

Document of
The World Bank

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Report No: 42289-JM

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$40.0 MILLION

TO

JAMAICA

FOR A

SOCIAL PROTECTION PROJECT

April 9, 2008

Human Development Sector Management Unit
Caribbean Country Management Unit
Latin America and the Caribbean Regional Office

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CURRENCY EQUIVALENTS

(Exchange Rate Effective March 18, 2008)

Currency Unit = Jamaican dollars
JMD 71.14 = US\$1

FISCAL YEAR

April 1 – March 31

ABBREVIATIONS AND ACRONYMS

BIS	Beneficiary Identification System
CAS	Country Assistance Strategy
GDP	Gross Domestic Product
GoJ	Government of Jamaica
IFR	Interim Un-audited Financial Report
JSIF	Jamaica Social Investment Fund
JSLC	Jamaica Survey of Living Conditions
MIS	Management Information System
MLGE	Ministry of Local Government & Environment
MLSS	Ministry of Labour and Social Security
MFPS	Ministry of Finance and Public Services
MTF	Medium Term Socio-Economic Policy Framework
NDP	National Development Plan
NIS	National Insurance Scheme
PAD	Project Appraisal Document
PIOJ	Planning Institute of Jamaica
PR	Project Report
SP	Social Protection
SSN	Social Safety Net

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JAMAICA
SOCIAL PROTECTION PROJECT

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JAMAICA
SOCIAL PROTECTION PROJECT

PROJECT APPRAISAL DOCUMENT

Human Development Sector Management Unit
Latin America and the Caribbean Regional Office

Date: April 9, 2008	Co-Team Leaders: Chingboon Lee and Cornelia Tesliuc
Country Director: Yvonne M. Tsikata	Sectors: Social Protection (100%)
Sector Manager/Director: Helena Ribe/E. Javier	Themes: Social Safety Net (P), Other SP and Risk Management (P)
Project ID: P105024	Environmental screening category: C
Lending Instrument: Specific Investment Loan	

Project Financing Data

[x] Loan [] Credit [] Grant [] Guarantee [] Other:

For Loans/Credits/Others:

Total Bank financing (US\$million): 40.0

Proposed terms: The loan would be a U.S. Dollar commitment-linked variable spread loan, with a 30 years repayment term including a 5 year grace period, and level repayments, with interest rate conversion options.

Financing Plan (US\$m) TBC

Source	Local	Foreign	Total
Borrower	75.00	0.00	75.00
International Bank for Reconstruction and Development	38.46	1.54	40.00
Financing Gap			
Total:	113.46	1.54	115.00

Borrower:

Jamaica

Ministry of Labour and Social Security

14 National Heroes Circle

P.O Box 512

Jamaica

Tel: 876 922-8000-13 Fax: 876 924-9639

Ministry of Finance and the Public Service

30 National Heroes Circle

P.O Box 512

Jamaica

Fax: 876 922-8600-13 Fax: 924-9291

Planning Institute of Jamaica

10-16 Grenada Way

P.O Box 634

Jamaica

Tel : 876 906-4463 Fax : 876 906-3636

Estimated disbursements (Bank FY/US\$40.0m)									
FY	2009	2010	2011	2012	2013	2014			
Annual	4.0	8.0	8.5	9.5	9.0	1.0			
Cumulative	4.0	12.0	20.5	30.0	39.0	40.0			
Project implementation period: Start October 1, 2008 End: September 30, 2013									
Expected effectiveness date: September 30, 2008									
Expected closing date: September 30, 2013									
Does the project depart from the CAS in content or other significant respects? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>Ref. PAD A.3</i>									
Does the project require any exceptions from Bank policies? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>Ref. PAD D.7</i>									
Have these been approved by Bank management? <input type="checkbox"/> Yes <input type="checkbox"/> No									
Is approval for any policy exception sought from the Board? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No									
Does the project include any critical risks rated "substantial" or "high"? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>Ref. PAD C.5</i>									
Does the project meet the Regional criteria for readiness for implementation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>Ref. PAD D.7</i>									
Project development objective <i>Ref. PAD B.2, Technical Annex 3</i>									
The Project will support Jamaica in strengthening its social protection system. To this end, it will: (i) further improve the effectiveness of the Program for Advancement Through Health and Education (PATH) to foster investment by poor families in human capital accumulation; (ii) develop a structured system for assisting working-age members of PATH eligible households seek and retain employment; (iii) enable the formulation of a reform program for the public sector pension schemes; and (iv) develop a holistic social protection strategy.									
Project description [<i>one-sentence summary of each component</i>] <i>Ref. PAD B.3.a, Technical</i>									
Component 1: Improving effectiveness of the PATH (US\$36.36 million)									
This component will support the PATH through: (a) co-financing for conditional cash transfers to children 0 to 19 years-old (child grants); and (b) technical improvements to the Program.									
<u>Sub-component 1.a Conditional Cash Transfers (PATH Grants, US\$32.00 million)</u>									
Under this sub-component, IBRD loan proceeds will be used to finance eligible government spending on PATH child grants through a performance-based disbursement modality.									
<u>Sub-component 1.b Institutional strengthening of PATH (US\$4.36 million)</u>									
This sub-component will support activities in two core areas: (i) strengthening and improving administrative systems for efficient delivery of PATH benefits; (ii) improving accountability, monitoring, and evaluation; and (iii) strengthening the capacity of the MLSS to implement the PATH, though the provision of consultant services, goods, and operating costs.									
Component 2: Building capacity for the Steps-to-Work program (US\$2.14 million)									
Under this component, the Project will build capacity in the MLSS to implement a new initiative, the 'Steps-to-Work' Program, which will target working age members of PATH eligible households for referral to the relevant support services to enable them to seek and retain employment.									

Component 3: Improving public sector pension system administration and building capacity for reform (US\$0.90 million)

This component will support activities focused on the public sector pension schemes in two core areas: (i) preparation of a reform program; and (ii) improving administration and information systems.

Sub-component 3.a Preparation of Pension Reform Program (US\$0.20 million)

This sub-component will support the preparation of a White Paper outlining a multi-year reform program for the schemes for public sector workers, including an assessment of the associated fiscal, welfare and institutional impacts.

Sub-component 3.b Improving public sector administration and information systems (US\$0.70 million)

Activities under this sub-component will focus on two critical areas: (i) redesign of the administrative process for calculating and awarding pensions; (ii) creation of a data base to capture and record contribution/earnings information; and (iii) carrying out a review of existing legislation for public sector workers to propose amendments required to harmonize the pension schemes for such workers.

Component 4: Development of a holistic social protection strategy (US\$0.50 million)

This component will support diagnostic studies, consensus building for reforms, and formulation of a Strategy Paper outlining recommended reform options.

Which safeguard policies are triggered, if any? *Ref. PAD D.6, Technical Annex 10*

None

Significant, non-standard conditions, **if any**, for:

Ref. PAD C.7 None

Board presentation:

None

Loan/credit effectiveness:

(a) The Project Operations Manual has been adopted by the borrower, through MLSS, in a manner satisfactory to the Bank, including a confirmation that the Project Operations Manual is consistent with the PATH Cabinet Decisions; (b) The Implementation Agreement has been executed on behalf of the Borrower and the PIOJ.

Covenants applicable to project implementation: (i) No later than March 31 each year during Project implementation, the Borrower shall prepare, in form and substance satisfactory to the Bank, an annual internal audit plan for the PATH and thereafter implement such plan; (ii) No later than six months after the Effectiveness Date, the Borrower shall implement the improved management information system being developed by the MLSS, in a manner satisfactory to the Bank; (iii) No later than one year after the Effectiveness Date, the Borrower shall hire, under terms of reference satisfactory to the Bank, a consultant to carry out an independent process evaluation of the PATH, which evaluation shall be completed no later than six months thereafter; (iv) No later than March 31, 2012 (or such other date as the Bank may establish by notice to the Borrower), the Borrower shall hire, under terms of reference satisfactory to the Bank, a consultant to carry out a second independent process evaluation of the PATH, which evaluation shall be completed no later than six months thereafter.

I. STRATEGIC CONTEXT AND RATIONALE

A. Country and sector issues

1. **Jamaica has made significant gains in reducing poverty as evidenced by the decline in the poverty headcount from 30.4% in 1989 to 14.3% in 2006¹. Poverty reduction remains, however, a priority for the Government and a development challenge that is complicated by three issues. The first concerns low human capital accumulation among poor children whose parents under-invest in their health and education due to liquidity and credit constraints.** Indeed, available evidence indicates that family income is the strongest and most consistent determinant of school enrollment. School enrollment among 17 year-olds was only 33% for children in the poorest quintile compared to 75% in the richest quintile in 2004. Low investments in human capital during childhood and youth increase the likelihood of poverty during adulthood because a person with inadequate schooling has reduced chances of finding productive employment. According to the latest Poverty Assessment (2007)², the poverty headcount drops significantly only after the head of the household has completed the second cycle of secondary school. In Jamaica, despite the Government's commitment to provide all students at the secondary level with five years of education, studies³ have revealed that many children from poor families drop out of school earlier or do not attend school regularly, citing "money problems" as the primary reason.

2. **The second issue is that many poor families receiving welfare benefits experience barriers to getting out of poverty and becoming economically self-sufficient.** Some of the barriers at the household level include lack of skills, low educational attainment, and lack of support to care for young children, the elderly and persons with disabilities. The existing active labour market programs, despite having the potential to reach 10 percent of the unemployed population, are not able to address these barriers effectively for three main reasons. First, they do not adequately reach the poor. Eighty five percent of vocational training participants are not poor. Even in the case of targeted programs such as micro-enterprise development and skills training sponsored by the Jamaica Social Investment Fund, around sixty percent of participants are not poor. Second, most of the active labour market programs focus primarily on skills development through vocational training without taking into account the need for developing soft skills⁴ and job readiness among the poor. Third, active labour market programs are not adequately linked to support services such as infant and elderly care to meet the needs of poor working families.

3. **The third issue is the rapid increase in public pension expenditures, which have more than doubled since 2000⁵.** High pension expenditures hamper efforts to reduce the

¹ JSLC 2006

² World Bank Poverty Assessment (2007)

³ Warren Benfield (2007), Mathematica Policy Research (2007), Lorraine Blank (2000)

⁴ These refer to life skills that are valued by employers, such as team work, pro-activeness, critical thinking, and communication.

⁵ Since fiscal year 2000/2001, nominal pension costs for public sector retirees have risen by 122.7%. Expenditures of the basic social security scheme (the National Insurance Scheme) increased by 58% between 2002/2003 and 2004/2005 (Bender Christopher, 2008).

country's high level of indebtedness⁶, put pressure on credit markets, and can have a negative impact on economic growth and poverty reduction by crowding out expenditures in other public programs with higher social rates of return. Paradoxically, despite rising pension expenditures, old-age income protection is still inadequate.

4. In addition to inadequate coverage, the system faces three pressing issues. First, it is unsustainable due to problems in the design of benefit formulas and eligibility conditions. Second, problems in terms of management and administration of the pension schemes are pervasive; out-dated business processes and information systems have led to tremendous difficulty in keeping records up-to-date and to paying pensions on time⁷. Furthermore, in the absence of a computerized database for pension plan members, there are substantial gaps in the baseline data needed for a rigorous assessment of the welfare and fiscal implications of specific reform proposals. Due to the proliferation of pension arrangements for various categories of public sector workers, pension provision is unduly complex⁸. *Prima facie* evidence suggests that harmonization of the public sector pension schemes would reduce administrative costs, remove the obstacles to portability across public sector jobs, and would be a good foundation on which to build future reforms.

5. **The Government's broad thrust for addressing the above key development issues is reflected in its Medium Term Socioeconomic Framework (MTSEF, 2004-2007).** Top MTSEF priorities include: (i) facilitation of human capital development among the poor through the use of conditional cash transfers linked to behavioral change in health and education; (ii) development and implementation of a strategy to empower welfare families to have sustainable livelihoods; and (iii) reforming the pension system to provide more adequate protection against poverty during old-age. Progress towards the first two priorities is being achieved through ongoing efforts to strengthen the social safety net system. Progress on the third priority has been more limited. There is however, a consensus on the need for formulating a multi-year reform program based on sound diagnostics, focusing first on the schemes for public sector workers that are imposing the largest fiscal burden.

6. **In 2001, the Government began implementation of a reformed social safety net (SSN) system for the country in a rigorous attempt to enhance the delivery of effective services to poor individuals and households.** Specific reform objectives were to improve the targeting of state assistance to the neediest households, reduce duplication and wastage of resources, and increase investment in human capital formation. Actions have been taken on institutional strengthening, consolidation of similar programs, review of benefit levels, development and use of an objective Beneficiary Identification System (BIS), and drafting of modern social assistance legislation. A major accomplishment was the merger of the Food Stamp and Old Age/Incapacity Programs of the Ministry of Labour and Social Security (MLSS) and the Outdoor Poor Relief Program of the Ministry of Local Government & Environment (MLGE)

⁶ The debt-to-GDP ratio was expected to decrease from 140% of GDP in FY04/05 to 100% of GDP in FY08/09 but the targets for both FY05/06 and FY06/07 were not met and the debt-to-GDP ratio deteriorated in FY06/07 from 133% to 135%.

⁷ Using current procedures which are virtually entirely manual and paper-based, it could take up to 18 months to calculate and award a pension. To improve efficiency, the administrative process would need a system redesign.

⁸ Currently there are over 30 pieces of legislation governing the pension arrangements for various public sector workers.

under the Program of Advancement through Health and Education (PATH)⁹. Consolidation of these three existing income transfer programs contributed to rationalized operations, improved adequacy of benefits, improved targeting, reduced administrative costs and increased effectiveness in the delivery of benefits to the poor.

7. **Since its launch in 2002, the PATH, administered by the MLSS, has become the country's flagship social assistance program providing cash transfers to almost 230,000 beneficiaries in 2007.** The transfers are made through two categories of grants: (i) child grants for poor children 0 to 19 years old, conditioned on school attendance and preventive health care visits; and (ii) social assistance grants for poor pregnant women and lactating mothers, the elderly poor, poor persons with disabilities, and destitute adults under the age of 65.

8. The current benefit level under the Program is JM\$530 (or US\$8) per eligible person per month with beneficiaries receiving payments of JM\$1060 every two months. In an effort to adjust the benefit level for inflation and provide additional incentives to encourage youth to complete high school, a new scheme with enhanced benefits, which is underpinned by rigorous analytical work and stakeholder consultations, was recently put forward. Under this scheme, which has been approved by the Cabinet in January 2008, children in PATH households who complete primary education and move to grade 7 will now receive a benefit 50% higher than the base benefit for all PATH beneficiaries; those who make a successful transition to grade 10 (i.e. upper secondary education) will receive a benefit 75% higher; boys will receive a benefit 10 percent higher than girls at their respective grade levels; and those able to proceed to tertiary education will receive a one-off bonus to assist with that transition.

9. Although the Program is now reaching some 8% of the population of whom 70% are children, coverage of the poor remains low, with only 50% of the children in the bottom quintile receiving grants. For 2008, the Program aims to increase coverage to reach an estimated 242,000 beneficiaries, or 9.2% of the population¹⁰. Eligibility for benefits is determined by the BIS, which is based on a proxy means test. In addition, child grants are conditioned on children from birth through age 6 visiting a health clinic every two months during the first year and twice a year thereafter, and on children aged 6 to 19 being enrolled in school and attending at least 85 percent of the number of days that the school is held per month.

10. A comprehensive evaluation of the Program's operations, targeting accuracy and impact, conducted by independent evaluators reported positive findings. In particular, the PATH has been successful in targeting its benefits to the poorest households with 58% of benefits going to the poorest quintile of the population. This performance indicates that the PATH is better than other social programs in Jamaica in reaching the poorest, and it compares very favorably with similar programs in Brazil, Chile and Mexico. In terms of impact, a rigorous evaluation in 2006 found that health care visits for children 0 to 6 years-old increased by approximately 38% as a result of the Program. The Program has also been effective at encouraging households to send their children to school with greater regularity; school attendance rates of PATH students are 3% higher than that of similar students not in the Program.

⁹ The World Bank has supported the implementation of the PATH through an ongoing Social Safety Net Project for which a US\$40 million was approved on September 4, 2001.

¹⁰ It is expected that about 60% will be children from the bottom quintile.

11. **As part of the ongoing SSN reforms, an inter-agency Steering Committee was commissioned by the Planning Institute of Jamaica (PIOJ) in 2007 to develop a Steps-to-Work Program** to promote the economic self-sufficiency of poor households, including PATH beneficiary households which comprise the majority of welfare recipients. The Steps-to-Work program aims to engage working-age members of PATH households through a voluntary basis, in a set of initiatives aimed at job readiness, skills and competencies building, job matching, and business development. The program, to be piloted by the MLSS for a period of two years beginning 2008, will draw on the relevant interventions by other agencies¹¹ to provide in a structured manner, job search assistance and labour market intermediation, remedial education, skills and competencies training, on-the-job training and apprenticeship, business development, micro-enterprise support, and care support services to meet poor working families' needs.

12. **Notwithstanding the progress made in reforming the social safety net during the last couple of years, it is clear that significant challenges remain.** The first is to translate social assistance to poor households into strengthened economic potential in the short, medium and long term. Secondly, to address gaps into the delivery of social welfare services to vulnerable population groups. Third to improve the coverage of social security systems within the population in order to mitigate risks and vulnerability. Lastly, to create a viable and sustainable social protection system.

13. **In respect of the PATH, further consolidation of its basic architecture would require *inter alia*, enhancement of the Beneficiary Identification System and of the Management Information System (MIS),** which is critical for improving targeting, compliance verification, benefit payment delivery, and monitoring and evaluation. Other challenges would be to: (a) expand coverage of the poor and introduce additional educational incentives to encourage youth to complete high school and avoid risky behavior; (b) strengthen program accountability through improved oversight, internal audit, and quality controls; (c) enable working-age members of PATH households transition from welfare to work; and (d) finalize the drafting and review of the National Assistance Bill, the new legislation underpinning the reformed social assistance system.

14. **In the area of social insurance reform, the Government issued a White Paper in 2001 laying out strategic guidelines for reforming the Jamaican pension system.** The Paper, which presents the Government's position on reforms after having consulted with stakeholders, proposed comprehensive reforms to enhance the National Insurance Scheme (NIS, the mandatory scheme offering a flat benefit upon retirement), create contributory funded schemes for public employees, and regulate private pension schemes. Government has embarked on a reform program which has involved regulations of private pension schemes and will focus now on the public sector pension schemes. To lead this work, a Pension Reform Steering Committee supported by a technical unit, was recently established. The Committee has prepared a technical note presenting the main issues facing the public sector pension system and a preliminary assessment of alternative reform options. This note will be further refined to inform the development of a White Paper on public sector pension reform. The Government has also expressed strong interest in improving the administrative systems for public sector pension

¹¹ HEART/National Training Agency, Jamaica Foundation for Lifelong Learning, National Youth Service, Early Childhood Commission, Jamaica Business Development Center, etc.

schemes. In addition, steps will be taken to harmonize the public sector pension schemes beginning with a review of the existing legislation to identify the means of creating common framework covering all public sector workers.

15. The social protection system and its contribution to the development of human capital has, since 2006, received even greater attention than before as the country embarked on the preparation of a long term National Development Plan (NDP) to set out the goals, strategies, and actions that will enable the country attain ‘developed country status’ by 2030. The Social Policy Planning Research Division in the PIOJ has been commissioned to lead the research and dialogue on the major themes under social protection, focusing on identifying gaps in the reform process, establishing and strengthening appropriate service delivery systems, and ensuring supportive legislative and institutional frameworks are in place. The output of this work will be a Strategy Paper outlining key challenges and reform options.

B. Rationale for Bank involvement

16. The proposed Project will allow the Bank to continue its partnership with the Government on PATH, a program central to its MTSEF and NDP. This partnership, which began under the ongoing Social Safety Net Project, would expedite institutionalization of the PATH within the MLSS, strengthen its basic architecture and governance, and support the implementation of key “second generation” reforms. The Bank would be able to draw from its global experience on pension reform and recent analytical work on the Caribbean¹² to help Jamaica move towards a more financially sustainable, equitable and efficient old-age income protection system. Furthermore, by expanding the scope of the Project beyond PATH, the Bank would be able to contribute to a critical theme of the NDP, which is the development of a holistic social protection strategy to improve the efficiency and design of social assistance and social insurance systems. Finally, given that the Project would be focusing on areas of significant World Bank comparative advantage (targeting, monitoring and evaluation, governance and controls, and graduation strategies), international best practices would be taken into account in designing and implementing the Project¹³.

C. Higher level objectives to which the project contributes

17. The proposed Project directly addresses two of the three pillars of the Bank’s Country Assistance Strategy for Jamaica: improving human development and opportunity; and crime prevention and reduction. It also contributes to the third pillar (accelerating inclusive economic growth), and to the cross-cutting theme of improving governance. In addition to providing continued support for the PATH, the Project complements a number of other ongoing and

¹² The World Bank recently completed the first phase of a Caribbean Pension Reform Options Study, which includes a detailed analysis of the Jamaican pension system.

¹³ The Bank was recently involved in taking stock of best practices in developing beneficiary identification systems (Brazil, Costa Rica, Colombia, Chile and Mexico), improving oversight and accountability in CCT programs (Argentina, Ecuador, Brazil, Colombia), and supporting graduation efforts for beneficiaries of CCT programs (e.g. Argentina Jefes de Hogares Transition, Brazil Bolsa Familia, Chile Solidario, Panama Red de Oportunidades).

proposed World Bank-financed operations, notably the Inner City Basic Services Project, the Early Childhood Development Project, and the Second Reform of Secondary Education Project. The project concept was informed by recent analytical work, particularly the 2007 Poverty Assessment, the Caribbean Social Protection Strategy, the Caribbean Pension Reform Options Study, the Caribbean Crime, Violence and Development study, and the regional Youth-at-Risk Study.

II. PROJECT DESCRIPTION

A. Lending instrument

18. The Bank will provide financing for the Project through a Specific Investment Loan. Agreement has been reached with the Government on a reimbursement arrangement for sub-component 1.a (PATH child grants) whereby IBRD loan proceeds will be used to co-finance government spending on PATH grants for children and youth 0 to 19 years old who comply with program conditionalities. Disbursements will be based on cost-sharing percentages that are adjusted upwards when performance milestones linked to technical improvement of the PATH are met. This disbursement modality has two advantages: (a) it will allow the Bank to recognize the achievements already attained by the PATH while underlining the need for further technical improvements; (b) it creates a strategic alliance between the MLSS and the MFPS in that the latter has a strong incentive (i.e., to secure a reliable flow of external resources to the Consolidated Fund) to support the former in achieving or even exceeding the performance milestones.

19. Standard implementation arrangements for sub-component 1.b and other project components will enable the Bank to directly support the planning and implementation of activities to strengthen institutional capacity in the three project entities. For example, the Bank will be able to support the development of terms of reference for technical consultancies, training and procurement plans and in the process, transfer knowledge from its global experience on pension reform and CCT innovations to Jamaica.

B. Project development objective and key indicators

20. The Project will support Jamaica in strengthening its social protection system. To this end, it will: (i) further improve the effectiveness of the Program of Advancement Through Health and Education (PATH) to foster investment by poor families in human capital accumulation; (ii) develop a structured system for assisting working-age members of PATH eligible households seek and retain employment; (iii) enable the formulation of a reform program for the public sector pension schemes; and (iv) develop a holistic social protection strategy.

21. Success in achieving the above objective will be assessed using four sets of indicators:

- (i) Indicators of improved PATH effectiveness
 - a. Net change in secondary school attendance by PATH male and female students.
 - b. Net change in secondary school completion rate of PATH students

- (ii) Indicators of progress in development of system to help welfare beneficiaries find work
 - a. Steps-to-Work roll-out strategy informed by pilot findings, adopted
- (iii) Indicators of strengthened pension reform capacity
 - a. Position Paper (White Paper) on Public Pension Reform submitted to Cabinet
 - b. New retirees receive pension 4 months after submitting their papers to Pension Administration
- (iv) Indicators of progress in development of a holistic social protection strategy
 - a. Social Protection Reform Strategy submitted to Cabinet

22. In addition to the above outcome indicators, intermediate outcome indicators are detailed in Annex 3.

C. Project components

23. The proposed Project, comprising four components, will be supported by an IBRD loan of US\$40.0 million. The first component, which focuses on improving the effectiveness of the PATH, will take up the largest share of the loan (US\$36.36 million). The second component will build institutional capacity for piloting and scaling-up the Steps-to-Work program. The third component aims to improve pension system administration and build capacity for public pension reform. The fourth component will assist the Government in developing a holistic social protection strategy.

Component 1: Improving effectiveness of the PATH (US\$36.36 million)

24. This component will support the PATH through: (a) co-financing for conditional cash transfers to children 0 to 19 years-old (child grants); and (b) technical improvements to the Program.

Sub-component 1.a PATH Grants (US\$32.0 million)

25. Under this sub-component, the World Bank would reimburse the Government a share of the expenses on PATH grants to children 0 to 19, the cost of which in 2007 was about US\$14 million. Beginning in 2008/2009, this figure will increase to about US\$22 million as a result of increased financing needs to: (a) adjust the base benefit level for inflation; (b) increase the size of the grants for secondary school students; (c) give a bonus to boys to motivate higher grade retention and completion; and (d) give a one-off bonus to students moving to tertiary education or training. These enhanced benefits, recently approved by the Cabinet in January 2008, are underpinned by the results of rigorous analysis by the MLSS and PIOJ and extensive consultations with stakeholders.

26. To encourage expeditious implementation of activities aimed at strengthening program administration and effectiveness (supported under sub-component 1.b), the Bank's share in the financing of eligible PATH expenditures will increase when a number of performance milestones linked to the technical improvement of the Program, are met. Criteria for the choice of these

milestones will include, *inter alia*, realism and measurability without ambiguity. Two sets of milestones with target achievement dates of March 2010 and September 2011, respectively, have been proposed (see Table 1).

27. The cost-sharing percentage, beginning at 28% will increase to 35% when the first set of milestones has been met. When the second set is achieved, this figure will rise to 40%, resulting in faster draw-down of loan proceeds for PATH grants. In the event that milestones for both stages are achieved ahead of the target dates, an accelerated disbursement schedule (see Annex 4) would be possible.

Table 1: Performance milestones

Stage 1 Milestones Target: 18 months after effectiveness (March 2010)	Stage 2 Milestones Target: 36 months after effectiveness (September 2011)
Cabinet approves at least 8% adjustment in PATH base benefits (JM\$530) for inflation Cabinet approves New PATH Benefit Review Mechanism	At least 80% (cumulative) of all Households with children due to be recertified have been recertified
MLSS adopts Service standards for PATH including mechanisms to monitor compliance with standards Independent firm completes first PATH Process Evaluation	At least 70% of beneficiaries receive PATH grants according to new service standards MLSS completes Targeting Assessment
PATH Payment and Compliance reports can be directly generated by the enhanced MIS Baseline data for PATH impact evaluation collected	PATH uses revised targeting methodology and BIS

Sub-component 1.b Institutional strengthening of PATH (US\$4.36 million)

28. This sub-component will be centered on three sets of activities: (i) strengthening and improving administrative systems; (ii) improving accountability, monitoring, and evaluation; and (iii) strengthening the capacity of the MLSS to implement the PATH.

- i. To strengthen and improve administrative systems, support will be provided for: (a) reviewing and improving the targeting, enrollment, and recertification of beneficiaries; (b) implementing a Content Management System (CMS) to improve the accuracy of data entry and records management; and (c) training of social workers and other relevant stakeholders.
- ii. To improve accountability, monitoring and evaluation, the Project will finance: (a) development of a strategic monitoring system based on the enhanced MIS; (b) two process evaluations on program implementation; (c) development of service standards as well as mechanisms to monitor compliance with standards; (d) strengthening of the financial management and internal audit capacity of the Program; (e) an impact evaluation to assess the Program’s contribution to school enrollment, attendance and high school completion; (f) an assessment on program targeting accuracy; and (g) development and implementation of appropriate public education and social marketing programs.

- iii. To strengthen the capacity of the MLSS to implement the PATH, the Project will finance consultant services, goods and operating costs.

Component 2: Building capacity for the Steps-to-Work Program (US\$2.14 million)

29. This component will support capacity building within the MLSS to implement a new initiative, the ‘Steps-to-Work’ Program (StW) which will target working age members of PATH eligible households for referral to the relevant support services to enable them to seek and retain employment. The StW Program, beginning as a two-year pilot in six parishes to target approximately 12,000 members of PATH households, will be assessed at the end of the piloting period. In addition to the process evaluations financed by the Project, the Government will mobilize other funding sources to carry out an impact evaluation. A preliminary plan for scaling-up the pilot will be developed during the project implementation period; finalization of this plan to enable nation-wide rollout of the pilot will benefit from the findings of the impact evaluation. Specifically, the Project will finance: (a) capacity building activities (training, study tours, studies to improve program design and operation, enhancement of the MIS currently being developed by MLSS, development of a directory of service providers, etc.); (b) incremental operating costs associated with the Program; and (c) M&E including impact and process evaluations.

Component 3: Improving public sector pension system administration and building capacity for reform (US\$0.90 million)

30. The pension component will support two core sets of activities focused on the schemes for public sector workers: (i) preparation of a reform program; and (ii) improving administration and information systems.

Sub-component 3.a Preparation of a reform program (US\$0.20 million)

31. This sub-component will support the preparation of a White Paper outlining a multi-year reform program for the public sector pension schemes, including an assessment of the associated fiscal, welfare and institutional impacts. The White Paper, constituting the blue-print that guides the preparation of the necessary legislation, will draw from the recent technical note prepared by the Steering Committee on Pension Reform on the main issues facing the pension system and presenting a preliminary assessment of alternative reform options. To this end, the Project will finance: (a) training on financial modeling of pension systems, cash flow forecasting, and the design and operations of defined benefit, notional defined contribution, and defined contribution systems; and (b) technical assistance on policy analysis. Drawing from its past experience and using its own resources, the Government will undertake the necessary consultations with stakeholders during the process of preparing the White Paper.

Sub-component 3.b Improving public sector administration and information systems (US\$0.70 million)

32. Activities under this sub-component are aimed at improving the pension administration system in order that pensions are calculated, awarded and paid in a more timely manner. To improve record-keeping and the payment system, the Project will finance the: (a) development of

a computerized database to keep track of the career histories of public sector workers¹⁴; (b) redesign of the current payment process and supporting IT infrastructure; and (c) carrying out a review of existing legislation for public sector workers to propose amendments required to harmonize the pension schemes for such workers. The new system will be open to modifications and additions to accommodate the eventual reforms and to facilitate the transfer of information between the public sector pension schemes and the NIS.

Component 4: Development of holistic social protection strategy (US\$0.50 million)

33. This component will support the Government in developing a holistic social protection strategy to inform decision-making on the appropriate policies and programs to address social risks and vulnerabilities within the population. The Planning Institute of Jamaica (PIOJ), the agency charged with initiating and coordinating planning of economic and social development, will be consulting with stakeholders¹⁵ in the process of developing the strategy. To this end, the Project will finance: (i) diagnostic studies, including but not limited to vulnerability and social safety net assessments; (ii) consensus-building on the reforms required to address the gaps identified and (iii) formulation of a Social Protection Strategy outlining recommended reform options.

D. Lessons learned and reflected in the project design

34. **The ongoing Social Safety Net (SSN) Project demonstrates that strong ownership, leadership and institutional capacity are critical to effective implementation and sustainability of the PATH.** Consequently, the proposed Social Protection Project will focus on capacity building within the MLSS and its parish offices responsible for program implementation. To support strong ownership of the Project by both the MLSS and the MFPS, a link between financing and implementation progress is built into project design aimed at creating a strategic alliance between the two ministries.

35. **Strengthening human capital requires coordination between demand and supply side interventions.** Previous operations in the LAC region have shown that for CCT programs to have the desired impact on health and education, it is important to strengthen the cooperation between sector ministries. On the demand side, these programs seek to address income-related barriers impeding the poor from accessing basic services such as health and education and thus, to improve the utilization of these services. In turn, unless the supply and quality of such services is adequate, these programs alone will not succeed in improving the educational and health status of the targeted population. In Jamaica, education supply constraints are not significant, given that most of the children are able to find schooling places if they choose to continue to secondary education. In the health sector, although primary care services are free, there have been many instances of health centers not attending to PATH beneficiaries unless the

¹⁴ Ability to track career histories is necessary because even the mildest of reforms would involve a gradual move to a full career average wage for the calculation of pensions. The structure and capabilities of the newly designed system may also be influenced by the Government's plans to modernize human resource systems as part of the public sector reform effort.

¹⁵ MLSS, Local Government Department, Cabinet Office, Ministries of Health, Education, Youth, Information and Culture, and other stakeholders.

children were sick. This is due to the concern that health centers would not be able to take care of seriously ill children in the face of the excess demand for services created by the Program. The excess demand is due in part to increased utilization but also to program conditionalities requiring children in the 3 to 5 age group to go more often than necessary for preventive healthcare checkups. Consequently, the Ministry of Health (MoH) and MLSS are piloting the replacement of some of the well child visits with parenting workshops. Furthermore, inter-agency collaboration will be fostered through the ongoing practice of having representatives of the MoH and the Ministry of Education (MoE) sitting on the SSN Reform steering committee having oversight of the PATH.

36. **Ensuring the right level of benefit to reduce the poverty gap and provide an incentive for poor families to invest in human capital accumulation.** Though there is no definitive answer on the right size of the benefit, impact evaluations of CCT programs in the LAC region demonstrated that programs with larger benefits relative to household consumption had a bigger impact on reducing consumption deficit and improving health and education outcomes than programs with smaller benefits. The general practice has been to set the size of the transfer high enough to be both a real incentive for households to invest in the human capital of their children, and to have a poverty mitigation effect, while being low enough at the same time, to avoid interfering with labour market participation and income generation decisions. In Jamaica, the PATH benefit is about 10% of the per capita expenditures of poor beneficiaries before the transfers, a level that is significantly lower than that of other programs such as Mexico Oportunidades. There is evidence that poor households are unable to continue desired levels of investments in secondary schooling, particularly for boys. Based on the PATH evaluation findings and additional research to determine household expenditure on education and the opportunity cost of schooling, the Government decided to increase the benefit level for students in the lower and upper secondary levels and introduce a differential benefit scheme for boys. This will support not only the increase in incurred expenditures but also address the opportunity costs of schooling at the secondary level.

37. Finally, the Project also draws on other lessons from the experience of CCT programs in the region in that its design takes into account, the importance of: (a) good targeting mechanisms to ensure that the PATH will reach its intended beneficiaries; (b) linking beneficiaries to complementary services (e.g. through the StW Program) to ensure the sustainability of poverty alleviation impact; and (c) rigorous monitoring and evaluation to inform program operations and design improvement.

E. Alternatives considered and reasons for rejection

38. A sector-wide approach (SWAp) was initially considered for the Project given that its objective is to support Jamaica's social protection system comprising social assistance and social insurance programs. This was rejected for two reasons. First, the strategy for underpinning the SWAp is still evolving as the Government intends to review the existing policies and programs for pensions, labour market and social welfare to inform the adjustments that are needed to strengthen the social protection system. As such, a specific investment loan would be more appropriate for providing the technical assistance needed to support this process. Second, the pooled financing arrangements proposed for the conditional cash transfers (the largest

component) would effectively achieve one of the primary goals of a SWAp, which is, to reduce transaction costs by using to the extent possible, the country's own procedures for financial management, reporting and auditing. Another SWAp advantage of being able to focus the operation on results instead of inputs and outputs, could also be attained under the pooled financing arrangement, by linking the Bank's financing share of eligible expenditures on PATH grants to achievement of performance milestones.

39. Another alternative that was discussed entails an approach that would link disbursements against eligible expenditures for conditional cash transfers with not only technical improvement of the PATH but also with progress on pension reform. This was judged by the Government to be premature, given that the focus during the project period would be to build capacity for formulating a reform program, and to bring about administrative improvements to the pension payment system for public sector workers.

III. IMPLEMENTATION

A. Partnership arrangements (if applicable)

N/A

B. Institutional and implementation arrangements

40. The Ministry of Labour and Social Security (MLSS) will have overall project execution responsibility. It will also be the implementing agency for the PATH and Steps-to-Work components. The Ministry of Finance and Public Services (MFPS) will be the implementing agency for the pension reform component while the Planning Institute of Jamaica (PIOJ) will implement the component on Development of a holistic Social Protection Strategy. The PIOJ will also be responsible for reviewing and adjusting, if necessary the proxy means test scoring formula used to determine eligibility for PATH, supervising the impact evaluation of PATH, and making policy recommendations for adjustments or changes to program design, if needed.

41. The Operations Manual for the Project will specify the implementation arrangements whereby the MFPS and PIOJ are responsible for the technical oversight of components 3 and 4 respectively (including preparation of periodic progress reports, and updating of implementation plans) while entrusting the fiduciary functions (financial management and reporting, procurement) to the MLSS. The Accounting Unit in the Public Assistance Division, MLSS will be responsible for carrying out these fiduciary functions.

42. Given that the PIOJ is a separate legal entity (a body corporate under Jamaican law), an Implementation Agreement between Jamaica (the Borrower) through its Ministry of Labour and Social Security and the PIOJ will be required to ensure that the former will cause the latter to carry out the Project in accordance with the provisions of the Loan Agreement.

43. A Project Manager and two Component Coordinators will be recruited under the Project. In addition, suitably qualified financial management and procurement personnel in the MLSS will be dedicated full-time to project implementation. The Project Manager will have

responsibility for coordinating activities across the implementing agencies, particularly to ensure that inputs are provided in a timely manner for preparing the Project Reports which will provide the basis for disbursement of loan proceeds. The Component Coordinators will be responsible for assisting the MFPS and the PIOJ in the implementation of components 3 and 4, respectively. They will have responsibility for drafting terms of reference for consultancies, define the technical specifications for goods to be procured, organize workshops, prepare periodic implementation progress reports, and prepare annual operation plans and budgets due by November of each year. The MLSS will consolidate the Component Coordinator's submissions into the annual operational plan and budget for the Project.

44. Finally it is noted that legal status of the PATH is established through several Cabinet Decisions. Detailed description of the Program is included in the PATH Operations Manual, which will be adopted by the MLSS before loan effectiveness.

C. Monitoring and evaluation of outcomes/results

45. Project outcomes will be assessed using an M&E system to track progress on the indicators specified in the results framework. The system will draw on multiple information sources: (i) the MIS developed for the PATH; (ii) biennial Jamaica Survey of Living Conditions (JSLC) reports; (iii) the impact evaluation, targeting assessment, process evaluations and internal audits of the PATH; and (iv) process and impact evaluation of the Steps-to-Work Program. The two process evaluations of PATH conducted over the life of the Project will also serve as technical or performance audits of the Project. Finally, the annual independent audits conducted by the Auditor General will also provide useful information on the progress on project implementation.

D. Sustainability

46. Three sets of factors underlie the sustainability of the proposed Project: political, financial/budgetary, and institutional factors. Support for the PATH has not faltered since its creation in 2001 despite the change in administration in 2007. The Program, considered the flagship social assistance program in the country, covers a large share of the poor and has been shown through rigorous evaluations, to be well targeted, and to have increased the school attendance of poor children as well as their use of preventive health-care services.

47. Despite being the largest social assistance program in the country in budgetary terms, the total cost of the PATH, at 0.2% of GDP, is relatively small compared to similar programs in the region. To accommodate an increase in coverage (from 220,000 beneficiaries in 2007 to 242,000 by 2009) and the introduction of differentiated benefits to compensate students for the higher opportunity cost of secondary schooling, the Program will have greater resource needs. The total annual cost of grants is expected to increase from US\$21 million in 2007 to US\$26 million in 2009; however, as a share of GDP, it will remain almost constant (i.e. around 0.2%)¹⁶, implying that the increase in spending will likely be offset by increased budgetary revenues. The PATH is mainstreamed within the MLSS and managed by a team comprising staff in the Public Assistance Division and the ministry's parish offices. This team will be instrumental in

¹⁶ GDP is projected to grow in real terms at 3% a year during 2008 to 2013.

sustaining the smooth operations of the Program. The team's managerial and technical capacity will be further strengthened through the Project to ensure efficient delivery of services to PATH families.

E. Critical risks and possible controversial aspects

48. The overall risk rating for the Project is considered to be moderate. A review of critical risks and mitigation measures is listed in the table below.

Table 2: Critical Risks and Mitigating Measures

Description of risk	Rating of risk	Mitigation measures	Rating of residual risk
To project Development Objectives			
♦ Risk that fiscal situation does not allow sufficient increase in the PATH budget to accommodate the new differentiated benefits scheme	M	♦ During project preparation, several scenarios for increasing the benefit size for upper secondary students were prepared; consensus was reached on a scenario that would meet the desired objectives in a fiscally sustainable way. The budget for GY 2008/09 has included the allocation to accommodate the increase in coverage and benefit level for PATH	L
♦ Momentum for pension reform is not sustained	S	♦ The Pension Steering Committee will be engaging decision-makers using the findings of the Technical Note on reform options ♦ The Project will build capacity within the Steering Committee and technical unit to ensure that members have the skills to develop the White Paper on public sector pension reform	S
♦ Lack of inter-sectoral cooperation to build sustainable links between PATH and complementary services to help working-age members engage in gainful employment	S	♦ To test the model of linking PATH with a network of complementary service providers, the Project will support capacity building activities; lessons will be drawn from a pilot before developing a strategy for nation-wide rollout. In addition, the Project includes several activities to learn from the experience of successful initiatives in LAC and OECD countries	M
♦ Despite having a SSN Reform Program, the supportive social safety net legislative and institutional frameworks are not in place	S	♦ GoJ has prepared a National Assistance Bill to further rationalize social assistance programs and delineate responsibilities of the central and local governments. The consultation process is in an advanced stage (seven drafts have been prepared to-date) and will pave the way for enactment of the law	M
To Component Results			
♦ Access of newly impoverished families to PATH impeded due to the difficulty of graduating families deemed no longer	S	♦ The GoJ has instituted several mechanisms to reduce inclusion/exclusion errors, including: (i) use of an objective and transparent Beneficiary Identification System (BIS) for targeting and enrollment;	M

Description of risk	Rating of risk	Mitigation measures	Rating of residual risk
eligible after recertification		(ii) the establishment of appeals committees to reassess the situation of households at the margin of eligibility. Moreover, the Project will support a review of the BIS, continuous recertification of existing beneficiaries, and automatic cross checks between the BIS and other administrative databases	
<ul style="list-style-type: none"> ◆ Given the large number of poor families in need of CCTs or opportunities for employment, there is a risk that some vulnerable groups may not have access to PATH or Welfare-to-Work programs 	S	<ul style="list-style-type: none"> ◆ During project preparation a Rapid Social Assessment was carried to come up with concrete recommendations on how access for vulnerable groups could be improved ◆ Government has already instituted several mechanisms to minimize exclusion and inclusion errors, including revision of the BIS, home visits, recertification, data crosschecks 	M
<ul style="list-style-type: none"> ◆ Challenges remain in respect of the division of labour between the MLSS and the Local Government Department for implementing social assistance programs 	S	<ul style="list-style-type: none"> ◆ Representatives of the Local Government department and MLSS are members of a SSN Reform Program Implementation Committee. This Committee has been effective in coordination across agencies, bringing synergies to the implementation of social assistance programs 	S
<ul style="list-style-type: none"> ◆ The use of three implementing agencies (MLSS, MFPS and PIOJ) may pose challenges for timely implementation 	S	<ul style="list-style-type: none"> ◆ The three implementing agencies have been working together as part of the SSN Reform Program Steering Committee ◆ There is already a precedent whereby the MFPS has delegated project fiduciary responsibilities to another government agency ◆ A clear description of roles and responsibilities will be included in the Operations Manual; a Project Manager will be hired under the project to liaise across the three agencies 	M
<ul style="list-style-type: none"> ◆ In the MLSS, some accounting practices are weak, specifically, the maintenance of appropriation accounts and financial reporting 	S	<ul style="list-style-type: none"> ◆ GoJ and the Bank agreed to implement action plans (to be monitored closely by the Bank) to strengthen: (a) maintenance of appropriation accounts, financial reporting and internal auditing in the relevant line ministries; and (b) financial management capacity in the MLSS prior to Project appraisal 	M
<ul style="list-style-type: none"> ◆ Compliance with both 	S	<ul style="list-style-type: none"> ◆ GoJ and Bank agreed to implement action plans (which would be closely monitored 	M

Description of risk	Rating of risk	Mitigation measures	Rating of residual risk
bank and national procurement procedures could potentially delay Project implementation.		<p>by the Bank) to strengthen the procurement capacity in the MLSS. These include inter alia,</p> <ul style="list-style-type: none"> • Recruitment of a Procurement Specialist with relevant experience in procurement procedures to be dedicated full time to the Project. • Training in procurement provided by the Bank to the key MLSS staff as soon as the project is declared effective. This will continue during the first year of implementation. • Preparation of an Operations Manual with a specific chapter on procurement, detailing all the procedures and channels of responsibilities and flow of documentation. 	
Overall risk rating	S		M

F. Loan/credit conditions and covenants

49. Conditions of effectiveness: (a) The Project Operational Manual has been adopted by the Borrower, through MLSS, in a manner satisfactory to the Bank, including a confirmation that the Project Operational Manual is consistent with the PATH Cabinet Decisions; (b) The Implementation Agreement has been executed on behalf of the Borrower and the PIOJ.

50. Covenants applicable to project implementation: (i) No later than March 31 each year during Project implementation, the Borrower shall prepare, in form and substance satisfactory to the Bank, an annual internal audit plan for the PATH and thereafter implement such plan; (ii) No later than six months after the Effectiveness Date, the Borrower shall implement the improved PATH management information system being developed by the MLSS, in a manner satisfactory to the Bank; (iii) No later than one year after the Effectiveness Date, the Borrower shall hire, under terms of reference satisfactory to the Bank, a consultant to carry out an independent process evaluation of the PATH, which evaluation shall be completed no later than six months thereafter; (iv) No later than March 31, 2012 (or such other date as the Bank may establish by notice to the Borrower), the Borrower shall hire, under terms of reference satisfactory to the Bank, a consultant to carry out a second independent process evaluation of the PATH, which evaluation shall be completed no later than six months thereafter.

IV. APPRAISAL SUMMARY

A. Economic and financial analyses

51. Economic Analysis. PATH grants are directed at the poorest households in the country and with more than 80% of the benefits going to the poorest two consumption quintiles, they help to reduce poverty and inequality. Simulation results discussed in Annex 9 suggest that the Program is associated with a reduction of 8% in the headcount index, 10% in the poverty gap, and 13% in the severity of poverty. In addition, inequality could be reduced by 1.5%. These estimates can improve significantly if PATH increases the size of the benefits and expands coverage to include most of the eligible beneficiaries in the poorest three deciles.

52. The largest expected benefits from PATH are those associated with gains in education due to both an income and a price effect associated with the conditionality of minimum school attendance required of school-age children. A recent impact evaluation found that PATH has already contributed to an increase in school attendance: children in PATH have school attendance rates that are 3% higher than similar children in non-beneficiary households. The government plans to introduce a differentiated scheme of incentives to compensate secondary school students for higher opportunity costs, in particular for boys, and to motivate them to finish high school and continue on to tertiary education or training. Simulations confirm that the additional benefits for boys and secondary level students will contribute to higher retention. The share of boys in lower secondary school with more than 85% attendance is projected to increase from 44% (the actual figures in 2006 after receiving the existing benefit) to 48% after the receipt of the increased benefits. The school attendance for upper secondary male students is expected to increase from 77% to 79%. Under the hypothesis that the observed short-run effect of the program is stable over time, and that the actual structure of returns to education persist over time, the actual design of the PATH would lead to an increment of 0.73 years of schooling for children exposed to the program that can be later translated to a 7% increase in earning capacity for these children.

53. Fiscal and Financial Analysis. The main investment of the project, the conditional cash transfers, is expected to have a cost of US\$21 million in 2007, the equivalent of 0.2% of GDP or 1.2% of primary budgetary expenditures. The cost of the Program is expected to increase to US\$30 million in 2009, when the proposed increase in the benefits resulting from adjustment for inflation and introduction of additional incentives for secondary school students, takes full effect. As a share of GDP, the cost of PATH will remain almost constant in the range of 0.22-0.24%. The World Bank's contribution to the cost of the transfers is expected to be 28% of the grants for children (or 20% of the total cost of grants).

B. Technical

54. International experience shows that CCTs can be an effective mechanism for reducing poverty and inequality in the short-run and providing incentives for human capital development,

which can reduce poverty and inequality in the long-run¹⁷. The Project draws from this experience and incorporates the key aspects of the basic architecture for CCTs including: (i) an accurate system for identifying and selecting the target population; (ii) a developed MIS to support the key operations; and (iii) an integrated system for monitoring and evaluating program activities, processes, results and outcomes.

55. The new structure of PATH benefits supported under the Project is informed by careful analysis and responds to specific country circumstances. The introduction of differentiated benefits for secondary school students, and additional bonuses for boys and high school graduates who move on to higher education or training, responds to the need to address the following issues: (i) the rate of school continuation begins to decline at about fourteen years, with a more marked decline for children in quintile one; (ii) households with school-age children in the poorest quintile spend significantly less on their children's education relative to others in the population; and (iii) boys are more likely to drop-out of school and engage in labour market activities and /or risky behavior. The proposed scheme of benefits was derived taking into account, the cost of education, the estimated distributional and educational impacts and fiscal affordability.

56. Experience in Chile and Brazil suggests that efforts to link ("bridge") beneficiaries of CCT programs to other complementary services can be an effective way to lift them out of poverty. To sustain the poverty alleviating impact of the PATH, the Project will support building of capacity within the MLSS to implement the new Steps-to-Work program aimed at helping working-age members of PATH families find gainful employment.

C. Fiduciary

57. Financial Management. A financial management assessment has been carried out and concluded that arrangements for the Project satisfy the Bank's minimum requirements under OP/BP10.02. It pointed to the need for improvement in several areas, which will be addressed through an action plan specifying the responsible parties and deadlines (see Annex 7). Fiduciary responsibilities will be carried out by the Public Assistance Division in the MLSS. While the designated account in foreign currency will be managed directly by the MFPS, local currency denominated funds released from this account into the Project accounts (i.e. the Beneficiary Account and the Technical Assistance Account) will be managed by the Public Assistance Division.

58. All expenditures to be financed under the Project will be budgeted by the MLSS; the MFPS and the PIOJ will include a reference note in their annual corporate plans that funds for the activities under their Project components (i.e. pension reform, social protection strategy development) will be included in the budget of the MLSS. Implementing agencies will submit annual plans and budgets to the MLSS each year for consolidation into one request for submission to the MFPS.

¹⁷ Impact evaluations of CCT programs in Jamaica, Mexico, Nicaragua, Honduras, Brazil, and Colombia demonstrated significant impact on increasing enrollment and school attendance, health care services utilization, and consumption.

59. Disbursement under the Project will be report-based. The report, termed the Project Report (PR) will comprise three elements: (i) Interim Un-audited Financial Report (IFR); (ii) physical progress report; and (iii) procurement progress report for components 1b, 2, 3 and 4. The MLSS will send to the Bank, no later than one month after the end of each four monthly-period, the Project Reports together with the disbursement request. Information related to the PATH grants will be extracted from the MIS for inclusion in the PR while the MFPS and the PIOJ will submit their progress reports to the Public Assistance Division for preparation of the PR.

60. The ongoing Social Safety Net Project has successfully improved the internal audit system in the MLSS; progress in this area will be sustained under the new Project. The draft audit plan for the first year of implementation will be agreed during negotiations.

61. Procurement. Procurement for the Project will be carried out in accordance with the World Bank's 'Guidelines: Procurement under IBRD Loans and IDA Credits' dated May 2004, revised October 1, 2006; and 'Guidelines: Selection and Employment of Consultants by World Bank Borrowers' dated May 2004 and revised October 1, 2006, and the provisions stipulated in the Legal Agreement. The Procurement Plan will stipulate the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame for each contract to be financed by the Loan. This Plan will be updated annually or as required to reflect the actual project implementation needs.

62. The combined Country Financial and Procurement Assessment carried out in 2006 indicated that improvement is needed to render the Jamaican procurement system more transparent. An assessment of the capacity of the MLSS to implement procurement actions under the Project was carried out by the Bank in October 2007. The assessment, whose findings and main recommendations are summarized in Annex 8, focused on capacity of the Public Assistance Division within the Ministry, for managing contracts using both World Bank and national procedures. Given that the risk associated with the implementing agency is assessed as high/substantial, an action plan has been developed to address the weaknesses revealed by the assessment. Implementation of this action plan will moderate the procurement risk for the Project.

D. Social

63. A Rapid Social Assessment and widespread consultations among communities, social scientists and government decision-makers, confirmed that there is no legal or sociological evidence suggesting that the Maroon and Rastafarian communities are or should be treated as specific Ethnic Groups requiring special attention under the project. Thus, the Bank Operational Policy on Indigenous Peoples OP-BP 4.10 is not applicable.

64. Nonetheless, the Social Assessment recommended the need to adopt a social diversity and inclusion approach to development in Jamaica. This will entail improving: (i) targeting to ensure that those who are expected to benefit are adequately included in the program; and (ii) access to the program for groups in situations of extreme vulnerability. Activities related to

these areas are supported by the Project under the PATH institutional strengthening sub-component.

E. Environment

65. The Project is classified as category C, given that its activities (provision of conditional cash transfers, capacity building) are not expected to generate any adverse environmental impacts.

F. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
<u>Environmental Assessment (OP/BP 4.01)</u>	[]	[X]
Natural Habitats (OP/BP 4.04)	[]	[X]
Pest Management (OP 4.09)	[]	[X]
Physical Cultural Resources (OP/BP 4.11)	[]	[X]
Involuntary Resettlement (OP/BP 4.12)	[]	[X]
Indigenous Peoples (OP/BP 4.10)	[]	[X]
Forests (OP/BP 4.36)	[]	[X]
Safety of Dams (OP/BP 4.37)	[]	[X]
Projects in Disputed Areas (OP/BP 7.60)*	[]	[X]
Projects on International Waterways (OP/BP 7.50)	[]	[X]

G. Policy Exceptions and Readiness

66. No policy exceptions are sought. The Bank has assessed the Government as being ready to implement the proposed new project. The Ministry of Labour and Social Security has all the institutional mechanisms in place to carry out the PATH with overall policy direction provided by the Social Safety Net Program Steering Committee. The Government has approved in January 2008 the increase in the benefit level for PATH and the introduction of differentiated benefits for secondary school students on PATH. The 2008/2009 budget as submitted to the Parliament is adequate for accommodating the incremental cost related to the increase in PATH benefit level. The Government counterpart team has led the preparation of the project and all key departments in the implementing agencies (MLSS, MFPS, and PIOJ) have been close partners in design of the project. The procedures for execution of the project, including the procurement and financial management procedures are in place and are outlined in the Operations Manual. An implementation agreement between MLSS and the PIOJ has been prepared. A procurement plan to cover the first 18 months has been prepared. A monitoring and results framework including baseline and target values for specific indicators has been finalized for the project. The MLSS and PIOJ have the system in place to conduct the M&E requirements for the project.

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

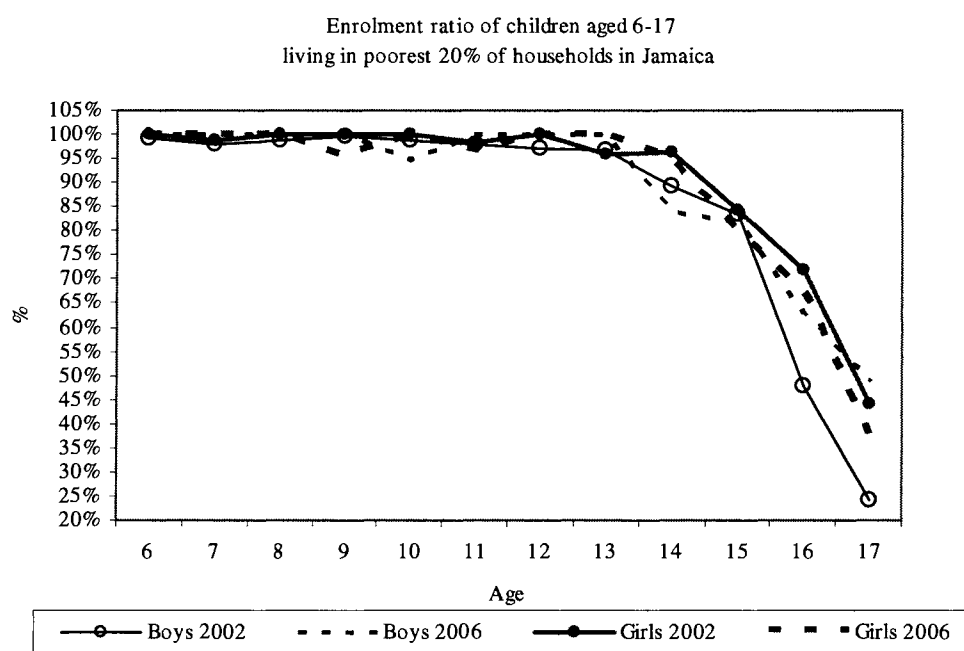
Annex 1: Country and Sector or Program Background

Jamaica Social Protection Project

Country Context

1. Jamaica has made significant gains in reducing poverty as evidenced by the decline in the poverty headcount from 30.4% in 1989 to 14.3 % in 2006¹⁸. Poverty reduction remains, however, a high priority for the Government and a development challenge that is complicated by three issues. The first concerns the low human capital accumulation among poor children whose parents under-invest in their education due to liquidity and credit constraints. Low investments in human capital during childhood and youth increase the likelihood of poverty during adulthood because a person with inadequate schooling has reduced chances of finding productive employment. According to the latest Poverty Assessment (2007)¹⁹, the poverty headcount drops significantly only after the head of the household has completed the second cycle of secondary school. At the same time, family income is the strongest and most consistent determinant of school enrollment. As many as 75 percent of the 17 years olds in the poorest quintile are not in school compared to 33 percent in the richest quintile (Figure 1). The gap between rich and poor is even higher when measured in terms of number of days in school and starts manifesting as early as 11-12 years of age. Of great concern for the Government of Jamaica (GOJ) is that the rate of decline in school enrollment and attendance is much greater for boys than girls.

Figure 1. School enrollment by age, gender, and income group, 2002 and 2006

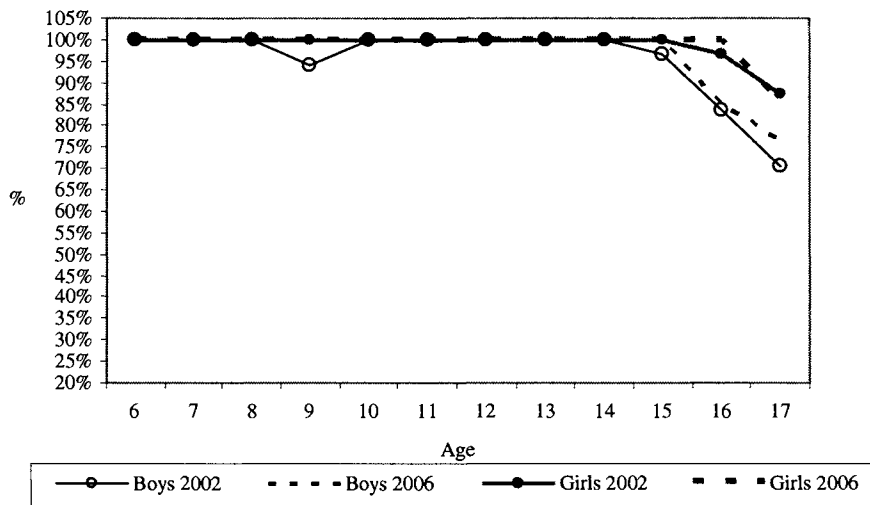


Estimates based on JSLC 2002, 2006

¹⁸ JSLC 2006

¹⁹ World Bank (2007)

**Enrollment ratio of children aged 6-17 living
in richest 20% of households in Jamaica**



Estimates based on JSLC 2002, 2006

2. The Poverty Assessment also traces the interconnected issues of youth unemployment, crime and poverty. About 42% of the unemployed in Jamaica are youth ageing between 15 and 24 years. The unemployment rate for this age group is more than three times higher than the unemployment rate of adults, and has increased faster than the latter between 1998 and 2002. There is strong connection between crime and youth: perpetrators of violent crimes are highly concentrated among young men, as well as their victims. Crime and poverty are also linked: poor areas are most crime-prone areas of the country, and residents of communities where crime is endemic are perceived as criminals and discriminated against. Finally, crime reduces growth and hence increases poverty, as criminal activity drives away private investment, diverts resources from productive activities to crime prevention, discourages investment in human capital, disrupts the functions of public and private institutions. The Poverty Assessment estimates that high level of crime and violence costs the economy 3.7% of GDP and reduces the growth rate by as much as 5.4% per annum.

3. The second issue is that many poor families experience barriers to getting out of poverty and becoming economically self-sufficient. Some of the barriers at the household level include lack of skills, low educational attainment, and lack of support to care for young children, elderly or the persons with disabilities. The existing employment support programs are not able to address these barriers effectively for three main reasons. First, they do not do a very good job at reaching the poor. Eighty five percent of vocational training participants are not poor. Even in the case of targeted programs such as micro-enterprise development and skills training sponsored by the Jamaica Social Investment Fund, around sixty percent of participants are not poor. Second, some of the employment support programs focus primarily on skills development

through vocational training without taking into account, the need for developing soft skills²⁰ and job readiness among the poor. Third, active labour market programs are not adequately linked to support services such as infant and elderly care to meet the needs of poor working families.

4. The third issue is the rapid increase in public pension expenditures, which hamper efforts to reduce the country's high level of indebtedness, put pressure on credit markets, and can have a negative impact on economic growth and poverty reduction by crowding out expenditures in other public programs with higher social rates of return. Despite rising pension expenditures, the population still lacks adequate old-age income protection.

Social Protection Sector Context

5. The GOJ operates a comprehensive social protection system consisting of two main categories of programs: (i) social assistance and (ii) social insurance. Social assistance programs provide support on a non-contributory basis and aim to help individuals or households cope with chronic poverty or transient declines in income that would cause them to live in a situation of poverty or worsening poverty and include some twenty programs such as cash transfers, community based programs, education-based programs, housing and feeding programs. Social insurance schemes include the mandatory contributory based National Insurance Scheme that provides pensions for the elderly, invalids and survivors, a non-contributory pension scheme for Public Sector Workers, and several voluntary private pension schemes.

(i) Social Assistance

6. The GOJ, within the context of its social and economic policy agenda, has undertaken a reform of its Social Safety Net to improve the targeting of the poorest segments of the population, the relevance and effectiveness of welfare and related programs and to increase efficiency in the delivery of social services. The first phase of the Social Safety Net (SSN) Reform began in October 2001 with the introduction of the Programme of Advancement through Health & Education (PATH). PATH is a consolidation of three income support programs: Food Stamp and Old Age/Incapacity Programs of the Ministry of Labour and Social Security and the Outdoor Poor Relief Program of the Ministry of Local Government & Environment. The World Bank has supported the implementation of the PATH through an ongoing Social Safety Net Project.

7. Consolidation of these three existing income transfer programs under PATH contributed to rationalized operations, improved adequacy of benefits, improved targeting, reduced administrative costs and increased effectiveness in the delivery of benefits to the poor. This phase also involved the establishment of a central welfare agency and further consolidation of programs. However, the establishment of the single welfare agency is pending and is contingent on the repeal of the Poor Relief Act dating back to 1886 and the passing of the National Assistance Act. Consequently, while the process of reforming the Social Safety Net has begun,

20 These refer to life skills that are valued by employers, such as team work, pro-activeness, critical thinking, and communication.

the overall process still awaits the several important institutional changes and the new legislative framework.

PATH

8. PATH is organized around two types of grants: (i) Child grants provide health and education grants to poor children 0 to 19; and (ii) Social assistance grants to adults provide grants to poor, pregnant and lactating mothers, elderly poor (over age 65), and poor persons with disabilities and destitute adults under age 65 years.

9. **Benefit level and budget.** PATH transfers JM\$530 (or US\$8) per eligible person/month, paid every two months. This represent about 10% of the pre-transfer per capita expenditures among poor beneficiaries, a level that is significantly lower than in other programs such as Mexico Oportunidades where the benefit level represents 33.4%. The PATH budget of US\$22 million annually represents 25% of total social assistance expenditure or 0.20% of GDP. A proposal for a new scheme of benefits has been approved by Cabinet in January 2008. Under the new benefit scheme, the base benefit is increased from JM\$530 to JM\$600 to adjust for inflation. In addition, PATH students moving from the primary level to Grade 7 would receive a benefit 50% higher than the core benefit being received by all PATH beneficiaries; PATH Students transitioning to grade 10 would receive a benefit 75% higher, PATH students who are boys would receive a benefit 10 percent higher than the girls in their respective grade level, and PATH students moving to a tertiary institution would receive a one-off bonus to assist with that transition (see Annex 4 for a complete description of the benefits).

10. **Coverage.** At the end of 2007 almost 230,000 beneficiaries, of whom 70% are children, received PATH grants. This represents about 8% of the population. Coverage of the poor remains low, with only 50% of the children in the bottom quintile receiving PATH. For 2008 the program aims to increase coverage to reach an estimated 242,000 beneficiaries, or 9.2% of the population, of which 78% children.

11. **Eligibility.** Eligibility for benefits is determined by the BIS, which is based on a proxy means test (PMT). The BIS will eventually be used to target beneficiaries in all major social and poverty alleviation programs (the school lunch and the health fee waiver programs are already using it). The eligibility formula was developed in 2001 using Jamaica Survey of Living Conditions 1999 (JSLC). A revision of the PMT is under way using data from JSLC 2002 to address three concerns of the existing PMT: (i) under-selection of beneficiaries from the Kingston Metropolitan Area (KMA); (ii) under-selection of poor elderly living alone; and (iii) application of the lengthy questionnaire to evaluate eligibility. The new PMT will be used in 2008 to recertify PATH households that have been on the program for four years or more to determine their continued eligibility.

12. **Conditionalities.** The receipt of grants is conditional on children through age 6 visiting a health clinic every two months during the first year and twice a year thereafter, and on children age 6 to 19 being enrolled in school and attending at least 85 percent of the number of days that the school is held per month. The number of health visits for children 3 to 5 is in the process of

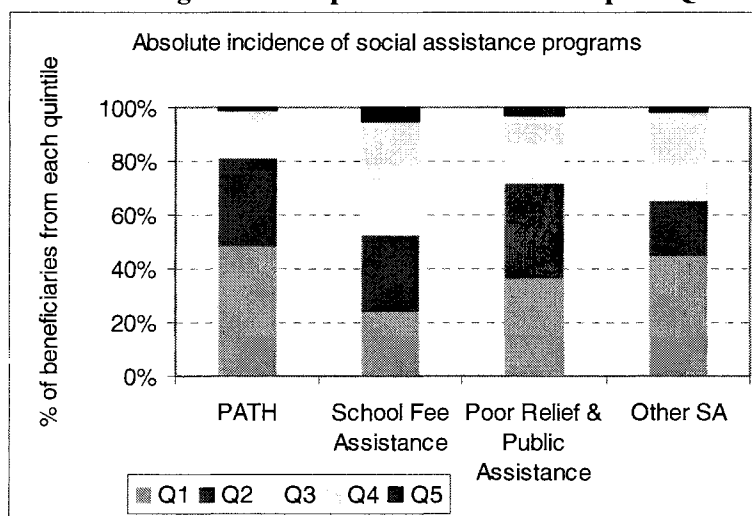
being reduced to align it to the health national guidelines for preventive health care. In addition, the program started in 2007 piloting the introduction of parenting sessions.

13. Main results of PATH. Unlike most SSN programs in Jamaica, PATH was subject to a comprehensive evaluation of its operations, targeting accuracy and impact, conducted by independent evaluators that revealed that the Program had good results in terms of implementation, targeting, and impact:

14. Implementation. PATH has been successful in: (i) developing a functioning BIS using a proxy means testing targeting mechanism; (ii) setting up procedures enrolling clients into the program largely through the parish offices under the MLSS; (iii) setting up a process for disbursing cash benefits through the postal and banking systems; (iv) establishing appeals committees with large community representation at each parish level; and (v) setting up procedures for obtaining information from schools and health centers on compliance with the Program’s requirements.

Figure 2. Distribution of Beneficiaries of main social assistance programs by Quintile, 2004

Percent of Program Participants in Each Consumption Quintile

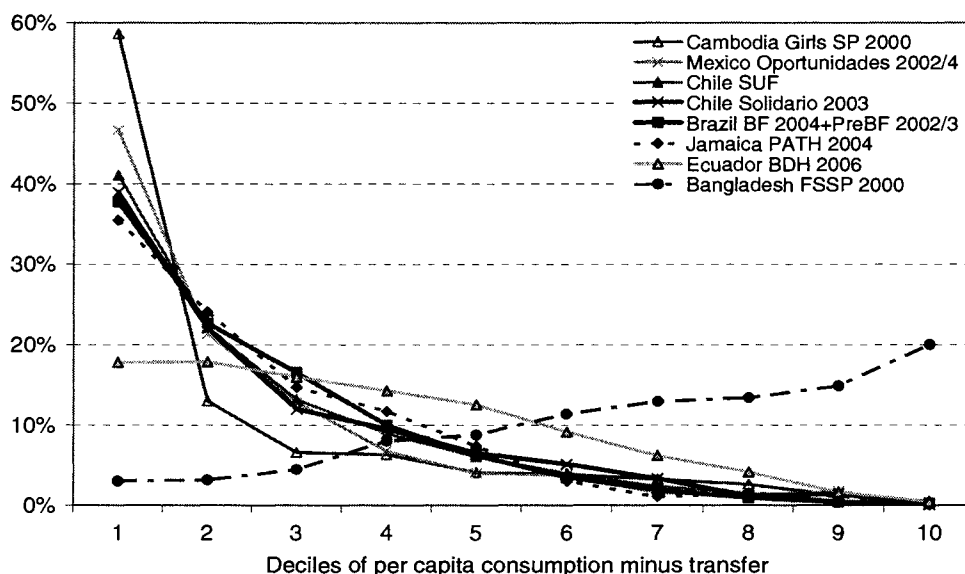


Source: Poverty Assessment (2007), Estimations using JSLC 2004

15. Targeting. PATH has been successful at targeting its benefits to the poorest households with 58% of benefits going to the poorest quintile of the population (Mathematica, 2004). Relative to other social programs in Jamaica, PATH’s targeting performance seems to be very good. In particular, PATH has achieved much better targeting than Food Stamps, one of the main programs for which it was to provide a substitute. Regarding other programs, PATH seems to be better targeted than Poor Relief, the School Fee Assistance Program, and the Jamaica Drug for the Elderly Program (Figure 2).

16. Program results also compare very favorably with those of similar programs in Brazil, Chile and Mexico (Figure 3).

Figure 3. Distribution of benefits by deciles, selected CCTs programs



Source: *Conditional Cash Transfers Policy Review, Fiszbein and Schady (forthcoming)*

17. Impact. The impact analysis assessed PATH's effects on preventive health care use and school attendance, using a rigorous quasi-experimental design. The evaluation report found that health care visits for children 0-6 increased by approximately 38% as a result of PATH. The Program has also been effective at encouraging households to send their children to school with greater regularity. Students on PATH have school attendance rates that are 3% higher than similar students who are not receiving the program. Qualitative research indicates that parents generally agreed that the PATH cash benefit, despite not being sufficient by itself to sustain the full cost of schooling, provided vital support for sending their children to school. They also confirmed that conditionalities were enforced and many people's transfers were indeed reduced if non-compliant. Many focus group participants also emphasized the value of the Program beyond direct monetary payment. They viewed the waiver of secondary school fees and access to health care as particularly important components of the overall benefit package.

18. Notwithstanding the progress made in reforming the social safety net during the last couple of years, it is clear that significant challenges remain. The first is to translate social assistance to poor households into strengthened economic potential in the short, medium and long term. Secondly, to address gaps into the delivery of social welfare services to vulnerable population groups. Third to improve the coverage of social security systems within the population in order to mitigate risks and vulnerability. Lastly, to create a viable and sustainable social protection system.

19. In respect to PATH, further strengthening of the basic architecture of the Program would require *inter alia*, (a) strengthening the BIS to improve targeting; (b) further enhancing the Management Information System (MIS) to improve monitoring and evaluation; (c) expanding coverage of the poor by PATH and introducing additional education incentives to ensure that youth complete high school and do not engage in risky behavior; (d) further strengthening of accountability including oversight, internal audit, and quality controls; (e) development of a structured system to provide working-age members of PATH households with the required support to join the world of work.

20. As part of the ongoing SSN reforms, an Inter-agency Steering Committee was commissioned by the Planning Institute of Jamaica (PIOJ) in 2007 to develop a Steps-to-Work Program to promote the economic self-sufficiency of working-age members of PATH households which comprise the majority of welfare recipients. The Steps-to-Work program aims to engage the working-age members of PATH households on a voluntary basis, in a set of initiatives aimed at job readiness, skills and competencies building, job matching, and business development. The program, to be piloted by the MLSS for a period of two years beginning 2008, will target members of PATH eligible households²¹ and refer them to employment support or business development services, such as: (i) remedial education and competence & skills training provided by the HEART Trust / NTA of Ministry of Education with National Youth Service and Jamaica Foundation for Lifelong Learning; (ii) job matching and job opportunities information provided by the Labour Division of MLSS; (iii) grants and loans for entrepreneurial activities provided through MLSS and public and private financial institutions; (iv) business development technical assistance provided by the Ministry of Industry, Investment and Commerce; and (v) daycare support for young children, the elderly and persons with disabilities provided by the Early Childhood Commission (ECC), National Council of Senior Citizens (NCSC), and the Jamaica Council for Persons with Disabilities (JCPD). The pilot phase of the StW Program will cover six parishes: Kingston / St. Andrew, Trelawny / St. James, and Manchester / Clarendon. Participation in StW will be voluntary serving approximately 12,000 working-age members of PATH families. In year 3 the Program will be scaled up nationally after a roll-out strategy is developed based on lessons learned and evaluation results.

(ii) Pensions

21. The pension system in Jamaica has three pillars. The mandatory system is the National Insurance Scheme (NIS), which is financed on a pay-as-you-go basis and offers, essentially, a flat pension upon retirement. In addition there are around 30 complementary plans for public sector workers (mainly non-contributory) and over 500 occupational plans for private sector workers. The various schemes, however, operate outside an integrated framework for old-age income protection.

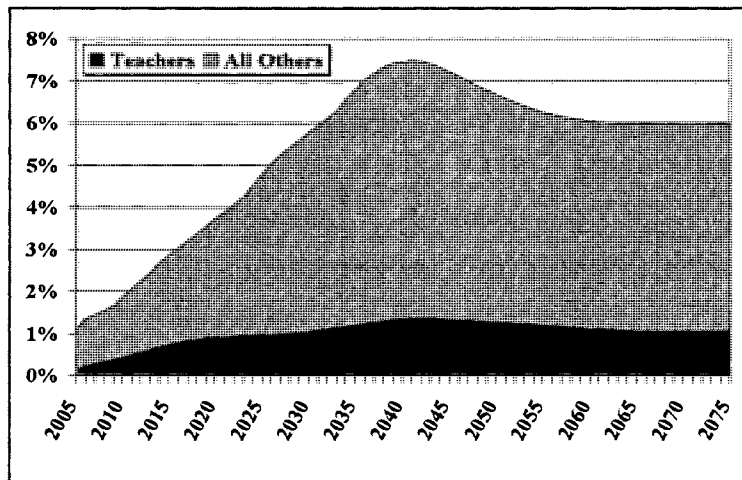
22. As in other countries in the region, the Jamaican system faces problems at various levels. Three are the most pressing today. First, the incapacity of current arrangements to provide adequate and secure income protection during old-age to a majority of the population. Indeed,

²¹ The main barriers to employment for these groups are lack of skills, low educational attainment, and lack of support to care for young children, the elderly or the disabled. Other constraints are transportation, job availability and discrimination of various types.

the pension system covers only 20-25 percent of the labour force (mainly formal sector workers) and 22 percent of the elderly. Moreover, discretionary indexation mechanisms leave retirees exposed to the risk of inflation.

23. Second, problems in the design of benefit formulas and eligibility conditions for public sector workers make the system unsustainable. Pension expenditures for public sector pension schemes were estimated at between 0.8 and 1.0 percent of GDP in year 2005, might have reached 1.4 percent of GDP in 2007 and is likely to explode over the next twenty years to reach 6% by 2030 (Figure 4).

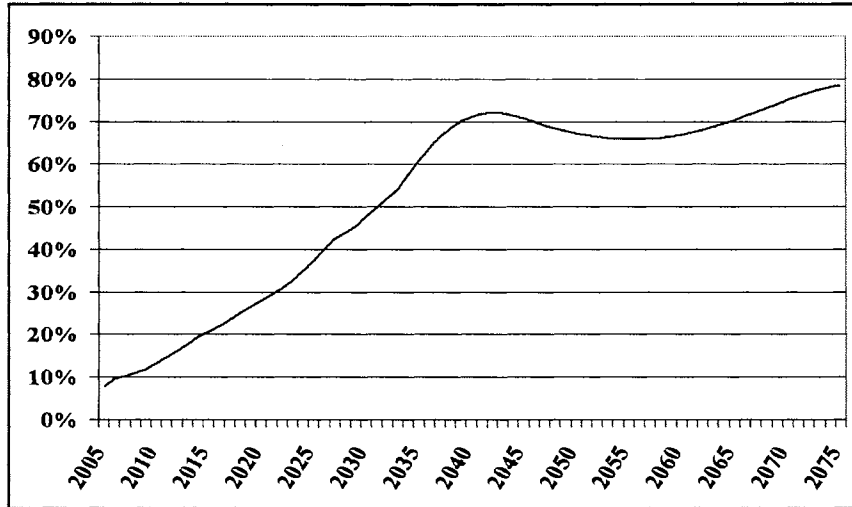
Figure 4. Civil Service Pension Expenditures Relative to GDP



Source: Christopher Bender (2008) Pension Issues Paper

24. The increase in Civil Service pension expenditures will create an enormous fiscal burden on the budget. If the cost of Civil Service pensions were funded each year from a payroll tax, the contribution rate required to meet benefit costs is projected to rise from about 10% today to over 70% by 2040 before falling slightly for about 15 years and then rising to almost 80% of Civil Service payroll by 2075. See Figure 5. If the GOJ were to create a separate fund to pay for the cost of Civil Service pensions and were to establish a level contribution rate for the next 75 years (i.e., if the GOJ were to attempt to fund the scheme on the basis of current and future contributions with a contribution rate that maintains the scheme in long-term actuarial balance), the contribution rate would need to be in the range of 55% to 60% of Civil Service wages.

**Figure 5. Civil Service Pension Expenditures
Relative to Civil Service Wages**



Source: Christopher Bender (2008) Pension Issues Paper

25. Finally, problems in terms of management and administration are pervasive. Information systems and business processes are outdated and there is difficulty to keep records updated and pay pensions on time. The government encourages employees to request processing of their pensions a year in advance of their retirement date in the hope that the administrative processes can be completed during that period. Although there are no objective measures of total processing time, the general impression is that one year is not enough time to calculate and award a pension using current procedures. The actual average is probably more like 18 months. The excessive processing time is the result of the interaction of several factors: (i) the personnel records upon which pension calculation and entitlement are based are all on paper; (ii) although personnel records for those who have worked in multiple agencies are supposed to be consolidated at the final employer, they often are not; (iii) the process is virtually entirely manual and paper-based; (iv) the process requires interactions among half-a-dozen or more independent entities; (v) almost all of the steps in the process must be executed in sequence, which can result in bottlenecks; (vi) procedures appear to require assembling and verifying far more information than is needed to calculate pensions; and (vii) the adequacy of the documentation and the accuracy of the calculations are repeatedly checked and rechecked.

26. In 2001, the Government issued a White Paper laying out strategic guidelines for reforming the Jamaican pension system. The paper proposed comprehensive reforms to enhance the basic social security system (i.e., the NIS), create contributory funded schemes for public employees, and regulate pension and superannuation schemes. Although there is an understanding of the need to adopt an integrated approach to pension reform, political constraints as well as the complexity of coordinating reforms on various fronts have led to a strategic decision to first address the problems of the schemes for public sector workers. The Government has recently established a Pension Reform Steering Committee with a technical unit under it to look further into reforms, focusing on the schemes for public sector workers. This Committee has prepared a technical note, presenting the main issues facing the pension system and a preliminary

assessment of alternative reform options, which will be further refined to inform the development of a White Paper on public sector pension reform.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

Jamaica: Social Protection Project

Project Name	Amount and Duration	IP and DO ratings (where applicable)/comments
World Bank: Social Safety Net Project (PATH)	US\$40 M, 2001-2008	DO: Satisfactory IP: Satisfactory
World Bank: Reform of Secondary Education II (ROSE II)	US\$13 M, 2002-2008	DO: Moderately Satisfactory IP: Moderately Satisfactory
World Bank: Inner City Basic Services for the Poor	US\$30 M, 2006-2011	DO: Satisfactory IP: Satisfactory
World Bank: HIV/AIDS Prevention and Control	US\$11 M, 2002-2008	DO: Moderately Satisfactory IP: Moderately Satisfactory
World Bank: HIV/AIDS Prevention and Control II	US\$15 M, 2008-2013	DO: N/A IP: N/A
CDB: Enhancement of Basic Schools Project	US\$13.4 M, 2002-2008	
IDB Youth At Risk	US\$10 (in preparation)	
IDB/OPEC: Primary Education Support	US\$33.0 M (loan = 29.0m), 2000-2006	
IDB: Jamaica Social Safety Net Programme	US\$1.1 M (Grant), 2001-2006	
UNICEF: Early Childhood Development	US\$3.7 M (Grant), 2001-2006	
UNICEF: Early Childhood Care and Development Education and HIV/AIDS Project	US\$3.5 M (Grant), 2001-2007	
UNICEF: Policy, Advocacy and Special Care and Protection	US\$2.5 M (Grant), 2001-2006	
OAS: Reduction in the Incidence of Rural Poverty through Interactions in Multi-grade Schools	US\$0.048 M (Grant), 2005-2007	
USAID: Caribbean HIV/AIDS Regional Training (CHART) Centre	US\$2 M (annual program)	
Global Fund: Proposal to Scale up HIV/AIDS Treatment, Prevention and Policy Efforts in Jamaica	US\$23.3 M	

1. The main areas of human development support by International Development Partners are education, HIV and AIDS control and prevention, social safety net, basic services and poverty reduction. The World Bank, the Caribbean Development Bank (CDB) and the Inter-American Development Bank (IDB) are the largest financiers, with UNICEF leading on technical assistance through grant funding.

2. The World Bank is the lead donor across the social sectors in Jamaica, with several complementary human development operations across education, health, social protection, and access to basic services. The Bank is providing a loan of US\$40 million for a project to transform the Social Safety Net system into a fiscally sound and more efficient system of social assistance for the poor and vulnerable. Primarily, the operation is supporting the PATH in providing cash transfers to children conditional on attending school and using preventive health care services. The Inner-City Basic Service for the Poor Project is a community development intervention which has a mix of activities, including increased access to potable water and adequate sanitation options, access to microfinance for enterprise development and securing tenure for households in the project areas. The project, which is being implemented by the Jamaica Social Investment Fund until end-2011, covers areas in Kingston and St. Andrew, St. Catherine, Clarendon and St. James. The Reform of Secondary Education Project (ROSE II) came on stream in 2002 and is expected to close in 2008. It aims to introduce a new curriculum for grades 10-11, continue implementation of the common curriculum in grades 7-9, strengthen capacity within the Ministry of Education, and provide 9,990 new school places at the upper secondary level. The project is being financed by a loan of US\$13 million. To further support human development in Jamaica, the World Bank has provided a US\$15 million loan to support selected activities in Jamaica's National HIV/AIDS Strategic Plan. The project is scheduled to end in 2008, with a follow-on operation under preparation. An emergency recovery operation aims to help the government's reconstruction efforts after hurricane Dean hit the country in September 2008.

3. The World Bank's new Social Protection Project will complement the IDB's efforts on helping youth at risk and improving access and quality of education. The IDB Youth at Risk operation under preparation aims to help facilitate the transition of youth aged 15 to 24 years to education and training programs and the world of work. In support of this objective, program activities will be financed in the following strategic areas: (i) expansion of youth training and life skills services - including support for the National Youth Service programs as well as apprenticeships with private sector, community based and non governmental organizations; (ii) promotion of youth information centers - building upon ongoing efforts in this area; (iii) social marketing mechanisms, information management and monitoring and evaluation systems; and (iv) institutional strengthening, with particular focus on articulation between various sectors.

4. USAID and Global Fund are involved in work related to HIV and AIDS in Jamaica and within the region. USAID, through the Caribbean HIV/AIDS Regional (CHART) Training Centre, has committed grant funds (US\$1.0 million) to provide training in HIV/AIDS for health care providers in CARICOM member countries. The intention is to improve counseling and clinical skills. Global Fund is considering a proposal to accelerate the care for people living with HIV and AIDS, prevent the spread of the infection and protect the rights of infected persons, among other things

5. UNICEF is a central partner in the ECD sector. Continuing a tradition of supporting early childhood development, UNICEF has provided grant funds totaling approximately US\$9.7 million to finance activities in EC education, care and development as well as HIV and AIDS. Its EC Education, Care and Development (ECECD) and HIV/AIDS project aims to: (i) train EC practitioners in this area, (ii) develop a certification and accreditation program in ECECD, (iii)

improve transition to primary school through the implementation of appropriate methodologies and the establishment of appropriate learning environments, (iv) advocate on child rights around HIV issues, and (v) support public education on HIV and AIDS.

6. The Caribbean Development Bank has committed funds in the amount of US\$13.4 million to support the objective of enhancing the learning environment and raising the level of teacher performance. The Enhancement of Basic Schools Project (EBSP) is designed to: (i) provide institutional strengthening, construct/refurbish or expand twelve basic schools, (ii) upgrade 40 existing basic schools, (iii) refurbishing eleven resource centers, (iv) train and certify 960 teachers, v) support the development of educational toys, and (vi) provide public education via audio and visual media. EBSP is expected to end in 2008.

7. The Organization of American States is supporting an initiative which should support early childhood development. A grant of US\$0.48 million has been provided to equip teachers with skills to teach in multi-grade schools, and to train Education Officers and supervisors in new methodologies.

Annex 3: Results Framework and Monitoring

Jamaica: Social Protection Project

Results Framework

PDO	Outcome Indicators	Use of Outcome Indicators
<p>Strengthen SP system through:</p> <p>(i) improving the effectiveness of the PATH to foster investment by poor families in human capital;</p> <p>(ii) developing a structured system to assist working-age members of PATH households seek and retain employment;</p> <p>(iii) enabling the formulation of a pension reform program for the pension scheme for public sector workers; and</p> <p>(iv) developing a comprehensive SP strategy.</p>	<p>Net change in school attendance by PATH students at secondary level for boys and girls</p> <p>Net change in secondary school completion rate of PATH students</p> <p>Reduction in poverty gap among poor PATH households</p> <p>Steps-to Work Roll-Out Strategy informed by pilot findings, adopted</p> <p>White Paper for Public Pension Reform submitted to Cabinet</p> <p>New retirees receive pension 4 months after submitting their papers to Pension Administration</p> <p>Social Protection Reform Strategy submitted to Cabinet</p>	<p>YR 1-4: Assess net impact of PATH on school attendance and retention and determine if incentives are appropriate</p> <p>Asses extent to which Steps to Work program can be scaled up to serve the entire PATH working age adult population</p> <p>Gauge degree of pension reform readiness</p> <p>Determine extent to which underserved vulnerable groups can be assisted by the SP system</p>
Intermediate Outcomes	Intermediate Outcome Indicators	
<p>Sub-Component 1a. PATH grants</p> <p>Improved education attainment for poor children</p>	<p>Enrollment at secondary level for poor children (Q1) aged 15 to 16 years</p> <p>Avg. daily attendance of children in Q1</p> <p style="padding-left: 20px;">Primary level</p> <p style="padding-left: 20px;">Secondary level</p> <p>Share of PATH children attending school 85% of the time:</p> <p style="padding-left: 20px;">Primary level</p> <p style="padding-left: 40px;">Boys</p> <p style="padding-left: 40px;">Girls</p> <p style="padding-left: 20px;">Secondary Level</p> <p style="padding-left: 40px;">Boys</p> <p style="padding-left: 40px;">Girls</p> <p>Share of children visiting health centers:</p> <p style="padding-left: 20px;"><1year</p> <p style="padding-left: 20px;">1-3 years</p>	<p>YR1-YR5: Lack of progress may signal program is not reducing the gap between poor and rich</p> <p>YR1-YR5: Lack of progress may signal insufficient case management and weak interagency cooperation</p> <p>Lack of progress may flag cumbersome conditionalities, weak case management and/or supply issues</p>
<p>Comp 1.b Institutional Strengthening of PATH</p> <p>Improved efficiency and M&E of PATH</p>	<p>Coverage:</p> <p>% of children in Q1 receiving PATH grants</p> <p>Targeting:</p>	<p>Lack of progress may flag inaccuracies in the identification of the target population or, inadequate</p>

PDO	Outcome Indicators	Use of Outcome Indicators
	<p>% of beneficiaries in Q1</p> <p>% recertification of PATH families with children due to be recertified after 4 years enrollment</p> <p>Adequacy:</p> <p>Government spending on Social Protection as a % of GDP</p> <p>Government spending on PATH as a % of GDP</p> <p>Service Quality:</p> <p>% of new beneficiaries receive 1st payment according to service standard</p> <p>% of PATH payments delivered to 13 parish offices by the 13th of the payment month</p> <p>System of Process Evaluation, internal audit and quality controls with spot checks in place</p> <p>Impact Evaluation and targeting assessment of PATH</p>	<p>data collection at enrollment, and or imprecise application of appeals rules</p> <p>Deterioration of the ratio of PATH benefit to poverty line may reflect lack of indexation or higher needs; lower spending on SSN may flag lack of funding or lack of political will to properly finance SSN programs</p> <p>YR02-YR05: determine progress to reach service standards</p> <p>Feeds into determining service standards and informs changes in Operations Manual</p> <p>Help inform possible changes in program design</p>
<p>Component 2 Building capacity for the Steps-to-Work program</p> <p>Effective modalities for insertion of PATH adult members in the labour market assessed</p>	<p>Twelve Centers are equipped, staffed and ready to deliver services</p>	<p>Lack of progress may flag insufficient capacity to scale up program</p>
<p>Component 3 Pensions</p> <p>Viable options for pension reform formulated and discussed with stakeholders. Accurate information available to support management and policy making</p>	<p>Discussion/Green Paper on Pensions Reform options prepared</p> <p>Process reengineering of the schemes for public sector workers completed</p> <p>Computerized earnings/contribution data base developed</p>	<p>Measures government readiness to implement pension reform</p>
<p>Component 4 Development of a holistic Social Protection Strategy</p> <p>Formulation of a Strategy Paper outlining the right mix of SP policies and programs</p>	<p>Vulnerability & Social Safety Net Reviews are conducted and recommendations made for changes to the SSN</p> <p>Revised BIS used for recertification</p>	<p>Help inform strategies for addressing needs of vulnerable groups.</p> <p>Will inform recertification</p>

Arrangements for Results Monitoring

1. Project outcomes will be assessed using an M&E system to track progress on the indicators specified in the results framework. The system will draw on multiple information sources: (i) the MIS developed for the PATH; (ii) biennial Jamaica Survey of Living Conditions (JSLC) reports; (iii) the impact evaluation, targeting assessment, process evaluations and internal audits of the

PATH; and (iv) the impact evaluation of the Steps-to-Work Program. Annual independent audits conducted by the Auditor General will also provide useful information on the progress on project implementation.

2. **PATH MIS.** Most of the results indicators for the Component 1a and 1b would be monitored as part of on-going supervision and Project Reports prepared every four months, relying primarily on administrative data from the PATH MIS. The Ministry of Labour and Social Security with the support of an international firm contracted under the ongoing Social Safety Net Project is currently redeveloping the MIS for greater efficiency and ease of operation. The MIS enhancement is under way and is expected to be completed by December 2008. At the moment, the MIS is able of providing timely information on the number of active beneficiaries by categories, number of beneficiaries complying with program conditionalities, number of paid beneficiaries, number of beneficiaries cashing out their cheques, number of appeals, and other information relevant for the management of the program.

3. **Jamaica Survey of Living Conditions (JSLC).** Jamaica implements an annual LSMS survey that allows analysis of the consumption expenditures and estimates of incidence of poverty and inequality. The survey is nationally-representative, with a sample of about 2,000 households. A full household survey, including detailed modules on receipt of social safety net programs, including PATH, education, and health is fielded biennially. Based on the full JSLC survey, Planning Institute of Jamaica (PIOJ) and the Statistical Institute (STATIN) publish a report with descriptive analyses that includes information on the coverage of the poor with PATH and targeting of benefits. In addition, the report presents information on school enrollment by age and income groups. This will allow the PATH to periodically assess the coverage of the poor and targeting of PATH and monitor changes in school enrollment by age and income groups. With the support of the Project under component 4, the existing JSLC data can be further exploited to produce statistics on the adequacy of PATH benefits as a share of household's consumption, distributional incidence, poverty and inequality, school attendance by age and income groups, utilization of health care services by income group, coverage of other social safety net programs, as well as many other indicators for the PATH.

4. **PATH Impact Evaluation.** The PATH impact evaluation to be conducted under the PATH Institutional Strengthening Subcomponent would provide further data on outcome of interest. The new innovations in the PATH will be evaluated using a quasi-experimental design. Specifically, the introduction of increased benefits, differentiated benefits for secondary school, and higher benefits for boys will be evaluated. Outcomes analyzed will include school enrollment, attendance, high school completion, and utilization of health services. The analysis will consider in particular whether the differentiated benefits for boys and girls reduce inequality in schooling outcomes by gender. The evaluation will follow the model established by the first phase evaluation, which was conducted using a regression discontinuity design, taking advantage of an eligibility score cutoff. The evaluation will also exploit differences in treatment by cohort, comparing those in the last cohort to receive benefits under the original benefit structure to the first cohort to receive benefits under the new structure. Both a baseline and follow-up surveys will be conducted.

5. **PATH Targeting Assessment.** A targeting survey will be carried out as part of the the impact evaluation. A special targeting assessment is needed mainly because the existing PATH

module in the JSLC does not capture well the information about the value of the benefit received by each PATH beneficiary. In addition, the number of observations in the JSLC is quite small to allow disaggregating below the national level. Moreover, the survey does not capture whether PATH beneficiaries are receiving their other entitlements, including free school meals to estimate the extent of the true benefits associated with being a PATH beneficiary. The targeting assessment will complement the biennial assessments done by the PIOJ and STATIN that measure the distribution of PATH beneficiaries, a proxy for the true distribution of actual benefits received.

6. Steps-To-Work Impact Evaluation. An impact evaluation of the pilot initiative is expected to provide valuable insights into the most appropriate and efficient strategies to be used in the program to achieve desired social and economic outcomes, in particular training and employment outcomes. The evaluation is expected to be conducted in the third year of the project, with an initial baseline survey followed up with a supporting survey in the final project year. A control and treatment groups approach is expected to be used in a sample of the pilot households.

7. Process Evaluations. Two external evaluations will examine whether the program is implemented as designed, identify bottlenecks and suggest remedial actions. A first process evaluation will be carried out after the new MIS becomes operational in the first quarter of 2009. It will examine the quality of service delivery, develop a proposal of service standards, and will inform the design of an internal system of “spot checks” to be implemented periodically to allow the program to detect and correct problems in a timely manner. A second process evaluation will be conducted in the fourth year of the Project. This evaluation will assess the maturity of improvements and the implementation of recommendations from the first process evaluation. It may also assess the interaction between PATH and the Steps-to-Work Program and provide inputs to adjust the Operations Manual of both programs.

8. Internal Audits. The PATH Internal Auditing Office will conduct periodical audits to ensure that the PATH operation conforms to the Financial Administration and Audit Act and that adequate systems and procedures are in place for quality control and prevention of irregularities while at the same time ensuring the efficiency of the operational procedures. Under the ongoing social Safety Net Project the internal auditing office performed audits on check distribution, uncollected cheques, appeals and complaints, and compliance monitoring. Under the new Project the internal auditors will continue to audit these processes and as well as other key aspects as deemed necessary. An annual internal audit plan will be prepared and discussed with the Bank to ensure relevant audits are included in the plan and mechanisms to follow up on implementation of auditor’s implementation are in place.

Table Results Monitoring

Outcome Indicators	Base-line	Target Value					Data Collection and Reporting		
	2008	YR1 2009	YR2 2010	YR3 2011	YR4 2012	YR5 2013	Frequency and Reports	Data Collection Instruments	Responsibility for data collection
Net change in school attendance by PATH students at secondary level for boys and girls	PATH already increased by 0.5 days	To be determined at Baseline			+0.5 days		Baseline and Follow up survey	Impact Evaluation Surveys	PIOJ/MLSS
Net change in secondary school completion rate of PATH students-boys and girls	N/A				+8 percentage points		Baseline and Follow up survey	Impact Evaluation Surveys	PIOJ/MLSS
Reduction in poverty gap among poor PATH households					8%				
Steps-to Work Roll-Out Strategy informed by pilot findings adopted		Pilot implemented	Pilot evaluated	Strategy developed			Every 4 months	PRs and evaluation study	MLSS PIOJ
White Paper for Public Pension Reform submitted to Cabinet			Green Paper prepared for consultations		White Paper submitted to Cabinet		Every 4 months	PRs	MFPS
New retirees receive pension 4 months after submitting their papers to Pension Administration	8 months				Process reengineering completed	4 months	Every 4 months	PRS	MFPS
Social Protection Reform Strategy submitted to Cabinet	N/A			Consultations held on draft strategy	Strategy submitted to cabinet		Every 4 months	PRs	PIOJ
Results Indicators for each Component									
Comp 1a. PATH Grants									
Enrollment at secondary level for poor children (Q1) aged 15 to 16 years	77% (2006)		78%		81%		Biennial	JSLC	PIOJ

Outcome Indicators	Base-line	Target Value					Data Collection and Reporting		
	2008	YR1 2009	YR2 2010	YR3 2011	YR4 2012	YR5 2013	Frequency and Reports	Data Collection Instruments	Responsibility for data collection
Avg. daily attendance (sent to school) of children in Q1 at primary level	17.8 days (2006)		18 days		18.5 days		Biennial	JSLC	PIOJ
Avg. daily attendance (sent to school) of children (Q1) at secondary level	17.5 days (2006)		18 days		18.5 days		Biennial	JSLC	PIOJ
Share of PATH children attending school 85% of the time:									
Primary level									
Boys	84%	84%	84.5%	85%	85.5%	86%	Every 4 months	PATH MIS	MLSS
Girls	85%	85%	85.5%	85.5%	86%	86%	Every 4 months	PATH MIS	MLSS
Secondary Level									
Boys	80%	80%	81	82	83	84%	Every 4 months	PATH MIS	MLSS
Girls	80%	81%	82	83	84	85%	Every 4 months	PATH MIS	MLSS
Share of children visiting health centres:									
<1year	90%	90	90.5	90.5	91	92%	Every 4 months	PATH MIS	MLSS
1-3 years	75%	76	77	78	79	80%	Every 4 months	PATH MIS	MLSS
Comp 1.b Institutional Strengthening of PATH									
Coverage:									
% of children in Q1 registered for PATH	59.5% (JSLC 2006)		62%		64%		Biennial	JSLC	PIOJ
Targeting:									

	Base-line	Target Value					Data Collection and Reporting		
Outcome Indicators	2008	YR1 2009	YR2 2010	YR3 2011	YR4 2012	YR5 2013	Frequency and Reports	Data Collection Instruments	Responsibility for data collection
% of beneficiaries in Q1	45.3 (JSLC 2006)		49%		53%		Biennial	JSLC	PIOJ
% recertification of PATH families with children due to be recertified after 4 years enrolment (cumulative)	0	75%	80%	85%	90%	95%			MLSS
Adequacy:									
PATH Spending as a % of GDP	0.20%	0.24%	0.23%	0.23%	0.22%	0.22%			
Government spending on Social Protection as a % of GDP	2.8% (2006/7)	2.80%	2.8%	2.8%	2.8%	2.8%	Annually	GoJ Estimates of Expenditure	PIOJ STATIN
Service Quality:									
% of new beneficiaries receive 1st payment according to service standard		Service standards developed	70%	70%	80%	80%	Annually	PR based on MIS and Process evaluation	MLSS
% of PATH payments delivered to 13 parish offices by the 13 th of the payment month	TBD	90%	90%	90%	95%	95%	Every 4 months	PATH MIS	MLSS
Monitoring									
System of Process Evaluation, internal audit and quality controls with spot checks in place		1 st Process Evaluation conducted	Internal Audits and spot checks conducted and responses prepared	Internal Audits and spot checks conducted and responses prepared	2 nd Process Evaluation conducted	Internal Audits and spot checks conducted and responses prepared	Internal Audit every 4 month/ PE every 2 years	PR Process evaluation	MLSS
Evaluation									

	Base-line	Target Value					Data Collection and Reporting		
Outcome Indicators	2008	YR1 2009	YR2 2010	YR3 2011	YR4 2012	YR5 2013	Frequency and Reports	Data Collection Instruments	Responsibility for data collection
PATH targeting assessment and Impact Evaluation completed (measuring inter alia net change in enrolment and attendance at secondary level; net change in attendance at health clinics for 0-3 year-olds)		Baseline collected		Targeting Assessment completed	Impact evaluation Report Completed	Workshops for dissemination	Every 4 months	PR	MLSS PIOJ
Comp 2 Steps to Work									
Twelve Centers are equipped, staffed and ready to deliver services		3 centers	6 centers	8 centers	10 centers	12 centers	Every 4 months	PR	MLSS
Comp 3 Pensions									
Green Paper prepared		Training conducted	Green Paper prepared	Consultations held			Every 4 months	PR	MFPS
Paper on Harmonization of Public Sector Pension schemes submitted to Cabinet		Start	Paper submitted to Cabinet				Every 4 months	PR	MFPS
Comp 4 Development of Social Protection Strategy									
Vulnerable Groups Identification & Social Safety Net Review studies conducted		Studies initiated	Draft SSN and vulnerability assessment	Final SSN and vulnerability assessment	Consensus building activities		Every 4 months	PR	PIOJ
2nd Review of targeting mechanism (BIS)	1st BIS Review completed		Second review of BIS conducted	PATH targeting mechanism reviewed			Every 4 months	PR	PIOJ

Annex 4: Detailed Project Description

Jamaica: Social Protection Project

1. The proposed Project, comprising four components, will be supported by an IBRD loan of US\$40 million. The first component, which focuses on improving the effectiveness of the PATH, will take up the largest share of the loan (US\$32 million). The second component will build institutional capacity for piloting and scaling-up the Steps-to-Work program. The third component aims to improve pension system administration and build capacity for public pension reform. The fourth component will assist the Government in developing a holistic social protection strategy.

Component 1: Improving effectiveness of the PATH (US\$36.36 million)

2. This component will support the PATH through: (a) co-financing for conditional cash transfers to children 0 to 19 years-old (child grants); and (b) technical improvements to the Program.

Sub-component 1.a: Conditional Cash Transfers (PATH Grants, US\$32 million)

3. Under this sub-component, IBRD loan proceeds would be used to co-finance government spending on PATH grants for children 0 to 19 years old who comply with program conditionalities. The total cost of PATH grants in 2007 was about JM\$1.5 billion per year, the equivalent of US\$21 million²². Of this amount approximately US\$14 million, or 70% of the total, was spent on grants for children 0-19 years old. In January 2008, the government approved a proposal to adjust the base benefit for inflation from J\$530 to J\$600, to increase the size of the grants for students in secondary school, and to give a bonus to boys to motivate higher grade retention and completion rates, which is planned to become effective in October 2008. This change in the level of benefit will increase the annual cost of grants by 25% to about US\$29 million per year (see Table 1 for a detailed description of Benefits). As mentioned in Annex 1, this increase is motivated by the need to adjust the base benefit for inflation over the period 2006-2007 and to compensate the higher opportunity cost of staying in school for secondary school children.

²² This amount includes PATH grants to other eligible categories such as elderly poor, the disabled, and pregnant and lactating mothers who represent about 23% of the total PATH beneficiaries.

Table 1 Government's proposal for PATH Grants, 2008

Type of Beneficiary	Gender	Type of benefit	Benefit per month, J\$	Benefit Per Annum, J\$	Total beneficiaries	Total monthly cost, J\$	Total annual cost, J\$	% of Total Cost
Students Primary grade 1 - 6	Boy	Base + 10% increase	660	7,920	36,078	23,811,174	285,734,085	14.5
	Girl	Base benefit	600	7,200	30,241	18,144,878	217,738,541	11.1
Students Secondary grade 7 - 9	Boy	Base Benefit + 50%	990	11,880	14,723	14,575,417	174,904,998	8.9
	Girl	Base Benefit + 50%	900	10,800	16,403	14,763,107	177,157,282	9.0
Students Secondary grade 10 - 11	Boy	Base Benefit + 75%	1,150	13,800	6,068	6,978,721	83,744,646	4.3
	Girl	Base Benefit + 75%	1,050	12,600	6,413	6,733,497	80,801,966	4.1
Children 1-6		Base benefit	600	7,200	70,787	42,472,200	509,666,400	25.9
Elderly		Base benefit	600	7,200	36,050	21,630,000	259,560,000	13.2
Pregnant/Lactating		Base benefit	600	7,200	819	491,400	5,896,800	0.3
Disabled		Base benefit	600	7,200	5,633	3,379,800	40,557,600	2.1
Adult Poor		Base benefit	600	7,200	570	342,000	4,104,000	0.2
Poor Relief/PAD		Base benefit	600	7,200	17,941	10,764,600	129,175,200	6.6
Total cost of Grants					241,726	164,086,793	1,969,041,519	100.0
Total, US\$						2,413,041	28,956,493	
Cost of high school bonus					1,872		28,082,941	
Total cost including bonus, J\$							1,997,124,460	
Total cost including bonus, US\$							29,369,477	

Notes: Base Benefit is J\$600 (as foreseen in the budget proposal for 2008/2009 submitted to Parliament); benefits for secondary grades are increased by 50%, benefits for upper secondary are increased by 75%. PATH students moving to a tertiary institution would receive a one off-bonus of J\$15,000 to assist with that transition. Assuming 1/3 of PATH students will enroll in a tertiary institution (this is an upper estimate corresponding to the national average) the additional annual cost will be J\$28,082,941, equivalent to a 1.5% increase in the total cost of grants.

The GoJ is currently examining a proposal to expand the coverage of the program to reach about 360,000 beneficiaries. The expectations are that when the program is fully subscribed, the current distribution by categories of beneficiaries will remain the same.

4. The World Bank would reimburse the Government a share of the expenses on PATH grants to children 0 to 19 years old under the financing category of conditional cash transfers (PATH grants). Disbursement would be made against verified expenditures on PATH grants paid to eligible beneficiaries, as reflected in the Project Reports (PR) to be submitted every four months. (See Annex 7 for details on financial management and disbursement arrangements).

5. Disbursement levels would be linked to performance implementation milestones agreed with the Government during project preparation. Over the five years project period, the PATH is expected to make roughly US\$115 million in grants to children 0 -19 years old complying with program conditionalities. The available Bank financing under sub-component 1.a (US\$32 million) is equivalent to 28% of this amount. If the Bank were to disburse at a constant rate throughout the life of the project, each disbursement would correspond to an average of about US\$2.13 million every four months (covering two payment periods) or 28% of US\$7.6 million, the value of grants for four months. While the total amount of financing for sub-component 1.a would represent about 28% of the total cost of PATH grants, disbursements would be linked to key milestones of technical improvements in the Program.

6. Specifically, disbursements for this sub-component will be based on cost-sharing percentages that are adjusted upwards when the performance milestones listed in Table 1 are met. The cost-sharing percentage will start at 28%, increase to 35 % when the first set of milestones have been met, and to 40% when the second set of milestones are met. If stage 1 milestones are not met, disbursements will continue to be made based on the 28% cost-sharing percentage; in the event

that stage 2 milestones are not met (but stage 1 milestones have been met), disbursements will be made at a 35% cost-sharing percentage.

Table 2: Performance milestones

Stage 1 Milestones	Stage 2 Milestones
Target: 18 months after effectiveness (March 2010)	Target: 36 months after effectiveness (September 2011)
Cabinet approves at least 8% adjustment in PATH base benefits (J\$530) for inflation	At least 80% (cumulative) of all Households with children due to be recertified are recertified
Cabinet approves New PATH Benefit Review Mechanism	
MLSS adopts Service standards for PATH including mechanisms to monitor compliance with standards	At least 70% of beneficiaries receive PATH grants according to new service standards
Independent firm completes first PATH Process Evaluation	MLSS completes Targeting Assessment
PATH Payment and Compliance reports can be directly generated by the enhanced MIS	
Baseline data for PATH impact evaluation collected	PATH uses revised targeting methodology and BIS

7. Since support for achieving the performance milestones will be provided under sub-component 1.b, the disbursement schedule for sub-component 1.a has been developed based on the implementation plan for institutional strengthening of PATH and the expected timing for completion of each set of performance milestones. As indicated in Table 3, if implementation of sub-component 1.b is on track, Stage 1 milestones are likely to be achieved at the end of the first year and a half (around the 18-month mark) while Stage 2 milestones are expected to be met at the end of third year (around the 30-month mark). The Ministry of Labour and Social Security (MLSS) will submit reports to substantiate the achievement of performance milestones before cost-sharing percentages are increased.

Table 3 Disbursements and performance milestones

Request #	Months covered	Uniform disbursements		Disbursements related to performance milestones									
		Disbursement amount, \$ million	Cumulative disbursements, \$ mill	PM	Cost-sharing %	Disbursement, \$ million	Cumulative disbursement, \$ mill	PM	Accelerated scheme				
									Cost-sharing %	Disbursement amount, \$ million	Cumulative disbursement, \$ million		
1	retroactive	2.13	2.13			28	2.13	2.13			28	2.13	2.13
2	1-4	2.13	4.27			28	2.13	4.27			28	2.13	4.27
3	5-8	2.13	6.40			28	2.13	6.40	1		35	2.67	6.94
4	9-12	2.13	8.53			28	2.13	8.53			35	2.67	9.61
5	13-16	2.13	10.67	1		35	2.67	11.21			35	2.67	12.28
6	17-20	2.13	12.80			35	2.67	13.88	2		40	3.05	15.34
7	21-24	2.13	14.93			35	2.67	16.55			40	3.05	18.39
8	25-28	2.13	17.07			35	2.67	19.22			40	3.05	21.45
9	29-32	2.13	19.20	2		40	3.05	22.28			40	3.05	24.50
10	33-36	2.13	21.33			40	3.05	25.33			40	3.05	27.56
11	37-40	2.13	23.47			40	3.05	28.39			40	3.05	30.61
12	41-44	2.13	25.60			40	3.05	31.44			40	1.39	32.00
13	45-48	2.13	27.73			40	0.56	32.00					
14	49-52	2.13	29.87										
15	50-56	2.13	32.00										
16	57-60												

Note: PM denotes Performance Milestones

8. The proposed disbursement modality builds in an incentive for the Government to implement sub-component 1.b (institutional strengthening of PATH) in a timely manner. If performance milestones are achieved ahead of schedule, subsequent disbursements would increase based on a higher cost-sharing percentage. If performance milestones are not achieved according to schedule, disbursements would continue at the prevailing cost-sharing percentage. However, if performance milestones are reached ahead of time, a higher cost-sharing percentage would be triggered to reward efforts to expedite the introduction of technical improvements in the program. Under this scenario, the accelerated disbursement scheme shown in Table 3 would be in force, resulting in complete draw-down of loan proceeds for sub-component 1.a after 40 months of project implementation.

9. Under the highly unlikely scenario whereby no performance milestone is achieved, the cost-sharing percentage remains at 28% of PATH payments throughout the five-year project period. There is a very strong incentive, therefore, for the Government to make-up for any implementation delays in sub-component 1.b to ensure that performance milestones are met by the target dates.

10. In summary, there are several advantages to linking disbursements for PATH grants to technical improvement of the Program. First, it will allow the Bank to partner with the MLSS in an effective way that recognizes the role of PATH and its achievements, while underlining the need for further technical improvements to the Program. Second, this linkage creates a strategic alliance between the MLSS and the Ministry of Finance and Public Service (MFPS) in that the latter has a strong incentive to secure a reliable and substantial flow of external resources to the Consolidated Fund each year and, at the same time, to support the former in achieving or even exceeding the implementation performance milestones.

11. The first disbursement for PATH grants (Request 1) will be a retroactive payment in the amount equivalent to 28% of the child grant payments made in May – August 2008. There are no disbursement conditions for the retroactive reimbursement of grants, given that the Bank considers the PATH to be in full compliance with: (i) satisfactory targeting standards (transfers are made only to poor beneficiaries who comply with the health and education conditionalities); (ii) rules and norms that are clearly specified in the program's operations manual; and (iii) an adequate Financial Management system as monitored by Bank specialists during the supervision of the ongoing Social Safety Net Project. After the first payment, disbursement requests will be submitted every four months. Specifically, the MLSS will transmit to the Bank no later than one month after the end of each four-monthly period, a Project Report (PR) that serves as the basis for disbursement.

Sub-component 1.b: Institutional Strengthening of PATH (US\$4.36 million)

12. The institutional strengthening of PATH builds on three important achievements of the first SSN Project: (i) PATH's operation has been mainstreamed and institutionalized in the MLSS; (ii) a comprehensive MIS is being developed and will be operational at the end of 2008; and (iii) main procedures have been stabilized to deliver benefits with accuracy and timeliness.

13. This sub-component would support activities in three areas: (i) strengthening and improving administrative systems for the efficient delivery of benefits to PATH clients and (ii) improving

accountability, monitoring, and evaluation; and (iii) strengthening MLSS capacity to implement PATH. These activities are designed and planned in order to achieve the performance milestones as agreed in subcomponent 1a.

(i) To strengthen and improve administrative systems, support would be provided to:

(a) Review and improve targeting, enrollment, and recertification. These activities will improve the mechanisms used to identify the target population. The loan proceeds will finance (a) a review by the PIOJ of the targeting methodology using the latest available Jamaica Survey of Living Conditions (JSLC) data (this activity will be financed under Component 4 since the Beneficiary Identification System (BIS) is a tool that is being used by other social safety net programs but will require the direct involvement of the PATH management); (b) review and testing of new targeting methodology for PATH; and (c) recertification of beneficiaries. These activities will reduce the inclusion and exclusion errors associated with the existing Proxy Means Test (PMT) mechanism, will ensure that a larger share of program resources reaches the poor, and hence will result in a larger reduction in poverty for a given budget.

(b) Implement a Content Management System (CMS) to improve accuracy of data entry and records management. The CMS is a technical solution that will facilitate record management, by uploading all program information currently held on paper into electronic documents, which will be indexed for easy retrieval by the name of applicant, service unit or program phase. The Content Management System follows an intensive revamping of the MIS that is taking place during 2008 under the ongoing Social Safety Net Project. The enhanced MIS along with CMS is expected to improve case management by expediting the application process, eliminating delays in operating changes in household circumstances, and addressing beneficiaries' enquires as it relates to the status of their application, payment delay, misreporting of compliance with conditionalities, etc. At the same time will allow the parish offices to have access to real time information about beneficiaries in their jurisdiction. In addition, the parish office will be able to know periodically how they perform relative to other parishes. The project will finance the consultancy services to develop the Content Management System and the additional IT equipment.

(c) Training of social workers and other staff in MLSS and collaborating partners. MLSS staff directly working with beneficiaries will receive training to ensure they use the MIS information to improve attention to beneficiaries, to achieve goals in service standards and to help them bridge to other available services, especially the Steps-to-Work Program, as it expands its coverage. The project will support training for social workers and support staff of the Public Assistance Division of MLSS, parenting workshop facilitators, and collaborating partners in education and health centers and local government.

ii) To improve accountability, monitoring, and evaluation, the loan will finance the following activities:

(a) Development of a strategic monitoring system. The enhanced MIS provides the basis for an improved monitoring system, which will extract periodically from the MIS a set of indicators that will inform the management (and other stakeholders) about resources used, outputs achieved, and productivity levels. The management will be able to track the

progress achieved by the program by comparing these indicators across parish units, by client characteristics (e.g. age-groups) and over time. The output of this activity will be a monitoring and evaluation plan, which will describe the logical framework of the program, identify indicators (of inputs, processes, outputs and outcomes) critical to track the progress of the program over time and across parishes, the data sources, reporting periods, reporting forms, as well as the staff / qualifications / training needs for the operation of the system. The project will finance the consultancy and workshops to develop the monitoring system.

(b) Process evaluations. These external evaluations will examine whether the program is implemented as designed, identify bottlenecks and suggest remedial actions. A first process evaluation will be carried out after the new MIS became operational. It will examine the quality of service delivery, and will inform the design of an internal, system of “spot checks” to be implemented periodically to allow the program to detect and correct problems in a timely manner. A second process evaluation will be conducted in the fourth year of the project. This evaluation will assess the maturity of improvements and the implementation of recommendations from the first process evaluation. It may also consider the interaction between PATH and the Steps-to-Work Program and provide inputs to adjust the Operations Manual of both programs.

(c) Development of service standards and mechanisms to monitor compliance with standards. The role of the service standards is to establish the minimum level of service expected from the program²³, thereby reducing regional differences in quality of service provision. The first process evaluation will produce a proposal of service standards by examining current practices and productivity levels in a sample of parishes. Compliance with standards will be measured by an enhanced MIS, which will produce periodic reports for every parish office. This will allow all operations staff in local parishes to understand where the gaps are and develop plans to improve areas where their performance is below the standards. The standards will be focused on key aspects of the service delivery. The project will support: a) the consultancy to facilitate the definition of the first set of service standards; b) development of an MIS module to generate reports with indicators for the standards at the parish and national levels, using administrative and operational information; and c) the training of social workers to manage the continuous improvement culture and the use of these tools (indicators review, service standards, improvement action plans).

(d) Strengthening the financial management and internal audit capacity for detection and correction of errors and irregularities. This include training of the staff of the PATH FM and Internal Audit units and the acquisition of software licenses and computers to allow the timely reconciliation of beneficiary payment account and the production of timely and accurate reporting on financial situations.

(e) Impact evaluation. The loan will finance an impact evaluation to estimate the contribution of the PATH to poverty reduction, school enrollment, attendance, high school completion, and utilization of health services. In addition, a targeting assessment to assess the targeting accuracy of PATH will be undertaken after recertification.

²³ For example: (i) Enrollment and first payment of at least 80% of new eligible PATH beneficiaries takes place not longer than 6 months after application. (ii) At least 80% of non compliant secondary students receive a timely visit of a social worker after their first two month period of non compliance.

(f) Development and implementation of appropriate public education and social marketing programs. These activities will help promote the program, generate awareness of the program rules, help beneficiary compliance with conditionalities, and support the credibility and legitimacy of the program. The project will finance the following activities: (a) the development and maintenance of a website with up to date information on the program; (b) the design, publication and dissemination of beneficiary information booklets; and (c) the production and broadcasting of “advertisements” on television, radio, and print media.

iii. To strengthen the capacity of the MLSS to implement the PATH, the Project will finance consultant services, goods and operating costs.

Component 2: Building capacity for the Steps-to-Work Program (US\$2.14 million)

14. The Steps-to-Work program aims to engage working-age members of PATH eligible households through a voluntary basis, in a set of initiatives aimed at job readiness, skills and competencies building, job matching, and business development. The program, to be piloted by the MLSS for a period of two years beginning 2008, will draw on the relevant interventions by other agencies²⁴ to provide in a structured manner, job search assistance and labour market intermediation, remedial education, skills and competencies training, on-the-job training and apprenticeship, business development, micro-enterprise support, and care support services to meet poor working families’ needs.

15. Under this component, the loan proceeds will finance activities to build capacity in the Ministry of Labour and Social Security (MLSS) to launch a new initiative, the “Steps to Work” Program (StW). The loan proceeds will finance activities in two areas: (i) capacity building for the StW program; and (ii) development of an M&E system.

i) To build capacity for implementing StW, support would be provided to:

16. *Knowledge-generating activities, aimed at improving the design and operation of the Program.* The project would finance (a) Studies to assess what employment support or business development services are available, and how these can be accessed by PATH beneficiaries; (b) An Occupational Survey to assess current needs and trends of the labour market as perceived by employers to inform the changes needed in training and competence development activities; (c) study tours to share lessons and learn about best practices.

17. *Setting up the Central Unit and the Steps to Work centers in the parishes.* This new initiative will be established as a new program under the Public Assistance Division of the MLSS. A core team within Public Assistance Division has been appointed to work with parish offices to implement the StW beginning of FY 2008/09. It will be responsible for setting and following up on the agreements with all the partners to be involved in the Program operation to deliver the adequate services to beneficiaries and will coordinate the activities involved in this project. The program will operate through local parish offices of the MLSS. In the pilot phase social workers

²⁴ HEART/National Training Agency, Jamaica Foundation for Lifelong Learning, National Youth Service, National Center for Youth Development, Early Childhood Commission, Jamaica Social Investment Fund, etc.

will visit a sample of PATH beneficiaries to encourage them to participate voluntarily in the Program. These teams working in local MLSS offices will be the contact point for potential beneficiaries. They will assess the needs of each applicant family and provide personalized referrals to relevant services²⁵. The project will finance: (i) incremental staff of specialized social workers in local offices, (ii) training of personnel, including current and new appointed social workers, management staff and key personnel in partner agencies and (iii) equipping central office and local centers with IT hardware, software and connectivity and other office equipment and supplies.

18. *Developing systems, procedures and tools to provide adequate services to beneficiaries.* To match the needs of PATH households members to the available supply of services, the project will finance (a) the enhancement of a MIS to include modules to register information to follow up on clients; (b) production of guidelines and resource manuals for social workers; (c) development of a directory (database) of service providers to included information on training providers, social care services for young children, persons with disabilities and the elderly, micro-credits and business development assistance.

ii) Development of a Monitoring and Evaluation System.

19. The project will support the development of a monitoring system (including the definition of various reporting requirements), a process evaluation, and an impact evaluation of the pilot phase. These evaluations will inform the strategy to scale up the program at national level. An impact evaluation of the pilot initiative is expected to provide valuable insights into the most appropriate and efficient strategies to be used in the program to achieve desired social and economic outcomes, in particular training and employment outcomes. The evaluation is expected to be conducted in the third year of the project, with an initial baseline survey followed up with a supporting survey in the final project year. A control and treatment groups approach is expected to be used in a sample of the pilot households. The project will finance consultancy services, data collection and workshops to discuss evaluation results. In addition to the process evaluations financed by the Project, the other funding sources will be used to carry out an impact evaluation²⁶.

²⁵ The resources and costs related to training services for skills and competence development, the credits for income generation activities, the business development technical assistance for entrepreneurial venues and the services of daycare for young children, the elderly or the disabled persons, are not part of the cost of the project.

²⁶ A proposal for the impact evaluation of the pilot Steps to Work has been approved recently by the Spanish Impact Evaluation trust Fund which is executed by the World Bank.

Component 3: Improving public sector pension system administration and building capacity for pension system reform (US\$0.90 million)

20. The pension component will support two core set activities focused on the public sector pension schemes: (i) preparing, and eventually implementing, a reform program; and (ii) improving administration and information systems.

Sub-component 3.a Preparation of a Pension Reform Program (US\$0.20 million)

21. This sub-component will support the preparation and dissemination of a White Paper outlining a multi-year reform program for the public sector pension schemes, including an assessment of the associated fiscal, welfare and institutional impacts. The White Paper will constitute the blue-print that guides the preparation of the necessary legislation. It will be based on the recent report “Civil Service Pension Schemes in Jamaica: Analysis and Options for Reform” prepared by the Steering Committee on Pension Reform, which discusses the main issues facing the pension system and presents a preliminary assessment of alternative reform options.

22. Specifically, the Project will finance: (i) various training activities related to the design and operations of mandatory and complementary pension schemes targeted to the members of the Steering Committee and technical staff at the NIS; and (ii) technical assistance on policy analysis.

Training

23. Training activities will take the form of workshops and study tours and will cover the following topics.

24. Rules for the Design of Earnings Related Systems with Pay-as-you-go Financing.

This training will introduce best practices in the design of Defined Benefit (DB) and Notional Defined Contributions (NDC systems to ensure their financial sustainability, improve fiscal management, improve incentives, and ensure that redistribution is progressive and transparent. The topic is relevant for the NIS and the public sector pension schemes, if the latter remain financed on a pay-as-you-go basis.

25. Management of Public Pension Funds: the Role of Governance and Investment Policies. Even if all public pension schemes in Jamaica remain financed on a pay-as-you-go basis, a minimum level of reserves (financial assets) will be required to smooth adjustments to benefits and/or contributions resulting from unexpected demographic and/or macroeconomic shocks. This implies having in place a mechanism to define the targeted level of reserves as well as an understanding of best practices regarding governance arrangements, accountability, and investment policies to ensure that savings are managed in the best interest of plan members. The training will discuss these best practices based on the experiences of successful public pension fund managers.

26. Issues with the Design of Survivorship and Disability Pensions. One of the key, yet often overlooked, issues on pension reform is what to do with disability and survivorship pensions

once old-age pensions have been reformed. There are by now well known alternatives to provide these benefits through explicit insurance arrangements. Yet, implementation mechanisms can be complex. The objective of this training (or study tour) is to expose the relevant technical staff to the experiences of countries that have successfully addressed the problem.

27. Operating Defined-Contributions Fully-Funded systems. DC-FF arrangements could be relevant in Jamaica in the case of the public sector pension schemes and also as a second pillar (for financial diversification) in the NIS. Two important issues are how to create the necessary initial macroeconomic and institutional conditions for successful implementation and how to control administrative charges. The purpose of this training (or study tour) is to expose the relevant technical staff to the main challenges in the design and implementation of DC-FF systems.

28. Financial modeling of pension systems. This training will be targeted to members of the Steering Committee and technical group as well as those responsible for the forecast of pension expenditures at the MFPS. The training will span two weeks and will cover general issues related to the modeling of pension systems. It will then introduce the Bank PROST (Pensions Reform Options Simulation Tool) model and provide intensive hands-on training for its utilization in policy analysis. A separate training workshop will also be organized around the topic of short-term cash forecasting.

29. Policy analysis. Policy analysis will essentially focus on the fiscal and welfare implications of alternative designs. The Project will thus fund the work of national and international consultants (economists and actuaries) to work on the detailed design of reforms for old-age pensions, survivorship pensions, and disability pensions. Depending of the reforms being considered, policy analysis would also address issues related to the supply of annuities, mechanisms for the automatic indexation of pensions, and the implementation of interest rates guarantees in the case of DC-FF systems.

30. In addition, analytical services will look at transition mechanisms from the current to the reformed system(s). Two key issues here are the assessment of alternative mandatory or voluntary arrangements to move current plan members to the new system, and alternative proposals to finance the implicit liabilities of the current system – a problem that needs to be addressed regardless of the type of reform that is adopted.

Sub-component 3.b improving administrative and information systems within the schemes for public sector workers (US\$0.70 million)

31. Activities under this sub-component are aimed at improving the pension administration system in order that pensions are calculated, awarded and paid in a more timely manner. To improve record-keeping and the payment, the Project will finance the: (a) development of a computerized database to keep track of the career histories of public sector workers; (b) redesign of the current payment process and supporting IT infrastructure; and (c) review of the existing pension legislation for the public sector workers. The new system will be open to modifications and additions to accommodate the eventual reform of the pension schemes for public sector

employees, and to facilitate the transfer of information and reconciliation of cash flows between the public sector schemes and the NIS.

Improve payment system for public sector workers

32. The current administrative process to pay pensions is highly inefficient. The Government encourages employees to request processing of their pensions a year in advance of their retirement date in the hope that the administrative processes can be completed upon effective retirement. Although there are no objective measures of total processing time, the general impression of most participants is that one year is not enough time to calculate and award a pension using current procedures. The excessive processing time is the result of the interaction of several factors. The most important include: personnel records upon which pension calculation and entitlement are based are all on paper; although personnel records for those who have worked in multiple agencies are supposed to be consolidated at the final employer, they often are not; the process is virtually entirely manual and paper-based; the process requires interactions among half-a-dozen or more independent entities; and almost all of the steps in the process must be executed in sequence, which may result in bottlenecks²⁷.

Improve record keeping for public sector workers

33. The Project will support the development of an earnings/contribution database to keep track of career histories as well as the redesign of the current payment process and supporting IT infrastructure. Clearly, part of the new procedures and information systems will depend on the choices made by the Government to reform the schemes for public sector workers (to be outlined in the White Paper). But because it is very likely that the reform will grand-father at least some of the current public sector workers, those processes related to the current system could be revised before the White Paper is ready.

34. The new IT system will be open to modifications and additions to accommodate the eventual reforms. Here it is important to note that even the mildest of the reforms should involve the gradual move to a full-career average wage for the calculation of pensions. This implies the necessity of being able to track career histories. In essence, the information and IT needs of a well designed Defined-Benefit system are not different from those of Defined-Contribution systems (financial or non-financial) based on individual accounts. The structure and capabilities of the newly designed system may also be influenced by current plans to modernize human resource systems as part of the Public Sector Reform effort.

Legal work

35. The Project will also finance the work of national and international consultants on legal matters to review and make recommendations for amendments to allow harmonization of the Public Sector Pension schemes.

²⁷ There are also problems with the processes of maintaining current pension records. The office of the Accountant General, however, is currently in the final stages of preparing the user requirements for a new, automated pension payment system, and expects to award a contract to develop the necessary software in the middle of the summer of 2008. Presumably, that procurement will address the current problems.

Component 4: Development of a comprehensive Social Protection (SP) strategy (US\$0.50)

36. The objective of the SP strategy is to identify the appropriate policies and programs to address social risks and vulnerabilities within the population. The strategy will put forward a vision of a well functioning SP system: one that addresses the needs of the poor and vulnerable; that is adequate, equitable, cost-effective, and sustainable; and that is well adapted to the country circumstances and constraints.

37. The Project would support activities in three main areas:

(i) Diagnostic studies and study tours. To identify whether the social protection system is up to the vision mentioned above, a number of diagnostic studies will be conducted, as identified by the Social Protection Task Force working on the National Development Plan, most important being a vulnerability and social safety net assessment. This study will: (a) identify the poor and vulnerable who are not served, or served inadequately, by the existing mix of programs; (b) assess whether existing interventions are efficient and effective in addressing their objectives; (c) identify budget, administrative and political constraints; and (d) identify ways to make existing programs more effective, by reviewing their design and implementation practices and contrasting them with efficient, benchmark programs. Other important diagnostic studies include: (i) review of various targeting methodologies, including the existing Beneficiary Identification System; (ii) carrying out studies and surveys to gather data on specific vulnerable groups for whom existing data is scarce, among which homeless, deportees, youth from state institutions, persons with HIV/AIDS, and persons with disabilities; (iii) an examination of the households from which children are brought before the Court for care and protection; and (iv) options for expanding social insurance coverage to the informal sector and for introducing a social pension for the elderly. Study tours will be undertaken to observe best practices of social protection systems and programs. The Project will finance data collection surveys and international and local consultants to undertake the proposed studies as well as study tours.

(ii) Consensus building on the reforms required to address the gaps. The diagnostic studies will identify gaps and make proposals for a more appropriate mix of social protection interventions. These proposals may differ from the status quo in one or more of the following ways: (i) change the budget envelope for SP interventions to expand coverage; (ii) reform of one or more existing interventions to make them more effective or to change their purpose; (iii) introduce a new policy or program; and/or (iv) replace or remove existing interventions entirely. The Project will finance a series of workshops with the objective of identifying a set of actionable policy measures to be implemented, agencies responsible for implementation, resources needed and timetables.

(iii) Formulation of a Holistic Social Protection Strategy. The Project would support the preparation of a Strategy Paper outlining a reform program for the social protection including an assessment of the associated fiscal, welfare and institutional impacts. At a minimum, the Strategy Paper would include details on: (a) the steps required to get from the status quo to the goal; (b) the resources required; (c) the timetable; (d) who is responsible for each action; and (e) indicators to monitor progress. The Project will finance consultancy services, and workshops.

Annex 5: Project Costs
Jamaica: Social Protection Project

Components Project Cost Summary	(US\$ Million)		
	Local	Foreign	Total
A. 1. Improving the effectiveness of the PATH			
1.a Conditional Cash Transfers	107.00	-	107.00
1.b Institutional Strengthening of PATH	3.55	0.85	4.36
Subtotal 1. Improving the effectiveness of the PATH	107.55	0.85	106.36
B. 2. Building capacity for the Steps-to-Work Program	1.85	0.29	2.14
C. 3. Improving pension system administration/capacity			
3.a Preparation and implementation of Pension Reform Program	0.17	0.02	0.20
3.b Improving administration and information systems	0.53	0.18	0.70
Subtotal 3. Improving pension system administration/Capacity	0.70	0.20	0.90
D. 4. Development of a holistic social protection strategy	0.39	0.10	0.50
Front-End Fee		0.10	0.10
Total PROJECT COSTS	113.46	1.54	115.00

Components by Financiers (US\$ Million)	Gov. of Jamaica		IBRD		Total	
	Amount	%	Amount	%	Amount	%
A. 1. Improving the effectiveness of the PATH						
1.a Conditional Cash Transfers	75.00	72.0	32.00	28.0	107.00	92.7
1.b Institutional Strengthening of PATH	-	-	4.36	100.0	4.36	4.0
Subtotal 1. Improving the effectiveness of the PATH	75.00	65.8	36.36	34.2	111.36	96.7
B. 2. Building capacity for the Steps-to-Work Program	-	-	2.14	100.0	2.14	2.0
C. 3. Improving pension system administration/capacity						
3.a Preparation and implementation of Pension Reform Program	-	-	0.20	100.0	0.20	0.2
3.b Improving administration and information systems	-	-	0.70	100.0	0.70	0.6
Subtotal 3. Improving pension system administration/capacity	-	-	0.90	100.0	0.90	0.8
D. 4. Development of a holistic social protection strategy	-	-	0.49	100.0	0.50	0.4
Front-End Fee			0.10	100.0	0.10	0.1
Total PROJECT COSTS	75.00	63.6	40.00	36.4	115.00	100.0

Annex 6: Implementation Arrangements

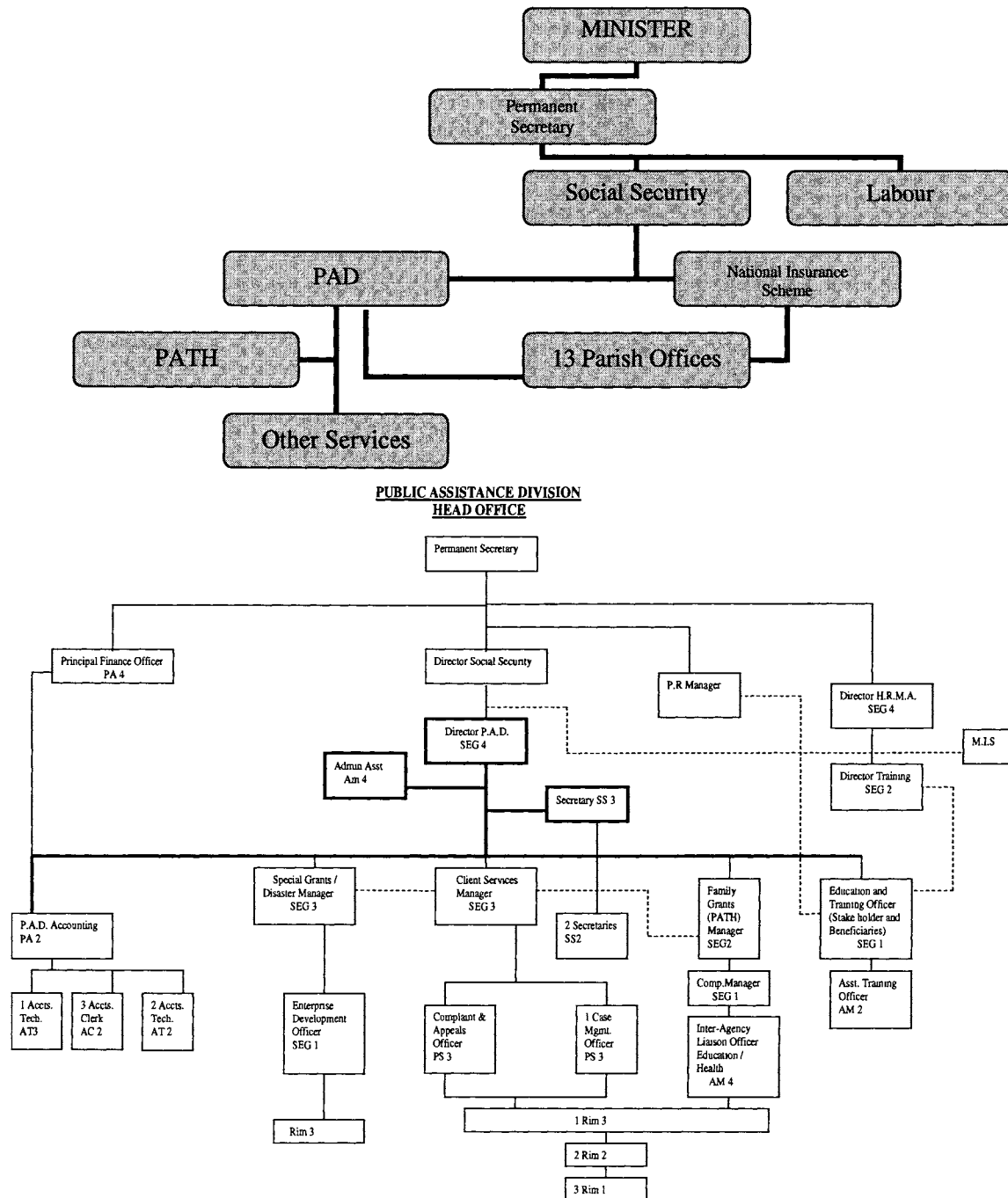
Jamaica: Social Protection Project

1. The Ministry of Labour and Social Security (MLSS) will have overall project execution responsibility. It will also be the implementing agency for the Program of Advancement through Health and Education (PATH) and the Steps-to-Work components. The Ministry of Finance and Public Service (MFPS) will be the implementing agency for the pension component while the Planning Institute of Jamaica (PIOJ) will implement the component on Development of a Holistic Social Protection Strategy. The Operations Manual for the Project will specify the implementation arrangements whereby the MFPS and the PIOJ are responsible for the technical oversight of Components 3 (Pension System) and 4 (Social Protection Strategy) respectively, including preparation of periodic progress reports, and updating of implementation plans, while entrusting the fiduciary functions (financial management and reporting, procurement) to the MLSS. The Accounting Unit in the Public Assistance Division of the MLSS will be responsible for carrying out these fiduciary functions. The PIOJ will also be responsible for reviewing and adjusting, if necessary the proxy means test scoring formula used to determine eligibility for PATH, supervising the impact evaluation of PATH, and making policy recommendations for adjustments or changes to program design, if needed
2. Given that the PIOJ is a separate body corporate, an Implementation Agreement between the legal person of Jamaica and the PIOJ will be required to ensure that the former will cause the latter to carry out the Project in accordance with the provisions of the Loan Agreement.
3. A Social Safety Net Steering Committee with cross-sectoral representation will continue to provide guidance and oversight during project implementation building on a similar experience under the ongoing Social Safety Net Project.

Institutional and implementation arrangements for components 1 (PATH) and 2 (Steps-to-Work)

4. **PATH.** Implementation of PATH will be carried out by the Public Assistance Division within the MLSS, which is a permanent division. The organization chart of the MLSS including the Public Assistance Division is shown below.

Figure 1: Organization Chart Ministry of Labour and Social Security (MLSS)



5. The Public Assistance Division is led by a director and is currently comprised of two units: PATH and Rehabilitation & Compassionate Grants. A proposal for a new organizational structure of the Public Assistance Division--to become effective after the ongoing Social Safety

Net Project comes to an end--has been submitted to the Human Resources Committee of the Cabinet and includes five units as follows:

- (i) The Client Service Unit is in charge of all the activities related to the targeting, enrollment, preparing the list of beneficiaries complying with PATH conditionalities and eligible for payment every two months, and case management. This Unit will also address complaints and appeals related to all program aspects, including the payment of benefits.
- (ii) The PATH Unit will be in charge of Program planning, operations, monitoring and evaluation, including preparation of reports for various stakeholders. This Unit will coordinate with the consultants or external firms in charge of carrying out process evaluations, audits, and impact evaluations.
- (iii) The Education and Training Unit will liaise with the training function within the MLSS and will coordinate the implementation of the public information and education campaign affecting beneficiaries and stakeholders.
- (iv) The Special Grants Unit is currently responsible for the coordination of rehabilitation and compassionate grants and disaster management and will take on the responsibility for the new Steps-to-Work initiative. This Unit will be responsible for identifying potential program participants, coordinating the network of partners, developing guidelines, procedures and resource materials and training of social workers in the case management that will be needed.
- (v) The Accounting Sub-unit in charge of all financial aspects of PATH. This includes budgeting, payments of beneficiaries, preparation of disbursement requests to the World Bank while the Program receives support from the Bank, bank and beneficiary account reconciliation, and preparing financial statements and reporting.

6. Other agencies with an important role in the operation of PATH are: PIOJ, Ministry of Education, Ministry of Health, and the Department of Local Government.

- **PIOJ** is responsible for reviewing and adjusting, if necessary the proxy means test scoring formula used to determine eligibility for PATH, supervising the impact evaluation of PATH, and making policy recommendations for adjustments or changes to Program design, if needed. Another responsibility of the PIOJ is to carry out the oversight for the Program through the Social Safety Net Steering Committee, an organism that includes representatives of the ministries of Finance, Health, Education, Cabinet Office, Local Government, and other stakeholders.
- **Ministry of Education and Ministry of Health.** PATH requires close coordination with the Ministries of Health and Education to (i) ensure access to basic health services and adequate places to receive those beneficiaries who are to attend school; and (ii) to obtain the information necessary to validate school attendance and health care checkups. Under the ongoing Social Safety Net Project both ministries have cooperated in the provision of timely information on compliance with program conditionalities, required to disburse grants to beneficiaries.
- **Local Government Department.** The Poor Relief Division of the Local Government Department has thirteen parish offices. Each office will collaborate with the parish offices of the MLSS to undertake the following functions: delivery and gathering of

materials, forms and information to the beneficiaries, school and health centers, training of beneficiary families, and participating in the appeal process.

7. **Steps-To-Work.** The Steps-to-Work program will be implemented in stages. During the first two years, implementation will start on a pilot basis in six parishes: Kingston, St. Andrew, Trelawny, St. James, Manchester, and Clarendon. The pilot is intended to generate the experience, capacity, and information necessary to make adjustments on the program design and roll-out plan. It will be accompanied by an impact and process evaluation. The Steps-to-Work program operates on the principle of referring program participants to the existing employment support or business development services, such as the one specified in the Table below.

Area of referral	Main Responsible Agency
Skills Training & Job Readiness	Ministry of Education : HEART Trust/NTA , National Youth Service
Remedial education	Jamaica Foundation for Lifelong Learning
Job Matching	MLSS (Labour Division)
Business Development	Ministry of Industry, Investment and Commerce, Jamaica Business Development Center
Provision of capital for business	MLSS
Care-Giving Support	Early Childhood Commission (ECC); National Council for Senior Citizens (NCSC); Jamaica Council for Persons With Disabilities (JCPD)

8. PATH and Steps-to-Work will rely on support services within the MLSS in the areas of MIS, accounting, and internal audit. In addition, support at the parish level will be provided through the thirteen parish offices operated by the MLSS which are charged with executing the PATH and Steps-to-Work programs. Functions at the parish level include: co-ordination of the targeting and enrollment processes including verification of qualified applicants by visiting these households, monitoring the payment process through the postal offices, attending and training of qualified families, delivery and gathering of compliance forms from school and health centers, and co-ordination of the appeals process. Local parish offices will report their activities to the PATH and Steps-to-Work unit in the Public Assistance Division.

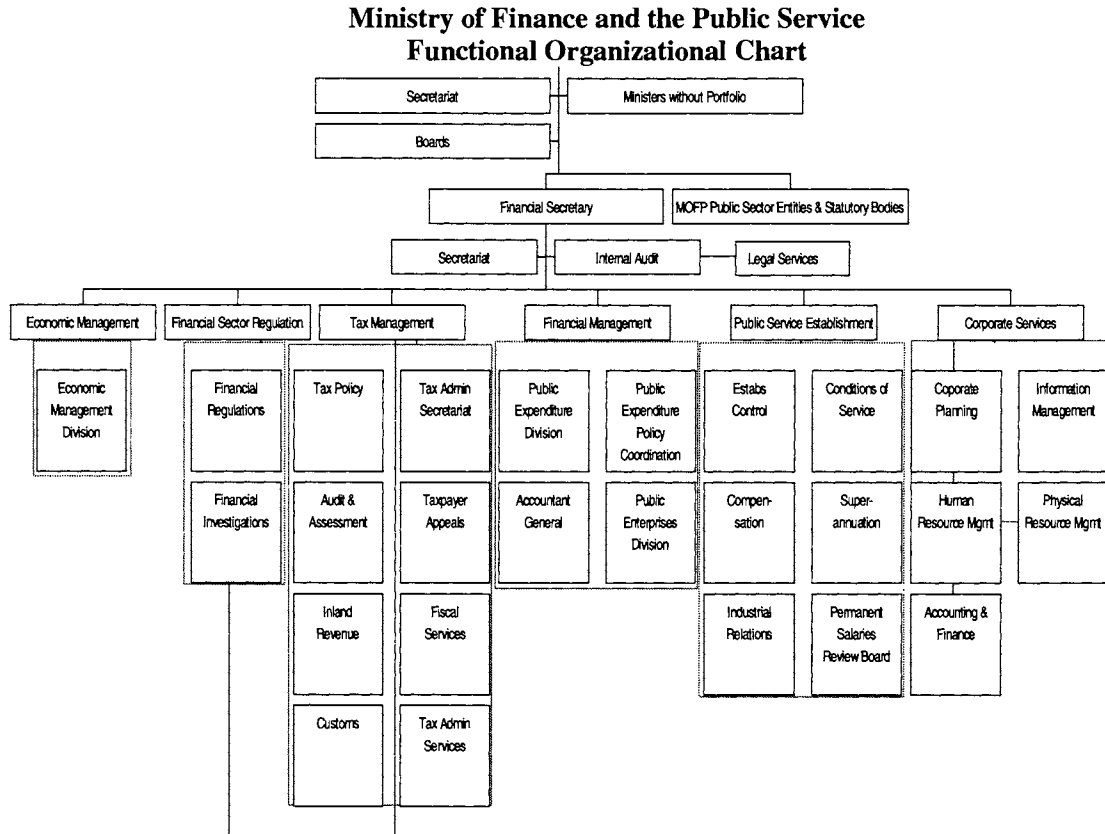
Institutional and implementation arrangements for Component 3 - Improving pension system administration and building capacity for pension system reform

9. The MFPS will be the implementing agency for Component 3. The Public Sector Establishment Department through the Superannuation Unit (PSED) will be responsible for all activities and for preparing the Annual Operational Plan and Budget for Component 3 (see MFPS organizational chart). The main functions of the Superannuation Unit are to: (i) manage the Government's Retiring Benefits Programme; (ii) develop and oversee the Pension Policy with regard to public officers; (iii) review existing Pension Legislation and make recommendations for amendment where necessary; (iv) ensure that the provisions in the various Pensions Act are standardized as much as possible; and (v) provide advice to Government, Statutory Bodies and Registered Companies on the foundation and implementation of Pension Schemes. The Financial Regulations Division will be responsible for implementation of subcomponent 3a – Capacity Building. A part-time Component Coordinator, to be financed by

the project, will support both divisions. He/she will be housed in the Financial Regulations Division and will be supervised by the head of this division.

10. The Pension Steering Committee headed by the PSED chief and including representatives of Cabinet Office, MFPS, Financial Services Commission and MLSS, will be responsible for drafting the Green Paper on Pension reform. Subsequently the PSED will conduct consultations with stakeholders on the Green Paper.

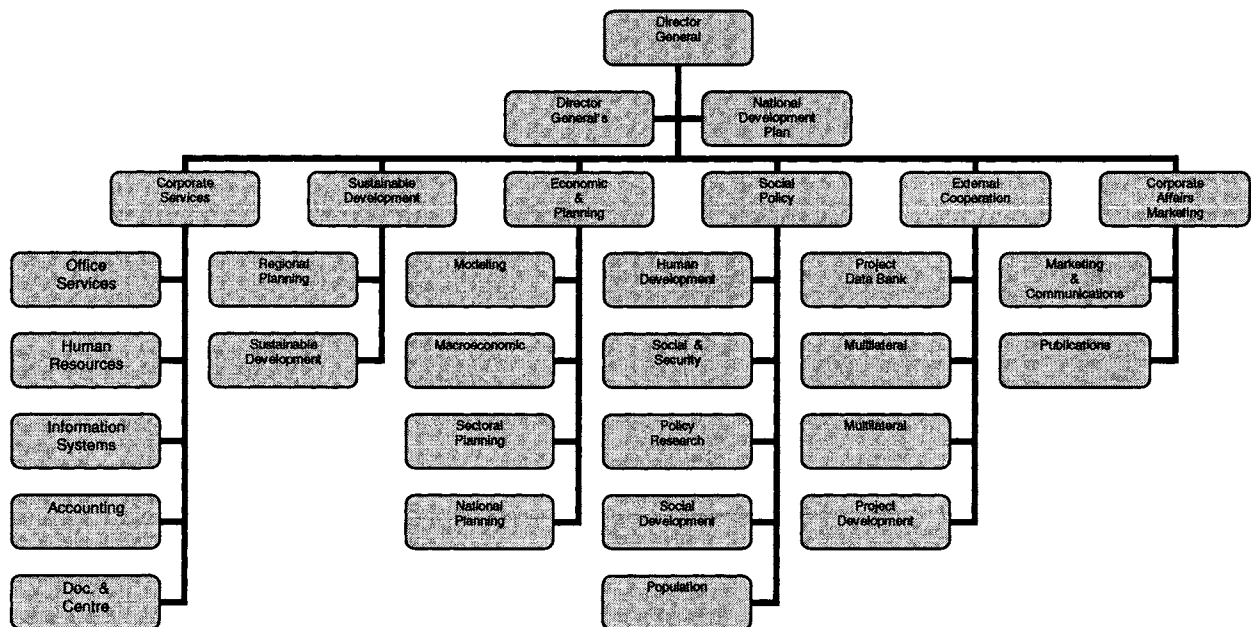
Figure 2. Organizational Chart of Ministry of Finance and Public Service (MFPS)



Institutional and implementation arrangements for Component 4 - Developing a Holistic Social Protection Strategy.

11. The Social Policy, Planning and Research Division (SPPRD) in the PIOJ will have responsibility for all activities under Component 4 and for preparing the Annual Operational Plan and Budget for this component. SPPRD plays an integral role in the development, implementation, monitoring and evaluation of social policies, programs and projects in the following areas: social protection, labour market, population, health, children & youth, education & training, community development, and gender mainstreaming. SPPRD is comprised of five units: Social Security and Welfare, Human Development, Policy Research, Population, Social Development and Gender. The project will finance a part-time Component Coordinator to be located in the Social Security and Welfare unit under the SPPRD to coordinate the activities under this component. The Component Coordinator will be supervised by the Director of SPPRD. Responsibilities of this coordinator include drafting of Terms of Reference, oversight of consultancies, and preparation of relevant project reports.

Figure 3. Organizational Chart Planning Institute of Jamaica (PIOJ)



Implementation Capacity constraints that need to be addressed

12. Given the amount of interagency cooperation that is required in the implementation of all four components, there is a need to recruit a Project Manager and two part time Component Coordinators, to be financed by the Project. The Project Manager will have responsibility for coordinating activities across the implementing agencies, particularly to ensure that inputs are provided in a timely manner for preparing the required World Bank reports.

13. The Component Coordinators will be responsible for assisting the MFPS and the PIOJ in the implementation of Components 3 and 4. They will have responsibility for drafting terms of reference for consultancies, define the technical specifications for goods to be procured, organize workshops, prepare periodic implementation progress reports, and prepare annual operation plans and budgets due by November of each year. The MLSS will consolidate the Component Coordinator's submissions into the annual operational plan and budget for the Project.

14. In addition, the Project will strengthen the technical, administrative, and case management capacity both at the central level and at the local Parish Offices in order to implement the PATH and the Steps-to-Work program of the MLSS.

Annex 7: Financial Management and Disbursement Arrangements

Jamaica: Social Protection Project

A. Executive Summary

1. This annex summarizes the findings of the financial management capacity assessment for the Social Protection Project in Jamaica. The objective of the Assessment was to determine whether the MLSS has acceptable financial management arrangements, including the accounting system, reporting, auditing and internal controls. As discussed in Annex 6, the three main implementing entities would be the MLSS, the MFPS and the PIOJ. It should be noted however that all fiduciary responsibilities would be under the MLSS. The assessment was carried out in accordance with the OP/BP 10.02 and the guidelines for Assessment of Financial Management Arrangements in World Bank projects issued by the Financial Management Sector Board on October 15, 2003.

2. The financial management arrangements for the Project build on two assessments: the Country Financial Accountability Assessment (CFAA) and the Public Expenditure and Financial Accountability (PEFA) as well as previous World Bank experience in the sector with the Social Safety Net Project. The CFAA and the PEFA provide a complete overview of the public financial management strengths and areas for improvements in Jamaica. Although the public financial management system in Jamaica has a strong legal foundation, outlined mainly in the Financial Administration and Audit Act (FAA), its implementation is limited by the country's tight fiscal space.

3. Overall, the public financial management system in Jamaica needs improvement to reach international standards. The main issues and recommendations highlighted in the assessments are presented in the paragraph below related to Country Issues. The financial management issues could impact on the Project in two areas: (a) payment of conditional cash transfers (PATH Grants) to beneficiaries; and (b) annual audit of the Project undertaken by the Auditor General's Office. Mainly, the impact would be on the release of warrants for PATH Grants as a result of cash flow constraints. This impact is however, mitigated by the high priority given by the Government to the PATH, and the experience accumulated during implementation of the ongoing Social Safety Net Project.

4. The conclusion of this assessment is that the financial management arrangements for the Project satisfy the Bank's minimum requirements under OP/BP10.02 and are adequate to provide, with reasonable assurance, accurate and timely information on the status of the program as required by the Bank. It should be noted however, that some important actions have to be taken, notably:

- (i) implementation of the Monitoring and Information System (MIS);
- (ii) preparation of the Operations Manual, which should stipulate a comprehensive set of measures to handle uncollected cheques, process beneficiary complaints, and fraudulent encashment of cheques;
- (iii) bringing up-to-date, the reconciliation of the Beneficiary Account, including the clearing of identified discrepancies;

- (iv) recruitment of a consultant to conduct the Process Evaluation of the PATH;
- (v) update of the accounting information system; and
- (vi) preparation of an internal audit plan for the first fiscal year.

5. A corresponding action plan delineating the responsible parties and deadlines is provided in Appendix 1.

B. Summary of Project Description

6. A detailed project description is available in the main text and Annex 4 of the PAD. This section summarizes the main features that are relevant to the financial management arrangements. The Project will assist the GoJ in strengthening the social protection of its citizens through: (i) fostering investments by poor families in their children's human capital accumulation; (ii) developing a structured system to assist working-age members of PATH households seek and retain employment; (iii) enabling the formulation of a reform program for the public sector pension schemes; and (iv) developing a holistic social protection strategy. The Project, to be supported by an IBRD loan of US\$40.0 million, will comprise four components:

- (i) Improving the effectiveness of PATH
- (ii) Building capacity for the Steps-to-Work program
- (iii) Improving pension system administration and building capacity for reform
- (iv) Developing a holistic Social Protection Strategy.

7. The MLSS will be the Project executing agency as well as the implementing agency for the PATH and Steps-to-Work components. The MFPS will be the implementing agency for the pension reform component while the PIOJ will implement the component on Development of a holistic Social Protection Strategy. Fiduciary responsibilities, including budgeting, accounting and reporting will be under the responsibility of the Public Assistance Division of the MLSS.

C. Country Issues and Risk Assessment

8. As mentioned above, the recent joint CFAA and the PEFA outlined a number of weaknesses and critical areas needing significant improvements at the country level. Key recommendations are to: (i) strengthen the link between policy, planning and budget allocation by moving toward a Medium-Term Expenditure Framework (MTEF) and costing the Corporate Plans; (ii) improve the quality and timeliness of financial reporting notably by implementing a financial management information system; (iii) improve cash predictability by defining a transparent mechanism for warrant releases that maintains budget consistency with government priorities; and (iv) strengthen the capacity of the Internal Audit Directorate (IAD) and increase the financial independence of the Auditor General's Office. The country is implementing the CFAA and the PEFA recommendations with the support of the IDB and the European Union. In addition, the Bank is preparing an Institutional Development Fund (IDF) proposal in the area of budget execution and internal and external controls.

Appendix 3 presents the risk assessment and mitigation matrix. Although the preliminary assessment indicates a substantial overall risk rating, this is expected to be reduced to 'moderate' after implementation of the mitigation measures summarized in Appendix 2.

D. Financial Management Arrangements of the Project.

9. **Implementation arrangements.** The fiduciary responsibilities will be under the MLSS, particularly the Public Assistance Division. This division will manage the project accounts, i.e. the beneficiary account and the technical assistance account. It should be noted that according to government regulations, loan funds have to be disbursed from the Government's Consolidated Fund in order to be recognized as government debt to be subsequently paid by the Accountant General when due. In addition, all designated accounts in foreign currency are managed directly by the MFPS. Funds are released by the MFPS into a project account denominated in Jamaican dollars managed by the implementing entity. The financial management unit within the Public Assistance Division is fully and adequately staffed. It includes the Finance and Administration Manager, a Project Accountant/Financial Manager, an assistant Project Accountant, a Special Accounts Administrator, a Bank Reconciliation Officer and three Accounting Technicians. All staff has sufficient background and experience for their duties. No additional staffing is required for the Project. The table below sets out the implementation responsibilities of the three project agencies:

	MLSS	MOFP	PIOJ
Budgeting	X		
Procurement	X	X ²⁸	X ²⁸
Accounting	X		
Payment	X		
Reporting	X		
Technical implementation	X	X	X

10. **Budgeting.** The total budget costs will be developed and agreed prior to project negotiations. All expenditures to be financed by the Project will be budgeted by the MLSS. A reference note will be made in the budget for activities implemented by the MFPS (pension reform) and PIOJ (Development of a holistic Social Protection Strategy). Upon loan effectiveness, all project costs will be included in the MLSS's budget under the capital B accounts. Project implementing agencies will submit annual plans and budgets to the MLSS by November 30 of each year. The MLSS will thereafter consolidate all the budget requests and send them to the MFPS for incorporation into the budget preparation process.

11. **Operations Manual and Accounting system.** An Operations Manual outlining the Project's financial management procedures will be developed and adopted. The existing accounting software, ACCPAC, will have to be upgraded and customized to appropriately capture all activities related to the Project. The chart of accounts will also be updated accordingly. The accounts will be maintained following the national accounting standards²⁹.

12. **Reporting.** Loan disbursements under the Project will be report-based. The report, termed the Project Report (PR) will comprise three elements: (i) Interim Unaudited Financial Report (IFR); (ii) physical progress report; and (iii) procurement progress report. The MLSS will send to the Bank, no later than one month after the end of each four monthly-period, the Project Report

²⁸ The Institution will be responsible for the development of the Terms of Reference and the technical specifications.

²⁹ It should be noted that Jamaica is using a cash-based accounting system. The MFPS is reviewing the International Public Sector Accounting Standard (IPSAS) for adoption.

together with the disbursement request. Information related to the PATH grants will be extracted from the MIS for inclusion in the PR while the MFPS and the PIOJ will submit their progress reports to the Public Assistance Division for preparation of the PR. The PIOJ and the MFPS will send their contribution to the PR no later than 15 days after each 4-monthly period. The format of the PR was discussed at negotiations and agreement was reached to finalize the specific content of the physical progress report for the sub-component 1 a (PATH Grants) by the end of April 2008.

13. Internal Controls and internal Audit. The ongoing Social Safety Net (SSN) Project has successfully improved the internal audit system in the MLSS. This would need to be continued and maintained during the new Project period. The first year's draft audit plan would be agreed during negotiations. Key internal controls would be described in the Operations Manual.

14. Lessons learned from the previous project. During implementation of the SSN Project, the main issues highlighted in the different external and internal controls for payment of PATH grants are related to:

- (i) procedures for handling uncollected cheques;
- (ii) delays in the reconciliation of the beneficiary accounts;
- (iii) deficiencies in the management of beneficiary complaints;
- (iv) weaknesses in the integrity of the MIS; and
- (v) fraudulent encashment of cheques.

15. Some corrective measures are being implemented by the Public Assistance Division, particularly with the implementation of a new MIS. Progress is being made in clearing the backlogs in the reconciliation of beneficiary accounts. Some improvements are evident in the handling processes of uncollected cheques and in the roll out of electronic payments through the deliverance of key card cash processes in coordination with the National Commercial Bank (NCB).

16. The main issues identified in the SSN Project were addressed prior to loan negotiations. These include: (i) reconciliation of the Beneficiary Account (up to January 2008) and taking actions to clear the identified discrepancies and (ii) development of a Project Operations Manual which includes a comprehensive set of measures to handle uncollected cheques, process beneficiary complaints and fraudulent encashment of cheques. These measures should also include appropriate sanctions against violators of procedures. In addition, implementation of the new MIS, including the transfer of beneficiary information to this system, should be completed as soon as possible and in any case no later than six months after project effectiveness. It should be noted, however, that the existing MIS system meets the minimum requirements in term of reliability and can be the basis for reimbursements.

17. Funds Flow and disbursement arrangements. Appendix 3 shows the flow of funds for the Project. Although the funds flow arrangements for Sub-component 1.a (PATH grants) differ from the standard arrangements for the other project components related to institutional strengthening, a common disbursement mechanism based on reports, will apply to all four project components. The table below sets out the expenditure categories to be financed out of the loan proceeds. Appendix 4 shows the disbursement schedule.

Categories	Amount of the loan Allocated US\$ million	% of expenditures to be financed
(1) Conditional Cash Transfer Payments under Part 1(a) of the Project	32.00	28%* Prior to fulfillment of Performance Milestones I to the Bank's satisfaction 35%* After fulfillment of Performance Milestones I to the Bank's satisfaction 40%* After fulfillment of Performance Milestones II, provided that fulfillment with Performance Milestones I has been maintained, all to the Bank's satisfaction
(2) Goods, Services, Training and Operating Costs under Parts 1 (b), 2, 3 and 4 of the Project	7.90	100%
(3) Front-end Fee	0.10	
TOTAL	40.00	

* Percentage of amounts disbursed to Family Representatives of eligible children (under the PATH Grants to Children 0 to 19 years old).

** See performance milestones stage 1 and 2 in annex 4.

18. Disbursements under Sub-component 1.b, Components 2, 3 and 4. All activities related to institutional strengthening will be reimbursed through funds flowing from a Designated Account (DA) and a project account. Upon project effectiveness, an advance will be made for the first four-monthly period of expenditures. No later than one month after the end of this period, the MLSS and will submit to the World Bank, Project Reports that will serve as the basis for subsequent disbursements. The format and content of the Project Reports will be agreed by negotiations. In addition to the Project Report, each disbursement request will require the submission of: (i) a Withdrawal Application; (ii) Statement of the Designated Account; (iii) Reconciliation statement of the Designated Account; (iv) Cash flow forecast for the following period; and (v) list of payments against contracts that are subject to the Banks prior review. The designated account will be denominated in US dollars and its ceiling amount will be US\$0.5 million.

19. Disbursement under Sub-component 1.a (PATH Grants). Under this component, the Bank will reimburse a percentage of PATH grants to children 0 to 19 years old". Cheques and electronic payments are issued once every two months. Payments are made to the Family Representative; however, the elderly or disabled adult living in a household may request that payments to be made directly to them. If this is the case, a family may have more than one family representative receiving the benefit. Disbursements under this component will be made every four months. No later than one month after the end of each four-monthly period, the following documents will be sent to the Bank: (i) Withdrawal Application for the PATH Grants; (ii) summary of PATH payments by benefit type for the payment period; and (iii) extract from the bank statement of the Beneficiary Account.

20. The steps via which money is transferred to beneficiaries are as follows:
- a. The MIS department in the MLSS generates payment lists based on compliance data submitted by schools and health centers.
 - b. PATH sends blank cheques to the MIS department.
 - c. The MIS department prints cheques according to payment lists generated from the compliance data imprinted with: a) the name of household representative or, if an agent is designated, the name of the household representative and the agent, b) date of issuance; and c) a control number.
 - d. Printed cheques, unused cheques and spoiled cheques are returned to PATH.
 - e. PATH staff sorts cheques by post office.
 - f. PATH staff hand deliver cheques to over 880 post offices and postal agencies island wide. Beneficiaries (or their authorized agent) with required identification (Voters' Identification Card, Driver's Licenses, Passport or National Council for Senior Citizens' ID) collect cheques from the post offices.
 - g. Beneficiaries (or their authorized agent) with required identification cash cheques at various banks or use them at retail outlets to purchase goods or pay agencies without cost to the beneficiary.

21. Performance-based disbursements. Disbursements percentages would be linked to key performance milestones of technical improvements in the Program, agreed with the government and shown in Annex 4 of the PAD. Specifically, disbursements for this sub-component will be based on cost-sharing percentages that are adjusted upwards when the performance milestones listed in table 1 are met. The cost-sharing percentage will start at 28%, increase to 35% when the first set of milestones are met, and to 40% when the second set of milestones are met. If stage 1 or 2 performance milestones are not met, disbursements will continue to be made based on the previous cost-sharing percentage. If performance milestones are achieved ahead of schedule, subsequent disbursements will increase based on a higher cost-sharing percentage.

22. **Retroactive financing.** The total amount of retroactive financing will be US\$1,560,000 for eligible expenses under sub-component 1.a (PATH grants, US\$1,520,000) and sub-component 1.b (Institutional Strengthening, US\$40,000). Under sub-component 1.a, the retroactive financing will cover payments to beneficiaries from May to August 2008. For sub-component 1.b, it would mainly cover consultant services, notably fees for the program manager, the component coordinators, the procurement specialist and the procurement assistant, beginning May 1, 2008. It should be noted that the above services must be contracted in accordance with the World Bank's procurement procedures.

23. **Counterpart funding.** PATH Grants to beneficiaries will be co-financed by the Government as indicated above. Activities under the Institutional Strengthening components will be financed at 100%. The accounts will be maintained in such a way to show that the Bank and the Government are adequately funding their shares in the overall program.

24. **External Audits.** Annual financial audits of the Project will be conducted by the Auditor General and transmitted to the World Bank no later than four months after the end of the fiscal year³⁰ i.e. by the end of July each year. In addition, on the technical side, two independent process evaluations will be conducted during the implementation of the Project. The first process

³⁰ Jamaica fiscal year runs from April to the end of March.

evaluation will be conducted in 2009 and the second will be in 2012. The table below sets out the auditing requirements:

<i>Audit report</i>	<i>Due Date</i>	<i>To be done by</i>
▪ Financial Statements	End of July	Auditor General
▪ Management letter	End of July	
▪ Evaluation Process	2009 and 2012	Consultant

E. Supervision plan

25. Given the risks related to the overall financial management system, close supervision will be required. Supervision missions will be conducted twice a year. The IFR and the annual audit report will also be carefully reviewed.

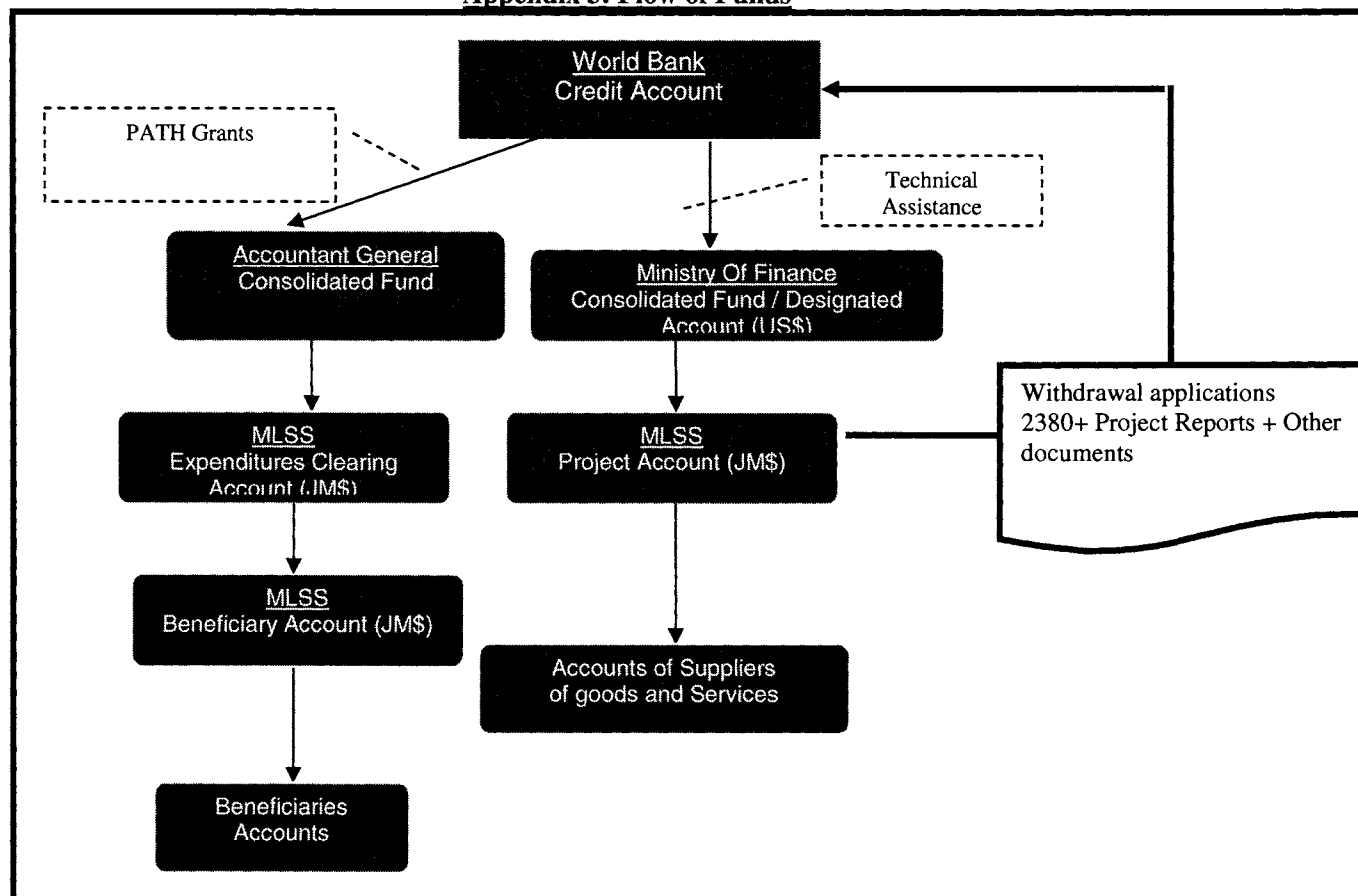
Appendix 1: Financial Management Action Plan

Action	Responsible	Completion date
1. Implementation of the new MIS	MLSS	No later than six months after effectiveness
2. Operations Manual, which stipulates a comprehensive set of measures to handle uncollected cheques, process beneficiary complaints, and fraudulent encashment of cheques	MLSS	March 28, 2008
3. Up-to-date reconciliation of the Beneficiary Accounts (January 2008) and taking actions to clear the identified discrepancies	MLSS	March 14, 2008
4. Carry out the first Process Evaluation	MLSS	No later than 12 months after effectiveness
5. Agreement on the format and content of the Project Reports	MLSS	April 3, 2008 (physical progress report for subcomponent 1 a to be finalized by April 30, 2008)
6. Draft Internal Audit plan for the 2008/9	Internal Auditors	April 3, 2008

Appendix 2: Risk Assessment and Mitigation Measures

	Risk Assessment				Risk Mitigation Measures	Residual Risk
	H	S	M	L		
<i>Inherent Risk</i>						
Country Level.		X			The Bank will develop an IDF proposal to contribute to the implementation of the CFAA/CPAR action plan. This IDF grant will complement the actions undertaken by other donors. It will focus on the areas identified in text above.	M
Entity Level.			X		Implementation of the action plan in Appendix 1 will mitigate the risks.	L
Program Level.			X		Implementation of the action plan in Appendix 1 will mitigate the risks.	L
Overall Rating Inherent Risk		X				M
<i>Control Risk</i>						
Budget.				X	The budget of the Project will be elaborated prior to the loan approval.	L
Accounting.			X		Implementation of the action plan in Appendix 1 will help reduce the risks.	L
Internal Controls.		X			Implementation of the action plan in Appendix 1 will help reduce the risks.	M
Financial Reporting.			X		Format of the Project Report agreed upon during negotiations.	L
Auditing.		X			Annual Audits of the loan will be conducted by the Auditor General.	M
Overall Control Risk		X				M
Residual Risk Rating		X				M

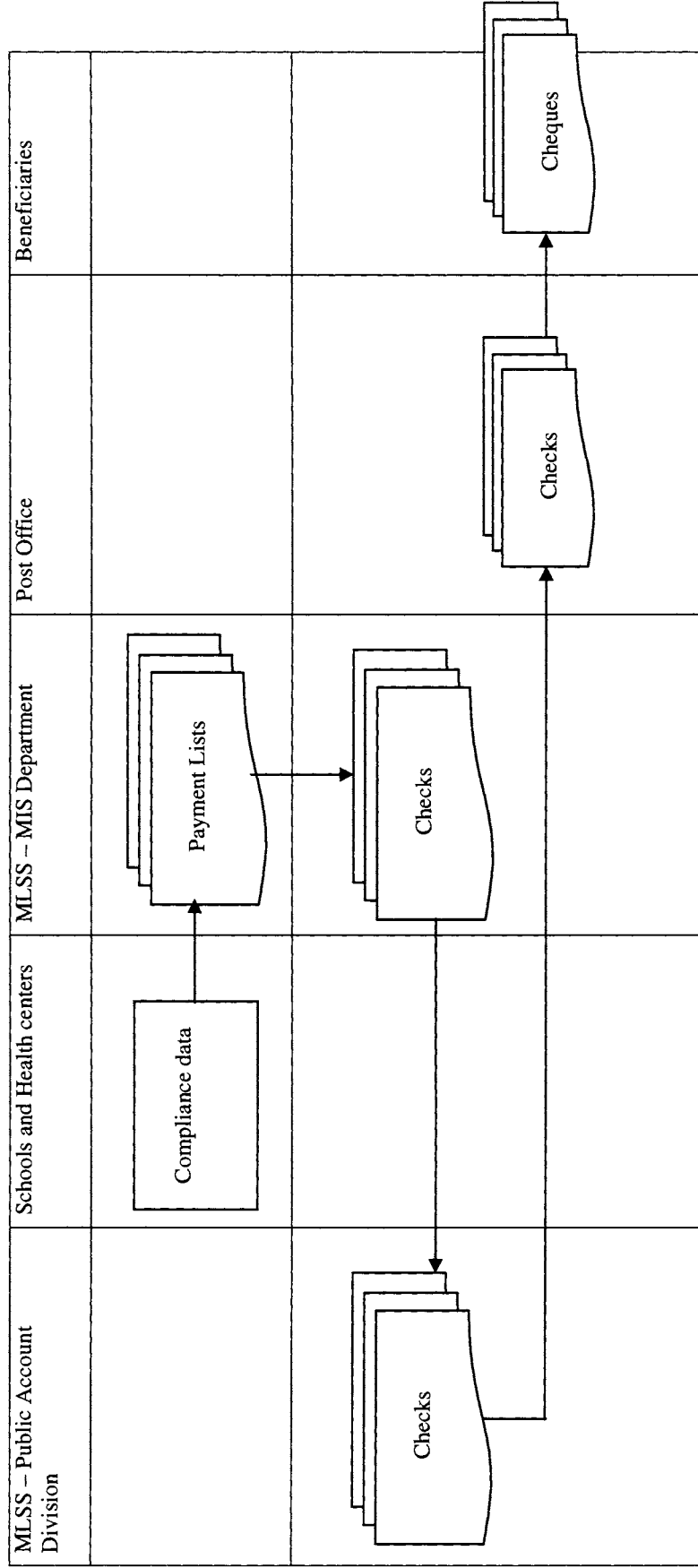
Appendix 3: Flow of Funds



Appendix 4: Annual Disbursement Schedule of the Project

Periods	Deadline for transmission	Components	Nature of the Reports
Every four months: ❖ April to July ❖ August to November ❖ December to March	Not later than one month after the four-monthly period: ❖ End of August ❖ End of December ❖ End of April	PATH Component	❖ Project Report ❖ Withdrawal Application for the PATH Grants; ❖ Summary of PATH payments by benefit type for the payment period ❖ Extract from the bank statement of the Beneficiary Account
Every four months: ❖ April to July ❖ August to November ❖ December to March	Not later than one month after the four-monthly period: ❖ End of August ❖ End of December ❖ End of April	Institutional Strengthening component	❖ Project Report ❖ Withdrawal Application for the Institutional Strengthening component ❖ Statement of the Designated Account ❖ Reconciliation statement of the DA ❖ Cash flow forecast for the following period ❖ List of payments against contracts that are subject to the Banks prior review

Appendix 5: Payment Processes to Beneficiaries



Annex 8: Procurement Arrangements

Jamaica: Social Protection Project

A. General

1. Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 revised October 1, 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 revised October 1, 2006, and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Loan the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and timeframe are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

2. **Procurement of Goods:** Goods procured under this Project will include: computers, software, and office equipment. For all International Competitive Bidding (ICB), the Bank's Standard Bidding Documents (SBD) will be used; for National Competitive Bidding (NCB), National SBDs satisfactory to the Bank will be used.

3. **Selection of Consultants:** Consultant services will include technical assistance services for capacity building and institutional strengthening within the MLSS, the MFPS and PIOJ. To strengthen PATH administrative systems, support will be provided for: (a) reviewing and improving targeting as well as enrollment and recertification of beneficiaries; (b) implementing a Content Management System (CMS) to improve the accuracy of data entry and records management; (c) training. To improve accountability, monitoring and evaluation, the Project will finance: (a) development of a strategic monitoring system based on the enhanced MIS; (b) two process evaluations on program implementation; (c) development of service standards as well as mechanisms to monitor compliance with standards; (d) strengthening of the financial management and internal audit capacity of the Program; (e) an impact evaluation to assess PATH's contribution to school enrollment, attendance and high school completion; (f) an assessment on program targeting accuracy; and (g) development and implementation of appropriate public education and social marketing programs. Short lists of consultants for services estimated to cost less than US\$ 200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

4. **Training:** The Project will finance training for social workers for effective case management, including helping beneficiaries "bridge" to complementary social services. The Project will build capacity for the introduction of new initiatives such as the Steps-to-Work program. Training will also be provided under component 3 on financial modeling of pension systems, cash flow forecasting, and the design and operations of defined benefit, notional defined contribution, and defined contribution systems.

5. **Operating Costs** will include in-house project management and administration, office rental, utilities and supplies. These will be procured using procedures acceptable to the Bank and defined in the Project Operations Manual. The procurement procedures and SBDs to be used for each procurement method, as well as model contracts for works and goods procured, are presented in this Operations Manual.

B. Assessment of the agency's capacity to implement procurement

6. The MLSS will have overall project execution responsibility and will be responsible for the implementation of PATH and Welfare-to-Work components. Implementation of the PATH is carried out by the Public Assistance Division in the MLSS, which is a permanent division within the ministry. This arrangement, adopted since the commencement of the ongoing SSN Project and instrumental in mainstreaming the program within the ministry's existing institutional structure, will be maintained for the proposed Project. A dynamic group, composed of experienced and highly qualified staff established in the Public Assistance Division to take care of all the technical, administrative, fiduciary, and management functions of the PATH, will continue to contribute to effective program implementation.

7. The MFPS will be the implementing agency for the pension reform component while the PIOJ will implement the component on Development of a holistic Social Protection Strategy. The Project Operations Manual will specify the implementation arrangements whereby the MFPS and PIOJ are responsible for the technical oversight of components 3 and 4 (including preparation of periodic progress reports, and updating of implementation plans) while entrusting the fiduciary functions (financial management and reporting, procurement) to the MLSS. The Accounting Unit in the Public Assistance Division, MLSS will be responsible for carrying out these fiduciary functions.

8. An assessment of the capacity of the Implementing Agencies to implement procurement actions for the Project was carried out by the Bank in October 2007. The assessment reviewed the organizational structure for implementing the Project and the interaction between the Project's staff responsible for procurement and the national procurement authorities. The mission focused on the capacity of the MLSS and the National Contracts Commission (NCC) in contracts management using both World Bank and Government procedures. The main findings of the assessment are summarized in the following paragraphs.

9. The joint Country Financial Accountability Assessment (CFAA) and Country Procurement Assessment Report (CPAR) carried out by the World Bank and Inter-American Development Bank in 2006 identified a list of weaknesses of the Jamaican procurement system showing clearly that significant improvement is needed to render the system more transparent.

10. The issues identified in the CFAA/CPAR pertaining to procurement statistics, supplier's registration, procurement performance and monitoring and capacity are still relevant. In particular, discrepancies between the national procurement system thresholds and the World Bank thresholds for projects in Jamaica are likely to have a negative impact on procurement processes.

National procurement system and thresholds

11. The MFPS has overall responsibility for the public sector procurement system including direct responsibilities for informing sector procurement policy, monitoring the implementation of those policies particularly with regard to public expenditures, and facilitating a proper understanding of the governing documentation service-wide. The Contractor General, in accordance with the contractor general act, monitors and investigates the award of contracts.

12. Procurement functional responsibilities are as follows:

- a) **National Contracts Commission (NCC):** responsible for: (a) promoting efficiency in the award process for government contracts; and (b) reviewing award recommendations by the procuring entities, for the procurement of Goods, Services and Works with estimated values equal to or exceeding J\$ 4.0 million.
- b) **National Contracts Commission Sector Committee (NCCSC):** responsible for reviewing the procuring entities' award recommendations for contracts.
- c) **Procurement Committees:** Each procuring entity is required to establish a procurement committee consisting of not less than four persons appropriate to the needs of the entity. The Committee will comprise a Chairman, Senior Financial management Personnel, Secretary, and Procurement Officer (non voting member).
- d) **National Contract Point (ministry of finance and planning):** acts as the focal point for information and clarification of public sector procurement.
- e) **Accounting Officer:** responsible for enforcing the procedures.

13. While having various checkpoints for procurement is a good thing, the down side is the delays encountered during contracts processing. Based on the cases reviewed, it appears that it would take from two weeks to five months for the national procurement boards to endorse a contract award after bid evaluation. This is a serious issue as it causes delays to project implementation.

Thresholds

14. The national procurement rules under different thresholds are as follows:

Threshold	Authorities
Less than J\$4,000,000	Agency or Ministry shall approve subject to procedures included herein.
From J\$4,000,000 but less than J\$15,000,000	Minister shall approve on the recommendation of the NCC.
J\$15,000,000 and above	Cabinet, on the recommendation of the NCC and minister.
<u>Note:</u> In cases where procurement is funded by an agency external to GOJ, e.g., the World Bank, approval of that agency may also be required.	

15. Specific thresholds are defined for the use of each particular method for procurement of Goods, Services and Works. Most of these thresholds are also bottlenecks to the fluidity of procurement management as they are sometimes higher than those set by the World Bank for Jamaica.

16. Corrective measures which have been agreed to improve procurement processes include, *inter alia*, the following:

- Extension of the contract of the Procurement Specialist recruited for the ongoing Social and Safety Net Project and who has the relevant qualifications and experience in Bank procurement procedures.
- Submission to the Bank of a preliminary Procurement Plan to cover the first 18 months of the Project, due for approval by negotiations.
- Training in procurement provided by the Bank to the key staff of the Public Assistance Division and other stake holders as soon as the Project is declared effective. Further training to be provided during the first year of implementation as capacity building activity.
- Preparation of an Operations Manual with a specific chapter on procurement, detailing all the procedures and channels of responsibilities and flow of documentation. The first finalized draft is due by negotiations.

17. In addition to the above actions, procurement thresholds and methods have been set to mitigate the substantial procurement risk.

C. Procurement Plan

18. The Borrower, at appraisal, developed a procurement plan for project implementation to provide the basis for the procurement methods. This plan has been reviewed and agreed between the Borrower and the Project Team on March 28, 2008 and is available at the MLSS. It will also be available in the project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

D. Frequency of Procurement Supervision

19. In addition to the prior reviews that will be carried out from Washington, the Procurement Capacity Assessment recommends that supervision missions should be conducted every six months. Post review of procurement actions will be carried out once a year.

E. Details of the Procurement Arrangements Involving International Competition

1. Goods and Non Consulting Services

(a) List of contract packages to be procured following ICB and direct contracting:

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost (US\$)	Procurement Method	P-Q	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid-Opening Date	Comments
G1.	Computers, Scanners, Printers and Fax machines	150,000	ICB	NA	NA	Prior	Feb 12, 2009	

(b) ICB contracts estimated to cost above US\$150,000 per contract and all direct contracting will be subject to prior review by the Bank.

2. Consulting Services

(a) List of consulting assignments with short-list of international firms.

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost (US\$)	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Comments
C1.	Recertification of PATH beneficiaries	400,000	QCBS	Prior	May 2010	
C2.	Implement Content Management System to improve accuracy of Data Entry and Records Management	225,000	QCBS	Prior	November 2008	
C3.	Earnings database	400,000	QCBS	Prior	November 2008	
C4.	Process Re-engineering	303,080	QCBS	Prior	December 2008	
C5.	PATH Impact Evaluation	800,000	QCBS	Prior	July 2008	

(b) Consultancy services estimated to cost above US\$100,000 per contract and single source selection of consultants (firms) will be subject to prior review by the Bank.

(c) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

F. Thresholds for Procurement Methods and Prior Review

20. Recommended thresholds for use of the procurement methods specified in the legal agreement, and for Bank prior review of procurement actions, are identified in the table below. Specific contracts which are subject to prior review are detailed in the Procurement Plan agreed at negotiations.

Expenditure Category	Contract Value (Threshold) US \$ thousands	Procurement Method	Contracts Subject to Prior Review
1. Goods	>150	ICB	All
	50-150	NCB	Non
	<50	Shopping	None
	Regardless of value	Direct Contracting	All
2. Consulting Services			
-2.A Firms	>100	QCBS,QBS,FBS,LCS	All
	<100	QCBS,QBS,FBS,LCS, and CQS	None
	Regardless of value	Single Source	All
-2.B Individuals	Regardless of value	Comparison of 3 CVs in accordance with Chapter V of the Guidelines	None

Note: ICB = International Competitive Bidding NCB = National Competitive Bidding
 QCBS = Quality- and Cost-Based Selection QBS = Quality-Based Selection
 FBS = Fixed Budget Selection LCS = Least-Cost Selection
 CQS = Selection Based on Consultants' Qualifications
 TOR = Terms of Reference

Annex 9: Economic and Financial Analysis
Jamaica: Social Protection Project

I. Economic Analysis

Reforming PATH: simulated effects on poverty/inequality and school outcomes

1. The Program of Advancement through Health and Education (PATH), aims to reduce poverty in the short run through cash transfers and in the long run through human capital investments in children. PATH reached 200,000 individuals per month in 2007. The actual amount of the transfer is fixed per beneficiary, J\$530 (approximately US\$8)³¹. Poor children aged 0-19 years-old, pregnant or lactating mothers, elderly individuals over age 65, persons with disabilities and destitute adults under age 65 are eligible for the program. School attendance of 85% of days per month is required for children aged 6-19, health care center visits every two months for children aged 0-5 years-old, and periodic health check ups for pregnant women are also required. The grants for adults, the elderly and the persons with disabilities are not conditional.
2. The government plans to increase the base benefit to J\$600 per month; increase benefits for secondary students by 50%, increase benefits for upper secondary students by 75%, and give a 10% bonus to boys. In addition to the monthly benefits specified above, PATH students moving to a tertiary institution would receive a one off-bonus of JM\$15,000 to assist with that transition. This structure of benefits and the associated cost is summarized in Annex 4, Table 1. Considering this proposal, what would be the effects such changes on schooling outcomes and on poverty/inequality?
3. A response to this question depends on a comparison of the actual cost and benefits with the cost and benefits under this alternative design. At this point, the long-term benefits of such a program need not be considered since they depend on saving and investment behaviors and on future returns to the (human and physical) assets accumulated.
4. A recent evaluation of PATH conducted by Levy and Ohls (2007)³² found that 58% of benefits goes to the first quintile of the consumption distribution (acceptable compared with other countries); school attendance is increased by 0.5 days per month (3% increase) related to PATH; and there are 38% more visits to health care centers for children 0-6 years old -- all directly associated with the PATH.
5. This note seeks to contribute to the government's reform of the PATH, by simulating the likely effects of changes in the grants scheme. The simulations reported below are based on a simple model of household behavior, applied to the Jamaica Survey of Life Conditions (JSLC) sampled in 2002 and 2006. The method of analysis follows the ex ante evaluation model presented in Bourguignon, Ferreira and Leite (2003), henceforth BFL, but adapted to the Jamaican case.

³¹ When the program was launched in 2002 the benefit level was US\$6.5.

³² "Evaluation of Jamaica's PATH Program: Final Report" by Dan Levy and Jim Ohls - MATHEMATICA Policy Research, Inc.

Table 1: Proposed Scheme of PATH Benefits				
Type of Beneficiary	Gender	Actual PATH (J\$)	Proposal (J\$)	Total beneficiaries
Students Primary grade 1 - 6	Boy	530	640	36,078
	Girl	530	580	30,241
Students Secondary grade 7 - 9	Boy	530	960	14,723
	Girl	530	870	16,403
Students Secondary grade 10 - 11	Boy	530	1,120	6,068
	Girl	530	1,020	6,413
Children 1-6		530	580	70,787
Elderly		530	580	36,050
Pregnant/Lactating		530	580	819
Persons with disabilities		530	580	5,633
Adult Poor		530	580	570
Poor Relief/PAD		530	580	17,941
Total Annual cost of Grants		\$1,537,379,917	\$1,905,794,294	241,726
Total, US\$		\$22,608,528	\$28,026,386	
Cost of bonus (15,000 per student)			\$28,082,940	
Total Annual cost including bonus		\$1,537,379,917	1,933,877,235	

The Model

6. The BFL model combines arithmetic methods with demand for schooling models, generating predictions of what would be the occupational choice of a child if the Conditional Cash Transfer (CCT) Program were implemented and its short-run effects on poverty and inequality. The model consists of two equations: first, an occupational choice equation for children, relating the probability that a child chooses between 6 categories (not attending school; 1-5 days of attendance, 6-10 days of attendance, 11-16 days of attendance, 17-18 days of attendance and 19-20 days of attendance per month) to a number of personal and family characteristics; and second, a standard Mincerian earnings equation to predict potential earnings for children who do not report any market earnings in the JSLC, as well as the “mark-down” in potential earnings arising from working part-time while also studying.

7. Denote j the occupational category of the child. Given that, the utility function for each category j of the child i is specified by:

$$(1) U_i(j) = Z_i \cdot \gamma_j + (Y_{-i} + y_{ij}) \cdot \alpha_j + v_{ij}$$

where Z_i stands for characteristics of both the child and the household; Y_{-i} is the household income without the child's earnings; y_{ij} is the child income earned in alternative j ; and v_{ij} is the random term that stands for idiosyncratic preferences.

8. The child earnings, y_{ij} , is defined in alternative $j = 0$ as the observed market earnings of the child, w_i . In all categories j children can also work and study, spending less time in the labour market than children from category $j = 0$. Then, for $j = 1$ children, can only receive a proportion M_1 (time devoted to work) of the observed market earnings, i.e., y_{ij} , is equal to $M_1 \cdot w_i$. Similar specification can be made to children in $j = 2-5$ because they can all make contributions to household income. Considering M_j the proportion of time devoted to domestic production, y_{ij} can be set as $M_j \cdot w_i$.

9. Replacing these values on equation 1 we have:

$$(2) U_i(j) = Z_i \cdot \gamma_j + (Y_{-i} + y_{ij}) \cdot \alpha_j + v_{ij} = Z_i \cdot \gamma_j + Y_{-i} \cdot \alpha_j + w_i \cdot \beta_j + v_{ij}$$

Where $\beta_0 = \alpha_0$; $\beta_j = \alpha_j \cdot M_j$; $\forall j = 1, \dots, 5$.

When all parameters of equation 2 are known, child selects its occupation by maximizing its utility function, i.e., $k = \text{Max}[U_i(j)] \forall j = 0, 1, 2$. The implementation of the CCT affects the utility by an increase of T , grant, in household income given that they must have 85% of attendance per month. The equation 2 is re-written by equation 3 below, in which the transfers made for category $j = 0, 1, 2, 3$ are null:

$$(3) U_i(j) = Z_i \cdot \gamma_j + (Y_{-i} + T_{ij}) \cdot \alpha_j + w_i \cdot \beta_j + v_{ij}, \quad T_{i0} = T_{i1} = T_{i2} = T_{i3} = 0 \quad \text{and} \quad T_{i4} = T_{i5} = T$$

10. Finally the simulation of the likely effects of a given CCT program is represented below by taking into account the means-test (threshold) that identifies the potential beneficiaries. Hence, the simulation of the new occupational choice of a child is given by:

$$(4) U_i^*(j) = Z_i \cdot \hat{\gamma}_j + (Y_{-i} + T_{ij}) \cdot \hat{\alpha}_j + w_i \cdot \hat{\beta}_j + v_{ij} \rightarrow T_{i0} = T_{i1} = T_{i2} = T_{i3} = 0 \quad \text{and} \quad T_{i4} = T_{i5} = T \quad \text{if}$$

Beneficiary

$$U_i^*(j) = Z_i \cdot \hat{\gamma}_j + Y_{-i} \cdot \hat{\alpha}_j + w_i \cdot \hat{\beta}_j + v_{ij} \rightarrow \text{Otherwise}$$

$$k^* = \text{Max}[U_i^*(j)] \forall j = 0, 1, 2$$

11. As mentioned above, the parameters are estimated using 2 equations: first, a standard Mincerian equation for estimation of w_i , for those with non observed earnings' and second, a Multinomial Logistic model for estimation of all gamma, alfa and beta parameters as well as the respective error terms for each utility function.

Results

12. The model does not provide the real evaluation of the program³³ and results here are counterfactuals on the basis of a household survey. For this reason, the starting point here presents the simulated effect of the actual design of PATH on the basis of the JSLC 2002. Then,

³³ For actual PATH evaluation see Evaluation of Jamaica's PATH program: Final Report (2007).

predictions with actual JSLC 2006 data are compared and the additional gains due to the proposal redesign are simulated.

13. Table 2 presents the enrollment rate, participation rate, and attendance of 6-17 year-olds in the three poorest deciles of consumption³⁴ distribution as actually observed in 2002, prior to PATH's implementation. The second column depicts the counterfactual simulated by the model under the actual PATH transfer scheme. Enrollment rate of 6-17 years-old would increase by 1.3% in presence of PATH driven by higher participation for secondary boys (3.2%) and secondary/upper secondary girls (7.7% and 2.6% respectively). The share of students with more than 85% of attendance would increase by 17.2% also driven by secondary boys and girls. Average days in school rose to 16.76 representing 0.94 more days per month. Upper secondary boys would increase their participation by no more than half day per month compared to secondary boys and both secondary and upper secondary girls who would raise their average days by no less than one day per month in response to the program.

14. Comparing these counterfactuals we note that with very few exceptions, such as enrollment of primary students and more participation of primary level and upper secondary level girls, predictions of the model are quite conservative mainly for secondary level girls, and secondary/upper secondary boys for all three outcomes. However, at the aggregated level all three predictions (1.2 percentage points increase of enrollment rate, 10.7 percentage points increase of share of students with more than 85% of attendance, and 0.94 more days in school per month) were quite similar to actual observed changes in 2006 of 1.25 p.p., 9.7 p.p and 0.89 days respectively to enrollment, attendance and days in school. This gives us some confidence, despite the need to run more sensitivity tests, to estimate the new design of the program using this model.³⁵

15. Adjusting the model used on the basis of 2002 data, we are able to make predictions on the basis of the 2006 data to simulate the additional effect of the program given this new scheme of grants. The column in Table 2 labeled "Proposal (J\$580)" presents results of the new grant scheme on the basis of 2006 data. Redefining the PATH only for the actual group of beneficiaries does not affect actual enrollment by construction. However, higher grants would imply higher incentives to spend more time in school. The share of students with more than 85% attendance increases by almost 1 p.p., reaching 72.44% of school attendance among children 6-17 years-old. Secondary boys respond more to the program reaching 48.04% but they are still worse off compared to all other students. Additional gains range from 0.54 p.p for primary level girls to 3.77 p.p. to secondary level boys. Reforming PATH also affects the number of days in school, since the average days would increase marginally to 16.80 among all poor children. This average increase of 0.082 days per month basically results in a 0.33 day increase among secondary level boys. For all others, the increment in the number of days in school ranges in between 0.026 (upper secondary girls) and 0.340 (secondary boys).

³⁴ The household consumption excludes medical and other non-regular expenses as travel or events as parties and funerals. From that, welfare numbers can differ from actual poverty/inequality estimates from Jamaica government on the basis of the same survey.

³⁵ This model is being validated by Ferreira, Leite and Skoufias (work in progress) but preliminary results indicate good performance of simulations compared to actual ex post results from Mexico, Nicaragua and Ecuador.

16. The final two columns in Table 2 simulate the new PATH design for all poor children in the population below the 3rd decile of consumption distribution. Hence, some people who are poor and are not participating in the program can demand participation since grants now are more attractive to them. The PATH thus would bring in additional secondary level boys and secondary/upper secondary level girls among beneficiaries. The enrollment rate would reach to 92.69%. These new entrants would boost the share of participants to 74.64% and generate additional 0.3 days in school for all poor children.

17. Table 3 presents the results for short-term poverty reduction and inequality changes. Presented first are the estimated cost of program and average size of transfer. Then we compute the incidence of poverty, the depth and the severity for both the poverty line and food poverty line. In 2002 the incidence of poverty was estimated in 22.2%. After calculations using the PATH scheme on schooling behavior, the household consumption for each household in the sample was recomputed, adding the grants for the elderly, adults and children 0-5 whenever necessary. From that, applying a marginal propensity to consume equal to 0.9, the household per capita consumption (adult equivalent) was recalculated.

18. Under the actual PATH, we estimate under the 2002 data a poverty reduction of almost 3 p.p., from 22.21% to 19.4%. Depth would drop to 4.8% (20% variation) and GINI also fell by 0.001 point (2%). All these changes are the result of well targeted transfers to the poor population of J\$1,324 per month per household. This represents around 10% of the actual consumption of poor population (J\$4,415.18 per capita). These simulations should be compared to the column in Table 3 labeled "OBS" from JSLC 2006 despite the fact that between 2002 and 2006 other major economic changes were observed in Jamaica besides the PATH implementation. From that the OBS column reflects not only the presence of the program but also all effort made by the government to fight poverty as presented in the World Bank Poverty Assessment (2007).

19. Initially, poverty was simulated by removing PATH grants (J\$530) for all beneficiaries identified in the JSLC 2006. Poverty incidence is then estimated at 19.6% in absence of the program. At a cost of 0.22% of GDP³⁶ the combined effect of PATH and other environmental changes in Jamaica pushed poverty incidence down to 18.63% that is 1 p.p. below the estimated 2006 without PATH. Depth and severity drop respectively to 4.2% and 1.6%, resulting in a 10% and a 13% decrease in the estimate due to presence of PATH.

20. It is also possible to compare estimates on the basis of 2002 data and 2006 in presence of PATH. Note that for all poverty estimates (except severity using food poverty line), counterfactuals that simulate the presence of the program on the basis of the 2002 data are quite conservative since the Jamaican government had invested in different ways to fight poverty in recent years. The important question is the following: how much more, in a short run, we can expect as result of reforming PATH?

21. The last two columns of Table 3 show that the new PATH would generate alone additional 0.5 p.p. gains in incidence, 0.1 p.p. on depth and 0.05 p.p. in severity of poverty at a cost of 0.29% of GDP. Inequality would drop from 0.352 to 0.350 given the 20% increase in

³⁶ Nominal GDP projection in billions of Jamaican dollars for 2007/08: J\$ 776

consumption of the poor population. As before, since some children are now participating in the program, we can have a 20% increase in the number of beneficiaries at additional cost, 0.34% of GDP. These new entrants would affect poverty levels by 3%, depth by 2%, and severity by 2% compared to the column labeled "Proposal J\$580". These new entrants were not so vulnerable, with household consumption close to the poverty line, because the poverty incidence effect is bigger than both severity and depth.

Table 2: Expected results form PATH on children behavior

Target population: below 3rd decile of consumption distribution	SLC 2002			SLC 2006					
	OBS	Simulated PATH (J\$530)**	Δp.p	OBS (under PATH J\$530)	Δ _{p.p06/02}	Proposal (J\$ 580)*	Δ _{p.p.prop06}	Proposal (J\$ 580)***	Δ _{p.p.prop06}
Enrolment ratio	90.92%	92.10%	1.2%	92.17%	1.25%	92.17%	0.00%	92.69%	0.52%
Boys									
Primary	95.30%	96.08%	0.8%	95.25%	-0.05%	95.25%	0.00%	95.25%	0.00%
Secondary	70.07%	72.31%	2.2%	79.77%	9.70%	79.77%	0.00%	81.78%	2.01%
Upper Secondary	86.08%	86.84%	0.8%	89.62%	3.54%	89.62%	0.00%	90.51%	0.89%
Girls									
Primary	97.82%	98.17%	0.4%	97.83%	0.00%	97.83%	0.00%	97.83%	0.00%
Secondary	75.06%	80.88%	5.8%	90.81%	15.75%	90.81%	0.00%	90.81%	0.00%
Upper Secondary	85.41%	87.60%	2.2%	84.57%	-0.84%	84.57%	0.00%	86.04%	1.47%
Share of children with more than 85% of participation	62.1%	72.8%	10.7%	71.8%	9.7%	72.4%	0.7%	74.64%	2.86%
Boys									
Primary	63.9%	75.5%	11.6%	73.0%	9.09%	73.0%	0.00%	74.93%	1.96%
Secondary	40.8%	50.4%	9.5%	44.3%	3.42%	48.0%	3.77%	52.22%	7.95%
Upper Secondary	52.8%	60.4%	7.6%	77.4%	24.57%	78.7%	1.35%	79.59%	2.24%
Girls									
Primary	70.8%	81.4%	10.6%	79.1%	8.22%	79.6%	0.54%	81.55%	2.50%
Secondary	50.3%	64.6%	14.3%	73.0%	22.68%	73.0%	0.00%	78.36%	5.35%
Upper Secondary	61.6%	72.0%	10.4%	67.1%	5.45%	67.1%	0.00%	69.33%	2.26%
Number of days in school	15.82	16.76	0.939	16.71	0.891	16.80	0.082	16.97	0.259
Boys									
Primary	16.48	17.50	1.014	17.34	0.855	17.38	0.039	17.43	0.095
Secondary	11.50	12.57	1.068	12.88	1.382	13.21	0.330	13.72	0.840
Upper Secondary	14.71	15.29	0.584	16.32	1.613	16.43	0.115	16.61	0.289
Girls									
Primary	17.25	18.06	0.813	17.98	0.736	18.05	0.070	18.17	0.186
Secondary	13.45	15.05	1.592	16.49	3.032	16.53	0.044	16.77	0.284
Upper Secondary	15.12	16.13	1.008	15.59	0.469	15.61	0.026	15.93	0.340

Note:

* simulated on the basis of the SLC 2006 after adjustment to consider actual J\$530 transfer. Only PATH recipients are eligible to new scheme.

** simulated on the basis of the SLC 2002

*** simulated on the basis of the SLC 2006 after adjustment to consider actual J\$530 transfer. All poor households (below 3rd decile of consumption) are eligible to receive the grant.

22. The main conclusions from Table 3 are as follows:

- The impact of the PATH is not negligible on the incidence of poverty but is larger for depth and severity as expected since the program targets poor households efficiently.
- Increases in the transfer amount contribute to greater poverty reduction generating an additional 2.8% reduction in poverty incidence (0.5 p.p.), 2.4% in depth and 2.8% in severity.
- Reforming the PATH generates additional 0.34% decline in the Gini coefficient generating overall significant reductions in inequality since 2002.

Long-run effects on schooling

23. The previous section estimated the short-run PATH effect on the enrollment rate and the attendance rate, but how can PATH affect poverty in the long run due to the human capital accumulation generated by the intervention? A cost-benefit analysis has not been carried out since there are data constraints, such as no information about the supply of schooling in Jamaica. As a consequence, below is a simple exercise of cost-effectiveness of the program to identify program enrollment impacts that enable us to estimate the impact of the program on extra years of education (without accounting for changes in the supply).³⁷

24. The main estimator for the exercise is the “double-difference” estimator, which compares changes in enrollment rates of the poor in the PATH compared with the non-PATH beneficiaries between pre-program and post-program periods, which can be obtained non-parametrically or parametrically through regression of enrollment using the JSLC 2002 as baseline and JSLC 2006 to isolate effect of the program. The parametric estimator is obtained by:

$$(5) S_{it} = \sum_{t=2002,2006} \alpha_{0t} + \alpha_1 \cdot P_i + \alpha_2 \cdot P_i \cdot R_2 + \sum_{j=1}^J \beta_j \cdot X_{ij} + \epsilon_{ij}$$

$$(6) S_{it} = \sum_{t=2002,2006} \alpha_{0t} + \alpha_1 \cdot P_i + \alpha_2 \cdot P_i \cdot R_{2006} + \sum_{k=1}^K \gamma_k \cdot C_{ik} + \sum_{k=1}^K \delta_k \cdot C_{ik} \cdot P_i \cdot R_{2006} + \sum_{j=1}^J \beta_j \cdot X_{ij} + \epsilon_{ij}$$

25. Where S is a binary variable equal to 1 if enrolled; P indicates potential or actual beneficiary; R is a binary variable equal to 1 if the survey used is JSLC 2006; C_k is defined as 1 if the child has completed k years of schooling, and X is a vector of individual and household characteristics. Parameter α₀ capture unrelated to PATH effects on enrollment; α₁ captures credit constraints of poor to education; α₂ is effect of PATH on enrollment; γ_k is the effect on enrollment by grade level; and finally δ_k is the a pure program effect on grades.

26. In addition, we estimate a Mincer type equation on the Labour Force Survey of 2002 to estimate the return to schooling for wage workers in Jamaica that will be used as a base to translate the estimated program impact on the schooling of the of poor into gains in lifetime earnings.

27. Table 4 presents returns to education for years of schooling - and separately to level of schooling -and the pure effect of the program of grades □_k , which represents the “Differences-

³⁷ In this sense, the analysis is based on the PROGRESA evaluation presented in Coady (2000).

in-differences” estimators calculated over time. The educational return of workers with completed primary level is 0.201. For workers with secondary level, completed returns is 0.296 indicating that by completing the secondary level salaries would be 7.8% higher ($\exp(0.296-0.200)-1$). Reaching upper secondary increases wages by 13% and higher levels raise wages by 52% compared to primary level workers. See also Figure 1. A similar analysis can be done directly at levels (bottom of the Table) and comparing it to the primary level, we observed increments in wages by 9%, 14.6% and 40% regarding primary level wages. On average, wages are 10.1% higher for each additional year of schooling after completing primary level.³⁸

28. Figures 2 -3 highlight some basic differences pre and post intervention in Jamaica. Note how the enrollment rate of beneficiary children above 13 years old drastically changes between 2002 and 2006, mainly for children aged 16 and 17. Figure 3 shows that enrollment increases at the transition years between primary and secondary (9) and then to completion of upper secondary. Even the average of years of schooling increases a little among beneficiaries for older children as expected since they are more vulnerable to dropping out after they complete a level as primary or secondary.

29. These results of better outcomes among PATH beneficiaries can be demographically extrapolated to forecast long run effects on final schooling according to Schultz (2001).³⁹ He suggests that if the estimated pure effect of PATH on enrollments for each grade were sustained over the school-age period, children exposed to the program could accumulate additional years of schooling. And the approximation for the cumulative effect on average educational attainment would be the sum of the estimated probability of enrollment at each grade level for a child from a poor household. This result can be obtained by the double difference non parametric estimator without controls as presented in Table 5 or parametrically by the sum of pure effect β_k from Table 4. In other words, the statistic represents the additional number of years of schooling that a poor child exposed to the program can have compared to some other poor child that was not exposed to the program. Children aged 13 - 17 years old who completed grades 5 to 11 in the previous school year, reported statistically significantly higher enrollment rates generating a total of 0.73 years of schooling (sum of coefficients from Table 4) or 0.61 non-parametrically without controls (from Table 5) when exposed to the program. Combining these extra years of schooling and the average returns to schooling from above, without making assumptions about discount rates, these extra years of schooling would generate on average a 6-7.3% (0.61 or 0.73 times 10.1%) increase in earning capacity for children exposed to the PATH.

Conclusions

30. The main conclusion is that reforming the benefit level structure for PATH would generate better outcomes for the poor population in Jamaica. Increases in school enrollment and school attendance can slightly increase if the set of beneficiaries remains fixed (secondary boys dominates results) or significantly change if the new program accepts more children that now believe that the program is more attractive. From that, more secondary and upper secondary level boys and upper secondary girls can join the program improving all schooling outcomes. All

³⁸ The ratio of returns of workers with upper secondary level and workers with primary level is 1.619 indicating 62% higher returns. Since, from primary to upper secondary we have 5 additional years of schooling, we estimate 10.1% increase in returns for each additional year by $(1+x)^5=1.619$.

³⁹ The author highlight that this exercise depends on the stability of the short-run program over time.

counterfactual information generated using the BFL model takes into account conditionality of school enrollment.

31. Simulations suggest that the increases in the amounts transferred to boys and secondary level students contribute to better outcomes even in its current poverty reduction effectiveness.

32. Under the very strong hypothesis that the observed short-run effect of the program is stable over time, and that the actual structure of returns to education persist over time, the actual design of PATH would lead to an increment of 0.73 years of schooling for children exposed to the program that can be later translated to 7% increase in earning capacity of this children.

33. Under the very strong hypothesis that the observed short-run effect of the program is stable over time, and that the actual structure of returns to education persist over time, the actual design of the PATH would lead to an increment of 0.73 years of schooling for children exposed to the program that can be later translated to a 7% increase in earning capacity for these children.

Table 3: Expected results form PATH on Household Welfare

	SLC 2002		SLC 2006			
	OBS	Simulated PATH (J\$530)**	2006 without PATH*	OBS	Proposal (J\$ 580)***	Proposal (J\$ 580)*****
Annual Cost of the program in J\$	-	\$1,849,512,960.0	-	\$1,708,206,648.0	\$2,215,000,000.0	\$2,629,117,184.0
Number of beneficiaries per month	-	264,948	-	251,937	251,937	303,692
Annual Cost as share of GDP****	-	0.24%	-	0.22%	0.29%	0.34%
Average monthly transfer per household (J\$)	-	\$1,324.0	-	\$2,004.7	\$2,599.0	\$1,858.0
Average number of beneficiaries per household	-	2.319	-	3.584	3.584	2.622
Share of beneficiaries 6-17 years old	-	33.1%	-	55.6%	60.0%	67.7%
Share of beneficiaries 0-5 years old	-	30.9%	-	27.3%	23.8%	20.3%
Share of beneficiaries: Elderly/Poor relief	-	36.1%	-	17.1%	16.2%	12.0%
Consumption per capita (J\$)	\$11,378.36	\$11,482.06	\$13,189.70	\$13,239.71	\$13,331.18	\$13,335.68
FGT(0)	22.206%	19.399%	19.637%	18.633%	18.115%	17.566%
FGT(1)	6.094%	4.852%	4.674%	4.214%	4.113%	4.034%
FGT(2)	2.536%	1.891%	1.909%	1.658%	1.611%	1.587%
FGT(0) - Food poverty line	7.998%	6.255%	5.018%	4.570%	4.491%	4.491%
FGT(1) - Food poverty line	2.001%	1.382%	1.464%	1.239%	1.201%	1.193%
FGT(2) - Food poverty line	0.791%	0.505%	0.639%	0.510%	0.487%	0.484%
GINI index	0.3988	0.3893	0.3563	0.3517	0.3505	0.3499
Poor Household: below 3 rd decile of consumption distribution						
Consumption per capita (J\$)	\$4,415.18	\$4,759.47	\$5,950.00	\$6,079.60	\$6,249.22	\$6,278.89

Note:

* simulated removing J\$530 from each PATH beneficiary identified in the SLC 2006 survey

** simulated on the basis of the SLC 2002.

*** simulated on the basis of the SLC 2006 after adjustment to consider actual J\$530 transfer.

**** Nominal GDP Projection (in Billions of Jamaican dollars) 2007/2008 - J\$776

***** simulated on the basis of the SLC 2006 after adjustment to consider actual J\$530 transfer. All poor households (below 3rd decile of consumption) are eligible to receive the grant.

Table 4: Estimated returns to schooling and PATH's effect on schooling

Years of schooling	Returns to Schooling ¹		Share of Workers ¹	Estimated PATH's effect on Schooling, children 13-17 years old ²	
	coef	s.e		coef	s.e
0	-	-	0.5%	-	-
1	0.367	0.416	0.1%	-	-
2	0.212	0.279	0.2%	-	-
3	-0.071	0.191	0.8%	-	-
4	0.076	0.179	1.1%	0.076	0.001 ***
5	0.154	0.169	1.7%	0.071	0.002 ***
6	0.201	0.151	27.2%	0.077	0.001 ***
7	0.336	0.194 *	0.7%	0.093	0.001 ***
8	0.302	0.157 *	6.1%	0.107	0.001 ***
9	0.276	0.153 *	19.2%	0.112	0.002 ***
10	0.344	0.158 **	5.7%	0.102	0.001 ***
11	0.325	0.153 **	32.2%	0.089	0.001 ***
12	0.436	0.170 ***	2.1%	-	-
13	0.621	0.169 ***	2.5%	-	-
Level					
None	-	-		-	-
Primary (1-6)	0.187	0.150		-	-
Secondary (7-9)	0.281	0.152 *		0.131	0.001 ***
Upper-secondary (10-11)	0.324	0.153 **		0.118	0.001 ***
Higher (12+)	0.527	0.162 ***		-	-

Source: 1 -LFS 2002; 2 - SLC 2002-2006

Note: * significant at 10%; ** significant at 5%; *** significant at 1%.

Table 5: Double difference estimator without controls, children aged 13-17 years old

Completed grade	2002		2006		Difference in difference	
	BNF	NBNF	BNF	NBNF	D1-BNF	D2-NBNF
5	1	1	0	1	-1.00	0.00
6	0.5	0.933	1	0.889	.050	-0.04
7	1	1	1	0.977	0.00	-0.02
8	1	0.886	1	0.971	0.00	0.09
9	0.73	0.904	0.98	0.838	0.26	-0.07
10	1	0.743	1	0.874	0.00	0.13
11	0.23	0.889	0.95	0.682	0.73	-0.21
Expected total years enrolled	10.45	11.36	10.94	11.23	0.48	-0.12
				DD	0.61	

Figure 1: Educational Returns estimated using LFS 2002

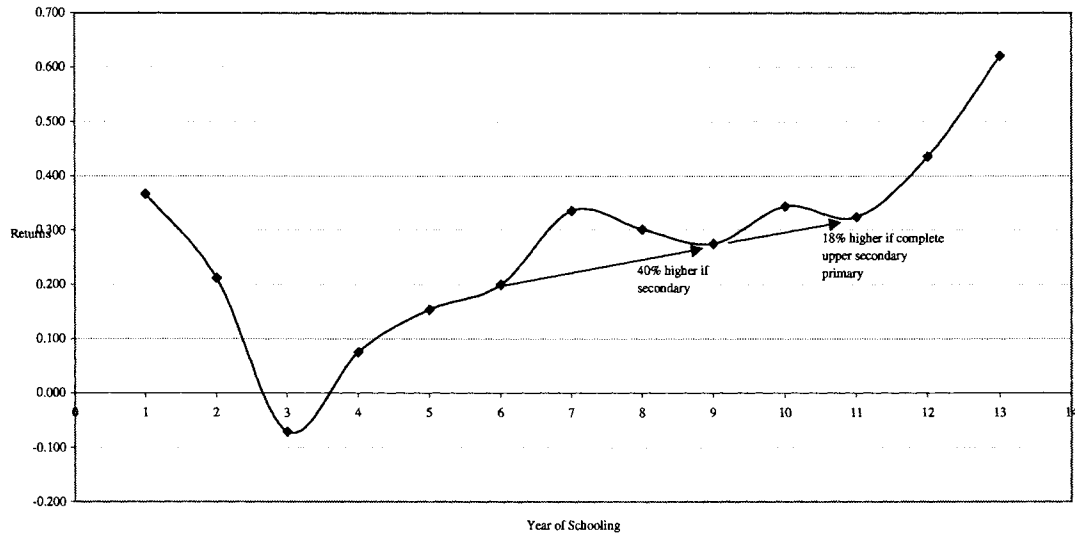


Figure 2: Evolution of enrollment rate in Jamaica

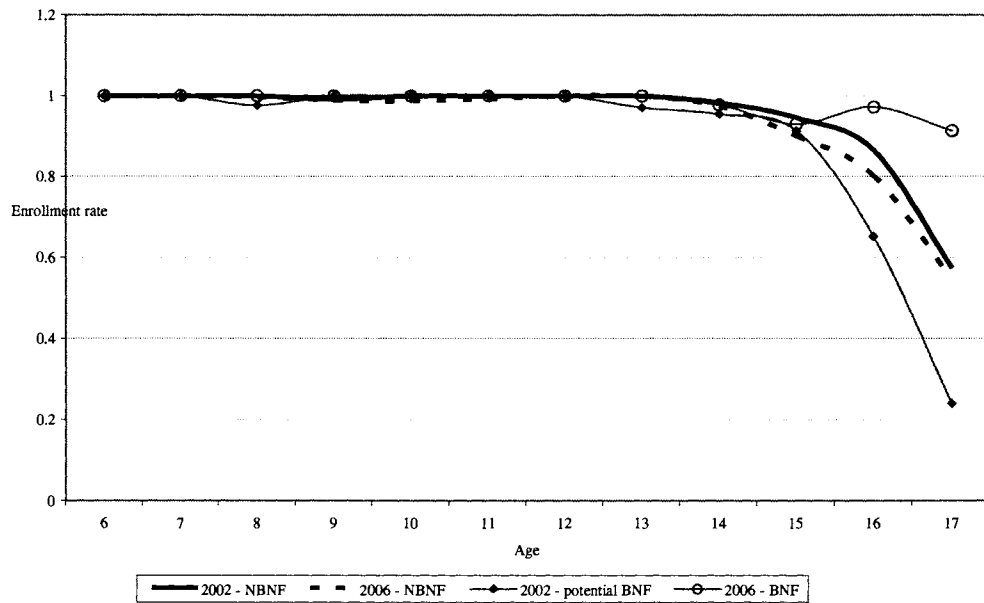
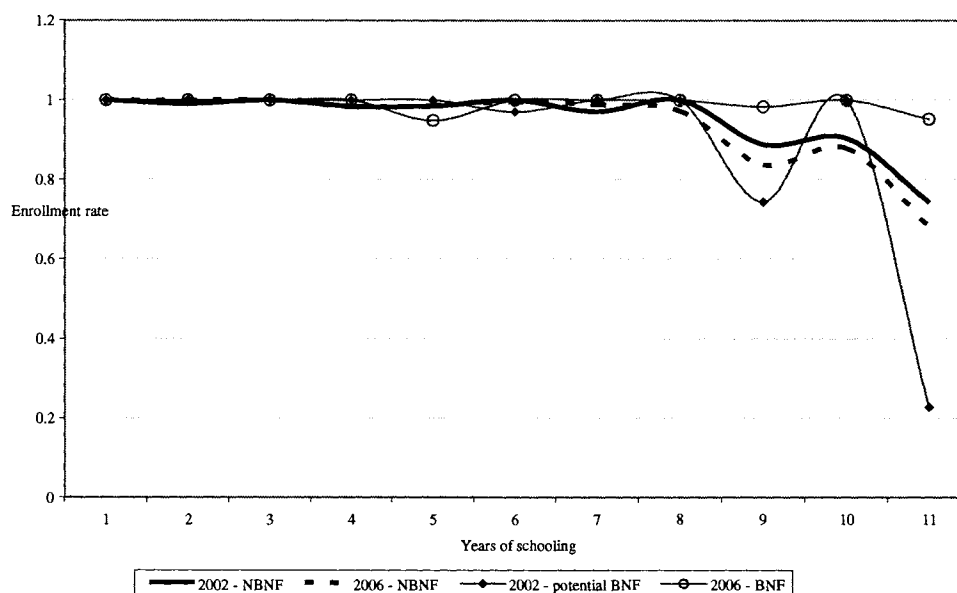


Figure 3: Evolution of enrollment rate by years of schooling in Jamaica



II Financial Analysis

34. The main investment of the Project, the conditional cash transfers, is expected to have a cost of US\$20 million in 2007, the equivalent of 0.22% of GDP or 1.2% of primary budgetary expenditures. The cost of the Program is expected to increase to US\$32 million in 2009, when the proposed increase in the benefits resulting from adjustment to inflation and introduction of additional incentives for secondary school students, takes full effect. As a share of GDP, the cost of PATH will remain almost constant in the range of 0.22-0.24%. The World Bank contribution to the cost of the transfers is expected to be 28% of the grants for children (or 20% of the total cost of grants). The government is committed to assuming all costs for the Program as demonstrated during the implementation of the ongoing Social Safety Net Project.

	2007	2008*	2009	2010	2011	2012	2013
Cost of Grants, J\$ Million	1,457	1,621	2,040	2,146	2,258	2,375	2,499
Total cost including admin costs**, J\$ Million	1,675	1,848	2,305	2,404	2,506	2,613	2,749
Cost of Grants, US\$ Million	21.4	23.8	30.0	31.6	33.2	34.9	36.7
Total cost including admin costs, US\$ Million	24.6	27.2	33.9	35.4	36.9	38.4	40.4
Share of GDP	0.21	0.21	0.24	0.23	0.23	0.22	0.22
Share of Budgetary Expenditure	1.11	1.15	1.33	1.30	1.27	1.24	1.26
Memorandum items							
Nominal GDP, J\$ Million	709,131	775,961	848,444	922,052	1,000,636	1,085,917	1,118,495
Budgetary Expenditure, J\$ Million	150,640	160,425	172,703	184,451	196,588	211,191	217,527
Consumer Price Index (end of period)	6.61	6.00	5.50	5.20	5.20	5.20	5.20
Exchange rate	68	68	68	68	68	68	68

* The increase in benefits in 2008 becomes effective October 1, 2008

Source: PATH, Jamaican Authorities & IMF projections

Annex 10: Safeguard Policy Issues
Jamaica: Social Protection Project

1. A Rapid Social Assessment and wide spread consultations among communities, social scientists and government decision makers, confirmed that there is no legal or sociological evidence suggesting that the Maroon and Rastafarian communities are or should be treated as specific Ethnic Groups. Thus, the Bank Operational Policy on Indigenous Peoples OP-BP 4.10 is not applicable.

2. Nonetheless, the Social Assessment recommended the need to adopt a social diversity and inclusion approach to development in Jamaica. This will entail improving: (i) targeting to ensure that those who are expected to benefit are adequately included in the program; and (ii) access to the program for groups in situations of extreme vulnerability. Activities related to these areas are supported by the Project under the PATH institutional strengthening sub-component.

Rapid Social Analysis/Social Assessment: Fostering Social Inclusion & Managing Social Risk

3. From previous studies done by the PATH and focus group discussions, the Social Assessment explored the following areas: (i) Program operational issues affecting inclusion; (ii) Improving program targeting as a means to expand inclusion; (iii) Maximizing Opportunities for Human & Social Capital Development: Exploring linkages between PATH and other Programmes and Connecting Human & Social Capital; and (iv) Rebuilding self-esteem and tackling social stigma.

Program Operational Issues Affecting Inclusion

4. These refer to shortfalls in the operations of the PATH that unintentionally can result in the exclusion of beneficiaries. Delays in payments of grants to beneficiaries have affected children's school attendance. Non-attendance at school can result in non-compliance and the possibility of program suspension. The timeliness of processing beneficiaries' applications to the program and the mechanism for appealing decisions made were also pointed out as areas in need of improvements and recommendations made (see below).

Improving Program Targeting

5. It has been identified that the program is insufficiently targeting persons in situations of extreme vulnerability. The urban poor and the poor persons with disabilities seem to have been underserved by the program.

6. *Rural-Urban Beneficiaries.* A Proxy Means Test (Scoring Formula) developed by the Planning Institute of Jamaica (PIOJ) is used to select beneficiaries for the PATH. The purpose is to provide a transparent, structured and objective method of identifying the neediest in the population. Six sets of variables are used in this means test. These include: ownership of consumer durables, education levels, age, housing characteristics, demographics, and location.

Weights are applied to these variables and a score is calculated for each family. The score calculated determines the eligibility for the PATH. As it relates to location, persons from Kingston Metropolitan Areas (KMA) and “Other Towns” at the intra-parish level are less likely to benefit from the PATH. The PATH has recognized the disparity in the selection of rural poor and urban poor households. From both quantitative and qualitative studies⁴⁰ carried out on this issue, recommendations have been put forward and are being pursued. They include: Review weights applied to the location of applicants; review the variables in the means test to increase the chances of the urban poor benefiting from the program; implement a dual cut off score for KMA and the rest of the country.

7. *Disabled Children and Adults.* The eligibility criteria for the persons with disabilities category is that the family member who has a disability has to be certified as being permanently disabled by a medical doctor or by the National Council for Persons with Disabilities. The PATH has the capacity for 19,000 persons with disabilities. The Project’s beneficiary data-base shows that there are 11,525 persons with disabilities receiving PATH grants. This is 61% of the targeted figure. From the data, it was noted that only 50% of these beneficiaries are captured in the persons with disabilities category. The remainder is in other categories such as the health, education or elderly. In addition, persons who are registered as persons with disabilities are transferred to the elderly category upon attaining age 65 years if they are still qualified as a beneficiary (PATH Operations Manual).

8. In the design of the PATH, it was conceptualized that persons with disabilities would be required to meet a health conditionality of attending the Health Centre once every six months in order to receive the benefit. If a child had a severe disability that prevents him/her from attending school, he/she would comply with the disabled conditionality of health visits (PATH Operations Manual). However, the health conditionality for adults was not implemented as the Health Centres did not have the capacity to handle the large numbers of beneficiaries and it was considered inhumane if this category of beneficiaries were denied payment for non-compliance. No conditionality parameter was set in the MIS database for this category. Therefore, by default, disabled children registered in this category are not evaluated for compliance. From the findings, it can be seen that there is a disparity in compliance requirements between disabled children that are registered in the health and education category and those in the persons with disabilities category. The PATH is to ensure that all disabled children be encouraged to invest in their human and health capital so that the long term poverty reduction effect that is expected from this investment can be achieved for all persons with disabilities persons.

9. *The Elderly and Other Vulnerable Groups.* Focus groups discussions were held with elderly people, especially those that are caretakers of children who are eligible for the PATH and may not be receiving benefits for them. From the data presented, the PATH does provide for the elderly who are single and there are children in elderly headed households that receive PATH benefits. However, it cannot be determined if these figures are adequate since in the allotments for each category, there is no further disaggregation for sub-categories. As pointed out in the focus group discussion, there are cases of the single elderly (widows/widowers) and other elderly

⁴⁰ Qualitative Review-BIS, 2006 & Updating the Proxy Means Test for Jamaica (Handa, 2006), University of North Carolina, USA.

being excluded from the PATH. This is so as they may belong to households which are not deemed poor or by virtue of their age. At the same time, the assessment suggests that the capacity of PATH is inadequate to address the needs of the elderly population. The Jamaican government is currently undertaking a review of the pension system and a Policy Paper will be prepared highlighting the main issues facing the Jamaican pension system. It would be useful for an assessment of the options for a social pension to be incorporated into the discussion of pension reform.

10. *Children Who Are Heads of Household ('sibling families')*. Informed by concerns expressed by different stakeholders, the Social Assessment explored the situation of (*'sibling families'*). In this type of household, one of the children, normally the eldest, assumes economic and parenting responsibilities for the younger siblings. Sibling families are becoming more prevalent in Jamaica owing to the migration, incarceration and death of parents (Kelly & Bain, 2003). Poverty often prevails in these types of households as access to basic food, health, education and social needs are uncertain. These households would benefit from programs as PATH as it would provide some income to the family. However, these types of families are disqualified from this type of social assistance. In the context of the PATH, the program has to be conducted within the Jamaican legal framework. Therefore, the family would have to comprise a unit that has an adult (at least 18 years old) who is in charge of the family, collects benefits on behalf of the beneficiaries, and ensures compliance with the requirements of the program. To this end, the PATH would not be the correct program to address the needs of "Sibling Families". However, if these families are identified when households are being targeted for the PATH, they should be referred to the relevant agency for assistance.

Maximizing Opportunities for Human & Social Capital Development: Exploring linkages between PATH and other Programmes and Connecting Human & Social Capital

11. The opportunities for creating cross-program coordination at the local level exist and effort should be made to ensure that this is strengthened for the holistic development of PATH households and by extension their communities. Under PATH, a cash benefit is given to selected members of qualified households. The Program has also been designed to guarantee free tuition and free health care in the public system to its beneficiaries, as well as other Social Safety Net provisions. The PATH focuses on the vulnerable members of the households such as children, the elderly, pregnant and lactating women, and persons with disabilities. Except for those who fall into the above categories, adults are not targeted for benefits. Other initiatives are, therefore, needed to build the capacity of adults in the household, equipping them with opportunities for employment, training and psycho-social development. Other support systems are needed for child development and strengthening the PATH family as a whole.

Reducing Social Stigma of Program Beneficiaries

12. In focus group discussions with persons (PATH beneficiaries and non-beneficiaries) living in urban communities in Kingston, some of the participants stated that they needed to move from welfare to self-reliance. This they believe can be achieved with help from the PATH/Social Safety Net programs and their own personal effort and commitment. They also shared that although they recognized the need for assistance in order to achieve their goals, the social stigma

placed on welfare or attributed to the poor, made some of them apprehensive of identifying with the PATH. There were other participants who voiced the limitations imposed on them by the society due to their disability and/or place of residence and this circumstance made them unemployable. Their response is to turn to welfare as they feel they have no other alternative. There were others who felt that they would never be better off as they were poor and had resigned to their fate.

Recommendations

Key recommendations of the Social Assessment are the following:

13. *Conduct evaluations of new systems put in place*, such as the automated cheques printing system and the new mechanisms instituted in the appeals process to assess how well they are working. Incorporate the services of other persons on the Appeals Committee (for e.g. community mothers) who are knowledgeable about the circumstances of appellants in the particular community and who can assist in decision making of cases.

14. *Develop a profile of urban households in inner city communities that have been unsuccessful in applying for the PATH*. This would assist in providing more detailed information on the variables used in the BIS that are likely to militate against applicants from these areas. Carry out geographic targeting through the use of poverty maps to identify poor and vulnerable communities in the urban area of KMA.

15. *Implement universal conditionalities for all disabled children*; whether education/health based on disability, age and ability to attend school. Put a parameter in the MIS database for the persons with disabilities category in order to record compliance of the disabled children beneficiaries. Report disabilities in all categories for e.g. payments so that the total numbers provided for in this category is adequately represented. Carry out a survey to ascertain household costs for households with persons with disabilities by Parish and location (urban/rural). This would assist in determining the poverty level of these households relative to other households and could inform the selection of this group for the PATH.

16. *Develop a more integrated approach in the delivery of services to the poor through greater collaboration of programs under the Social Safety Net and the National Poverty Eradication Program*. PATH, through its public education component, should increase provision of information to beneficiary households about existing initiatives from which they could benefit. There needs to be more awareness within organizations as to the number of their clients who are beneficiaries of other social safety net and welfare programs. This will allow for greater targeting of resources and coordination.

17. *Establish a sustainable public education program that can assist in combating issues of self-esteem and social stigma*. Partnerships need to be developed with the private sector, NGOs, CBOs and any other agency that can assist with public education initiatives. The PATH needs to put more emphasis on promoting the achievements of the program in order to get buy-in and support for its initiatives and by extension help to reduce the social stigma associated with a welfare program. Annual awards and competition initiatives could be instituted so that beneficiaries could identify with the rewards aspect of welfare. This could assist in developing self-esteem as well as stimulate healthy competition and improve academic performance. The

PATH should also consider providing bonuses to the students who complete high school and continue on tertiary education as a means of motivating students.

Annex 11: Project Preparation and Supervision
Jamaica: Social Protection Project

	Planned	Actual
PCN review	10/23/2007	10/23/2007
Initial PID to PIC	11/01/2007	11/01/2007
Initial ISDS to PIC	11/01/2007	11/02/2007
Appraisal	03/10/2008	03/10/2008
Negotiations	04/02/2008	04/03/2008
Board/RVP approval	05/08/2008	05/08/2008
Planned date of effectiveness	09/30/2008	
Planned date of mid-term review	03/30/2011	
Planned closing date	09/30/2013	

Key institutions responsible for preparation of the Project:

Ministry of Finance and Public Service
 Ministry of Labour and Social Security
 Planning Institute of Jamaica

Bank staff and consultants who worked on the Project included:

Name	Title	Unit
Chingboon Lee	Sector Leader	LCSHD
Cornelia M. Tesliuc	Social Protection Specialist	LCSHS
Pilar González	Senior Counsel	LEGLA
David Robalino	Senior Economist	HDNSP
Fily Sissoko	Senior Financial Management Specialist	LCSFM
Montserrat Pallares-Miralles	Economist	HDNSP
Snezana Mitrovic	Lead Procurement Specialist	LCSPP
Yao Wottor	Procurement Specialist	LCSPP
Josefina Stubbs	Senior Social Development Specialist	LCSO
Gabriel Demombynes	Economist	LCSPP
Phillippe G Leite	ET Consultant	DECWD
Rogelio Gomez	Consultant	LCSHS
David Tennant	Consultant	LCSHS
Larry Thompson	Consultant	LCSHS
Francisco Ayala	Consultant	LCSHS
Aracelly Woodall	Senior Program Assistant	LCSHD
Natalia Moncada	Program Assistant	LCSHH
Ada F. Rivera	Program Assistant	LCSHH

Bank funds expended to date on Project preparation:

1. Bank resources: US\$284,000
2. Trust funds:
3. Total: US\$284,000

Estimated Approval and Supervision costs:

1. Remaining costs to approval: 0
2. Estimated annual supervision cost: 90,000 (including fixed and variable costs)

Annex 12: Documents in the Project File

Jamaica Social Protection Project

- Bender, Christopher S. (January 2008) "Toward an Integrated Reform of the Pension System in Jamaica: Options for the Civil Service", Submitted to the Permanent Secretary, Ministry of Labour and Social Security
- Blank, Lorraine and Minowa, Mari (November 2000) "Youth –at-Risk in Jamaica Policy Note" Draft
- Braham, Cordell B. (April 2007) "Jamaica Budget Opening Presentation" Dr. the Hon Omar Davies Minister of Finance & Planning
- Buchanan, Donald (February 2002) "Social Safety Net Reform: Jamaica Unified Benefit Programme" Ministry of Labour and Social Security Paper No.5
- Fawcett, Caroline, (April 2004) "Jamaica Social Safety Net Report" Prepared for: Mathematica Policy Research and the Government of Jamaica
- Kerr, Steven, Bailey, Allison and Knight, Pauline (September 2006) "The Transition of Jamaican – Youth to the World of Work" Report Prepared by the Human Development Unit, PIOJ
- United Nations and World Bank (2007) "Crime, Violence, and Development Trends, Costs, and Policy Options in the Caribbean", A Joint Report by the United Nations Office on Drugs and Crime and the Latin America and the Caribbean Region of the World Bank
- Mark Dorfman and Forteza Alvaro (May 2007) "Caribbean Pension Reform Needs and Options", Document of the World Bank, Main Report
- Ohls, Jim and Levy, Dan (March 2007) "Evaluation of Jamaica's PATH Program: Final Report" Mathematica Policy Research, Inc. MPR Reference No.: 8966-090
- MLSS (2008), "Rapid Social Assessment of the PATH in Jamaica: Fostering Social Inclusion and Managing Social Risk"
- Planning Institute of Jamaica (February 2005) "Medium Term Socioeconomic Policy Framework, 2004-2007"
- Planning Institute of Jamaica (2007) "Vision 2030 Jamaica Excerpts From the Strategic Frame Work"
- Planning Institute of Jamaica and Ministry of Labour and Social Security (2007) Project Document for a follow on Social Safety Net project
- Thomson Lawrence (2008) "Review of administration of public sector workers pension scheme" (mimeo)
- Planning Institute of Jamaica and STATIN (2006) Jamaica Survey of Living Conditions
- Warren Benfield (2007), Conditional Cash Transfer Program of Advancement through health and Education, Paper prepared for the Planning Institute of Jamaica and the Ministry of Labour and Social Security
- World Bank (2007) Jamaica Poverty Assessment
- World Bank Report No.: 34962-JM (April 12, 2006) "Jamaica Joint Country Financial Accountability Assessment (CFAA) and Country Procurement Assessment (CPAR)" World Bank and the Inter-American Development Bank.

Annex 13: Statement of Loans and Credits
Jamaica: Social Protection Project

Project ID	FY	Purpose	Original Amount in US\$Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P109575	2008	JM Hurricane Dean ERL	10.00	0.00	0.00	0.00	0.00	10.00	0.00	0.00
P091299	2006	JM Inner City Basic Services Project	29.30	0.00	0.00	0.00	0.00	29.07	2.87	0.00
P071589	2003	JM- Reform of Secondary Ed. (ROSE II)	39.80	0.00	0.00	0.00	29.30	3.65	30.95	1.66
P076837	2003	JM National Community Devt. Project	15.00	0.00	0.00	0.00	0.00	0.58	0.33	0.00
P067774	2002	JM- Social Safety Net Project	40.00	0.00	0.00	0.00	0.00	5.68	5.68	0.00
P074641	2002	JM 2ndAPL HIV/AIDS PREV.AND CONTROL DOC	15.00	0.00	0.00	0.00	4.40	0.40	4.80	0.40
Total:			149.10	0.00	0.00	0.00	33.70	49.38	44.63	2.06

JAMAICA
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2003	JPS Co.	0.00	0.00	45.00	0.00	0.00	0.00	45.00	0.00
2005	Jamaica Energ...	20.00	0.00	8.00	50.00	20.00	0.00	8.00	50.00
2002	MBJA Limited	19.60	0.00	0.00	24.04	19.60	0.00	0.00	24.04
2006	MBJA Limited	21.20	0.00	0.00	20.00	3.89	0.00	0.00	3.25
2005	NCBJ	30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total portfolio:		90.80	0.00	53.00	94.04	43.49	0.00	53.00	77.29

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
2006	JEP B Loan Swap	0.00	0.00	0.00	0.00
Total pending commitment:		0.00	0.00	0.00	0.00

Annex 14: Country at a Glance

Jamaica: Social Protection Project

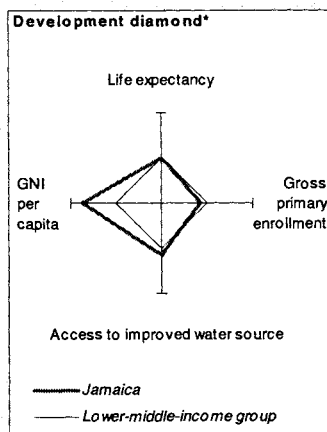
POVERTY and SOCIAL	Jamaica	Latin America & Carib.	Lower-middle-income
2006			
Population, mid-year (millions)	2.7	556	2,276
GNI per capita (Atlas method, US\$)	3,570	4,767	2,037
GNI (Atlas method, US\$ billions)	9.5	2,650	4,635

Average annual growth, 2000-06

	Jamaica	Latin America & Carib.	Lower-middle-income
Population (%)	0.5	13	0.9
Labor force (%)	0.1	2.1	14

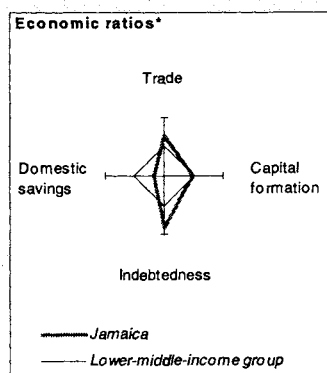
Most recent estimate (latest year available, 2000-06)

	Jamaica	Latin America & Carib.	Lower-middle-income
Poverty (% of population below national poverty line)	19	..	..
Urban population (% of total population)	53	78	47
Life expectancy at birth (years)	71	73	71
Infant mortality (per 1,000 live births)	17	26	31
Child malnutrition (% of children under 5)	4	..	13
Access to an improved water source (% of population)	93	91	81
Literacy (% of population age 15+)	..	90	89
Gross primary enrollment (% of school-age population)	95	118	113
Male	95	120	117
Female	94	116	114



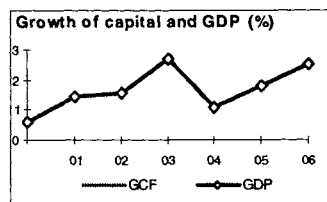
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1986	1996	2005	2006
GDP (US\$ billions)	2.8	6.5	9.7	10.0
Gross capital formation/GDP	16.9	29.1	31.8	..
Exports of goods and services/GDP	48.8	43.8	41.1	..
Gross domestic savings/GDP	19.9	17.6	12.0	..
Gross national savings/GDP	15.3	25.1	21.7	..
Current account balance/GDP	0.5	-2.2	-11.8	-10.9
Interest payments/GDP	8.1	2.7	4.0	..
Total debt/GDP	154.2	62.1	67.0	..
Total debt service/exports	45.6	18.7	16.7	..
Present value of debt/GDP	..	..	80.3	..
Present value of debt/exports	..	..	134.4	..
	1986-96	1996-06	2005	2006
(average annual growth)				
GDP	4.4	12	18	2.5
GDP per capita	3.7	0.6	13	2.1
Exports of goods and services	..	..	..	..

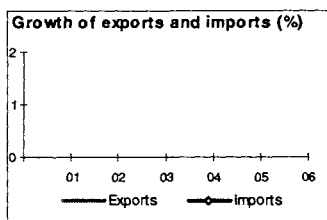


STRUCTURE of the ECONOMY

(% of GDP)	1986	1996	2005	2006
Agriculture	..	8.4	5.7	5.9
Industry	..	34.1	33.1	32.8
Manufacturing	..	15.5	13.6	12.7
Services	..	57.5	61.2	61.3
Household final consumption expenditure	65.8	69.0	72.8	..
General gov't final consumption expenditure	14.3	13.4	15.2	..
Imports of goods and services	45.9	55.3	60.9	..



(average annual growth)	1986-96	1996-06	2005	2006
Agriculture	4.5	-2.8	-7.2	15.9
Industry	2.5	0.8	2.7	-0.9
Manufacturing	0.7	-0.7	-13	-2.4
Services	3.9	16	15	3.3
Household final consumption expenditure	..	..	..	..
General gov't final consumption expenditure	..	..	..	..
Gross capital formation	..	..	..	..
Imports of goods and services	..	..	..	..



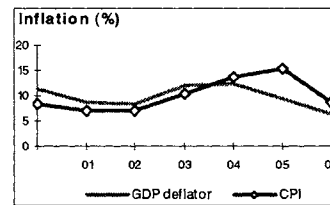
Note: 2006 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

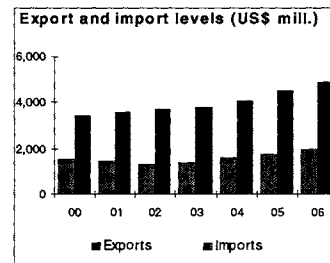
PRICES and GOVERNMENT FINANCE

	1986	1996	2005	2006
Domestic prices				
<i>(% change)</i>				
Consumer prices	15.1	26.4	15.3	8.6
Implicit GDP deflator	26.9	18.7	9.3	6.3
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	27.7	25.3	29.0	30.4
Current budget balance	3.7	0.6	-2.6	-2.4
Overall surplus/deficit	-2.1	-4.5	-3.8	-5.0



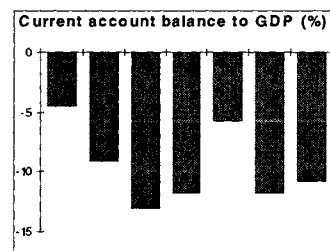
TRADE

	1986	1996	2005	2006
<i>(US\$ millions)</i>				
Total exports (fob)	660	1721	1749	1984
Alumina	205	607	920	1041
Bauxite	90	78	99	113
Manufactures	112	363	157	165
Total imports (cif)	1042	3,172	4,530	4,868
Food	166	212	..	..
Fuel and energy	199	452	..	..
Capital goods	244	548	715	735
Export price index (2000=100)	..	..	..	..
Import price index (2000=100)	..	..	..	..
Terms of trade (2000=100)	..	..	..	..



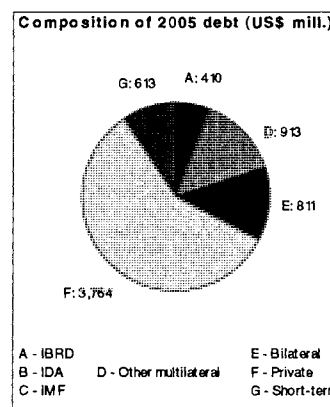
BALANCE of PAYMENTS

	1986	1996	2005	2006
<i>(US\$ millions)</i>				
Exports of goods and services	1414	3,323	3,993	4,847
Imports of goods and services	1,234	3,864	5,975	6,981
Resource balance	181	-542	-1,981	-2,135
Net income	-316	-225	-740	-681
Net current transfers	148	624	1,578	1,727
Current account balance	13	-143	-1,143	-1,089
Financing items (net)	-64	413	1,372	1,319
Changes in net reserves	51	-271	-229	-230
Memo:				
Reserves including gold (US\$ millions)	..	875	2,119	..
Conversion rate (DEC, local/US\$)	5.5	37.1	62.3	65.7



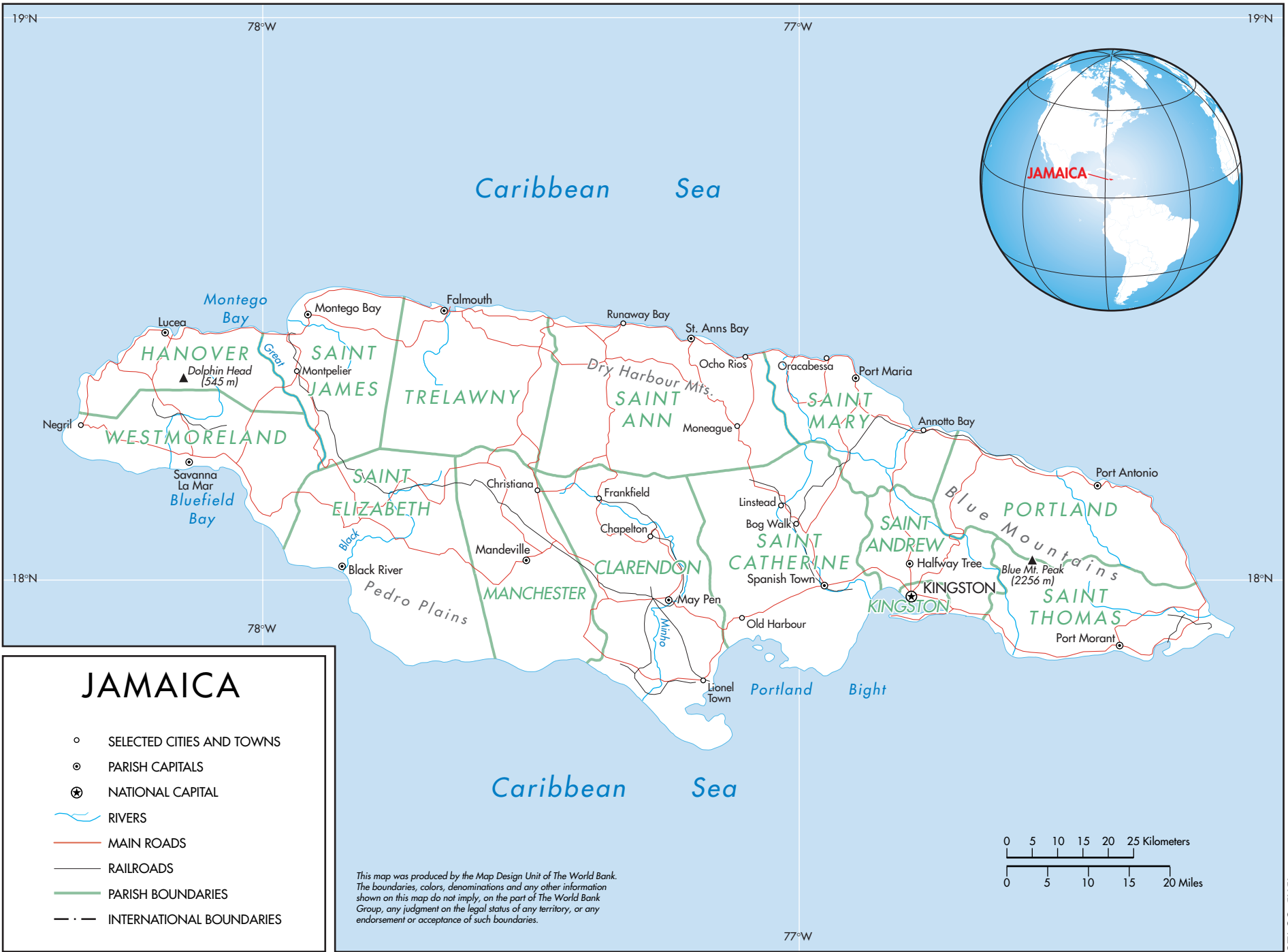
EXTERNAL DEBT and RESOURCE FLOWS

	1986	1996	2005	2006
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	4,247	4,052	6,511	..
IBRD	572	515	410	387
IDA	0	0	0	0
Total debt service	675	657	969	..
IBRD	78	121	58	65
IDA	0	0	0	0
Composition of net resource flows				
Official grants	83	39	90	..
Official creditors	-21	-174	-145	..
Private creditors	-14	24	941	..
Foreign direct investment (net inflows)	-5	184	682	..
Portfolio equity (net inflows)	0	0	0	..
World Bank program				
Commitments	0	77	0	6
Disbursements	23	41	17	18
Principal repayments	30	80	39	43
Net flows	-7	-39	-22	-25
Interest payments	48	41	19	22
Net transfers	-55	-80	-41	-47



Note: This table was produced from the Development Economics LDB database.

Map section



JAMAICA

- SELECTED CITIES AND TOWNS
- ⊙ PARISH CAPITALS
- ⊕ NATIONAL CAPITAL
- ~ RIVERS
- MAIN ROADS
- RAILROADS
- PARISH BOUNDARIES
- · - INTERNATIONAL BOUNDARIES

This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

