

## Draft TC ABSTRACT

### I. Basic project data

▪ Country/Region:	Jamaica
▪ TC Name:	Technical Support to improve the fiscal sustainability of the National Insurance Scheme (NIS)
▪ TC Number:	JA-T1090
▪ Team Leader/Members:	Carmen Pages (Team Leader); Camila Mejia (SCL/LMK); Angel Muñoz (SCL/LMK); Ethel Muhlstein (SCL/LMK); and Kevin McTigue (LEG/SGO).
▪ Type:	Client Support (CS).
▪ Reference to Request: (IDB docs #)	In process.
▪ Date of TC Abstract:	April 3, 2014
▪ Beneficiary:	Government of Jamaica
▪ Executing Agency and contact name	Social Sector, Labor Markets and Social Security Unit (SCL/LMK), IDB. Carmen Pages, carmenpag@iadb.org.
▪ IDB Funding Requested:	US\$400,000
▪ Local counterpart funding, if any:	N/A
▪ Execution period:	24 months.
▪ Disbursement period:	30 months.
▪ Required start date:	July 1 <sup>st</sup> 2014
▪ Types of consultants:	Individual consultants and firms
▪ Prepared by Unit:	Labor Markets and Social Security Unit (SCL/LMK)
▪ Unit of Disbursement Responsibility:	Labor Markets and Social Security Unit (SCL/LMK)
▪ Included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	Yes. Documento GN-2756, Anexo II.
▪ GCI-9 Sector Priority:	Social Policy for Equity and Productivity

### II. Objective and Justification

- 2.1 **Jamaica's Pension System.** Jamaica has a multi-pillar pension system. The first pillar is provided by the National Insurance Scheme (NIS) and consists of a universal basic pension which provides a flat basic pension, plus a limited earnings-related benefit which is based on total career earnings.
- 2.2 **Fiscal sustainability of the NIS.** In 2013, the IDB contracted Eckler to provide to the Ministry of Labor and Social Security (MLSS) an updated actuarial analysis and a roadmap for strengthening the NIS. This actuarial Analysis revealed that in 2013, the NIS has an actuarial deficit of JMD\$371 billion, equivalent to 27.8% GDP, with an estimated deficit of JMD\$833,166 per contributor. If the current conditions are preserved the Fund will start to have a negative cash flow in 2028 and will be completely exhausted by 2035.

- 2.3 **The NIS has a very low coverage rate.** Although the NIS aims to be a universal basic pension, only 20% of the working-age population is covered by the NIS and only 27% of the elderly are receiving NIS pension benefits. These gaps in social insurance will put additional pressure on the budget, and may result in political pressures to extend non-contributory benefits, potentially adding to fiscal imbalances.
- 2.4 **The NIS also faces challenges in terms of administration and data collection.** One of the main challenges of strengthening the NIS' role as an effective universal pension stems from the limitations of its information technology (IT) systems. The hardware and software are outdated, making the system very inefficient. Its database is incomplete and has numerous errors and omissions, causing extensive delays in the processing of claims and payment of benefits. It is not possible to verify the status of beneficiaries of the NIS and their participation in other Government programs. Furthermore, this limits the enforcement capacity, as only 40% of those who should be contributing to the NIS are actually contributing.
- 2.5 In February, 2014 FMM and LMK approved a fiscal PBL for Jamaica (JA-L1038), which included a component to strengthen the fiscal sustainability of the NIS. The three operations will support a parametric reform of the NIS that will adjust the contribution rate, the pension benefits and increase coverage. This TC will have as objective to help the Ministry of Labor and Social Security (MLSS) to explore options of reform for the NIS.

### III. Description of activities and outputs

- 3.1 The main components of this TC will include:
- 3.2 **Component 1. Options of Parametric Reforms to the NIS.** This component will support the efforts of the Government of Jamaica to elaborate a green paper for the reform of the NIS. This component will finance a study to model the fiscal impact of different options of reform taking into consideration changes in: (i) the contribution rate; (ii) the pension benefits; and (iii) pension coverage. This study will complement the Actuarial analyses performed by Eckler in 2013- 2014.
- 3.3 **Component 2. Consultation Dialogues.** This component will finance three consultation dialogues with different stakeholders of the reform. These dialogues will help to define the parametric reform of the NIS and advance into a white paper.
- 3.4 **Component 3. Support to the Creation of the NIS Information Management System.** This component will finance: (i) the elaboration of very detailed terms of reference for the design of a new database for the NIS; and (ii) design of a new website for the registration and consultation of NIS beneficiaries.

#### IV. Budget

##### Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund Funding	Total Funding
<b>Component 1. Options of Parametric Reforms to the NIS</b>	Study to model the fiscal impact of different options of reform	<b>200,000</b>	<b>200,000</b>
<b>Component 2. Consultation Dialogues</b>	Consultation dialogues with stakeholders of the reform of the NIS	<b>80,000</b>	<b>80,000</b>
<b>Component 3. Support to the Creation of the NIS Information Management System</b>	Studies for the elaboration of the NIS Managements Information System and new website	<b>70,000</b>	<b>70,000</b>
<b>Administration</b>		<b>20,000</b>	<b>20,000</b>
<b>Supervision</b>		<b>30,000</b>	<b>30,000</b>
<b>Total</b>		<b>400,000</b>	<b>400,000</b>

#### V. Executing agency and execution structure

- 5.1 The Labor Markets and Social Security Unit (SCL/LMK) will be responsible for the direction, supervision and coordination of this Technical Cooperation. Given the experience of the Labor Markets and Social Security Unit of the IDB in the topics included in this TC, this Unit will be responsible for the procurement and supervision of the products included in this TC.
- 5.2 The acquisitions included in this TC will be carried out in accordance with the “Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank” and “Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank” (GN-2349-9 and GN-2350-9). The “Brief Reference Guide for Bank Contracting of Consulting Firms for Project Related Activities” will also apply.

#### VI. Project Risks and issues

- 6.1 There are no risks associated with the execution of this technical cooperation.

#### VII. Environmental and Social Classification

- 7.1 Based on the nature of this operation, there are no expected negative environmental or social impacts. Based on the Environmental and Social Safeguard Filter, the proposed technical assistance has been classified as category C. Safeguard filter forms: [IDBDOCS-#38714657](#) and [IDBDOCS-#38714656](#)