

EUROPEAN UNION CONTRIBUTION AGREEMENT WITH AN INTERNATIONAL ORGANISATION

Identification Number:

(the "Agreement")

The European Union, represented by the Delegation of the European Union in Jamaica, (the "Contracting Authority")

of the one part,

and

Inter-American Development Bank (IDB) with its Head office at 1300 New York Avenue, N.W., Washington DC, 20577, USA. (the "Organisation")

of the other part,

(Individually a "Party" and collectively the "Parties"), have agreed as follows:

Special Conditions

Article 1 - Purpose

- 1(1) The purpose of this Agreement is a contribution by the Contracting Authority for the implementation of the action entitled: Public Finance Management Support Programme (PFMSP) (the "Action") as described in Annex I, which is component 3 of the Organization's Loan Proposal for "Public Sector Efficiency Program" (JA-L1046 and JA-X1007), attached hereto as Annex A.
- 1(2) The Organisation will be awarded the contribution on the terms and conditions set out in this Agreement, which complies with the provisions of the Framework Agreement between the European Commission and the Inter-American Development Bank signed on July 19, 2011 and consists of these special conditions (the "Special Conditions") and their annexes, including General Conditions.
- 1(3) The Organisation accepts the contribution and undertakes to do everything in its power to implement the Action under its own responsibility.
- 1(4) The Action is a Joint Management Action for all purposes of this Agreement.
- 1(5) The Action is not a Multi-donor Action for all purposes of this Agreement.

Article 2 – Entry into force, Implementation Period and Execution Period

- 2(1) This Agreement shall enter into force on the date when the last of the two Parties signs.
- 2(2) The implementation period of this Agreement (the "Implementation Period") will begin on:
-the day following that on which the last of the two Parties signs
- 2(3) The Implementation Period, as laid down in Annex I, is Sixty (60) Months.
- 2(4) The execution period of this Agreement shall start at the entry into force of this Agreement as provided for in Article 2(1) and shall end at the moment of the payment of the balance by the Contracting Authority in accordance with Article 17 of Annex II or when the Organisation repays any amounts paid in excess of the final amount due pursuant to Article 18 of Annex II. In cases where there is no final payment by the Contracting Authority or final repayment by the Organisation, the end of the execution period shall be the end date referred to in Article 12.5 of Annex II.
- 2(5) Individual contracts implementing the activities under this Agreement shall be signed within 3 years from the date of entry into force of this Agreement.

Article 3 - Financing the Action

- 3(1) The total cost of the Action eligible for financing by the Contracting Authority is estimated at EUR 5,000,000, as set out in Annex III.
- 3(2) The Contracting Authority undertakes to finance¹ a maximum of EUR 5,000,000, equivalent to 100% of the estimated total eligible cost specified in Article 3 paragraph 1; the final amount will be established in accordance with Articles 14 and 17 of Annex II.
- 3(3) Pursuant to Article 14.4 of Annex II, 5 % of the final amount of direct eligible costs of the Action to be reimbursed by the Contracting Authority to the Organisation in accordance with Articles 14 and 17 of Annex II, may be claimed by the Organisation as indirect costs. This amount is estimated at EUR 250,000.
- 3(4) Interest yield by pre-financing payments is not due.
- 3(5) To the extent that the Government of Jamaica recognizes the exemption from taxes, duties and charges in connection with the use of the contribution resources provided to the Organization by the Contracting Authority under this Agreement, those taxes, duties and charges will not be considered eligible costs..

Article 4 - Narrative and financial reporting and payment arrangements

- 4(1) Narrative and financial reports shall be produced in support of payment requests, in compliance with Articles 2 and 15.1 of Annex II.
- 4(2) Payment will be made in accordance with Article 15 of Annex II; of the options referred to in Article 15.1, the following will apply:

Option 2:

¹ Where the contribution is financed out of the European Development Fund, mentions of European Union financing must be read as referring to European Development Fund financing.

First instalment	EUR 1,062,752
Second instalment	EUR 1,104,635
Third instalment	EUR 1,646,448
Fourth instalment	EUR 523,905
Forecast final payment	EUR 366,320

(all subject to the provisions of Annex II)

4(3) The exchange rate referred to in Article 2.7 of Annex II is the rate of exchange at which each of the Contracting Authority's payments of the contribution was recorded in the Organisation's accounts at the time of conversion, if any.

Article 5 - Contact addresses

Any communication relating to this Agreement shall be in writing, shall state the number and title of the Action, and shall use the following addresses

For the Contracting Authority:

Payment requests and attached reports, including requests for changes to bank account arrangements shall be sent to:

European Commission

Delegation of the European Union

8 Olivier Road

Kingston 8

Jamaica W.I.

E-mail: delegation-jamaica@ec.europa.eu

a) All communications pertaining to donor relations and resource mobilization will be directed to:

Attention: Manager

Office of Outreach and Partnerships

Inter-American Development Bank

1300 New York Ave., NW Fax: (202) 312-4072

Washington, D.C. 20577 U.S.A. E-mail: partnerships@iadb.org

b) Day-to-day communications regarding the administration of this Agreement, including payments, will be directed to:

Attention: Chief, Grants and Co-financing Management Division

Office of Outreach and Partnerships

Inter-American Development Bank

1300 New York Ave., NW Fax: (202) 623-3489

Washington, D.C. 20577 U.S.A. E-mail: orp-gcm@iadb.org

Article 6 - Annexes

6(1) The following documents are annexed to these Special Conditions and form an integral part of the Agreement:

- Annex I: Description of the Action
- Annex II: General Conditions applicable to European Union contribution agreements with international organisations (Version as of March, 2013)
- Annex III: Budget for the Action
- Annex IV: Financial identification form
- Annex V: Standard request for payment

Annex A: IDB Loan Proposal for the “Public Sector Efficiency Program” (for information purposes only)

- 6(2) Sections 1 to 17 of the Framework Agreement are incorporated by reference into the present Special Conditions. In the event of a conflict between the provisions of the present Special Conditions and any Annex thereto, and/or the Framework Agreement, the provisions of the Special Conditions shall take precedence. In the event of a conflict between the provisions of Annex II and those of the other annexes, the provisions of Annex II shall take precedence.

Article 7 - Additional specific conditions applying to the Action

The following shall supplement the General Conditions:

- 7(1) For the purposes of this Agreement, Section 9, paragraphs 7(1)(1) and 7(1)(6) of the Framework Agreement should be read as follows:

Paragraph 7(1)(1): “The execution of the Action may be carried-out together with an Executing Agency or an implementing partner (the “Partner”) contractually obligated to act in accordance with the IDB’s (“the Organisation”) policies and procedures. In such case, the Commission acknowledges that the Organisation's Partner will be a separate and independent entity, whose relationship with the Organisation for this Action shall be subject to a particular arrangement to be entered into pursuant to the Organisation’s policies and procedures for execution of technical cooperation projects through Partners. This particular arrangement shall comply with the General Conditions and, in particular, Articles 1 thereof. For the avoidance of doubt in connection with the fifth paragraph of Article 1.3 of the General Conditions and without prejudice to Article 1.5 thereof, where the action is executed by a Partner, the Organisation shall be responsible for taking the appropriate measures to ensure that the Partner acts in accordance with the abovementioned contractual arrangements.”

Paragraph 7(1)(6): “Article 14.4, third paragraph is supplemented as follows: “If payment of a total contribution is to be made in instalments, then the fee attributable to the total contribution shall be charged with the first instalments, as stipulated in Article 4(2) of the Special Conditions. The final amount to be received by the Organisation as contribution to the indirect costs will be calculated on the basis of the direct eligible costs pursuant to Articles 14 and 17 of the General Conditions.”

- 7(2) For the purposes of this Agreement, Section 9, paragraph 7(2)(3) of the Framework Agreement should be read as follows:

Paragraph 7(2)(3): “Article 11.4 is amended as follows: “The Contracting Authority may request the Organisation to suspend implementation of all or part of the Action if circumstances (chiefly force majeure) make it impossible or too difficult or dangerous to continue. This Agreement may be terminated in accordance with Article 12.1. If the Agreement is not terminated, the Organisation and the Partners, if any, shall endeavour

to minimise the duration of the suspension and shall resume implementation of the Action once the conditions allow, with the prior written approval of the Contracting Authority.”

- 7(3) General Conditions, Article 13.2: The following sentence is added at the beginning of this paragraph: “The language to be used in the arbitral proceedings shall be English.”
- 7(4) By derogation from Article 15.1, Option 2, first paragraph, pre-financing deadline for the Contracting Authority is not 30 but 45 days.
- 7(5) By derogation of Article 14.5, a contingency reserve of 5.92% of the total budget of the Action is identified in Annex III. All other terms of Article 14.5 shall apply.

Done in Kingston in three originals in the English language, two for the Contracting Authority and one for the Organisation.

For the Organisation

Name: Therese Turner Jones

Position: IDB Representative in Jamaica

Signature: 

Date:

23 DEC 2013

For the Contracting Authority

Name: Thomas Opperer

Position: Charge d'Affaires O.I.

Signature: 

Date: 23/Dec/2013

1.1. ANNEX I: DESCRIPTION OF THE ACTION

Description

The proposed action is expected to result in greater effectiveness in the administration of public resources, thereby freeing up financial resources for public investments. The key objectives of the reforms to be supported are: (i) the strengthening of the internal and external control systems; (ii) the strengthening of the control environment for public procurement; and (iii) the improvement of the budget control and oversight.

General objective:

The overall objective of the reforms to be supported is to achieve more efficient public finance management in Jamaica.

Purpose

To contribute to the Government of Jamaica's Public Finance Management Reform Action Plan objectives on modernisation of procurement process and improvement of the budget control and oversight

Expected results

The expected results of the proposed action are:

- Auditor General Department's capacity for performance and information technology audits strengthened;
- Parliament's oversight role of the budgetary processes and audits improved;
- Transparency and Value for Money of public procurement improved;
- Internal Audit System's capacity, especially for payroll and procurement audits, strengthened.

Main activities

The action will comprise the following:

1. *Strengthening the Internal and External Control Systems* through: (a) capacity building for the Auditor General's Department (AGD) for performance and information technology (IT) audits; (b) capacity building for the Parliament's Public Account Committee (PAC) and the Public Administration and Appropriations Committee (PAAC); (c) Capacity Building for internal auditors; (d) updating of the internal audit manual; (e) automation of the internal audit process;

2. *Strengthening the Control Environment for Public Procurement* through: (a) training and certification courses for procurement staff; (b) technical assistance to amend the Procurement Handbook following enactment of the Procurement Law; (c) implementation of e-tendering, including IT equipment (Hardware and Software) ; and; (d) new contractor registration system as a module of the e-tendering system and technical assistance to improve Contractor Registration. [See point 1.1.1 for more details]

The proposed Action is part of a larger IDB-funded project, the Public Sector Efficiency Program which will also provide support to strengthening the Government of Jamaica's capacity in Human Resource Management (HRM) and Information and Communication Technologies Management (ICTM). A complete description of the Public Sector Efficiency Program is included in Annex A.

Current Situation in the Sector

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 spending². Jamaica has lost five positions in the latest "Doing Business Report"³ after moving from the 85th to the 90th in 2013, suggesting further erosion in the government capacity to deliver key services to businesses in an efficient manner. 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 efficiency⁵.

In spite of the significant progress made by the GOJ in the management of its public finances over the past six years⁶, some important 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 delivery⁷. The Public Expenditure and Financial Accountability (PEFA) assessment reports frequent and 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 systems⁸. Public procurement is also affected by the weak control environment due in this case to: (i) the lack of a consolidated and modern procurement law; (ii) insufficient adequately trained procurement officers; and (iii) the lack of ICT to conduct procurement (e-procurement). For 2014, a new Procurement Act is expected to be enacted and an e-tendering system implemented⁹.

Lastly, legislative oversight of public finances and scrutiny of the budget process is limited due to capacity constraints. Neither the Parliament nor its Committees have the necessary technical support to undertake a thorough and meaningful review. To fulfil its constitutional oversight role of public finances, Parliament requires in-house capacity to analyse the budget and audit documents. To address this capacity gap, a recent assessment¹⁰ recommends: establishing a technical unit headed by a Technical Officer,

² See "Wastefulness of government spending" <http://www.weforum.org/issues/competitiveness-0/gci2012-data-platform/>

³ <http://www.doingbusiness.org/data/exploreeconomies/jamaica/>

⁴ See Matei and Savulescu (2009).

⁵ Alfonso, Romero, and Monsalves (2013)

⁶ 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.

⁷ Repeat PEFA Assessment (2012) and EU PFM Report (2013)

⁸ Repeat PEFA Assessment (2012)

⁹ Implementation of Electronic Government Procurement in Jamaica (ATN/KK-12694-JA). This projects aims to strengthen the efficiency and quality of public procurement in Jamaica through the development of an electronic government procurement system which will have the following capabilities: (a) supplier registry and single sign-on, single window; (b) online access to procurement plans; (c) online advertising and downloading of bid processes and documents; and (d) awarded contract information, among others.

¹⁰ World Bank (2013) Jamaica: Parliamentary Oversight of Public Finances-An Institutional Review.

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 Government, in particular the members of the Public Administration and Appropriations Committee (PAAC), whose role is to scrutinize the budget execution, and the Public Accounts Committee (PAC), 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).

1.1.1. Methodology

This action will contribute to the GOJ's Public Financial Management Reform Action Plan (PFM-RAP)¹¹ 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:

- (i) 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 PA¹²; and (c) IT solution (hardware and software) for the use of computer assisted audit techniques (CAAT) software for external audit¹³.
- (ii) Strengthening the Internal Audit System's (IAS)¹⁴ 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 internal audit process in the IAUs.
- (iii) 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

¹¹ See GOJ's new PFM-RAP, prepared with the support of the IMF Regional Technical Assistance Centre CARTAC.

¹² This will be provided jointly for external and internal auditors, as well as Parliament's technical staff.

¹³ The Computer Assisted Audit Techniques is the practice of using computers to automate the audit process.

¹⁴ It includes the Internal Audit Directorate at the Ministry of Finance and the Internal Audit Units of Ministries and Departments.

Contractors; and (e) new contractor registration system as a module of the e-tendering system.

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

Stakeholders:

The program's direct beneficiaries will be: (i) Procurement and audit officers as well as the employees of the Jamaican Public Sector, who will benefit from more integrated, streamlined, and transparent procurement and audit processes and spend less time on paperwork and more time supporting their organization's strategic objectives; (ii) the Ministry of Finance and Planning which will benefit from enhanced capacity to manage and control procurement (iii) the Parliament, which will benefit from an improved capacity for the oversight of public resources. The ultimate beneficiaries will be the citizens, who will benefit from more transparent and efficient government processes, and the government as a whole, which will benefit from efficiency gains and savings.

Implementation:

The Public Sector Modernisation Division (PSMD) of the Office of the Cabinet will be the Executing Agency. The PSMD will be responsible for the overall administration of the Program, including planning, budgeting, implementation, and monitoring. The implementation period will start on the last signature date of the Contribution Agreement, for a period of 5 years. The Executing Agency will establish a Program Coordination Unit (PCU) for the overall Public Sector Efficiency Program. The PCU will coordinate and monitor the execution of the Program, 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. Specific responsibilities of PCU 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 procurement plan, 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; vii) hiring of the evaluation specialist; and viii) serving as a liaison for the Program implementation with the Inter-American Development Bank.

Monitoring and Reporting:

The IDB will provide annual and final reporting to the European Commission, in compliance with the provisions of Article 2 of Annex II of the EC-IDB Framework Agreement. Reporting will be prepared on the basis of detailed input provided by the Public Sector Modernisation Division of the Office of the Cabinet.

The Government of Jamaica and the IDB will hold semi-annual meetings in order to review the progress achieved in implementing the Program. For these meetings, the Government 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 Procurement Plan, the Logical Framework and the Annual Operating Plan. The Executing Agency 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.

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.

1.1.2. Duration and indicative action plan for implementing the action

The duration of the action will be 60 months.

INDICATIVE OPERATIONAL TIMETABLE

Control Systems and Accountability	Year 1				Year 2				Year 3				Year 4				Year 5			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3.1 - Strengthening the AGD's capacity for Performance Audit and Information Technology Audit																				
In-country training for auditors - Performance Audits		X	X																	
Up-grade IT equipment		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
In-country training for auditors - IT Audits					X	X														
Overseas attachments for auditors		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Draft of ITA Manuals, including the mechanism for keeping it updated, and training to users of the Manual					X	X														
Increase interrogation software capacity and use for ITA		X	X	X																
3.2 - Strengthening the Internal Audit System capacity																				
Implementation of Professional Development framework for 240 IAU, following new structure to be defined by Cabinet's Office by Year 1 of the program			X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Introduction of new electronic Internal Audit working paper tool				X	X	X	X													
Update and disseminate the IA Manual (to include an electronic working paper file component)					X	X														
Performance Audit training program, to be incorporated into a MIND curriculum for IAU employees from MDAs					X	X														
3.3 - Procurement process efficiency improved																				
Draft of new Procurement Manual and up-date of attached bidding documents			X	X	X	X	X	X												
Training program, in co-operation with MIND, for procurement employees involved in the whole process (both top Management and technical level)				X	X	X	X													
Communication and awareness of new Procurement Law and Manual among Government and Contractors		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Certification of senior procurement specialist at Procurement Entities					X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Equipment and training for running of e-tendering software for procurement by bidding process method		X	X	X	X	X														
3.4 - Enhancing Parliament's oversight role																				
Assessment of the operation of the Parliament's committees and design of a Management Accountability Framework (MAF) to enable the Members of each House to efficiently execute their Parliamentary responsibilities and duties		X	X	X																
Design and implementation of a Technical Office to enhance PAAC and PAC analytical and reporting capacity on budget process and audit reports.		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Training for the House of Parliament members and technical staff on innovative control and oversight practices such as performance audits		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	

1.1.3. Sustainability of the action

It is expected that the reforms introduced by the action will generate efficiency gains and savings freeing up public resources. Part of these resources can be reallocated to fund the proper maintenance and operation of the systems implemented by the action.

Annexes

Project Results Matrix

Logical Framework

PROJECT RESULTS MATRIX

Output	Cost (EUR)	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Target 2018	Sources/Means of Verification
Strengthening the AGD's Capacity											
Auditors trained - in country - for developing/up-dating PA knowledge and skills	201,880	#	20	2013	45		45			110	AGD
Auditors trained – in country and overseas –for developing/updating ITA knowledge and skills	124,060	#	3	2013	45		45			93	AGD
ITA manual drafted and disseminated	45,865	#	0	2013		1				1	AGD
Auditors trained overseas completed	72,180	#	0		3	3	3	3		12	AGD
Additional licenses for interrogation software installed	56,541	#	8	2013	12					20	AGD
Strengthening the IAS capacity											
Professional Development framework for Internal Audit Units (IAU) completed	78,947	#	0	2013	1					1	IAD/MOFP
Automated internal audit system in operation	605,564	% of IAU	0	2013		50%	50%			100%	IAD/MOFP
Internal Audit Manual updated	13,084	Manual	0	2013		1				1	IAD/MOFP
IA employees trained	114,586	# of Internal Auditors	0	2013		120	120			240	IAD/MOFP
Improving Transparency and value for money of public procurement											
Procurement Manual published, including updated bidding documents	60,150	#	0	2013		1				1	Public Expenditure Policy Coordination Division/MoFP
Procurement employees trained under new curricula (MIND) (cumulative)	338,346	#	0	2013		300	300	300	300	1200	Public Expenditure Policy Coordination Division/MoFP
Sensitisation and awareness campaign implemented	60,150	#	0	2013		1	1			2	Public Expenditure Policy Coordination

PROJECT RESULTS MATRIX

Output	Cost (EUR)	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Target 2018	Division/MoFP Sources/Means of Verification
Procurement employees certified (cumulative)	488,722	#	0	2013		50	50	50	50	200	Public Expenditure Policy Coordination Division/MoFP
E-tendering software at MoFP in operation	1,624,060	#	0	2013			1			1	Public Expenditure Policy Coordination Division/MoFP
Enhancing Parliament's Oversight Role											
Management Accountability Framework Designed	112,782	#	0	2013		1				1	Clerk of the Houses of Parliament
Technical Office established and functioning	396,993	#	0	2013		1				1	Clerk of the Houses of Parliament
Training for PAC and PAAC Members delivered	60,150	#	0	2013		1	1	1	1	4	Clerk of the Houses of Parliament
Total cost of outputs	4,454,060										
Programme Administration	250,000										
Contingencies	295,940										
Total estimated cost of the Programme	5,000,000										

NB. Indicative Exchange Rate: US\$/€: 1.33/1

LOGICAL FRAMEWORK

PROJECT DESCRIPTION	INDICATORS	SOURCE OF VERIFICATION	ASSUMPTIONS
OVERALL DESCRIPTION - The overall objective of the reforms to be supported is to achieve more efficient public financial management in Jamaica.	Fiscal deficit (goal: virtually eliminate it)	Reports from the PFM Oversight Committee, PFM reform Secretariat and the IMF	Vulnerability & Exogenous Shocks: Exogenous shocks continue to hamper economic growth and stability Mitigation: Budgetary buffers are being considered as part of the IMF extended fund facility programme.
PURPOSE - To contribute to the GOJ's PFM-RAP ¹⁵ objectives on modernization of procurement process and improvement of the budget control and oversight.	Ratio of wages/GDP for the central government (goal: of no more than 9 % of GDP): Central Government Wage bill as a percentage of Gross Domestic Product Central Government Wage Bill as a percentage of non-debt expenditure	Reports from the PFM Oversight Committee, PFM reform Secretariat, the IMF, and next PEFA	Political commitment with the PFM RAP. Mitigation: The Memorandum of Economic and Financial Policies agreed with the IMF in April 2013 and the associated 48-month arrangement under the Extended Fund Facility will safeguard the implementation of an economic reform programme.
RESULT 1 – AGD's capacity for performance (PA) and information technology (ITA) audits strengthened	Number of Information Systems Audit Reports produced	Reports from the PFM Oversight Committee, PFM reform Secretariat, the IDB's Progress Monitoring report System and supervision mission.	Resistance to use modern audit techniques. Mitigation: The program will provide training to all key stakeholders on PA; and build knowledge and capacity for ITA in a core group of auditors for the cross-cutting task of auditing e-financial statements and e-management targets.
RESULT 2 - Parliament's oversight role of the budgetary processes and audit reports improved	PEFA PI -27. Legislative scrutiny of the annual budget law	Reports from the PFM Oversight	Increased number of audit reports and new specialized audit reports

¹⁵ See GOJ's new PFM-RAP, prepared with the support of the IMF Regional Technical Assistance Centre CARTAC.

		<p>Committee, PFM reform Secretariat, the IDB's Progress Monitoring report System and supervision mission, and next PEFA</p>	<p>submitted by the Auditor General's Department (i.e. Performance Audit) overcome the current PAC's capacity.</p> <p>The Fiscal Responsibility Framework adopted by the GOJ demand from members of parliaments a deeper understanding of macro-fiscal management, public finances and fiscal responsibility, particularly with respect to optimizing spending choices and effectiveness</p> <p>GoJ's commitment under the Memorandum of Agreement with the IMF requires a closer and more permanent follow up of the accounts to reach fiscal and debt goals. This heavier burden on the Parliament's role might be hampered by the lack of technical capacity to carry/out permanent analysis, recommendation and research.</p> <p>Mitigation: This program will enhance the PAC and PAAC capacity with a specialized, highly qualified, technical unit and research capacity.</p>
<p>RESULT 3 – Transparency and Value for Money (VfM) of public procurement improved</p>	<p>PEFA PI- 19. Competition, VfM and controls in procurement.</p>	<p>Reports from the PFM Oversight Committee, PFM reform Secretariat, the IDB's Progress Monitoring report System and supervision mission, and next PEFA</p>	<p>Political Interference in the Procurement Process</p> <p>Mitigation: Establishment of an Independent Single Anti-corruption Agency which will include the Contractor General Functions will minimise this occurrence. The JSAT will support the establishment of the</p>

<p>RESULT 4 – Internal Audit System’s (IAS)¹⁶ capacity, especially for payroll and procurement audits, strengthened</p>	<p>PEFA PI-21. Effectiveness of internal audit</p>	<p>Reports from the PFM Oversight Committee, PFM reform Secretariat, the IDB’s Progress Monitoring report System and supervision mission, and next PEFA</p>	<p>Agency.</p> <p>(a) Internal Audit: non-alignment of Internal Audit processes and activities with the External Audit Processes.</p> <p>Mitigation: Under this program, training and IT Equipment will be provided to the Internal Audit Directorate to ensure complementarity with the Auditor General's Department.</p> <p>(b) Internal audit: Capacity of Internal Audit Service (IAS) is too weak to deliver on planned reforms.</p> <p>Mitigation: The engagement of a long-term audit trainer experienced in curriculum development will build capacity within the IAS.</p>
<p>ACTIVITIES</p>	<p>MEANS</p>	<p>INDICATIVE COST</p>	<p>ASSUMPTIONS</p>
<p>EXTERNAL AUDIT</p> <p>In-country training and overseas attachments on Information technology Auditing (ITA) for external auditors</p> <p>In-country training on Performance Auditing (PA) for external auditors</p> <p>Use of computer assisted audit techniques (CAAT) for external</p>	<p>International consultancies Internships abroad (Air travel tickets and Per Diem) IT equipment (hardware and software)</p>	<p>EUR 500,526</p>	<p>UK National Audit Office (NAO) could continue current “coaching” modality as training for improving external audit.</p> <p>The Auditor’s General Department will continue using one of the two interrogation software’s currently available.</p>

¹⁶ It includes the Internal Audit Directorate at the Ministry of Finance and the Internal Audit Units of Ministries and Departments.

audits			
<p>INTERNAL AUDIT</p> <p>2.1 Development of a Professional Development framework for the 240 Internal Audit Units, following new structure to be defined by Cabinet's Office by 2014/2015</p> <p>2.2 In-country training on Performance Audit for internal auditors</p> <p>2.3 Use of CAAT for internal audits (automation of internal audit process in all MDAs)</p> <p>2.4 Draft of a new Internal Audit Manual</p>	<p>International consultancies National consultancies IT equipment (hardware and software) Printing</p>	EUR 812,181	<p>Training on PA will be jointly offered for external and internal auditors, and Parliament's technical staff and MPs.</p>
<p>PUBLIC PROCUREMENT</p> <p>3.1 Training and certification courses for procurement staff</p> <p>3.2 Draft of a new Procurement Handbook following enactment of the Procurement Law</p> <p>3.3 Implementation of e-tendering system</p> <p>3.4 Communicate and raise awareness of new Procurement Law and new e-tendering system</p> <p>3.5 Implement a new contractor registration system</p>	<p>International consultancies National consultancies IT equipment (Hardware and Software) Printing Tutorial DVD Communication campaign</p>	EUR 2,571,428	<p>Bidding process for e-tendering solutions progresses as expected. Parliament passes new Procurement Legislation in 2014.</p> <p>New Contractor Registry will be a module of the new e-tendering system as module to be shared by both the Procurement Unit at the Ministry of Finance and the PAAC at the House of Parliament.</p>

<p>PARLIAMENTARY OVERSIGHT</p> <p>4.1 Assessment of the operation of the Parliament's committees and the design of a Management Accountability Framework (MAF) to enable the Members of each House to efficiently execute their Parliamentary responsibilities and duties.</p> <p>4.2 Design and establishment of a Technical Office for fiscal and budget analysis.</p> <p>4.3 Training for the Technical Secretariat's staff and Members of Parliament on PA.</p>	<p>International consultancies National consultancies IT equipment (Hardware and Software) Staff for a 3.5 years</p>	<p>EUR 569,925</p>	<p>The project will finance highly qualified technical staff (3 have been estimated) for the Technical Secretariat, over a 3.5 year period, on roll-out basis for gradual absorption by the Parliaments' budget.</p>
<p>OTHERS</p> <p>Contingencies</p> <p>IDB administration of EU Funds</p>		<p>EUR 545,940 (295,940) (250,000)</p>	<p>EU total contribution: EUR 5.0 million</p> <p>IDB Admin fee: 5% of total EU contribution representing EUR 250,000.</p> <p>Overall project implementation costs, including auditing and monitoring & evaluation, will be financed by IDB loan JA-L1046. Public Sector Efficiency Program.</p>

ANNEX II

General Conditions applicable to European Union contribution agreements with international organisations

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GENERAL AND ADMINISTRATIVE PROVISIONS

Article 1 - GENERAL OBLIGATIONS

- 1.1 The Organisation shall ensure that the Action is carried out in accordance with the Description of the Action contained in Annex 1 and is responsible for achieving the objectives set out therein. The Organisation shall report on the indicators of achievement specified in the Description of the Action.
- 1.2 The Organisation shall implement the Action with the requisite degree of care, efficiency, transparency and diligence, as required by best practice in the field concerned, and in compliance with this Agreement.

The Organisation shall make every effort to mobilise all the financial, human and material resources required for full implementation of the Action, as specified in the Description of the Action.

- 1.3 The Organisation may act either alone or in partnership with one or more organisations mentioned in the Description of the Action (implementing partners or partners). Partners shall actually participate in implementing the Action, and the costs they incur shall then be eligible under the same conditions as those incurred by the Organisation.

It may also contract parts of the Action, in accordance with the provisions of article 10 hereof.

Where the EU contribution has been awarded to the Organisation in the form of a grant following a call for proposals or a direct award, and therefore not as a Joint Management Action, and in particular where the implementation of the Action requires financial support to be given to third parties, the Organisation may only award grants to third parties ("sub-grants") as provided for in the Special Conditions, and only in order to support the achievement of the objectives of the Action. The Description of the Action shall include a list and description of the types of activity which may be eligible for sub-grants, together with the criteria for the selection of the beneficiaries of these sub-grants. The Description of the Action shall also establish the total amount which may be used for awarding sub-grants as well as the criteria for fixing the exact amount per sub-grant. The maximum amount of a sub-grant shall be limited to EUR 60 000 per third party, except in cases where the financial support in the form of grants and sub-grants is the primary aim of the action and it is not funded by the European Development Fund. The sub-grants awarded by the Organisation are subject to the nationality and eligibility rules for selection provided for in Article 10.3.

Where the Action is not a Joint Management Action, the bulk of the Action shall be undertaken by the Organisation, and where applicable, its partners.

The Organisation shall remain fully responsible for the co-ordination and execution of all contracted activities.

- 1.4 The Organisation undertakes to ensure that the conditions imposed upon it under Articles 1, 3, 4, 5, 6, 7, 10, 14, 16 and 17 shall also apply to all partners and, where applicable, contractors involved.

- 1.5 The Organisation shall take appropriate measures to prevent irregularities, fraud, corruption or any other illegal activity in the management of the Action. All suspected and actual cases of irregularity, fraud and corruption related to this Agreement as well as measures related thereto taken by the Organisation shall be reported to the Contracting Authority without delay.

Where appropriate the Organisation shall terminate contracts with partners, contractors or agents involved in fraudulent behaviour or corrupt practices in connection with this or any other actions implemented by the Organisation and financed by the European Union, and shall take all reasonable measures to recover funds unduly paid.

- 1.6 Without prejudice to Articles 1.3 and 10, the Agreement and the payments attached to it shall not be assigned to a third party in any manner whatsoever without the prior written consent of the Contracting Authority.
- 1.7 The provisions regarding "Joint Management Actions" in these General Conditions may be applied if provided for in the Special Conditions and where at least one of the following conditions is met:
- the performance of the Action requires the pooling of resources from a number of donors, and it is not reasonably possible or appropriate to assign the share contributed by each donor to each type of expenditure (hereinafter, "Multi-donor Actions"), or
 - the European Commission and the Organisation are bound by a long-term framework agreement laying down the administrative and financial arrangements for their cooperation; or
 - the European Commission and the Organisation have jointly assessed the feasibility and defined the terms for implementation of the Action.
- 1.8 Where the European Commission is not the Contracting Authority, it shall not be a party to this Agreement, which shall only confer on it rights and obligations where explicitly stated. It will nevertheless endorse the Agreement to ensure that the Contracting Authority's contribution is actually paid by the EU budget, and the provisions on visibility in this Agreement will apply accordingly.

Article 2 - OBLIGATIONS REGARDING INFORMATION AND FINANCIAL AND NARRATIVE REPORTS

- 2.1 The Organisation shall provide the Contracting Authority with full information on the implementation of the Action. To that end, the Organisation shall provide before signature of this Agreement a work plan for the first period of implementation specified in the Description of the Action. The Organisation shall also draw up progress reports and a final report. These reports shall consist of a narrative part and a financial part. Reporting, narrative as well as financial, shall cover the whole of the Action, regardless of whether this Action is wholly financed or co-financed by the Contracting Authority.
- 2.2 The Contracting Authority may request additional information at any time, providing the reasons for the request. Such information shall be supplied within 30 days of the request.

- 2.3 The Organisation shall send progress reports to the Contracting Authority in accordance with the provisions below. Every report shall provide a complete account of all aspects of implementation for the period covered.

The report shall be laid out in such a way as to allow comparison of the objective(s), the means envisaged or employed (in particular separate information on the amounts subject to legal commitment and on costs incurred by the Organisation, and where applicable, its partners), the results expected and obtained and the budget details for the Action. The level of detail in any report should match that of the Description of the Action and of the Budget for the Action.

- 2.4 The narrative report shall directly relate to this Agreement and shall at least include:

- Summary and context of the Action;
- Activities carried out during the reporting period (i.e. directly related to the Action and activities described in this Agreement);
- Difficulties encountered and measures taken to overcome problems;
- Changes introduced in implementation;
- Achievements and results measured in accordance with the performance indicators prescribed in this Agreement;
- Work plan for the following period including objectives and performance indicators of achievement. If the report cannot be sent before the end date fixed for the period covered by the preceding work plan, a new work plan, albeit provisional, shall be provided before such date.

- 2.5 The final report shall contain the above information on the activities and results of the Action (except for a work plan mentioned in the last indent, without purpose at the end of the Action) covering the whole Implementation Period, information on the measures taken to identify the European Union as the source of financing, and details on the transfers of assets provided for in Article 7.3 if relevant, plus a full summary of the Action's income, contributions received and cost incurred.

- 2.6 The reports shall be presented in the same language as this Agreement. They shall be submitted at the following intervals:

if payments follow option 1 in Article 15.1:

- a progress report shall be forwarded to the Contracting Authority at the end of every 12-month period, where the Implementation Period of this Agreement is longer;
- a final report shall be forwarded to the Contracting Authority within six months of the end of the Implementation Period of this Agreement as defined in Article 2 of the Special Conditions;

if payments follow option 2 in Article 15.1:

- a progress report shall accompany every request for pre-financing or interim payments;

- the final report shall be forwarded to the Contracting Authority within six months of the end of the Implementation Period of this Agreement as defined in Article 2 of the Special Conditions.
- 2.7 Reports shall be submitted in Euro and in the holding currency used by the Organisation, and may be drawn from financial statements denominated in other currencies as per the Organisation's legislative requirements. In such case and for the purpose of reporting, conversion into Euro shall be made using the rate of exchange at which the Contracting Authority's contribution was recorded in the Organisation's accounts (weighted average), unless otherwise specified in article 4(3) of the Special Conditions.
- 2.8 Any additional reporting requirement shall be set out in the Special Conditions.
- 2.9 If the Organisation fails to supply a final report by the final report deadline laid down in Article 2.6, and fails to furnish an acceptable written explanation of the reasons why it is unable to comply with this obligation, the Contracting Authority may refuse to pay any outstanding amount and recover any amounts unduly paid.

Furthermore, where the Organisation fails to present a progress report and where relevant a request for payment by the end of each 12-month period following the date laid down in Article 2(2) of the Special Conditions, the Organisation shall inform the Contracting Authority of the reasons why it is unable to do so, and shall provide a summary of the state of progress of the Action. If the Organisation fails to comply with this obligation, the Contracting Authority may terminate the Agreement in accordance with the first indent of Article 12.2, refuse to pay any outstanding amount and recover any amounts unduly paid.

- 2.10 In addition to the above mentioned reports, the Organisation will ensure that progress and situation reports, publications, press releases and updates, relevant to this Agreement, are communicated to the Contracting Authority as and when they are issued.

The Organisation and the Contracting Authority will further endeavour to promote close collaboration and exchange of information on the Action. The Organisation will invite the European Commission to join any donor committee which may be set up in connection with Multi-Donor Actions.

- 2.11 In any event the Organisation shall inform the Contracting Authority without delay of any circumstances likely to hamper or delay the implementation of the Action.

Article 3 - LIABILITY

- 3.1 The Organisation shall have sole responsibility for complying with all legal obligations incumbent on it.
- 3.2 The Contracting Authority may not under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the Organisation while the Action is being carried out, or as a consequence of the Action. Therefore, the Contracting Authority may not accept any claim for compensation or increases in payment in connection with such damage or injury.

- 3.3 Subject to the rules governing the Organisation's privileges and immunities, the Organisation shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them in respect of or arising out of the Action. The Organisation shall discharge the Contracting Authority of all liability associated with any claim or action brought as a result of an infringement by the Organisation or the Organisation's employees or individuals for whom those employees are responsible of rules or regulations, or as a result of violation of a third party's rights.

Article 4 - CONFLICT OF INTERESTS

The Organisation shall take all necessary precautions to avoid conflicts of interests and shall inform the Contracting Authority without delay of any situation constituting or likely to lead to any such conflict.

There is a conflict of interests where the impartial and objective exercise of the functions of any person implementing this Agreement is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another party such as a contractor or grant beneficiary, or the final recipients of funds.

Article 5 - CONFIDENTIALITY

Subject to Article 16, the Contracting Authority and the Organisation shall preserve the confidentiality of any document, information or other material directly related to this Agreement and duly classified as confidential, until at least five years after the end date as specified in Article 12.5. Where the European Commission is not the Contracting Authority, it shall still have access to all documents communicated to the Contracting Authority, and will maintain the same confidentiality.

Article 6 - VISIBILITY AND TRANSPARENCY

- 6.1 Unless the European Commission requests or agrees otherwise, the Organisation shall take all appropriate measures to publicise the fact that the Action has received funding from the European Union. Information given to the press, the beneficiaries of the Action, all related publicity material, official notices, reports and publications, shall acknowledge that the Action was carried out "with funding by the European Union" and shall display in an appropriate way the European logo (twelve yellow stars on a blue background). Such measures will be carried out in accordance with the Communication and Visibility Manual for EU External Actions laid down and published by the European Commission, or any other guidelines agreed between the European Commission and the Organisation.

It is understood that the Organisation's equipment and vehicles may routinely carry its emblem and other indications of ownership prominently displayed. In cases where equipment or vehicles and major supplies have been purchased using funds provided by the European Union, the Organisation shall display appropriate acknowledgement on such vehicles, equipment and major supplies (including display of the European logo). Where such display could jeopardise the Organisation's privileges and immunities or the safety and security of the Organisation's staff, the Organisation shall propose appropriate alternative arrangements.

- 6.2 The size and prominence of the acknowledgement and European Union logo shall be clearly visible in a manner that does not create any confusion regarding the identification of the Action as an Activity of the Organisation, the ownership of the equipment and supplies by the Organisation, and the application to the Action of the Organisation's privileges and immunities.
- 6.3 All publications by the Organisation pertaining to the Action, in whatever form and whatever medium, including the internet, shall carry the following or a similar disclaimer: "This document has been produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union."
- 6.4 If the equipment bought with a European Union contribution is not transferred to local partners of the Organisation or the final recipient of the Action at the latest when submitting the final report, the visibility requirements as regards this equipment (in particular display of the European logo) shall continue to apply between submission of the final report and the end of the overall project, programme or action of the Organisation, if the latter is longer.
- 6.5 Publicity pertaining to European Union contributions shall quote these contributions in Euro (€ or EUR), in parenthesis if necessary. The Organisation's publications and reports prepared in response to, and in accordance with, its legislative directives are excluded from this provision.
- 6.6 The Organisation accepts that the Contracting Authority and the European Commission (where it is not the Contracting Authority) publish in any form and medium, including on their websites the name and address of the Organisation, the purpose of the contribution as well as the amount contributed and if relevant the percentage of co-financing.

Upon a duly substantiated request by the Organisation, the European Commission may agree to forego such publicity if disclosure of the above information would risk threatening the Organisation's safety or harming its interests.

- 6.7 With due regard to the applicable rules on confidentiality, security and protection of personal data, the Organisation shall publish, on an annual basis, on its website, the following information on grant and procurement contracts exceeding EUR 15.000 financed by the Contracting Authority: title of the contract/project, nature and purpose of the contract/project, name and locality of the contractor or grant beneficiary and amount of the contract/project. The term "locality" shall mean the address for legal persons and the Region on NUTS¹ 2 level, or equivalent, for natural persons.
- 6.8 The Organisation shall provide to the Contracting Authority the address of the website where this information can be found and shall authorise the publication of such address in the Contracting Authority's internet site.

The Organisation ensures that the obligation to publish this information shall be also applied by its implementing partners as described in Annex I of this Agreement, with

¹ Nomenclature of Territorial Units for Statistics, available at:
<http://ec.europa.eu/eurostat/ramon>

regard to their own grant and procurement contracts financed by the Contracting Authority.

Article 7 - OWNERSHIP/USE OF RESULTS AND EQUIPMENT

- 7.1 Ownership, title and industrial and intellectual property rights in the results of the Action and the reports and other documents relating to it shall vest in the Organisation, as the case may be together with third parties or as may otherwise be agreed by the Organisation.
- 7.2 Notwithstanding the provisions of the first paragraph and subject to Article 5, the Organisation shall grant the Contracting Authority (and the European Commission where it is not the Contracting Authority) the right to use free of charge and as it sees fit all documents deriving from the Action, whatever their form, provided it does not thereby breach existing industrial and intellectual property rights.
- 7.3 Unless otherwise specified in the Special Conditions, the equipment, vehicles and supplies paid for by the Contracting Authority's funding shall be transferred to local authorities or local partners (excluding commercial contractors) of the Organisation or to the final recipients of the Action at the latest when submitting the final report. The documentary proof of those transfers shall be kept for verification along with the documents mentioned in Article 16.3.

By way of derogation from the preceding paragraph, the equipment, vehicle and supplies purchased in the framework of multi-donor actions which continue after the end of the Implementation Period of this Agreement, may be transferred to these local authorities, partners or final recipients at the end of the project, programme or action of the Organisation. The Organisation pledges to use the assets to the benefit of those benefiting from the present Action. The Organisation shall inform the Contracting Authority on the end use of the assets in the final report.

In the event that there are no local authorities or partners to whom the equipment, vehicles and supplies could be transferred, the Organisation may transfer the assets to another action funded by the European Union or Contracting Authority or, exceptionally, retain ownership of the equipment, vehicles and supplies at the end of the Action. In such cases, it should submit a justified written request with an inventory listing the items concerned and a proposal concerning their use in due time and at the latest with the submission of the final report. In no event may the end use jeopardize the sustainability of the Action or result in a profit for the Organisation.

Article 8 - EVALUATION OF THE ACTION

- 8.1 Representatives of the European Commission shall be invited to participate in the main monitoring and in the evaluation missions relating to the performance of the Action. The results of such missions shall be reported to the European Commission.
- 8.2 Article 8.1 is without prejudice to any evaluation mission which the European Commission as a donor may wish to perform. Evaluation missions by representatives of the European Commission should be planned and completed in a collaborative manner between the Organisation's staff and the European Commission's representatives, keeping in mind the commitment of the Parties to the effective and efficient operation of this Agreement. These missions are to be planned ahead and procedural matters are to

be agreed upon by the European Commission and the Organisation in advance. The mission will offer to make a draft of its report available to the Organisation for comments prior to final issuance.

Article 9 - AMENDMENT OF THE AGREEMENT

- 9.1 Any modification to the Agreement, including the annexes thereto, shall be set out in writing in an amendment. This Agreement can only be modified during the execution period set out in Article 2(4) of the Special Conditions.

If the request for an amendment comes from the Organisation, the latter shall submit that request to the Contracting Authority one month before the amendment is intended to enter into force, and in any case no later than one month before the end of the execution period, unless there are special circumstances duly substantiated by the Organisation and accepted by the Contracting Authority.

- 9.2 Where a modification to the Description of the Action and/or the Budget does not affect the basic purpose of the Action and the financial impact is limited to a transfer within a single budget heading, including cancellation or introduction of an item, or a transfer between budget headings involving a variation (as the case may be in cumulative terms) of 15 % or less of the amount originally entered (or as modified by a formal amendment) in relation to each concerned heading for eligible costs, the Organisation may amend the Budget and shall inform the Contracting Authority accordingly in writing. This method shall not be used to amend headings for administrative costs or the contingency reserve.

Changes of address and changes of bank account may simply be notified in writing to the Contracting Authority. Changes of bank account must be specified in the request for payment, using the financial identification form attached as Annex IV.

- 9.3 An amendment shall not have the purpose or the effect of making changes that would call into question the award decision. In cases the Agreement follows a call for proposals the amendment may not be contrary to the equal treatment of applicants or increase the maximum amount referred to in Article 3.2 of the Special Conditions.

Article 10 - CONTRACTING

- 10.1 If parts of the Action are contracted, the contracting arrangements, including in particular the principles for the award of procurement and grants, shall be as specified in the Description of the Action. If they are not specified therein, the Organisation will present them to the Contracting Authority as soon as they are available. The Organisation will also inform the Contracting Authority, with as much prior notice as possible, of changes in these arrangements. The Organisation will provide detailed information on contracting arrangements in the final report.
- 10.2 Unless otherwise agreed by the Parties in writing, the procurement of any goods, works or services and the award of grants by the Organisation and its partners in the context of the Action shall be carried out in accordance with the applicable rules and procedures adopted by the Organisation.

This is based on the understanding that the Organisation's rules and procedures conform to internationally accepted standards, in compliance with the principles of transparency,

proportionality, sound financial management, equal treatment and non discrimination, care being taken to avoid any conflict of interests.

Without prejudice to the specific procedures and exceptions applied by the Organisation, the award by the Organisation of grants financed by the Contracting Authority's contribution shall comply with the following principles:

- grants shall not be cumulative, awarded retrospectively or have the purpose or effect of producing a profit for the grant beneficiary;
- grants must involve co-financing from other donors, save in cases of humanitarian and crisis situation, the protection of health and fundamental rights of people, where the grant beneficiaries are third countries or other international organisations and where it is in the interest of the European Union to be the sole donor.

10.3 Unless otherwise provided for in the Special Conditions, the origin of the goods and the nationality of the organisations, companies and experts selected for carrying out activities in the Action shall be determined in accordance with the Organisation's relevant rules. However, and in any event goods, organisations, companies and experts eligible under the applicable regulatory provisions of the European Union shall be eligible.

10.4 The Organisation shall adopt reasonable measures, in accordance with its own procedures, to ensure that potential candidates or tenderers and grant beneficiaries shall be excluded from the participation in a procurement or award procedure financed by the Contracting Authority's contribution, if :

- a. they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b. they or persons having powers of representation, decision making or control over them have been convicted of an offence concerning their professional conduct by a judgement of a competent authority of a Member State which has the force of res judicata;
- c. they or persons having powers of representation, decision making or control over them have been the subject of a judgement which has the force of res judicata for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity detrimental to the EU's financial interests;
- d. they are guilty of misrepresentation in supplying the information required as a condition of participation in the procedure or if they fail to supply this information.
- e. they are subject to a conflict of interests.

The Organisation shall inform the European Commission when a candidate or tenderer is in one of the situations under point (c) or when a contractor financed from the present contribution has been found guilty of making false declarations or committing substantial errors, irregularities and fraud.

Without prejudice to the power of the European Commission or of the Contracting Authority to exclude an entity from future contracts and grants financed by the EU, financial penalties may be imposed to contractors by the Organisation according to its own rules and procedures.

- 10.5 In the event of failure to comply with the above provisions the relevant costs may be declared ineligible for funding by the Contracting Authority or by the European Commission, at the latest before acceptance of the Final Report.

Article 11 - IMPLEMENTATION PERIOD OF THE AGREEMENT, SUSPENSION, FORCE MAJEURE

- 11.1 Irrespective of the starting date and implementation period of the project, programme or action of the Organisation, the Implementation Period of this Agreement shall be as set out in Article 2 of the Special Conditions.
- 11.2 The individual contracts implementing the Action under this Agreement shall be concluded as specified in Article 2.5 of the Special Conditions. This contracting deadline also applies to all the individual contracts signed by the Implementing partner(s). After this contracting deadline and up to submission of Final Report, only contracts concerning final audits, evaluation, closure activities and individual contracts concluded after early termination of an existing contract may be concluded. The deadline for conclusion of individual contracts implementing the Action under the Agreement set out in Article 2.5 of the Special Conditions cannot be extended.
- 11.3 The Organisation may suspend without delay implementation of all or part of the Action if circumstances so require, in particular in case of *force majeure*, and informs the Contracting Authority immediately providing all the necessary details. This Agreement may be terminated in accordance with Article 12.1. If the Agreement is not terminated, the Organisation shall endeavour to minimise the duration of the suspension and may resume implementation of the Action once the conditions allow, and shall inform the Contracting Authority accordingly.
- 11.4 The Contracting Authority may request the Organisation to suspend implementation of all or part of the Action if circumstances so require in particular in cases of *force majeure* and in cases such as crisis entailing a change of policy. This Agreement may then be subsequently terminated in accordance with Article 12.1. If the Agreement is not terminated, the Organisation and the Contracting Authority shall endeavour to minimise the duration of the suspension and shall resume implementation of the Action once the conditions allow, with the prior written approval of the Contracting Authority.
- 11.5 The Implementation Period of this Agreement is automatically extended by an amount of time equivalent to the duration of the suspension. This is without prejudice to any amendments to the Agreement which may be necessary to adapt the Action to the new implementing conditions or to Article 12.1, or to a termination in accordance with Article 12.1.
- 11.6 *Force majeure* shall mean any unforeseeable exceptional situation or event beyond the Parties' control which prevents either of them from fulfilling any of their obligations under this Agreement, was not attributable to error or negligence on their part (or of their partners, contractors, agents or employees), and could not have been avoided by the exercise of due diligence. Defects in equipment or material or delays in making them

available, labour disputes, strikes or financial problems cannot be invoked as *force majeure* by the defaulting party. Neither of the Parties shall be held liable for breach of its obligations under the Agreement if it is prevented from fulfilling them by *force majeure*. Without prejudice to Articles 11.3 and 11.4 above, the Party invoking *force majeure* shall notify the other without delay, stating the nature, likely duration and foreseeable effect, and take any measure to minimise possible damage.

Article 12 - TERMINATION OF THE AGREEMENT

12.1 If, at any time, either Party believes that the purposes of this Agreement can no longer be effectively or appropriately carried out, it shall consult the other Party. Failing agreement on a solution, either Party may terminate this Agreement by serving two months' written notice. In this event, the Organisation shall be entitled to payment of the contribution only for the part of the Action carried out, and to reimbursement of commitments entered into by the Organisation for the implementation of the Action, which the Organisation cannot reasonably terminate on legal grounds. The part of the EU contribution unspent or not spent in accordance with this Agreement, shall be recovered by the Contracting Authority in accordance with Articles 17 and 18, after all liabilities incurred by the Organisation have been satisfied, including interest earned where applicable.

12.2 Where the Organisation:

- fails, without justification, to fulfil any of the obligations incumbent on it and, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within 30 days of sending of the letter;
- fails to comply with articles 1.5, 1.6 or 4;
- makes false or incomplete statements to obtain the contribution provided for in the Agreement or provides reports that do not reflect reality;
- commits financial irregularities or is guilty of grave professional misconduct;
- undergoes legal, financial, technical or organisational change that is liable to affect this Agreement substantially or to call the award decision into question;

the Contracting Authority will enter into discussions with the Organisation and, failing a proper solution within one month, may terminate this Agreement, after giving seven days' notice, and without paying compensation of any kind. In that event the Contracting Authority may demand full or partial repayment of any amounts unduly paid, after allowing the Organisation to submit its observations.

12.3 Prior to or instead of terminating the Agreement as provided for in Article 12.2, the Contracting Authority may suspend payments or the declaration of eligibility of expenses as a precautionary measure, informing the Organisation immediately.

12.4 This Agreement shall be automatically terminated if it has not given rise to a payment by the Contracting Authority (including pre-financing) within two years of its signature.

12.5 Unless this Agreement is terminated earlier pursuant to Article 12, the payment obligations of the European Union hereunder shall cease at the "end date", which shall

occur 18 months after the end of the Implementation Period as defined in Article 2 of the Special Conditions.

The Contracting Authority shall notify the Organisation of any postponement of the end date. The Contracting Authority shall postpone the end date, so as to be able to fulfil its payment obligations, in all cases where the Organisation has filed the payment request in accordance with contractual provisions or, in case of dispute, until completion of the dispute settlement procedure provided for in Article 13.

Article 13 - SETTLEMENT OF DISPUTES

- 13.1 The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or fulfilment of this Agreement, including its existence, validity or termination. In default of amicable settlement, any Party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of conclusion of this Agreement.
- 13.2 The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by either Party. The Arbitrator's decision shall be binding on all Parties and there shall be no appeal.
- 13.3 Nothing in this Agreement shall be interpreted as a waiver of any privileges or immunities accorded to any Party hereto by its constituent documents or international law.

FINANCIAL PROVISIONS

Article 14 - ELIGIBLE COSTS

- 14.1 To be considered eligible as direct costs under this Agreement, costs must:
 - be necessary for carrying out the Action, be provided for specifically in this Agreement and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;
 - have been actually incurred during the Implementation Period of this Agreement as defined in Article 2 of the Special Conditions, whatever the time of actual disbursement by the Organisation, in particular:
 - (i) Costs relating to services and works properly provided shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Consequently, cash transfers between the Organisation and its partners, signature of a contract, placing of an order, or entering into any commitment for future delivery of services, works or supplies undertaken before or after expiry of the implementation period do not meet this requirement.
 - (ii) Except for multi-donor actions, costs incurred should be paid before the submission of the final reports. They may be paid afterwards, provided they are listed in the final report together with the estimated date of payment.

(iii) An exception is made for costs relating to final reports, including expenditure verification, audit and final evaluation of the Action, which may be incurred after the implementation period of the Action.

(iv) Procedures to award contracts, as referred to in Article 10, may have been initiated and contracts may be concluded by the Organisation and its partners before the start of the implementation period of the Action.

- be recorded in the Organisation's or Organisation's partners' accounts, be identifiable, backed by effective supporting evidence (originals, as the case may be in electronic form), and verifiable pursuant to the provisions of Article 16.4.

14.2 Subject to the above and without prejudice to Article 10.5, the following direct costs of the Organisation or its implementing partners may in particular be eligible:

- the cost of staff assigned to the Action, corresponding to actual salaries plus social security charges and other remuneration-related costs (including in the form of provisions made in accordance with the Organisation accounting rules in case of Joint Management Action). Identifiable personnel costs at headquarters level arising as a direct consequence of the Action may be included. Salaries and costs shall not exceed those normally borne by the Organisation or partners;
- travel and subsistence costs for staff taking part in the Action, provided they do not exceed those normally borne by the Organisation or partners;
- purchase costs for equipment (new or used) which are attributable to the Action;
- purchase costs for goods and services (transport, storage and distributing, rent of equipment, etc.) which are directly attributable to the Action;
- costs directly arising out of, or related to, accepting or distributing contributions in kind;
- costs of consumables and supplies directly attributable to the Action;
- expenditure on contracting directly attributable to the Action;
- the proportion of field office costs that corresponds to the amount of activity directly attributable to the Action or to the proportion of funding by the Contracting Authority;
- costs deriving directly from the requirements of this Agreement (dissemination of information, evaluation specific to the Action, specific reporting for the needs of the Contracting Authority, translation, reproduction, insurance, targeted training for those involved in the Action, etc.) including financial service costs (in particular bank fees for transfers).
- taxes, duties and charges, including VAT, actually paid and that the Organisation cannot reclaim (or, where applicable, its partners), unless otherwise provided in the Special Conditions.

14.3 The following costs shall not be considered eligible:

- debts and debts service charges;
- provisions for losses or potential future liabilities;
- interest owed by the Organisation to any third party;
- items already financed from other sources;
- purchases of land or buildings;
- currency exchange losses.

- 14.4 Indirect costs are eligible provided that they do not include costs assigned to another heading of the budget of this Agreement.

Indirect costs may be charged on the value of in-kind commodities delivered by the Contracting Authority, including their associated costs.

A fixed percentage of direct eligible costs, not exceeding 7 %, may be claimed as indirect costs by the Organisation to cover the administrative overheads incurred for the Action. Funding in respect of indirect costs does not need to be supported by accounting documents.

Subject to the above, for comparable Actions and Actions where there is more than one donor the amount claimed as indirect costs shall not, in percentage terms, be higher or lower than for other comparable contributions.

Where the rates applied in accordance with the Organisation's governing bodies' decisions exceed 7%, the Organisation may recover the balance as direct eligible costs, subject to the provisions governing direct eligible costs referred to in this Article 14 being fulfilled.

Indirect costs shall not be eligible where the Agreement concerns the financing of an action where the Organisation is already receiving an operating grant from the European Union during the period in question.

- 14.5 Any contingency reserve included in the Budget of the Action, to cover any adjustment necessary in the light of changed circumstances on the ground, may not exceed 5% of eligible costs and shall only be used with the prior written (by letter) authorisation of the Contracting Authority, upon a duly justified request from the Organisation through an exchange of letters.
- 14.6 Contributions in kind made by the Organisation or its partners may be considered neither as co-financing nor as eligible costs. The cost of staff assigned to the Action is not a contribution in kind and may be considered as co-financing in the Budget for the Action when paid by the Organisation or its partners.

Article 15 - PAYMENTS

- 15.1 Payment procedures are set out in Article 4 of the Special Conditions and follow one of the two options below:

Option 1: When the implementation period of the Agreement does not exceed 12 months or the contribution is less than EUR 100 000

The Contracting Authority will provide a pre-financing from 80% up to 95% of the sum referred to in Article 3(2) of the Special Conditions less contingencies within 30 days of receiving the Agreement signed by both Parties.

The Contracting Authority will pay the balance within 90 days of receiving a request for payment accompanied by a final report. Approval of the report will be done within 45 days and in accordance with Article 15.2. The Contracting Authority will pay the balance within 45 days of approving the final report.

Option 2: When the implementation period of the Agreement exceeds 12 months and the contribution is of EUR 100 000 or more

The Contracting Authority will provide a pre-financing from 80% to 95% of that part of the budget for the first 12 months of the Action which is being financed by it (excluding contingencies) within 30 days of receiving the Agreement signed by both Parties.

Each further instalment will consist of (1) an interim payment that will cover the remainder of the Contracting Authority's part of the budget for the previous period (including any approved contingencies) and (2) a pre-financing from 80% to 95% of that part of the budget for the subsequent 12-month period (or of the remaining period if shorter as regards the last instalment of pre-financing) which is financed by it (excluding contingencies), provided that at least 70% of the immediately preceding instalment (and 100% of previous instalments if any) has been subject to a legal commitment between the organization or its partner and a third party as proven by the relevant report.

The instalments and final payment will be made by the Contracting Authority within 90 days of receiving a request for payment accompanied by a progress or final report. Approval of any report will be done within 45 days and in accordance with Article 15.2. The Contracting Authority will then pay within 45 days of approving the progress or final report.

- 15.2 Any report will be deemed approved 45 days after receipt, accompanied by a request for payment conforming to the model attached as Annex V, if the Contracting Authority has not reacted.

If the Contracting Authority does not intend to approve a report, as submitted, it shall revert to the Organisation with a request explaining the reason and specifying the additional information it requires within the first 45-day period. The deadline for approving the report shall be suspended pending the receipt of the requested information. If the Contracting Authority deems that a payment request cannot be met, it shall revert to the Organisation with a request explaining the reason and specifying the additional information it requires within the second 45-day period. The payment period shall be suspended pending the registration of a properly formulated payment request.

Reports shall be presented in accordance with Article 2.

Approval of a report does not imply recognition of the regularity, authenticity, completeness and correctness of the declarations and information contained therein.

- 15.3 On expiry of the payment period specified in Article 15.1, the Organisation, shall receive interest on late payment at the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of the Official Journal of the European Union on the first day of the month in which payment was due, increased by three and a half percentage points.

The interest shall be payable for the period elapsing from the day following expiry of the time limit for payment up to the day of payment. Any partial payment shall first cover the interest.

By way of exception, when the interest calculated in accordance with this provision is lower than or equal to EUR 200, it will be paid to the Organisation only upon demand submitted within two months of receiving late payment.

The interest shall not be treated as an income for the purposes of determining the final amount of European Union financing within the meaning of article 17. The suspension of payment by the Contracting Authority may not be considered as late payment.

- 15.4 The level of pre-financing referred to in Article 15.1 above shall be set at a level of between 80% and 95 % in 5% increments taking into account past record of the Organisation in particular as regards timely submission of the final report.
- 15.5 The Contracting Authority will make payments in Euro into the bank account referred to in the financial identification form in Annex IV. Where payment is to be made to a bank account which is already known to the Contracting Authority, the Organisation may provide a copy of the relevant financial identification form.
- 15.6 Where feasible, the funds paid by the Contracting Authority shall be maintained in Euro denominated bank accounts. They may be pooled together with contributions from other donors. They may be exchanged for other currencies in order to facilitate their disbursement.
- 15.7 Where according to the Special Conditions interest earned by the Organisation on funds received from the Contracting Authority is due, it shall be deducted from the payment of the balance, re-used for the Action or recovered by the Contracting Authority. In that case, interest shall be identified as such and reflected in reports to the Contracting Authority.

Article 16 - ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS

- 16.1 The Organisation shall keep accurate and regular records and accounts of the implementation of the Action. Separate accounts or sub-accounts shall be kept for each Action, and shall detail all income generated by the Action, donor contributions and expenditure.

The accounting regulations and rules of the Organisation shall apply, provided that these regulations and rules conform to internationally accepted standards.

- 16.2 Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of the Organisation. A copy of the audited financial statements shall be submitted to the European Commission by the Organisation.

- 16.3 The Organisation shall, until at least five years after the end date as specified in article 12.5:
- keep financial accounting documents concerning the activities financed by the contribution and,
 - make available to the competent bodies of the European Union, upon request, all relevant financial information, including statements of accounts concerning the Action, whether they are executed by the Organisation or by its implementing partners or contractors.
- 16.4 In conformity with its financial regulations, the European Union, including its Court of Auditors, may undertake, including on the spot, checks related to the Actions financed by the Contracting authority.
- 16.5 These provisions shall be applied in accordance with any specific agreement concluded in this respect by the Organisation and the European Union.

Article 17 - FINAL AMOUNT OF FINANCING BY THE CONTRACTING AUTHORITY

- 17.1 The total final amount to be paid by the Contracting Authority to the Organisation shall not exceed the maximum contribution established by Article 3(2) of the Special Conditions, even if the overall costs incurred exceed the estimated total budget set out in Annex III.
- 17.2 Where Article 3(2) of the Special Conditions sets out a maximum percentage of estimated total eligible cost to be financed by the Contracting Authority, and if the eligible costs at the end of the Action are less than the estimated total cost specified in Article 3(1) of the Special Conditions, the contribution of the Contracting Authority shall be limited to the amount resulting from multiplying the eligible costs by the percentage laid down in Article 3(2) of the Special Conditions.
- Where the percentage set out in article 3(2) of the Special Conditions is likely to change in the course of implementation, the Organisation shall consult the Contracting Authority without delay so as to agree on appropriate measures, in accordance with Article 9.
- 17.3 The Organisation accepts that the contribution of the Contracting Authority shall be limited to the amount required to balance income generated by the Action, donor contributions and expenditure for the Action and that it may not in any circumstances result in a surplus for the Organisation.

In the event of a final surplus balance of total financing over expenditures at the financial closure of the Action, the Organisation shall specify in the final report the amount of the surplus balance in the holding currency used by the Organisation together with the estimated amount in Euro and where the exchange rate of the Organisation can be consulted. This surplus in the Organisation's accounts expressed in holding currency used by the Organisation shall be converted into Euro using the rate of exchange of the Organisation in force on the day when the Contracting Authority's internal recovery order is established, which amount is later reflected in the debit note sent to the Organisation. The resulting Euro equivalent shall then be refunded to the Contracting Authority. This provision shall not apply to the exchange rates used for reporting.

- 17.4 In cases where the Action is suspended or not completed within the Implementation Period of this Agreement, the funds that remain unexpended after all liabilities incurred in this period have been satisfied will be reimbursed to the Contracting Authority, including, where applicable, interest earned.
- 17.5 Where the Action is not carried out at all, or is not carried out properly, in full or on time and without prejudice to its right to terminate this Agreement pursuant to Article 12.2, the Contracting Authority may, after allowing the Organisation to submit its observations and without prejudice to Article 13, reduce the contribution pro rata the actual implementation of the Action on the terms laid down in this Agreement.

Article 18 - RECOVERY

- 18.1 Where recovery is justified, the Organisation shall repay to the Contracting Authority within 45 days of the issuing of a letter (debit note) by which the Contracting Authority reclaims from the Organisation, any amounts paid in excess of the final amount due.
- 18.2 If the Organisation fails to repay by the due date, the sum due shall bear interest at the rate indicated in article 15.3. The interest shall be payable for the period elapsing from the day following expiry of the time limit for payment up to the day of payment. Any partial payment shall first cover the interest.
- 18.3 Amounts to be repaid to the Contracting Authority may be offset against amounts of any kind due to the Organisation, after informing it accordingly. The Organisation's prior consent is not required. This shall not affect the Parties' option to agree on payment in instalments.
- 18.4 Bank charges incurred from the repayment of amounts due to the Contracting Authority shall be borne entirely by the Organisation.

Annex III - Budget

Disbursement/installments (In €)

Subcomponents	Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
Strengthening the AGD's capacity for PA and IT Audits	252,782	18,045	193,609	18,045	18,045	500,526	11
Strengthening the Internal Audit System capacity	500,000	67,669	157,895	43,308	43,308	812,180	18
Improving transparency and VfM of public procurement	203,008	783,835	1,189,850	204,887	189,850	2,571,429	58
Enhancing Parliament's oversight role	60,150	190,977	111,278	111,278	96,241	569,925	13
Annual Disbursement Projection	1,015,940	1,060,526	1,652,632	377,518	347,444	4,454,060	100
Pre-financing part of the budget for 12-month period ¹	812,752	901,447	1,487,369	358,642	347,444		
Unfunded part of the budget from previous year		203,188	159,079	165,263	18,876		
Administration Fee	250,000						
Instalment	1,062,752	1,104,635	1,646,448	523,905	366,320	4,704,060	
Contingency						295,940	
Total						5,000,000	

¹ Pre-financing started at 80% of the budget for the first 12-month period with 5% increment for the following periods.

Annex IV
Financial Identification Form



FINANCIAL IDENTIFICATION

FORM 01 STATEMENT http://www.fatf-egroup.org/docs/finid/annex4/annex4_en.pdf

ACCOUNT NAME (3)	
ACCOUNT NAME (1)	IADB-CCX
ADDRESS	
TOWN/CITY	LONDON, GB
POSTCODE	
COUNTRY	UNITED KINGDOM

(1) The name or title under which the account has been opened and not the name of the authorized agent

CONTACT	GUSTAVO OLMEDO	
TELEPHONE	(202) 523 2199	FAX
E-MAIL	GUSTAVOO@IADB.ORG	

BANK	
BANK NAME	JPMORGAN CHASE BANK, N.A.
BRANCH ADDRESS	
TOWN/CITY	LONDON, GB
POSTCODE	
COUNTRY	UNITED KINGDOM
ACCOUNT NUMBER	GB42CHAS60924241017784
IBAN (2)	GB42CHAS60924241017784

(2) If the IBAN Code (International Bank account number) is applied in the country where your bank is situated

REMARKS:

For and behalf of

<p><small>BANK STAMP + SIGNATURE OF BANK REPRESENTATIVE</small> <small>(Both obligatory)</small></p> <p align="center">JPMORGAN CHASE BANK</p> <p align="center"><i>[Signature]</i></p> <p align="center">AUTHORISED SIGNATORY</p>	<p><small>DATE + SIGNATURE OF ACCOUNT HOLDER</small> <small>(Obligatory)</small></p> <p align="center"><i>[Signature]</i></p> <p align="center">GUSTAVO OLMEDO PRINCIPAL OFFICER</p>
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(3) It is preferable to attach a copy of recent bank statement. Please note that the bank statement has to provide all the information listed above under 'ACCOUNT NAME' and 'BANK'. In this case, the stamp of the bank and the signature of the bank's representative are not required. The signature of the account-holder is obligatory in all cases.

ANNEX V

Request for payment for contribution agreement with an international organisation

Date of the request for payment <.....>

For the attention of
<Address of the Contracting Authority>
<Financial unit indicated in the Agreement>¹

Reference number of the Agreement: ...

Title of the Agreement: ...

Name and address of the Organisation: ...

Request for payment number: ...

Period covered by the request for payment: ...

Dear Sir/Madam,

I hereby request payment of prefinancing/interim payment/balance² under the Agreement mentioned above.

The amount requested is [as indicated in Article 4(2) of the Special Conditions of the Agreement/the following: ...]³

Please find attached the following supporting documents:

- narrative and financial progress report (for prefinancing / interim payments)
- final narrative and financial report (for payment of the balance)⁴

The payment should be made to the following bank account:...⁵

Please when making the payment indicate the following communication: ...

I hereby certify on honour that the information contained in this request for payment is full, reliable and true, that the costs incurred can be considered eligible in accordance with the Agreement and that this request for payment is substantiated by adequate supporting documents that can be checked.

Yours faithfully,

<signature>

¹ If applicable, please do not forget to address a copy of this letter to the European Union Delegation mentioned in Article 5 of the Special Conditions of the Agreement.

² Delete the options which do not apply.

³ Delete the option which does not apply.

⁴ Delete the items which do not apply.

⁵ Indicate the account number shown on the identification form annexed to the Agreement. In the event of change of bank account, please complete and attach a new identification form as per model.

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.

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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 GEL.** 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-				PEFA Assessment Report.	PEFA scores: A, B, C or D (- or +)
PEFA PI- 19. Competition, VfM and controls in procurement.	Score	C+	2012		B-				PEFA Assessment Report.	
PEFA PI -27. Legislative scrutiny of the annual budget law	Score	D+	2012		C				PEFA Assessment Report.	

OUTPUTS

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	
Component 1: Human resources management											
Subcomponent 1.1. Implementation of HCMS											
HCMS implemented	17,578,535	#	0	2013				1		1	SHRMD Report MOFP
Subcomponent 1.2 Strengthening the capacity of the SHRMD											
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
Component 2: Efficiency gains in public sector operations and a more cost-effective delivery of public services											
Subcomponent 2.1 Institutional Strengthening of the New ICT Governance Framework											
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 measure	Baseline					Target 2018	Sources/Means of Verification	
			Value	Year	Year 1	Year 2	Year 3			Year 4
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 2018	Sources/Means of Verification		
			Value	Year	Year 1	Year 2	Year 3			Year 4	Year 5
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.