I. Introduction and Context

Country Context

Jamaica is a small upper middle income country located in the Caribbean. For the last two decades it has had a stagnant real GDP growth, averaging less than 1 percent per year. Innovation, growth and competitiveness have been elusive and responsible for enabling a weak business environment that has contributed to lackluster economic performance.

One of the most pressing issues that continue to affect the public sector is the unsustainable fiscal deficit. The fiscal position has not improved since the crisis that affected the nation in the mid-1990s.

As a result of the high public sector debt (148% of GDP as of March 2013) the Government of Jamaica (GoJ) is seeking greater fiscal consolidation. However, it is also the case that the government is keen on fostering growth, competitiveness and shared prosperity. The modernization of public sector institutions is hence sine qua non to attain the aforementioned goals.
Sectoral and Institutional Context

High public debt levels with large swings in the debt to GDP ratio is a burden Jamaica has been struggling with for decades. The history of high debt is related to chronic public deficits, weak budget coverage, and contingent liabilities arising from a large number of weakly regulated public bodies. Jamaica's poor fiscal performance was also exacerbated by issue of low and anemic growth arising from low productivity and a distortion system of incentives which adversely affected the overall competitiveness of the economy. The World Bank's 2011 Country Economic Memorandum (CEM) report for Jamaica highlighted that Jamaica's problems were not new and were not undiagnosed as these were common knowledge.

Past efforts at fiscal consolidation and strengthening management of the public sector have only partly succeeded because of structural weaknesses inherent in public financial management policies and processes and the underlying political dynamics of both the budget process and general public sector reforms. Fiscal management in Jamaica is guided by a set of rules that does not support a strategic approach necessary to addressing existing challenges. Budget planning is fragmented, especially for capital expenditures. The public investment planning process is neither strategic nor comprehensive. Systems are weak for ensuring that public investment allocations are clearly prioritized and aligned with strategic development plans and programs. The weak link between government priorities, planning, and budget, the lack of in-year expenditure controls, and the lack of accurate financial statements contribute to inefficient monitoring of public spending. The GOJ is aware of the limitations of its PFM systems and is pursuing an ambitious reform program for strengthening PFM to support its overall public sector reform and fiscal consolidation with a growth perspective.

For the last couple of decades several public sector reform initiatives have been supported by International Development Partners (IDP). Such attempts have led to numerous assessments and analytical work, and at times repeated-analysis of issues, some of which, ultimately, had been for naught as many of the suggested recommendations were never implemented. Nonetheless, the public sector reform project for Jamaica financed by the World Bank (P007490), implemented as a response to the financial crisis in the mid-90s, has had a positive influence for the Jamaican government. This project entailed a series of ambitious public sector modernization reforms which led to the creation of executive agencies, and the implementation of the Financial Management and Information Systems (FMIS) among other interventions. The proposed operation draws from this experience through a proper sequencing of discrete interventions to enhance public sector efficiency and performance to enable fiscal consolidation, growth and productivity.

Relationship to CAS

The proposed IPF is aligned with the upcoming Country Partnership Strategy (CPS) for the period F14-17. The CPS seeks to get Jamaica in a path of sustainable and inclusive growth by modernizing the public sector. Modernization of the public sector is instrumental in creating the necessary fiscal space for strategic investments in counter cyclical initiatives to better protect the poor and vulnerable. In this sense the proposed loan is also in line with the World Bank Group twin objectives of eradicating poverty and boosting shared prosperity. Furthermore the IPF also complements the first programmatic DPL. One of the three pillars of this operation seeks to promote fiscal efficiency and public sector modernization through strategic HR and budget management, strengthening the public sector investment program and other interventions that are aligned with this IPF.

II. Proposed Development Objective(s)
Proposed Development Objective(s) (From PCN)
The development objectives of the project are to: (i) strengthen public sector resource management; and (ii) establish accountable linkages between the public and private sectors to facilitate growth through investment and trade facilitation.

Key Results (From PCN)
Reinforcing Fiscal Discipline and Revenue Enhancement

Component 1: Improving the link between policy, planning and budgeting by adopting a results-based multi-year budgeting perspective

Transforming and rationalizing Jamaica’s public sector is central to improving service delivery, enhancing competitiveness and growth. There is a need for increased efficiency and accountability in the use of public resources and improved management of fiscal risks. This will be supported through eliminating the PFM-based constraints, distortions and factors limiting growth such as inefficient budgeting processes, insufficient control over public expenditure and the public investment planning process, and weak links between government priorities, planning, and budget. Efforts will aim to enhance capacity to improve the public sector investment management system with the overall goal to link short-term priorities with longer-term strategic objectives such as promoting inclusive growth and shared prosperity, competitiveness and poverty reduction.

The main objective of this component is to support the GOJ in linking budgeting with government policy priorities and long-term development goals through a gradual transition from annual expenditure planning to a medium-term and a results-based expenditure framework. This objective will be supported through strengthening the overall public investment management system (PIMS), including those from the Consolidated Fund, donor funds, public bodies, and PPPs. This will be achieved by, inter alia, the following specific activities: (i) introducing a robust management information system to manage all information regarding public investments across the project cycle, which will be linked, at a later stage, to the budget software and IFMIS. The PIMS platform will be launched by FY 2016/2017; (ii) providing the linkage between public investments and social/economic development by improving the quality and relevance of public investments, while considering fiscal sustainability; and (iii) strengthening links between public procurement, upstream project planning, and the budget process. Another sub-activity of this component is strengthening budget preparation process and result-based budgeting (By FY 2017/2018, results-based budget process in place throughout the ministries, departments and agencies - MDAs). The achievement of this will be supported through, inter alia, the following specific activities: (i) developing baseline expenditure estimates for MDAs; (iii) supporting the Public Expenditure Division aligning the government policy priority framework with the budget, setting medium-term expenditure ceilings for MDAs, development of medium term expenditure planning and employment ceilings; reviewing budget submissions; and iv) monitoring expenditure related to program results in the annual budget process, and linking expenditure to program results;

Component 2: Treasury and Cash Management
As part of the reform agenda to strengthen Public Finance Management, the GOJ has started the implementation of its Treasury Single Account (TSA). The MoFP has established the Central Treasury Management System (CTMS) to centralize government payment disbursements. The main objective of the CTMS is to improve budget control and cash management in order to reduce over-
borrowing risk. Nevertheless, in Jamaica this new treasury and cash management approach still faces important challenges associated to information system automation, cash surpluses optimization, debt management, pension management, and technical training in core aspects. The Project will support the MoFP to continue developing its treasury’s functions by instituting international best practices for budget execution, treasury, and cash management. Hence, this project will focus on: (i) consolidation of the Central Treasury Management System; (ii) development of financial planning and cash programming; (iii) improvement of the information system infrastructure; and (iv) development of institutional capacity for strengthened cash management. These activities will help the GoJ to improve inflation control and to achieve fiscal sustainability, contributing to the strengthening of economic stability and growth. Also, they will increase the efficiency of payments disbursements speeding up public resources into the private sector. This component will be closely aligned with other development partner’s programs, such as the IDB.

Public Sector Institutional Strengthening to Support Growth

Component 3: Customs and Regulatory Agency Management

This subcomponent will focus on those institutions which need to be modernized to support greater interface between the public and private sectors to facilitate trade and investment. The trade facilitation subcomponent will cover activities aimed at coordinating national laws, standards, regulations and policies to be consistent with international requirements and the WTO Agreement on Technical Barriers to Trade. This will minimize the duplication of re-testing and re-certification at the border, and eliminate non-tariff barriers to trade and market access delays. Thus, there would be a reduction in release time for merchandise, as well as reducing transaction costs for trade. In expanding trade, in particular, standards and technical regulations are essential for market access. Standards (voluntary) and technical regulations (mandatory) define what goods and services can and cannot be exchanged, and outline procedures under which such exchanges are and are not permissible. Standards, technical regulations and the methods to insure compliance are critical to global trade. Producers must understand the technical requirements governing their products in target export markets; and importers must ensure goods they bring in meet the relevant standards and technical regulations. To facilitate trade as well as public safety and health—the government of Jamaica must develop an effective strategic plan that is transparent and a participatory standards/technical regulations setting processes, and up-to-date laws, regulations, and information portals.

A critical activity under this subcomponent will be the complete review of the Customs Act, and other regulatory requirements and in particular those sections which relate to trade facilitation and to support business friendly practices. Further, it is envisaged that this subcomponent will support the creation and functioning of a national single window for trade. During the life of the project—a “Border Management Task Force” (BMTF) will be created; made up of staff with management and technical/operational knowledge from Customs and each of the other border agencies (e.g. Agriculture, Veterinary, Standards, Health, Environment, etc.). This task force will conduct an assessment of each of the participating regulatory agencies that will serve as inputs prior to the creation of the national single window. To this effect each agency will second a staff member to be attached - on a full time basis – to the BMTF to work as a team on an integrated and simplified clearance process. The subcomponent will also undertake the identification of non-tariff barriers to trade, including the identification and lobbying the government for the rationalization/removal of fees and charges on international trade that are not really justified or infringe the WTO and GATT
Articles, V, VIII, and X. This component will also pilot several initiatives in some of the 
aforementioned agencies to make front line services coordinated, faster, and more efficient using 
digital technologies. The subcomponent will also work with the Jamaica Bureau of Standards (JBS) 
- Department of Standards Compliance Inspectorate which monitors the ports of entry to insure 
compliance with relevant/compulsory standards in relation to the health and safety of consumers, 
the objective will be to have the JBS improve and provide the necessary technical services that wil 
be needed to achieve economic growth and improve trade facilitation.

Component 4: Support to the Civil Registries System
In Jamaica, registration of properties is relatively expensive, due to taxes and stamp duties. 
Restructuring public sector processes to support simple, fast and inexpensive registration gives 
entrepreneurs the ability to focus more time on their business and investments. Studies have shown 
in Argentina, for example, that property owners with formal title invest up to 47% more in their 
property. This subcomponent will computerize land registries which will reduce informal payments, 
and increase the amount of registered land transactions. This sub-component will also focus on 
business process re-engineering, to reduce the administrative burden involved with property 
registration, as well as to encourage an environment of stability in securing and upholding contracts 
and titles. The Minister of Justice has indicated that there is a need for Bank support in this area as 
the system is cumbersome, hampers business development, and is riddled with red-tape. Emphasis 
will be placed on connecting people and services. Jamaica, for example, has a higher mobile 
penetration than internet. Focus may be placed on setting up a mobile service delivery platform to 
allow for government services to be delivered in a efficient and cost-effective manner.

Component 5: Strategic Management and Service Standards in Key Public Sector Institutions
This subcomponent will focus on working with key pilot ministries to develop basic service 
standards and performance indicators with possible links to political commitments to improved 
service delivery. Management and operations of select institutions may prove useful to both address 
service delivery constraints of the institution, as well as address an area of increased citizen concern. 
Examples that might be considered include the police service or justice sector, or PBs that may be 
the focus in other components (e.g. Bureau of Standards as addressed in component 3).

Additionally, public bodies (PBs) also represent a significant portion of public sector activities in 
Jamaica. These entities, which constitute statutory bodies and authorities and government-owned 
limited liability companies, play an important role in the economy of Jamaica in terms of revenues, 
expenditures and employment. The GoJ’s 2010 Accountability Framework document, for example, 
notes that “nowhere are the complexity and confusion of lines of accountability more evident than 
in the relationship of Public Bodies (companies, statutory authorities, enterprises) to central 
government. Where the issue of accountability is of concern with Executive Agencies, that concern 
is more notable for PBs, and the concern has been longstanding in Jamaica, and is accentuated 
periodically by abuses that come to light especially with regards to financial irregularities (p. 26). It 
is the intention of this subcomponent to strengthen the architecture of key institutions, developing a 
framework for monitoring fiscal risks, quantification and disclosure, mitigation and management in 
a fully informed policy framework.

E-government will be cross-cutting in the project. This will include the creation of a robust ICT 
platform for the government to facilitate access to all e-government services such as an electronic 
repository of citizen identity and authentication, digitized government data and the Enterprise 
Service Bus. It will also entail fostering an enabling environment for e-government by working in 
the areas of cyber security and privacy, business analytics and mobile service delivery. The ICT
focus will be structured along four major sub-areas, to reflect (a) a robust ICT platform for the whole of government to facilitate access to all e-government services; (ii) a single window implementation for trade facilitation services; (iii) an enabling environment for e-government in the country as relates to trade and investment; and (iv) institutional arrangements and capacity development.

III. Preliminary Description

Concept Description

The proposed project will support the Government of Jamaica in shifting its policy context from one of fiscal difficulty to that of utilizing the public sector as an enabler of growth. The project will have two main directions: (i) reinforcing fiscal discipline and revenue enhancement; and (ii) public sector institutional strengthening to support investment and trade.

Jamaica’s current CEM states that low productivity is the reason for poor growth rates in Jamaica over the past 40 years. The report has however drilled down deeper and identified high levels of crime, deficiencies in human capital and fiscal distortions as the three main causes of Jamaica’s low productivity. These factors are the three most binding constraints to economic growth in the country, it concludes. This Project addresses these aspects of growth and productivity from the public sector and institutional perspective: strengthening fiscal policies and budget management practices through stronger expenditure policies, building capacity in select institutions required to carry out Government mandates, and strategic management in those institutions which may be pivotal in encouraging an investment-friendly environment.

The proposed project will be supervised by the World Bank over a four year period from FY15-FY18.

IV. Safeguard Policies that might apply

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V. Financing (in USD Million)

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