

Technical Cooperation (TC) Abstract

I. BASIC INFORMATION

▪ Country:	Jamaica
▪ Title of the TC:	Public Sector Transformation: Support the Ministry of Finance and Planning Modernization Programme 2014-2016
▪ Number of the TC:	JA-T1080
▪ Project Team:	Jorge von Horoch (IFD/ICS), Team Leader; Brodrick Watson (CCB/CJA); Lila Mallory (FMP/CJA); Williams Graham (FMP/CJA); TBD (LEG/SGO); and Melissa Gonzalez (IFD/ICS).
▪ TC type	Client services
▪ Request letter (# IDBDOCS)	IDBDOCS# 38797228 /April 14, 2014
▪ Date of TC abstract:	May 2014
▪ Beneficiary:	Government of Jamaica (GOJ)
▪ Executing agency:	Ministry of Finance and Planning (MOFP)
▪ Financing requested to the Bank:	US\$360.000
▪ Local counterpart (in kind):	USD 395,692.6 equivalent to JMD 43,526,184 ¹ (MOFP Budget)
▪ Execution and disbursement period:	36 months for execution and 39 months for disbursement
▪ Start date:	July, 2014
▪ Consultancy type:	Individuals
▪ Preparing unit:	IFD/ICS
▪ UDR:	ICS/CJA
▪ TC included in the Country Strategy:	Yes
▪ TC included in the CPD:	Yes
▪ Priority sector in GCI-9:	Institutions for Growth and Welfare; Poverty Reduction

II. OBJECTIVES AND JUSTIFICATION OF THE TC

- 2.1 Jamaica is at a crossroads to reverse the protracted trends of fiscal deficits, high debt, and low growth². The Government of Jamaica (GOJ) adopted a proactive approach to address the challenging economic and fiscal situation in order to regain macroeconomic stability and a sustainable path to growth and development, including a Stand-By Arrangement (SBA) with the International Monetary Fund in January 2010. One key development under the SBA has been the Economic Reform Programme (ERP), an initiative designed to reduce the national debt burden, promote fiscal discipline, increase revenues, and improve efficiency in public sector operations³.
- 2.2 The Ministry of Finance and Planning (MOFP) is a critical entity in the ERP and the public sector transformation. Furthermore, the MOFP has the overall responsibility for developing the national economic policy framework, collecting revenues and allocating public expenditure, thus playing a crucial role in the socio-economic development of the country.
- 2.3 In December 2013, with Bank support, the MOFP completed a comprehensive Strategic Review. The review identified a number of important deficiencies that reduce the MOFP's effectiveness and efficiency to promote economic growth and development, including: (i) a centralized decision making structure exacerbated by an excessive number of directions reporting to the Financial Secretary; (ii) a prevalent culture of silo thinking with weak coordination and consultation between divisions; (iii) resistance to change; (iv) emphasis on transactional bureaucratic processes over policy-making functions, (v) insufficient skills and competencies for required tasks such as economic analysis and forecasting; (vi) prevalence of cumbersome processes; and (vii) unclear roles, duplication of tasks, and functions overlap.

¹ Exchange rate applied for local counterpart: 1 USD = 110 JMD

² 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 140% of GDP. 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).

³ The key components of the ERP include Tax reform, Public Sector Transformation, Pension Reform, Debt Management, Central Treasury Management System, and Corporate Governance.

- 2.4 The strategic review also provided a number of recommendations to address these deficiencies and improve the performance of the MOFP including: (i) revision of the mission and vision of the Ministry to focus on the creation of the environment for sustainable growth in Jamaica; (ii) organisational restructuring of the Ministry to better allow for the achievement of the above strategic objective⁴; and (iii) enhancement of work processes and systems. In addition, recommendations were put forward to address deficiencies identified with regards to: (a) leadership and accountability: implement Accountability Framework and increase focus on strategic management activities; (b) decision-making structures: reduce bottlenecks and increase responsiveness by reducing the number of reports to the Financial Secretary; (c) people: build capacity to ensure that critical activities can be performed; (d) work processes: carry out a business process reengineering to eliminate duplications and overlap; and (e) culture: reduce degree of “silo-mentality” by establishing new units that merge common functions (eg: monitoring) that are currently duplicated across units.
- 2.5 The MOFP recognizes the need to realign its organizational structure and machinery to improve the efficiency of its operational management and internal processes, and to strengthen its policy-making and implementation capacity. The MOFP therefore must be transformed to better facilitate sustainable growth in the national economy, effective regulation of the country’s financial institutions, and the cost-effective delivery of public services. In consideration of the above context, the **general objective** of this Technical Cooperation (TC) is to strengthen the MOFP capacity to formulate and implement fiscal policy in an effective and efficient manner. The **specific objective** of this TC is to support the implementation of a MOFP modernization programme to: (i) make its operations, machinery and internal processes more efficient; (ii) improve the formulation and implementation of fiscal policy and management; and (iii) develop the relevant organization structure, culture and accountabilities required to achieve its strategic objectives.
- 2.6 **Alignment with Bank Priorities:** This TC is aligned with Jamaica’s National Development Plan, Vision 2030 Jamaica, and the IDB Country Strategy with Jamaica 2013-2014 (GN-2694-2). This operation also bolsters the objective of the Report on the Ninth General Increase in the Resources of the IDB (GCI-9) (AB-2764) to support small and vulnerable countries. The Bank’s 2014 Country Programming Document as well as the 2014 Operational Program Report (document GN-2756) for Jamaica includes 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).
- 2.7 **Alignment with projects currently in execution:** This operation is aligned and complementary to the Public Sector Efficiency Programme (3121/OC-JA and 3122/CH-JA).

III. DESCRIPTION OF THE ACTIVITIES AND PRODUCTS

- 3.1 The project will support the establishment of the Programme Management Office (PMO), which will oversee the implementation of the MOFP modernization programme. The PMO will: (i) develop a comprehensive three-year action plan to implement the MOFP Modernization Programme with assigned responsibilities, cost, timelines and milestones⁵; (ii) coordinate the adoption of the approved MOFP organizational structure and staffing levels; (iii) define the functions, roles and relationships of the core Ministry and specific satellite

⁴ The proposal recommends that the MOFP should be structured along the lines of the activities that will create value for stakeholders. The functional divisions would then be Policy, Implementation, Monitoring and Support Services.

⁵ The action plan will include a variety of interventions arising from the accepted recommendations of the 2013 MOFP Strategic Review.

Divisions/Departments; (iv) implement the competency framework for the Ministry;(v) carry out a comprehensive training needs assessment followed by a training plan based on the findings of the training needs assessment;(vi) conduct a space needs assessment and develop, in coordination with wider Ministry leadership, space plans which outline the preferred arrangements for the accommodation of staff based on available space; (vii) oversee implementation of agreed space plans; (viii) identify required improvements to working conditions and equipment to support greater productivity from MOFP staff; (ix) design and implement an effective communications plan to inform and engage staff, stakeholders and the public in the transformation of the Ministry; and (xi) develop and implement a change management strategy and plan that will support development of an appropriate organizational culture to transform the MOFP into a Centre of Excellence by 2016.

IV. BUDGET

- 4.1 The total estimated cost of the TC amounts to USD 755,692.6. The Bank will provide US\$ 360,000 while the GOJ will provide the equivalent of USD 395,692.6 in local currency (JMD).

Description	IDB (USD)	Local (USD)	Total (USD)
PMO Director	210,000		210,000
Change Management Specialist	150,000		150,000
Project Technical Specialist (2 persons)		160,123.3	160,123.3
Change and Culture Management Specialist		80,061.7	80,061.7
Portfolio Analyst (2 persons)		128,924.9	128,924.9
Office Equipment & Supplies		26,582.7	26,582.7
Total	360,000	395,692.6	755,692.6

V. EXECUTION

- 5.1 The MOFP will be responsible for implementing the TC. The PMO will be responsible for coordinating all technical, financial, procurement, and administrative tasks related to the project. The MOFP will appoint a PMO Director who will report to the MOFP Director General. All procurement of goods and services will be carried out in accordance with the Bank's *Policies for the Procurement of Works and Goods financed by the IDB* (GN-2349-9). The selection and engagement of consultants will be conducted in accordance with the Bank's *Policies for the Selection and Contracting of Consultants financed by the IDB* (GN-2350-9). The PMO Director

VI. RISKS

- 6.1 The MOFP and the Bank project team identified the following risks: (i) adoption of a new organisational structure generates uncertainty and resistance to change among the MOFP staff; and (ii) inability to secure needed financial resources prevent the adoption of new systems, structures, and required training. 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 financial resources for the proper implementation and sustainability of the program; and (iii) the implementation of a change management plan to mitigate possible resistance to adopt reforms from the MOFP staff.

VII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

- 7.1 There are no environmental or social risks associated with the activities outlined in this operation. In accordance with the results of the "*Safeguards Policy Filter Report*," it is proposed that the transaction be classified as category "C" ([IDBDOCS-#38833447](#))