Repeat PEFA Assessment (2012) and the European Union (EU) PFM Report (2013)

²⁴ Repeat PEFA Assessment (2012)

²⁵ World Bank (2013) Jamaica: Parliamentary Oversight of Public Finances-An Institutional Review.

and Appropriations Committee, whose role is to scrutinize the budget execution, and the Public Accounts Committee, whose role is to review the Auditor General's Annual Report and the audited financial statements. These deficiencies in control systems and accountability mechanisms explain in part the low score (D+) received by Jamaica in the 2012 PEFA performance indicators (PI) on the effectiveness of payroll control (PI-18), effectiveness of internal controls for non-salary expenditure (PI-20), the effectiveness of internal audit (PI-21); and the legislative scrutiny of the annual budget law (PI-27); as well as in competition, value for money and controls in procurement (PI-19) (C).

- 1.15 **Program alignment.** The Program is aligned with Jamaica's National Development Plan, Vision 2030 Jamaica,²⁶ and the Country Strategy with Jamaica 2013-2014 (GN-2694-2).²⁷ This operation also bolsters the objective of the Ninth General Increase in the Resources of the IDB GCI-9 (AB-2764) to support small and vulnerable countries. The Bank's 2013 Country Programming Document as well as the 2013 Operational Program Report (document GN-2696) for Jamaica include the present operation. Lastly, the Program is aligned with the Public Sector Management and Finance component of the Bank's Sector Strategy for Institutions for Growth and Social Welfare (GN-2587-2), and the strengthening of the control systems of the Strategy for the Strengthening and Use of Country Systems (GN-2538).
- 1.16 **Bank's interventions in Jamaica.** Over the last four years, the Bank has provided the GOJ with technical and financial assistance in areas related with this Program. The Public Financial and Performance Management (PFM) III (2521/OC-JA) supported the introduction of legal reforms related with this program. The current operation will complement 2521/OC-JA by financing capacity building and key IT systems to enhance management, control, and accountability of public resources. The bank also provided the following non-reimbursable TCs: (i) "Establishment of GovNet" (ATN/FI-12374-JA), approved in 2010, provided the GOJ with a connectivity assessment and recommendations on the business model to enhance the government's communications network; (ii) "Implementation of Electronic Government Procurement in Jamaica" (ATN/KK-12694-JA), approved in 2011, laid the foundation for the implementation e-procurement; (iii) "Enhanced Information Management for more Transparent and Efficient Government Audits Project" (ATN/AA-13424-JA), approved in 2012, supports the automation of the entire external audit process; and (iv) "Enhancing the ICT Regulatory Environment in Jamaica" (ATN/KF-13733-JA), approved in 2013, reviews the current administrative and regulatory framework of the converged broadcasting and telecommunications sector. Finally, this operation complements the Jamaica

²⁶ Specifically, the program is aligned with National Strategy 6-5: Strengthen accountability and transparency mechanism; and National Strategy 6-7: Strengthen public institutions to deliver efficient and effective public goods and services.

²⁷ See Expected Result of the Strategy "Improved efficiency and effectiveness of the Public Sector".

Competitiveness Enhancement Program (JA-L1014), currently under preparation, given that both operations support GOJ's efforts to enhance the competitiveness and the business environment in Jamaica by making public services more efficient and citizen-oriented.

- 1.17 Lessons learned from a similar program suggest that its effectiveness depends to a large extent on: (i) the degree of government commitment to the proposed reforms; (ii) a robust communication strategy to inform public sector employees of the potential benefits and risks inherent in the reform process; and (iii) the proper alignment of incentives to support long-term sustainability.²⁸

B. Objective, Components and Cost

- 1.18 The general objective of the Program is to improve the efficiency of the Jamaican public sector by strengthening government capacity in: (i) HRM; (ii) ICTM; and (iii) control systems and accountability mechanisms. The Program will finance the following activities:

- 1.19 **Component 1: Human Resources Management (HRM).** This component will finance activities aimed at improving efficiency of personnel expenditures and strengthening the government's capacity for more efficient HRM. To include:

- (a) **Implementation of a Human Capital Management System (HCMS)** covering the entire public sector. The HCMS refers to an IT solution that can scale up and automate and integrate processes like payroll, performance reviews, and employee information such as professional experience, academic background, as well as demographic features in a single database for the entire public sector. The HCMS will include a payroll solution that will allow employees' salary and salary-related data to be entered and maintained within the system. The operation will finance: (a) the procurement of the HCMS; (b) the implementation and roll out of the system across the public sector, including a dedicated technical team; (c) ICT infrastructure; and (d) training for administrators and users.
- (b) **Strengthening the capacity of the Strategic Human Resources Management Division (SHRMD)** within the Ministry of Finance and Planning (MOFP)²⁹ for: (a) strategic HRM planning; (b) policy formulation, coordination and implementation within HRM units in MDAs and public bodies; (c) adaptation of key HRM processes to the HCMS in coordination with HRM units in MDAs and public bodies; and (d) quantitative and qualitative analysis of HCMS data.

²⁸ See Implementation Completion Report. Jamaica Public Sector Modernization Project. World Bank (2003).

²⁹ SHRMD located within the MOFP, consolidates HR functions previously assigned to different entities.

1.20 **Component 2: Information and communication technologies management (ICTM).** This component will finance activities aimed at: (i) strengthening the government's capacity to lead and implement ICT policy, and (ii) improve efficiency in public service delivery by adopting innovative citizen-centered e-government solutions. To include:

- (a) **Institutional strengthening of the new ICT governance framework.** The operation will finance: (a) the establishment and organization of the office of the Chief Information Officer³⁰; (b) the design of an e-Government framework and strategy; (c) the development of key instruments and policies to support new e-government framework; and (d) capacity building and training on key ICT policy areas and subjects to support the new e-government mandate.
- (b) **Streamlining the processes of the GEI.** The operation will finance process reengineering and automation to reduce the time associated with the application and delivery of electricity permits through: (a) process reengineering for administrative simplification and increased transparency; (b) adoption of the web-based Application Management and Data Analysis (AMANDA) system;³¹ (c) change management; and (d) ICT infrastructure.
- (c) **Establishment of a one-stop shop for business registration.** The objective is to reduce the time required to register a business by simplifying and automating the process with the aid of a digital solution. The operation will finance: (a) the implementation of the online processing of a single Business Registration Form; and the electronic approval and data sharing among the government agencies involved in business start-up; (b) ICT infrastructure; (c) training of the Tax Office staff so they can offer support to citizens on using the online filing service; (d) implementation of kiosks equipped with computer workstations and digital signing pads that customers with no internet access may use at the Tax Office in each parish; (e) a communication strategy to promote the new online service and (f) supporting documentation (user manual).
- (d) **Introduction of Shared Corporate Services.** As the first step to reduce the costs of providing corporate services over time³², the program will support the introduction of shared services by financing: (a) the design and initial implementation of the Operating Model for the Human Resources Shared Service Centre (HRSSC), including the governance framework and the organizational arrangement³³; (b) the definition of technical

³⁰ The Chief Information Officer will be the government official responsible for ICT policy.

³¹ An instance of the AMANDA application is hosted by the National Environment and Planning Agency.

³² This cost reduction is expected to be achieved by realizing economies of scale through the aggregation, standardization and centralization of common 'back office' corporate functions such as finance, human resources, payroll, IT, and procurement.

³³ The Operating Model for the HRSSC will comprise a definition of policy and strategy, scope of services,

specifications for the facility that will host the HRSSC;³⁴ (c) the acquisition of workstations for the HRSSC agents; (d) the training of HRSSC agents; (e) the acquisition of ICT solution (hardware and software) to operate HRSSC; and (f) a study to prepare the framework for implementing shared legal services.

1.21 **Component 3: Control systems and accountability mechanisms.**³⁵ This component will contribute to the GOJ's PFM-RAP³⁶ objectives on modernization of procurement processes and improvement of the budget control and oversight. These interventions will contribute to improvement in the efficiency of public spending. To include:

- (a) **Strengthening the Auditor General's Department (AGD) capacity for performance (PA) and Information Technology (IT) audits** through: (a) external auditors in-country training and overseas attachments on IT audits; (b) external auditors in-country training on PA;³⁷ and (c) IT solution (hardware and software) for the use of computer assisted audit techniques (CAAT) software for external audit.³⁸
- (b) **Strengthening the Internal Audit System's (IAS)**³⁹ **capacity**, especially for payroll and procurement audits, through: (a) internal auditors' in-country training on PA; (b) capacity building for the adoption of modern audit techniques for internal auditors, and (c) adoption of a commercial off-the-shelf system for the automation of the audit process in the IAUs.
- (c) **Improving transparency and value for money of public procurement** through: (a) training and certification courses for procurement staff; (b) technical assistance to produce a new Procurement Handbook following enactment of the Procurement Law; (c) implementation of e-tendering, including IT equipment; (d) communication and awareness of new Procurement Law, Handbook and e-tendering system among Government and Contractors; and (e) new contractor registration system as a module of the e-tendering system.
- (d) **Enhancing Parliament's oversight role**, through: (a) the design of a Management Accountability Framework for the Parliament; (b) design and establishment of a Technical Office for fiscal and budget analysis; and (c) training for the Members of Parliaments in relation to macro-fiscal

processes, systems, volumes, operating hours, accountabilities and responsibilities, facilities and locations, structures and organizations, service performance standards and levels, funding, pricing and charging mechanisms.

³⁴ As part of the GOJ space rationalization program the government has identified a group of facilities that could be used to accommodate the HRSSC once they have been suitably refurbished.

³⁵ To be financed with resources to be received from the EC. See footnote ***.

³⁶ See GOJ's new PFM-RAP, prepared with the IMF Regional Technical Assistance Centre CARTAC.

³⁷ This will be provided jointly for external and internal auditors, as well as Parliament's technical staff.

³⁸ The Computer Assisted Audit Techniques is the practice of using computers to automate the audit process.

³⁹ Includes the MOFP Internal Audit Directorate and the Internal Audit Units of Ministries and Departments.

management, public finances and fiscal responsibility, particularly with respect to optimizing spending choices, to enhance efficiency and effectiveness.

- 1.22 **Cost and additional financing.** The total estimated budget is US\$31,650,000. The Bank will finance up to US\$14,000,000 from the Ordinary Capital resources under the Flexible Financing Facility. The China Co-Financing Fund for Latin America and the Caribbean (CHC) for Latin America and the Caribbean will finance up to US\$11,000,000. The total financing of the IDB and the CHC will be disbursed on a pari-passu basis. The European Commission (EC) is expected to contribute 5,000,000 Euros with a Project Specific Grant (PSG) which is equivalent to 6,650,000 in U.S. Dollars, based on the exchange rate of 1.33US\$/Euro. The PSG will be administered by the IDB. In accordance with the Contribution Agreement to be entered between EC and the Bank, the IDB will charge an administrative fee of 5% to cover administrative and indirect costs deriving from the project. The 5% fee, duly identified in budget Table 1, will be charged and converted into U.S. Dollars when the first installment is received by the IDB. Resources of the EC received by the Bank shall be maintained and reported in Euros, and all commitments and disbursements by the Bank shall also be administered and executed only in Euros, unless the IDB and the EC agree otherwise in writing as part of the Contribution Agreement. Approximately US\$2,077,300 to be administered through the PSG will be required for the first year of the Program's execution. A detailed projected disbursements table can be found in the [optional link #8](#).

Table I - Program Costs

Component/Subcomponents	IDB/CHC	EC*		Total	%
	US\$	Euros	US\$	US\$	
1. Human Resources Management (HRM)				18,578,535	58.70
1.1 Implementation of a HCMS	17,578,535			17,578,535	
1.2 Strengthening the capacity of SHRMD	1,000,000			1,000,000	
2. Information and communication technologies management (ICTM)				4,060,000	12.84
2.1 Institutional strengthening of the new ICT governance framework	1,600,000			1,600,000	
2.2 Streamlining the processes of the GEI	500,000			500,000	
2.3 One-stop shop for business registration.	300,000			300,000	
2.4 Introduction of Shared Corporate Services	1,660,000			1,660,000	
3. Control systems and accountability mechanisms				5,923,900	18.72
3.1 Strengthening AGD's capacity		500,526.30	665,700	665,700	
3.2 Strengthening the IAS capacity		812,180.50	1,080,200	1,080,200	
3.3 Improving public procurement		2,571,428.60	3,420,000	3,420,000	
3.4 Enhancing Parliament's oversight role.		569,924.80	758,000	758,000	
4. Administrative Costs				1,324,600	4.19
4.1 Program management	776,100			776,100	
4.2 Audit, Monitoring and Evaluation	216,000			216,000	
4.4 Administrative Fee (5%)		250,000	332,500	332,500	
5. Other Costs				1,762,965	5.55
5.1 Contingency	1,369,365	295,940	393,600	1,762,965	
Total	25,000,000	5,000,000	6,650,000	31,650,000	100

Notes: * Resources of the EC shall be maintained and reported in Euros, unless the IDB and EC agree otherwise in writing (see paragraph 1.22). The amount in US Dollars associated to the EC contribution is provided for reference purposes only. The EC resources will be available for disbursement only after a contribution agreement has been signed between the Bank and the EC.

C. Expected Impact, Key Results, and Beneficiaries

- 1.23 The expected impact of the program is improved efficiency of the Jamaican Public Sector. This will be achieved through the following outcomes: (i) enhanced HRM contributing to maintaining a fiscally sustainable wage bill; (ii) efficiency gains in public sector operations and a more cost-effective delivery of public services; and (iii) enhanced control and accountability of public resources which will contribute to improve the efficiency of the Public Sector Investment Program (PSIP). Result indicators for each component are in the [Results Framework](#).
- 1.24 The program's direct beneficiaries will be: (i) HR, procurement and audit officers as well as the employees of the Jamaican Public Sector, which will benefit from more integrated, streamlined, and transparent HR, procurement, and audit processes and spend less time on paperwork and more time supporting their organization's strategic objectives; (ii) the MOFP which will benefit from enhanced capacity to manage and control, procurement, HR and payroll; (iii) the Parliament, which will benefit from an improved capacity for the oversight of public resources; and (iv) citizens and businesses, which will benefit from reduced time to register a business and obtain a permit for electricity service. The ultimate beneficiaries will be the local private sector, which will benefit from increased opportunities to compete in public procurement, the government as a whole, which will benefit from efficiency gains and savings; and the general population.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The Program will be financed through a Specific Investment Loan and a PSG. The loan will be financed with Ordinary Capital resources of the Bank under the framework of the Flexible Financial Facility and the China Co-Financing Fund for LAC. Grant resources to be provided by the EC will be administered by the IDB through a PSG, JA-X1007, pursuant to the terms of the Contribution Agreement to be entered into between EC and the IDB (see ¶1.22).

B. Risks

- 2.2 **Social and environmental risks.** In accordance with the Environment and Safeguards Compliance Policy (OP-703), the Project is classified as Category "C". There are no significant negative social or environmental risks associated with the activities proposed in the Project.
- 2.3 **Fiduciary risks.** A team of IDB specialists and the Project Management Institute (PMI) applied to the Program's Executing Agency (EA) "*PMI's Standards Benchmark*", an assessment tool developed by the PMI that measures management capabilities. The assessment indicates that the Public Sector Modernization Division (PSMD) shows strengths in the areas of financial

management and procurement, which translates in relatively low risks in managing the required accounting, financial and procurement processes and reporting. PSMD shows a solid track record as the EA of Bank operations. PSMD was the EA of ATN/OC-9776-JA and ATN/OC-10991-JA and is currently the EA of the ATN/AA-13424-JA and ATN/FI-12615-JA. The assessment also reveals that the EA may need to strengthen its communication, risk, and stakeholder management capabilities.

- 2.4 **Other risks.** Program's stakeholders and the project team identified the following risks: (i) weak inter-agency coordination; (ii) resistance to change in the public administration; (iii) further deterioration of the fiscal situation; (iv) limited technical capacity to undertake complex reforms; and, (v) delays in signing the contribution agreement between the EC and the Bank. Their occurrence could lead to implementation delays, jeopardize sustainability of reforms, and undermine efficiency gains. These risks will be mitigated through the combined implementation of the following measures: (i) the adoption of an accountability mechanism for the Program's outputs and outcomes; (ii) a solid budget planning and fluid communication with the MOFP to secure budget allocation for the proper implementation and sustainability of the program; (iii) the establishment of a Program's Steering Committee (SC) to ensure robust program governance, strategic direction and oversight. Given the composition and seniority of its membership, the SC will play a key role in enhancing coordination, promoting the dialogue, and disseminating program's results; (iv) the implementation of a change management plan to mitigate possible resistance to adopt reforms from the public administration; and (v) the provision of technical assistance to support implementation and training for capacity building. Finally; to mitigate the effect of a possible delay in the availability of the EC contribution, the program was structured to accommodate for the timely execution of Components 1 and 2 by separating the source of funding of these components from the EC funding, which will be exclusively allocated for the funding of Component 3. The Program's overall risk rating is medium.
- 2.5 **Procurement Plan (PP).** The procurement of goods and services financed with resources from the IDB and the CHC will be conducted in accordance with the Bank's Policies and Procedures for the Procurement of Goods and Works (GN-2349-9) and for the Selection and Contracting of Consultants (GN-2350-9). Program interventions exclusively financed with resources from the PSG have been grouped under component 3. For the implementation of Component 3, the exception to the IDB's Policies GN2349-9 and GN-2350-9 of March 2011, contemplated in the Proposal for the Establishment of a Framework Agreement between the EC and the Bank (GN-2605) and in Resolution DE-13/11, will be applicable. Therefore, goods, related services, and consultancy services from non-Bank member countries may be eligible for procurement provided that the country of origin of the goods and the nationality of the suppliers, contractors and service providers is recognized as eligible by the EC under its applicable regulations. The EA will update the [PP](#) at least once per year.

- 2.6 **Coordination.** The project team maintains a high level of coordination with the GOJ, the EU, the IMF, and the WB. Given the number of simultaneous reforms currently undertaken by the GOJ within the framework of the EFF with the IMF, the coordination is crucial to avoid duplication of efforts, secure proper articulation and sequencing of reforms, and optimize the resources available.
- 2.7 **Economic analysis and sustainability.** An economic analysis ([see optional link #2A and optional link #2B](#)) was performed, which shows that the Program is economically feasible. The Program shows a cost-profit ratio of US\$1.85 for each invested dollar, with an IRR of 28%. The discount rate is 12%. The analysis was complemented by an appropriate sensitivity assessment. In the conservative scenario the Program presents an IRR of 17%. It is expected that the efficiency gains and savings generated by the program will free up resources that can be allocated for the proper operation and maintenance of the systems acquired by the Program.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 **Borrower and the EA.** The GOJ will be the borrower and the Office of the Cabinet, through the PSMD, will be the EA. The PSMD, which makes up the organizational structure of the Office of the Cabinet, leads the reform of the public service and drives the implementation of the modernization agenda as outlined in the Ministry Paper 56/02 ‘Government at your Service’ to improve the quality, coherence and responsiveness of public services and facilitate the achievement of major national goals.⁴⁰ Given its role in the Office of the Cabinet, the PSMD will be responsible for the overall administration of the Program, including planning, budgeting, implementation, and monitoring. The disbursement period will start on signature of the Loan Contract for a period of five years. The EA will establish a Program Coordination Unit (PCU). This PCU will coordinate and monitor the Program’s execution and will include a Program Coordinator (PC), a Financial Specialist, and a Procurement Specialist. All procurement and accounting activities, including financial monitoring and reporting, will be carried out by the PCU. The PCU specific responsibilities will include: (i) preparation, implementation and coordination of the Annual Operating Plans (AOP); (ii) financial administration, Program accounting and preparation of budgets and disbursement requests; (iii) preparation of the Program’s annual PP, and the procurement of goods and services; (iv) coordination of the preparation of technical reports and financial statements; (v) monitoring of the progress of Program activities, environmental and social safeguards compliance, and analysis of variances of actual results against plans; (vi) selection and hiring of the external audit and ensuring that the relevant recommendations are implemented;

⁴⁰ For more information see: http://www.cabinet.gov.jm/about_cabinet_office/operations_and_structure

- (vii) hiring of the evaluation specialist; and (viii) serving as a liaison for the Program implementation with the Bank.
- 3.2 **Special contractual conditions prior to first disbursement. The Program EA will send to the Bank evidence that: (i) the PCU has been created, and the PC, the Program Procurement Specialist and the Program Financial Specialist have been appointed; (ii) the SC of the Program has been created; and (iii) the Program's Operations Manual has been duly approved by the EA on the terms previously approved by the Bank.**
- 3.3 **Supervision and reporting.** The IDB Project Team will report to the EC on the EC-funded activities. The IDB will provide annual and final reporting to the EC, in compliance with the provisions of art. 2 of Annex II of the GN-2605. Reporting will be prepared on the basis of detailed input provided by the EA (see ¶3.6).
- 3.4 **Annual Operating Plans (AOP).** Each year, the EA will present an AOP to the Bank for its non-objection. The AOP will detail Project execution activities and associated implementation plans for the year; and will include for each programmed activity: annual goals, budget, and implementation schedule. The AOP for the first year will be contained in the Project Execution Plan. For subsequent years, the AOP will be submitted to the Bank for its non-objection before November 30th of each year, and will cover the activities that will be carried out in the following year.
- B. Summary of Arrangements for Monitoring Results**
- 3.5 The Borrower and the Bank will hold semiannual meetings in order to review the progress achieved in implementing the Program. For these meetings, the Borrower will furnish, prior to each meeting, information and documentation requested by the Bank regarding the Program's advancement. Project monitoring will be based on the Results Matrix, the Monitoring and Evaluation Plan, the PP, and the AOP. The EA will submit semi-annual progress reports throughout Program execution, within 60 days following the end of each semester. The progress reports will contain at least the following elements: (i) narrative description of activities executed under each component, including a description of the procurement processes carried out and issues affecting implementation during the reported period; (ii) update on attainment of Result Matrix indicators; (iii) statement of costs incurred by component activities as well as Results Matrix indicator; and (iv) identification of risks/events that may potentially affect the future implementation of the Project, and mitigation measures.
- 3.6 **Impact Evaluation.** With loan resources, an evaluation specialist will be hired to conduct the impact evaluation of the Program. In addition, at the end of the Program, the Bank will prepare a project completion report to assess results achieved by the Program, its long-term sustainability and lessons learned to improve the design and execution of future operations.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Lending target to support the development of small and vulnerable countries.		
Regional Development Goals			
Bank Output Contribution (as defined in Results Framework of IDB-9)			
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2694-6	Improved efficiency and effectiveness of the Public Sector.	
Country Program Results Matrix	GN-2696	The intervention is included in the 2013 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	9.1		10
3. Evidence-based Assessment & Solution	8.4	33.33%	10
4. Ex ante Economic Analysis	10.0	33.33%	10
5. Monitoring and Evaluation	8.9	33.33%	10
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
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	C		
IV. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	Financial Management: i) Budget, ii) Treasury, and iii) Internal Audit.	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
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			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

The proposal identifies several factors that explain the relatively low efficiency of the Jamaican public sector: i) the excessive bureaucracy and red tape, ii) high wage bill relative to GDP, duplication of functions, iii) underutilization of information and communications technologies, iv) silo operations resulting in high transactional costs and the absence of economies of scale, and v) weaknesses in the control systems and accountability mechanisms.

The proposal has a clear vertical logic: to improve the efficiency of the Jamaican public sector it is necessary to strengthen the Government's capacity in human resources management, information and communication technologies management, and control systems and accountability mechanisms. The results matrix has SMART indicators for impact, results and outputs. All indicators have baselines, targets, and means of verification.

The ex-ante cost-benefit analysis shows that the intervention is economically feasible. The program shows a cost-benefit ratio of 1.85 dollar for each invested dollar, with an IRR of 28%. The analysis includes a sensitivity assessment; in the conservative scenario the program presents an IRR of 17%. The evaluation strategy is based on an experimental, quasi-experimental and ex post cost-benefit analysis methodologies.

RESULTS MATRIX

Objective of the Project: The general objective of the Program is to improve the efficiency of the Jamaican public sector by strengthening government capacity in: (i) HRM; (ii) ICTM; and (iii) control systems and accountability mechanisms.

IMPACT

Indicators	Unit of Measure	Baseline		Midterm measurements						Targets		Source/ Means of verification	Remarks
		Value	Year	Value	Year	Value	Year	Value	Year	Value	Year		
EXPECTED IMPACT: Improvement of the efficiency of the Jamaican public sector.													
Central Government Wage bill as a percentage of Gross Domestic Product	%	11.0	2012/ 2013	10.6	2013 / 2014	9.8	2014/ 2015	9.1	2015/ 2016	9.0	2016 / 2017	Central Government Summary Accounts-Fiscal Policy Paper –MOFP	GOJ’s medium term strategy described in the Memorandum of Economic and Financial Policies

EXPECTED OUTCOME

Indicators	Unit of Measure	Baseline		Targets					Source/Mean of verification	Remarks
		Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5		
EXPECTED OUTCOME: It is expected that the operation will contribute to improving public sector efficiency through the following outcomes: (i) enhanced HRM contributing to maintaining a fiscally sustainable wage bill; (ii) efficiency gains in public sector operations and a more cost-effective delivery of public services; and (iii) enhanced control and accountability of public resources.										
1. Enhanced HRM contributing to maintaining a fiscally sustainable wage bill										
Percentage of public sector employees managed through a centralized and integrated human capital management system integrated with payroll	%	0	2012 / 2013	0	0	33%	66%	100%	SHREMD Report MOFP	
PEFA PI-18. Effectiveness of payroll control	Score	D+	2012		C-			C	PEFA Assessment Report.	PEFA scores: A, B, C or D (- or +)
2. Efficiency gains in public sector operations and a more cost-effective delivery of public services										
Number of days for getting electricity	Days	96	2013	96	96	92	89	86	Doing Business Report (WB)	The baseline is taken from the 2013 Doing Business Report (WB)

Indicators	Unit of Measure	Baseline		Targets					Source/Mean of verification	Remarks
		Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5		
Number of days to register a business	Days	7	2013	7	4	3	2	2	Doing Business Report (WB)	The baseline is taken from the 2013 Doing Business Report (WB)
On line service Index	Score	0.307	2012	0.307	0.310	0.312	0.320	0.325	The UN Global E-government Survey	The On-line index, a purely quantitative index produced by the UN on an annual basis, measures the level of sophistication of a state's online presence. Each year the Survey captures the year-on-year changes in the E-Government Development of countries as evidenced by their website assessments. See: http://unpan3.un.org/egovkb/egovernment_overview/webmeasure.htm Score ranges from 0 to 1 –highest
Percentage of public sector employees with access to HR Shared Corporate Services	%	0	2013	0%	0%	5%	40%	60%	Office of the Cabinet Report	
3. Enhanced control and accountability of public resources										
Number of Information Systems Audit Reports produced	#	2	2012	2	4	4	5	6	AGD annual report	The Information Systems Audit Reports may be included as part of a more comprehensive audit report.
PEFA PI-21. Effectiveness of internal audit	Score	D+	2012		C-			C	PEFA Assessment Report.	PEFA scores: A, B, C or D (- or +)
PEFA PI- 19. Competition, VfM and controls in procurement.	Score	C+	2012		B-			B	PEFA Assessment Report.	
PEFA PI -27. Legislative scrutiny of the annual budget law	Score	D+	2012		C			C	PEFA Assessment Report.	

OUTPUTS

Output	Cost (US\$)	Unit of measur e	Baseline							Target	Sources/Means of Verification	
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5	2018		
<u>Component 1: Human resources management</u>												
<u>Subcomponent 1.1. Implementation of HCMS</u>												
HCMS implemented	17,578,535	#	0	2013				1		1	SHRMD Report MOFP	
<u>Subcomponent 1.2 Strengthening the capacity of the SHRMD</u>												
Workshop on international experiences on workforce planning delivered	50,000	#	0	2013		1				1	List of workshop participants provided by SHRMD/MOFP	
Training activity in HRM policy formulation, coordination and implementation completed	100,000	#	0	2013		1	1			2	Training evaluation Survey report provided by SHRMD/MOFP	
Number of HRM Units in Public Sector trained to carry out key HRM functions following central policies	500,000	#	0	2013		10	35	35	45	125	List of HR Units that completed the training program provided by SHRMD/MOFP	
'To-Be' Key HRM processes developed and mapped	300,000	#	0	2013			1			1	Copy of Manual containing HRM processes provided by SHRMD/MOFP	
Training on techniques for monitoring overall and institutional-level HRM performance for SHRMD delivered	50,000	#	0	2013			1			1	List of Participants in the training sessions. SHRMD/MOFP	
<u>Component 2: Efficiency gains in public sector operations and a more cost-effective delivery of public services</u>												
<u>Subcomponent 2.1 Institutional Strengthening of the New ICT Governance Framework</u>												
e-Government strategy completed	396,000	#	0	2013		1					Copy of the e-Government Strategy provided by MSTEM	
ICT norms and standards produced -	315,000	#	0	2013	1	1	1	1	1	5	Copy of the norms and standards issued provided by MSTEM	
e-Gov Jamaica training programs delivered	889,000	#	0	2013	1	2	3	2	1	9	List of participants in the training sessions provided by MSTEM	

Output	Cost (US\$)	Unit of measur e	Baseline							Target	Sources/Means of Verification
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5	2018	
Subcomponent 2.2. Streamlining the process of the GEI											
GEI business process reengineering completed.	40,000	#	0	2013		1				1	GEI business process Manual provided by GEI
GEI process automation completed and online applications system in operation.	450,000	#	0	2013			1			1	Copy of the Operation Manual of the new system provided by GEI
GEI training program on the new system delivered.	10,000	#	0	2013			1			1	List of participants in the training provided by GEI.
Subcomponent 2.3 Establishment of a one-stop shop for business registration											
Online business registration system in operation	228,000	#	0	2013		1				1	Website address to access the on-line registration form provided by COJ
Business registration kiosks in operation	23,000	#	0	2013			23			23	Tax Offices list with kiosk installed provided by COJ
Business registration seminars and workshops delivered	10,000	#	0	2013		1	1			2	List of participants provided by COJ
Communications campaign implemented	39,000	#	0	2013		1				1	COJ report
Subcomponent 2.4. Introduction of HR Shared Corporate Services											
Study Tour completed	25,000	#	0	2013	1					1	List of participants in the study tour provided by PSTU
HRSSC Operating Model designed	578,250	#	0	2013		1				1	Copy of the Operating Manual provided by PSTU
Technical specification designed and available for HRSSC facility, including ICT infrastructure	241,140	#	0	2013		1				1	Report containing the technical specification provided by PSTU
ICT infrastructure to operate HRSSC in operation	707,610	#	0	2013			1			1	PSTU Report.
Training to HRSSC agents/workers delivered	48,000	#	0	2013			1			1	List of training participants provided by PSTU.
Framework for implementing shared legal services	60,000	#	0	2013	1					1	PSMD

Output	Cost (US\$)	Unit of measure	Baseline							Target	Sources/Means of Verification
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5	2018	
completed											
Component 3: Control systems and accountability											
Subcomponent 3.1 Strengthening the AGD capacity for PA and IT audits											
Auditors trained - in country - for developing/up-dating PA knowledge and skills	268,500	#	20	2013	45		45			110	List of participants provided by AGD
Auditors trained – in country and overseas –for developing/updating IT audits knowledge and skills	165,000	#	3	2013	45		45			93	List of participants provided by AGD
IT audits manual drafted and disseminated	61,000	#	0	2013		1				1	Copy of the Manual provided by the AGD.
Auditors trained overseas completed	96,000	#	0			3	3	3	3	12	List of auditors that received training provided by AGD.
Additional licenses for interrogation software installed	75,200	#	8	2013	12					20	Copy of voucher for the acquisition of the licenses provided by AGD.
Subcomponent 3.2 Strengthening the IAS capacity											
Professional Development framework for Internal Audit Units (IAU) completed	105,000	#	0	2013	1					1	Consultancy report provided by the IAD/MOFP
Internal Audit Units automated	805,400	# of IAU	0	2013		10	11			21	List of IAUs that installed the audit software provided by IAD/MOFP
Internal Audit Manual updated	17,400	Manual	0	2013		1				1	Copy of Manual provided by IAD/MOFP
IA employees trained	152,400	# of Internal Auditor	0	2013		120	120			240	List of IA employees that received training provided by IAD/MOFP
Subcomponent 3.3 Improving transparency and value for money of public procurement											
Procurement Manual published, including updated bidding documents	80,000	#	0	2013	-	1				1	Copy of Procurement Manual provided by Public Expenditure Policy Coordination Division/MOFP

Output	Cost (US\$)	Unit of measure	Baseline							Target	Sources/Means of Verification
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5	2018	
Procurement employees trained under new curricula (MIND)	450,000	#	0	2013		300	300	300	300	1200	List of procurement employees trained provided by Public Expenditure Policy Coordination Division/MOFP
Sensitization and awareness campaign implemented	80,000	#	0	2013	-	1	1			2	Report prepared by Public Expenditure Policy Coordination Division/MOFP
Procurement employees certified	650,000	#	0	2013		50	50	50	50	200	List of procurement employees certified provided by Public Expenditure Policy Coordination Division/MOFP
E-tendering software at MOFP in operation	2,160,000	#	0	2013			1			1	Website address to access the e-tendering system provided by Public Expenditure Policy Coordination Division/MOFP
Subcomponent 3.4 Enhancing Parliament's oversight role											
Management Accountability Framework designed	150,000	#	0	2013		1				1	Copy of the MAF provided by the Clerk of the Houses - Parliament
Technical Office established and functioning	528,000	#	0	2013		1				1	List of Technical Office staff provided by the Clerk of the Houses - Parliament
Training for PAC and PAAC members delivered	80,000	#	0	2013		1	1	1	1	4	List of training participants provided by Clerk of the Houses - Parliament
Total estimated cost of outputs			US\$ 28,562,435								
Program Administration			US\$ 1,108,600								
Monitoring, Evaluation, and Audits			US\$ 216,000								
Contingencies			US\$ 1,762,965								
Total estimated cost of the Program			US\$ 31,650,000								

FIDUCIARY ARRANGEMENTS

COUNTRY: Jamaica
PROJECT: JA-L1046 and JA-X1007: “Public Sector Efficiency Program”
EXECUTING AGENCY: Public Sector Modernization Division – Office of the Cabinet
FIDUCIARY TEAM: Lila Mallory and Graham Williams

I. EXECUTING SUMMARY

- 1.1 The Executing Agency (EA) is the Public Sector Modernization Division (PSMD) of the Office of the Cabinet. The Bank’s methodology for Project Risks Assessment was utilized to identify the program’s risks and to determine mitigating measures. With support from the Project Management Institute (PMI), PMI’s Standards Benchmark¹, was applied to assess PSMD’s overall management capabilities. The assessment indicates that the PSMD has the necessary institutional capacity to administer the program. The PSMD shows strengths in the areas of financial management and procurement, which translates into relatively low fiduciary risk in managing the required accounting, financial and procurement processes, and reporting. Given the magnitude of the program, it is recommended that additional support be hired for procurement to enable timely execution.
- 1.2 The program will be co-financed with a US\$11 million loan from the China Co-Financing Fund for Latin America and the Caribbean² and a grant of €5 million (approximately US\$6.650 million) provided by the European Community (EC)³. The grant contribution will be administered by the IDB through a Project Specific Grant, JA-X1007. EC resources will be maintained, administered, disbursed, reported and accounted for in Euros, as per the Framework Agreement between the IDB and the EC (GN-2605). A fee equivalent of 5% of the EC grant will be used to cover IDB’s overhead related to the project. The IDB’s policies and procedures will be applicable to procurement and financial management overall. The use of country systems is not yet available for the procurement of goods, consulting services or non-consulting services for the Program. The Bank is currently assisting the Government to modernize and strengthen its procurement and financial systems and advance efforts toward the increased use of country systems.

II. EXECUTING AGENCY’S FIDUCIARY CONTEXT

- 2.1 The results of the assessment indicate that the PSMD has the necessary institutional capacity to participate in the execution of this program. The assessment indicates that the EA shows strengths in the areas of financial management and procurement, which translates in relatively low risks in

¹ *PMI’s Standards Benchmark* is an assessment tool that measures management capabilities developed by the Project Management Institute.

² The total financing of the IDB and the China Co-Financing Fund will be disbursed on a pari-passu basis.

³ The EC grant contribution, which is indicated in US dollars, may vary due to exchange rate fluctuations.

managing the required accounting, financial and procurement processes, and reporting. PSMD shows a solid track record as the EA of Bank operations. PSMD was the EA of ATN/OC-9776-JA⁴ and ATN/OC-10991-JA⁵ and is currently the EA of the ATN/AA-13424-JA⁶ and ATN/FI-12615-JA⁷. Furthermore, the Office of the Cabinet through the Public Sector Modernization Project (PSMP) had managed a loan in the amount of US\$28.4 million a Public Sector Modernization Project from the World Bank during the period 1996–2003. The World Bank rated the performance of the implementation agency as satisfactory overall.⁸

- 2.2 The Public Sector Efficiency Program will be a project consisting of three components contributing to a common general objective; “to improve the efficiency of the Jamaican public sector”. The program will be implemented by a dedicated Program Coordination Unit (PCU) which will be under the direct oversight of the PSMD. Once the PCU has been established a follow-up exercise will be done in order to further assess its capacity and refine the fiduciary arrangements to meet the needs of the program. The Bank will provide support and guidance to the PCU in the implementation and/or strengthening of its fiduciary capacity to execute the proposed program.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The Project Team, in consultation with various stakeholders, has identified the major risks that are likely to affect the proposed project. The parties have also jointly developed a preliminary Risk Mitigation Matrix which outlines the necessary mitigation actions to be taken. A joint review of the Matrix will be undertaken on an annual basis, and any necessary additional mitigation actions will be adopted. Based on the assessment, the program fiduciary risk has been ranked as low. PSMD has permanent dedicated staff to finance, procurement and accounting of projects. PSMD has an accounting system (ACCPAC accounting software), that is employed to manage the accounting of current IDB operations where PSMD is the EA⁹. The system can easily accommodate additional project.
- 3.2 The EA has a procurement specialist familiar with IDB's fiduciary policies and procedures. However, given the amount of procurement work envisaged under the program, the EA made provision in the program budget to hire an additional procurement specialist, if the need arises, to strengthen its capacity to administer large-scale procurement of goods and services under the program.

⁴ Strengthening GOJ's Capacity to Manage for Results.

⁵ Program to Support the Medium Term Action Plan-PRODEV II.

⁶ Enhanced Information Management for more Transparent and Efficient Government Audits Project.

⁷ Support for Implementation of Medium Term Action Plan to Manage for Results II

⁸ World Bank (2003) Report No: 27540. Implementation Completion Report (SCL-40830).

⁹ ATN/AA-13424-JA and ATN/FI-12615-JA.

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

- 4.1 Prior to first disbursement, the EA will send to the Bank evidence that: (i) the PCU has been created, and the Program Coordinator, the Procurement Specialist and the Financial Specialist have been appointed; (ii) the Steering Committee (SC) of the Program has been created; and (iii) the Program's Operations Manual has been duly approved by the EA along the lines previously approved by the Bank.
- 4.2 The rate of exchange agreed with the EA. The application of the exchange rate has been agreed with the EA as follows: (i) **reimbursement of expenses made:** the effective rate of exchange on the date which the request is presented to the Bank; and (ii) **rendering of Accounts or Justification of the Advance of Funds:** the effective rate of exchange used in the conversion of the currency of the operation to the local currency.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 Each year, the Ministry of Finance and Planning (MOFP) publishes a Budget Circular requesting the submission of estimates of income and expenditure from ministries and other agencies for inclusion in the National Budget for the following fiscal year. The Budget Circular provides the structure and format in which the estimates are to be submitted, and the required submission deadlines. The PSMD will prepare annual estimates in the required format, which will be included in the Office of the Cabinet's overall budget estimates. The estimates will consider the total cost of financing required for execution of the program.
- 5.2 It is anticipated that the Borrower will commit to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution.
- 5.3 The PSMD will have responsibility for financial administration of the IDB loan funds and EC contribution. Each source of funding will be accounted for separately. The IDB funds should be maintained and accounted for in US Dollars, whilst the EC funds will be maintained and accounted for in Euros.
- 5.4 **Procurement Execution.** The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities. The PCU will be responsible for all procurement activities. Procurements for the project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (GN-2349-9), of March 2011; and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-9), of March 2011, and with the provisions established in the loan contract and the [Procurement Plan](#) (PP). Prior to any procurement being initiated, the Borrower is required to prepare and submit to the Bank a draft General Procurement Notice.
- 5.5 For the implementation of Component 3 of the Program, the exception to the IDB's Policies GN-2349-9 and GN-2350-9 of March 2011, contemplated in the

Proposal for the Establishment of a Framework Agreement between the European Commission and the Bank (GN-2605) and in Resolution DE-13/11, will be applicable. Therefore, goods, related services, and consultancy services from non-Bank member countries may be eligible for procurement provided that the country of origin of the goods and the nationality of the suppliers, contractors and service providers is recognized as eligible by the EC under its applicable regulations.

- a. **Procurement of Goods and Non-Consulting Services:** procurement under the program to be financed with resources from the IDB and the China Co-Financing Fund will be governed by the policies contained in GN2349-9. The PP indicates the procedures to be used for the contracting of goods and non-consulting services generated under the project. The processes subject to National Competitive Bidding (NCB) will be executed through the use of National Bidding Documents approved by the Bank. Review of technical specifications during the preparation of the selection process is the responsibility of the program sector specialist.
- b. **Procurement of Information Technology (IT) Systems:** procurement of IT systems will be done in keeping with the policies referenced above. The Bank's IT Specialist will provide technical review and advice as necessary.
- c. **Selection and Contracting of Consultants:** procurement of consulting services to be financed with resources from the IDB and the China Co-Financing Fund will be conducted in accordance with GN2350-9 Policies. The PP indicates the procedure to be used for the contracting of consulting 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. Review and subsequent no objection of Terms of Reference for the selection of consulting services is the responsibility of the program sector specialist.
- d. **Selection of Individual Consultants:** Individual consultants are employed on assignments for which: (i) teams of personnel are not required; and (ii) the experience and qualifications of the individual are the paramount requirement. Advertisement is not required¹⁰ and consultants do not need to submit proposals. 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 is to be carried out in accordance with Section V (Selection of Individual Consultants) of GN-2350-9 paragraphs 5.1-5.4.
- e. **Training:** As per GN-2350-9, if the assignment includes an important component for training or transfer of knowledge to Borrower staff or national consultants, the TOR shall indicate the objectives, nature, scope, and goals of the training program, including details on trainers and trainees, skills to be

¹⁰ However, in some cases Borrowers may consider the advantage of advertising at their option.

transferred, time frame, and monitoring and evaluation arrangements. The cost for the training program shall be included in the consultant's contract and in the budget for the assignment. Training for the use of software solutions acquired with the funding provided by this operation, such as the Human Capital Management System (HCMS), the e-tendering system, the data management system for the automation of the GEI and the system for the automation of the IAUs, etc., can be sourced from vendors that possess the specific technical knowledge with prior request and approval from the Bank. Other general training activities will be subject to competitive process.

- f. **Recurrent Expenses:** the project will finance recurrent expenses including: salaries of PCU and project staff contracted for the program, rental and utilities for office facilities.
- g. **Domestic Preference:** Determining whether it is appropriate and necessary to use domestic preference in the evaluation of bids should be guided by Appendix 2 of GN-2349-9 paragraphs 1-6.
- h. **Thresholds (US\$):** Direct contracting up to US\$5,000, duly justified in accordance with applicable IDB procurement policies, subject to the prior approval by the Bank, such approval not to be unreasonable withheld or delayed, may be undertaken through ex post review.
- i. **Country Threshold Table (US\$ Thousands):** The following table indicates the thresholds that determine the procurement method to be used for each type of contract see Country Threshold Table www.iadb.org/procurement.

Works			Goods			Consulting Services		Limit for Ex-Post Revision
in US\$ thousands								
International Competitive Bidding	NCB	Shopping/Price Comparison	International Competitive Bidding	NCB	Shopping/Price Comparison	International Competitive Bid	Short Lists Solely by Nationals	
+ 1,500	150 -1, 500	-150	+ 150	25-150	-25	≤+200	-200	12 months
Ex-Ante Review	Ex-Post Review	Ex-Post Review	Ex-Ante Review	Ex-Post Review	Ex-Post Review	Ex-Ante Review	Ex-Post review	
Note: Procurement Plan which dictates the review modalities will be reviewed on a yearly basis. Individual Consultants: will be reviewed ex ante for services at or above US\$50,000. For amounts below US\$50,000, such procurements will be reviewed ex post.								

- 5.6 **Procurement Plan:** The [PP](#) indicates the procedures to be used for the procurement of goods, the contracting of services, and the method of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for prior or post review by the Bank. The PP will be updated annually or whenever necessary, or as required by the Bank. The detailed PP is available at www.iadb.org/procurement.
- 5.7 **Procurement Supervision.** Procurements will be reviewed according to the Country Threshold Table above.

- 5.8 **Records and Files.** All records and files will be maintained by the EA, according to accepted best practices, and be kept for a minimum of three (3) years beyond the end of the operation's execution period, or as stipulated in the loan agreement.
- 5.9 **Other relevant issues:** "Fiscal space" constraints: A major threat to the expeditious execution of awarded contracts is the timely availability of funds to meet pre-agreed payment schedules. The GOJ may hold up disbursements due to the lack of "fiscal space" at the particular time the disbursements are to be made and payments may have to be suspended thus delaying the timely delivery of goods &/or services to the respective entities that are essential to the smooth execution of the Program. The PCU will need to be permanently cognizant of this threat and take all the necessary precautionary measures to secure budget allocation for smooth program implementation. Resources are allocated in the Program's budget to hire a change management expert, in order to enhance communication risk and stakeholder management capabilities.

VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and Budget.** 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 Project Execution Plan, Annual Operating Plan (AOP), the Financial Plan and the PP. 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.
- 6.2 **Accounting and Information Systems.** Project accounting will be performed using ACCPAC system and will be done under the modified cash basis. It is expected that the accounting system will facilitate the recording and classification of all financial transactions, provide information related to: planned versus actual financial execution for the project; the financial execution plan for the next 180 days that will be attached to each request for Advance of Funds, annual Financial Statements, performance reports, and any other reports, financial or otherwise, audited or unaudited, that may be required by the Bank from time to time.
- 6.3 **Disbursements and Cash Flow.** The PSMD will have responsibility for the preparation and submission of disbursement requests to the Bank. Two authorized special bank accounts with the Central Bank of Jamaica will be used for the management of loan resources in foreign currency. One account should be used to manage and maintain the IDB loan resources, in US dollars, and another account will be used to manage and maintain the EC grant contribution, in Euros. Additionally one Program Account will be established in a bank to manage the resources which are converted to local currency. Disbursement methods that may be used to disburse funds from the loan financing are as follows: - Advance of Funds; Reimbursement of Payments Made; or Direct Payment to Supplier. Disbursements will be ex-post, except for Requests for Direct Payment to Suppliers.

- 6.4 The EA will be responsible for the maintenance of adequate and original documentation to support disbursement requests. Such documentation will include, accounting receipts, canceled invoices, payment receipts, legible canceled cheques, customs duties certificates, certificates of works, employment contracts, shipping, unloading, and storage documents, goods/services received reports, and any other payment support document acceptable to the Bank.
- 6.5 The PCU commits to maintain strict control over the utilization of all Advance of Funds so as to ensure the easy verification and reconciliation of balances between the PCU's records and IDB records (WLMS1).
- 6.6 The PCU 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.
- 6.7 Supporting documentation for Justifications of Advances of Funds and Reimbursement of Payments Made will be kept at the office of the PCU. Support documentation for direct payments will be sent to the Bank for processing. Disbursements will be reviewed within the ex-post modality. The Ex-Post reviews will be conducted on a sample of transactions and do not imply a blanket approval of the whole universe of expenditures, based solely on the samples reviewed.
- 6.8 **Internal Control and Internal Audit.** The management of the program will assume the responsibility for designing and implementing a sound system of internal control for the project. The system to be established should provide reasonable assurance that: (i) the project funds are used for their intended purpose and project development objectives, with special attention given to the principles of economy and efficiency; (ii) project assets are properly safeguarded; (iii) project transactions, decisions, and activities are properly authorized and documented; and (iv) project transactions are executed in accordance with the established policies and procedures delineated in the legal agreements. In order to enhance the internal control system of the project, a recommendation should be made to the EA for the Internal Audit Department of the Office of the Prime Minister to periodically audit the project.
- 6.9 **External Control and Reports.** The EA will be required to submit to the Bank, Annual Audited Financial Statements of the Project to be submitted within 120 days after the close of the fiscal period. The Final Audited Financial Statements are due within 120 days of the close of the Project (last disbursement date). Financial Statement will be prepared as per the guidelines outlined in the *Guide for Financial Reports and External Audits for Operations Financed by the IDB* and audits will be done in accordance with International Auditing Standards. The TORs will be agreed on between the EA and the Bank, and will include at a minimum, the requirement to audit the financial statements of the project, review internal controls and carry out ex-post disbursement and procurement reviews. The Financial Statements will be audited by a firm of independent public

accountants acceptable to the Bank, and shall be selected and hired according to the Bank's procurement procedures for audit services (Document AF-200).

- 6.10 **Financial Supervision Plan.** 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, the following topics, among other: (i) a review of the reconciliation and supporting documentation for advances and justifications; (ii) review of compliance with the OM; and (iii) review of the PCU Institutional Strengthening Action Plan and; d) Conducting ex post reviews. The initial Financial Supervision Plan of the project will focus on (i) activities related to the implementation and follow-up of arrangements and systems being implemented for the financial management and procurement of the program; and (ii) capacity building of PCU personnel in the Bank's procedures and requirements.
- 6.11 **Execution Mechanism.** The structure to execute the program will consist of a SC at the strategic level. A PCU in the PSMD at the administrative level. At the operational level; each program subcomponent will have a senior GOJ officer accountable, a Subcomponent Manager, and a Working Team.
- 6.12 The SC will be in charge of providing strategic direction and support to the Program through the review of progress reports and the AOP. The SC membership will consist of at a minimum senior representatives from the MOFP, the Planning Institute of Jamaica, the Ministry of Science, Technology, Energy, and Mining, the Parliament, the Auditor General's Department, Office of the Cabinet and the Company Office of Jamaica. The PCU will be headed by a coordinator, and will comprise of a procurement specialist and a financial/accounting specialist.
- 6.13 The PCU in the PSMD will have responsibility for the technical and financial management of the program, including the EC funded portion of the project. The specific responsibilities of the PCU will include: (i) managing and executing all program - related procurement based on TORs prepared by the respective Subcomponent Managers and following all applicable IDB and GOJ guidelines (ii) coordinating and supporting the preparation of the AOPs; (iii) preparation of budgets, project accounting, and preparation of request to replenish the program funds; (iv) preparation of the annual PP; (v) coordinating the preparation of: (a) technical reports, (b) periodic reports, and (c) end of year financial reports; (vi) monitoring of program's activities, assessing progress, and analyzing variances of actual results versus plans; (vii) contracting the evaluation specialist; (viii) contracting the external auditor and ensuring, through the PSMD, the execution of the external audit and implementing recommendations; plus (ix) serving as a liaison for the program with the Bank.