

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**JAMAICA**

**JAMAICA SOCIAL SAFETY NET REFORM**

**(1355/OC-JA)**

**LOAN PROPOSAL**



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## **BASIC SOCIOECONOMIC DATA**

The basic socioeconomic data for Jamaica is available on the Internet at the following address:

**English:**

**<http://www.iadb.org/int/sta/English/brptnet/english/jambrpt.htm>**

**Spanish:**

**<http://www.iadb.org/int/sta/spanish/brptnet/english/jambrpt.htm>**

## **INFORMATION AVAILABLE IN THE FILES OF RE3**

### **PREPARATION:**

Reform of Jamaica's Social Safety Net, PIOJ, June 2001.

Estimates for Types and number of Beneficiaries and Level of Benefits for Revised Social Safety Net Programme, PIOJ, February 2001.

Jamaica Social Sector Expenditure Review, World Bank, March 2000.

Jamaica: Social Safety Net Assessment, World Bank, September 2000.

Review of the Government's School Feeding Programme, OPM, May 1999.

National Poverty Eradication Programme, Ministry Paper No. 13, 1997.

Jamaica Social Safety Net Project, Project Appraisal Document, World Bank, June 2001.

Targeting and Cost Recovery in the School Feeding Programme, CATC Consulting, July 2001.

Options for Procurement and Delivery in the School Feeding Programme, KPMG, July 2001.

Staff Report for the 2001 Article IV Consultation and Review of Staff Monitored Programme, IMF, May 2001.

Proxy Means Tests for Targeting Social Programs: Two Methodologies and Empirical Evidence, Misión Social-DNP (Colombia), 2000.

Notes on a Proposed Scoring Formula for a Proxy Means Test in Jamaica, June 2001.

### **EXECUTION:**

Budget Allocation, Execution and Monitoring Procedures.

Transition Plan for the Unified Benefit Programme, MOLSS.

Institutional Analysis of the Safety Net Reform Programme in Jamaica, August 2001.

Summary of Cabinet Decisions Nos. 39/00, 40/00, and 08/01.

## **ABBREVIATIONS**

EU	European Union
FHH	Female Headed Household
FSP	Food Stamp Programme
FY	Fiscal year
GDP	Gross Domestic Product
IMF	International Monetary Fund
JADEP	Jamaica Drugs for the Elderly Programme
JSIF	Jamaica Social Investment Fund
MHH	Male Headed Household
MOEYC	Ministry of Education, Youth, & Culture
MOLSS	Ministry of Labour & Social Security
MFP	Ministry of Finance & Planning
NPL	Nutrition Products Limited
OPM	Office of the Prime Minister
PIOJ	Planning Institute of Jamaica
SESP	Social & Economic Support Programme
SFP	School Feeding Programme
SLC	Survey of Living Conditions
SMP	Staff Monitored Programme
SSFA	Secondary Schools Fees Assistance
SSN	Social Safety Net
STATIN	Statistical Institute
TC	Technical cooperation
UBP	Unified Benefit Programme





# JAMAICA SOCIAL SAFETY NET REFORM (JA-0115)

## EXECUTIVE SUMMARY

<b>Borrower:</b>	Government of Jamaica		
<b>Guarantor:</b>	Government of Jamaica		
<b>Executing agency:</b>	Planning Institute of Jamaica (PIOJ)		
<b>Amount and source:</b>	IDB Sector Loan (Ordinary Capital/Intermediate Financing Facility):	US\$	32.50 million
	(Ordinary Capital):	US\$	<u>7.50 million</u>
	Total Sector Loan:	US\$	40.00 million
	IDB Technical Cooperation (Fund for Special Operations Net Income):	US\$	1.10 million
	Local:	US\$	<u>0.62 million</u>
	Total Technical Cooperation:	US\$	1.72 million
<b>Financial terms and conditions of sector loan:</b>	Amortization period:	20	years
	Grace period:	5	years
	Disbursement period:		
	Sector loan:	24	months
	Technical cooperation:	36	months
	Interest rate:	variable	
	Supervision and inspection:	1.00	%
	Credit fee:	0.75	%
	Currency:	US Dollars from the Single Currency Facility	
<b>Objectives:</b>	The Social Safety Net Reform Programme has two main objectives: (i) to protect basic health, education, and safety net spending during a period of strong fiscal adjustment, and (ii) to facilitate the merging, restructuring, and better targeting of the country's social safety net programs. A parallel technical cooperation is designed to help implement the reform measures supported in the sector loan, and to strengthen monitoring and evaluation capabilities of local institutions.		
<b>Description:</b>	The program will be carried out within the macroeconomic context of an International Monetary Fund (IMF) Staff Monitored Programme (SMP), which provides for specific targets for monetary and fiscal aggregates, including spending on safety net programs. The overriding policy objective of the authorities is to resolve the adverse debt-dynamics currently facing the country,		

fueled primarily by an escalation of high-interest domestic debt. Tranche disbursements are conditional on satisfactory compliance with the SMP.

**Protection of spending.** Within the context of the strong fiscal adjustment necessitated by the internal debt crisis, the first component of the program aims to protect the poor by ensuring that essential social sector and social assistance services continue to be funded. Specifically the Bank program will ensure that spending during the current fiscal year is maintained in two areas: (i) basic health and education service delivery, and (ii) key safety net programs. The 1<sup>st</sup> tranche condition is an agreement to increase in real terms the budget allocation to selected basic education, health, and social safety net programs. The condition for 2<sup>nd</sup> tranche disbursement is execution of the budget in these areas at the levels agreed to with the Bank.

**Targeting.** The program calls for the development of a uniform proxy means test, which will be used to identify beneficiaries for all major programs in the social safety net. Implementation of such a system will ensure that potential beneficiaries of all major safety net programs are treated equally, and that the time cost for the poor in accessing entitlements is reduced, since the database will be shared by all program managers. The 1<sup>st</sup> tranche condition is a Cabinet decision to use a uniform beneficiary identification system in all major safety net programs; the 2<sup>nd</sup> tranche condition is successful progress in implementing this decision.

**Rationalization.** In order to eliminate extra administrative costs and to reduce beneficiary time costs, the three main cash/in-kind transfer programs, the Food Stamp Programme, Outdoor Poor Relief, and Public Assistance, will be unified into one transfer program under the responsibility of one agency. This unified program will target the poorest 15% of the population in specified vulnerable groups, and will employ the new targeting instrument to evaluate eligibility for the program. The level of benefits in the reformed program will be increased to over four times the level in the current Food Stamps Programme. The 1<sup>st</sup> tranche condition is a Cabinet decision to unify the three programs and make the new program effective in the budget. The condition for 2<sup>nd</sup> tranche is the successful implementation of the unified program with at least 45,000 beneficiaries. A further condition for 2<sup>nd</sup> tranche is Cabinet approval of a mechanism for a periodic review of the benefit level to ensure its value is not eroded after the transition period is over.

**Reform of school-based programs.** The program calls for the improved targeting of the Secondary School Fees Assistance Programme in order to increase secondary school access for poor children. The program will also support the reform of the School Feeding Programme in order to increase the incentive for poor students to attend school by improving the targeting of the government subsidy. For both programs, the 1<sup>st</sup> tranche condition is a decision by Cabinet to use the proxy means test to select beneficiaries; the 2<sup>nd</sup> tranche condition is the use of the targeting instrument to select recipients of school fees assistance and subsidized school lunches, in at least one parish.

**Technical cooperation subprogram.** The parallel technical cooperation (TC) subprogram is designed to finance the training and other investments required for the adoption of the targeting instrument by the major safety net programs including the Secondary School Fees Assistance Programme, the School Feeding Programme, and the Social & Economic Support Programme. The TC will also finance several pilot programs designed to test alternative procurement arrangements in the School Feeding Programme.

**Bank's country  
and sector  
strategy:**

The Bank's strategy in Jamaica described in the country paper (GN-2025) is twofold: (i) to support the establishment of a sound macroeconomic environment characterized by sustainable fiscal and balance-of-payments positions, and (ii) to support a process of structural adjustment and reform that will improve the conditions for private sector led growth, which includes public sector strengthening and reform. The current program is consistent with the Bank's objectives of supporting the reform of the public sector in order to increase efficiency, and is in fact the vehicle for implementing the Bank's strategy in the social safety net area.

**Environmental/  
social review:**

The proposed program has no environmental impact, given that its activities are limited to reforms and institutional strengthening of the country's social safety net programs.

The eventual social impact of the program is expected to be large. In the short run, the maintenance of spending on key programs that benefit the poor will ensure that this group is protected during the current fiscal adjustment. In the medium and long run, the poor will benefit from a more efficient and better-targeted safety net.

**Benefits:** The program will contribute to the efficiency of the public sector through the merging and rationalization of programs and functions within the current social safety net. As a result of this rationalization, as well as the other reforms supported by the loan, the poor and vulnerable in the country will benefit from this operation in at least three ways: (i) improved distribution of benefits to the poor; (ii) strengthened delivery of programs and increased benefit levels; and (iii) reduction in time costs for the poor through the merging of programs with the same objectives and target groups.

**Risks:** The program calls for an increase to a meaningful level of the benefit in the new transfer program. While some of this increase should come from savings in administrative costs due to the unification of the three programs, raising real benefits will also depend on the freeing up of resources through the successful implementation of the macroeconomic program as outlined in the Staff Monitored Programme (SMP). Specifically, additional resources will be made available through the reduction in debt service due to lower interest rates, the restructuring of short-term debt and the increase in revenues from reforms in tax administration. Slippage in achieving some of the SMP targets represent a risk, since not all variables are under government's control.

The operation calls for the adoption of the uniform beneficiary identification system (proxy means test) to identify beneficiaries in the reformed cash transfer program. Given the current high rate of leakage to non-poor individuals, the reformed program may result in loss of benefits for close to 50,000 individuals, which could have a political cost for the government. However, the government has indicated its willingness to adopt the proxy means test in this and other major safety net programs. A transition plan is being developed that will allow for the gradual removal of individuals who no longer qualify for benefits under the reformed programs. Finally, a public information and communication strategy will be implemented to gain public support for the reformed programs.

**Special contractual clauses:** The Policy Matrix (Annex 1), Policy Letter (Annex 2), and Means of Verification (Annex 3) govern the conditions for the disbursement of each of the tranches.

**Social Equity and Poverty Classification:** The operation qualifies as a social-equity enhancing project as described in the indicative targets mandated by the Bank's Eighth Replenishment (Document AB-1704).

**Exceptions to  
Bank policy:**       None.



## I. FRAME OF REFERENCE

- 1.1 Jamaica has experienced large fiscal deficits over the last five years due to a long term accumulation of outstanding debt, and more recently, the government's bail out of large indebted banks during a financial crisis in 1997. These deficits averaged around 6% in the latter half of the 1990s and declined to 4% in fiscal year (FY)1999/2000.<sup>1</sup> In order to balance the budget and curb the adverse debt dynamics fueled by the deficit, the government has committed itself to a further reduction in the fiscal deficit. As a signal of its commitment to this policy, the government has agreed on a Staff Monitored Programme (SMP) with the IMF for the period 2000-2002, one component of which is the strengthening of the Social Safety Net (SSN) in order to protect the poor during this adjustment period. The Bank's program is intended to support the government's efforts to transform and strengthen the SSN.

### A. Macroeconomic context

- 1.2 Jamaica experienced weak economic performance in the 1990s, resulting in a negligible change in Gross Domestic Product (GDP) over the course of the decade and four years of per capita GDP decline from 1996 to 1999. Among factors obstructing growth were high domestic interest rates, which were linked to the deficits, and a spiral of domestic debt accumulation. Public debt now represents about 144% of GDP. **As a consequence, the overall debt service burden on the budget rose to an all-time high of 62% of total expenditures in FY1999/2000.**
- 1.3 Since the mid-1990s, Jamaica's economic policy emphasis has been on maintaining relative exchange rate stability and keeping inflation close to that of its main trading partners. This has succeeded in stabilizing the exchange rate and lowering inflation from 80% in 1991 to 6.1% in 2000, but at a cost in terms of high (though gradually declining) real interest rates, larger interest payments on the ever-increasing domestic debt, and lower economic growth.
- 1.4 The consolidated public sector deficit, at 11.7% of GDP in FY1998/1999, was slightly reduced to 10% of GDP in 1999/2000, and will be cut in half, to about 5% of GDP in FY2000/2001. A major factor explaining the growth in the public debt has been the government intervention in the financial sector since 1997 in order to rescue troubled institutions. This bailout is estimated to have cost the government the equivalent of about 30% of GDP. At present, more than half of all fiscal revenues and grants are being absorbed by public sector interest service obligations (21.5% of GDP), about 80% of which corresponds to domestic debt interest service.<sup>2</sup> The impact that these interest service obligations is having on the budget is made clear by the fact that, without them, the FY1999/2000 central

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<sup>1</sup> The fiscal year runs from April 1 to March 31.

<sup>2</sup> Although domestic debt (mostly denominated in Jamaican dollars) represents almost 70% of total outstanding public sector debt, it carries a much higher average interest rate (both in nominal and in real terms) than foreign debt; and its burden on the fiscal budget is thus proportionally higher than its share of total public sector debt.

government budget turns a primary surplus of over 10% of GDP. **Preliminary estimates for FY2000/01 indicate an even higher primary surplus of over 12%, one of the highest ever reported in the region, and a clear sign of the government's commitment to the macroeconomic program agreed upon in the SMP.**

- 1.5 Given the rigidities on the current expenditure budget (absorbed mostly by interest, wage and salary payments), the effort to curb fiscal expenditures in order to keep the fiscal deficit under control has fallen disproportionately on capital outlays and on spending in social services. The share of government spending in the social sectors has fallen from 26% in FY1997/98 to 18% in FY2000/01, while the share devoted to debt management has increased from 49% to 58.2% during the same period. This situation severely limits the ability of the government to channel the required resources to the provision of social services, and the strengthening of the safety net.
- 1.6 Reports from the IMF Article IV Consultation and SMP review mission, which visited Jamaica earlier this year, indicate that the program is broadly on track, with the overall fiscal deficit approximately 5% as called for in the SMP. Despite a 16% increase in revenue in FY2000/01 over the previous fiscal year, revenue fell short of the SMP target by 5%. Consequently, central government expenditure was cut by a further 5% in order to meet the overall deficit target. The tight fiscal situation has been aggravated by a slower decline in interest rates than projected, forcing the government to cut capital and program expenditures, and resulting in a primary surplus that is even higher than the SMP target. Given the country's success in meeting the broad targets in the SMP, Standard & Poor's recently upgraded Jamaica's long-term sovereign bond rating to B+ for foreign currency bonds, and sovereign bond spreads have declined by around 150 basis points so far this year, to 650 basis points over U.S. comparable bonds.

## **B. Poverty in the 1990s**

- 1.7 At the start of the decade of the 1990s, the poverty rate in Jamaica, measured by the proportion of individuals living in households whose per capita consumption was below the official poverty line as calculated by the Planning Institute of Jamaica (PIOJ), was 30%. There was a large jump in poverty in the 1991-92 period resulting from a sudden adjustment episode that led to a dramatic increase in inflation. However, since that period, poverty has declined steadily in Jamaica, with the poverty rate in the last available survey year (1998) reaching an all time low of 16%.
- 1.8 The observed decline in poverty has taken place within the context of stagnant macroeconomic performance. Since the macroeconomic shock in 1991, GDP growth has been negligible in a period during which poverty declined quite rapidly. This apparent paradox in the observed trends in GDP growth and poverty rates has been attributed to several factors. First, since 1991 there has been significant wage catch up, so that by 1998 real wages were actually 35% higher



than at the beginning of the 1990s. Second, the government's stated commitment to inflation reduction has indeed led to steady declines in inflation since 1991 (see 1.3), which has presumably lowered the inflation tax on the poor, thus also contributing to poverty reduction. Third, there is a large and thriving informal economy, estimated at nearly one-third of official GDP, which may also be responsible for the apparent discrepancy between official GDP figures and poverty rates. Fourth, Jamaica has a long history of receiving remittance income from non-residents living abroad; in 1999 these remittances approached 10% of GDP.

- 1.9 There are several key changes in the characteristics of the poor that have occurred over the decade. First, poverty is becoming more urban—the proportion of the poor that live in the Kingston metropolitan area has gone from 4% to 10% during this period. Second, a key-determining feature of poor households is that the household head works in a non-tradable sector. In 1998, 90% of the poor lived in households where the household head worked in a non-tradable sector, up from 75% at the beginning of the decade. Finally, children have been, and continue to be, the largest group of poor in the country. In 1998, for example, 39% of the overall population was 18 years or younger, while 49% of the poor were in this age cohort.
- 1.10 Jamaica has one of the highest rates of female headship in the world, with 43% of households reporting a female head in the latest Survey of Living Conditions (SLC). Female headed households (FHHs) tend to be larger than male-headed households (MHHs), with the difference due to a greater number of children in the former. There is a positive association between female headship and poverty, and this association is much stronger in urban areas of Jamaica. For example, the share of FHHs in the bottom per capita expenditure quintile is 51%, compared to the overall rate of female headship of 43%. However, in urban areas where the rate of FHHs is 48%, the share of FHHs in the bottom quintile is 61%. Results from the SLC indicate that in the two poorest quintiles, female heads (25%) are more likely than male heads (17%) to be enrolled in two major social assistance programs (Public Assistance and Poor Relief).

## **C. Overview of current Social Safety Net**

- 1.11 Jamaica spends approximately US\$80 million per year on social safety net programs, defined as programs intended to provide assistance to poor and vulnerable groups. The main programs in the safety net, along with their associated budget, and number of beneficiaries (where relevant) are listed in Table I-1.

### **1. Income transfer programs**

- 1.12 Jamaica has three main income support programs which provide cash or in-kind welfare benefits, and which together account for about 16% of spending in the SSN. The largest and most important of these is the **Food Stamp Programme**

(FSP), which was started in 1984 in part as a response to large public sector layoffs at that time, and is administered through the Ministry of Labour and Social Security (MOLSS). The FSP's annual budget is US\$7 million, and there are about 200,000 beneficiaries, with the two largest beneficiary groups being the elderly and/or disabled, and families with nutritionally at-risk children aged 0-5 years.

- 1.13 The second income transfer program is the outdoor **Poor Relief Programme**, which also targets the elderly and disabled, as well as indigent families, and is administered by the Ministry of Local Government & Community Development. Beneficiaries are identified by local poor relief workers, who also perform casework. The third income transfer program is the **Public Assistance Programme**, also administered by the MOLSS. This program provides a small cash transfer to a target group consisting of the elderly poor, disabled, and indigent individuals.

TABLE I-1 EXPENDITURES ON MAIN SOCIAL ASSISTANCE PROGRAMS		
	2001-02 BUDGET US\$ million	NUMBER OF BENEFICIARIES
<b>INCOME SUPPORT PROGRAMS</b>		
Food Stamps	6.6	200,000
Poor Relief	3.7	16,000
Public Assistance (excluding Golden Age Homes)	2.6	24,000
<b>SUBTOTAL</b>	<b>12.9</b>	
<b>SCHOOL BASED WELFARE PROGRAMS</b>		
School Feeding Programme	10.2	300,000
School Fee Assistance	11.7	40,000
<b>SUBTOTAL</b>	<b>21.9</b>	
<b>COMMUNITY BASED PROGRAMS</b>		
Social Investment Fund (Inter-American Development Bank (IDB), World Bank, Caribbean Development Bank, European Union)	8.3	
Social and Economic Support Programme	7.5	
<b>SUBTOTAL</b>	<b>15.8</b>	
<b>LABOR MARKET PROGRAMS</b>		
Lift Up Jamaica	14.0	4,000
Skills 2000	1.3	
Self-Start Fund (European Union)	6.3	
<b>SUBTOTAL</b>	<b>21.6</b>	
<b>TARGETED HEALTH PROGRAMS</b>		
Jamaica Drugs for the Elderly	1.2	125,000
Supplementary Feeding Programme	0.1	80,000
<b>SUBTOTAL</b>	<b>1.3</b>	
<b>INDIGENT HOUSING</b>		
Operation Pride and Golden Age Homes	2.0	
<b>SUBTOTAL</b>	<b>2.0</b>	
<b>OTHER PROGRAMS</b>	5.0	
<b>SUBTOTAL</b>	<b>5.0</b>	
<b>TOTAL</b>	<b>80.5</b>	

- 1.14 **Targeting and coverage.** All three transfer programs are affected by both leakage and under-coverage. The majority of beneficiaries in the food stamp program (children and the elderly and disabled) is self-selected, and does not undergo a means test. Consequently, only 15% of the poorest quintile, and 9% of the second poorest quintile, receive food stamp benefits. While all three programs are generally progressive in their distribution of benefits, there is still significant leakage. In the food stamp program, for example, approximately one-third of beneficiaries comes from the three richest per capita household consumption quintiles.
- 1.15 **Level of benefits.** Another key issue affecting the impact of cash transfer programs as a whole is the low overall level of benefits for recipients. For example, Public Assistance and Poor Relief provide an average monthly benefit of US\$4 per person, while the Food Stamp Programme pays less than US\$2 per child per month. The per capita value of all three transfers combined adds up to about 10% of the overall poverty line in Jamaica, but very few people are actually enrolled in all three programs.
- 1.16 **Lack of coordination and beneficiary group overlap.** The three programs have the same key target groups, most notably the elderly poor, the disabled and indigent families. Given that the level of benefits from any one program is unlikely to make any significant difference in well being, poor beneficiaries must participate in two or more of the programs to obtain some meaningful level of support. However, coordination is low among the three programs. Among outdoor poor relief beneficiaries, for example, only 25% also receive food stamps.

## **2. School-based programs**

- 1.17 The Ministry of Education, Youth, & and Culture (MOEYC) administers a subsidized **School Feeding Programme (SFP)**, which consists of a hot lunch component and a snack component (“nutribun” and milk). The program is intended to provide one meal per day to beneficiaries in basic, infant, primary, all-age, junior high and comprehensive schools. According to the Ministry’s Corporate Plan for 1998-99, the objective of the program is to “provide students with meals of basic nutritional value in an effort to encourage regular attendance, and give support to developmental activities in the schools.”
- 1.18 The cost of lunch is shared by the government (through a subsidy of the production and delivery of the different products) and the student, and schools may provide up to 20% free lunches to needy students identified by school administrators. However, the current cost-recovery and exemption procedures and targeting are neither systematic nor well monitored. The cost to students of the snack is J\$2 (US\$0.02) and the cost of the cooked lunch varies from approximately J\$10 to J\$40 (US\$0.22 to US\$0.86). The SFP is one of the larger items in the SSN, with an annual budget of US\$11 million and coverage of about 170,000 in the snack and 130,000 children in the cooked lunch program.

- 1.19 Although one of the objectives of the program is to encourage regular attendance, it is not apparent whether the current design of the program, which is not clearly poverty-targeted, is achieving that aim. The cost of lunch is the most significant component of non-tuition out-of-pocket school expenditures for households, representing 40% of all such expenditure, while 80% of households from the lowest quintile cite 'money problems' as the main reason for non-attendance by children. School attendance, especially for poor children in rural areas, is a significant problem in Jamaica. Within this context, the cooked lunch component, which formally requires a fairly large co-payment, may not be going far enough to overcome the financial constraints for school attendance among poor children, particularly in rural areas. This hypothesis is consistent with anecdotal reports from school-level administrators and teachers. Additionally, data from the 1999 SLC show that 59% of children from the richest quintile participate in the SFP, while only 65% of children from the poorest quintile do so.
- 1.20 An analysis of the targeting procedures and distribution of the SFP was commissioned as part of project preparation. Results from this study revealed that the method of selection of students for the subsidized lunch and free snack varies considerably across schools, and in many cases the distribution of benefits is 'self-targeted'. The operation of the program also leads to children being stigmatized for receiving the subsidy, which inhibits some needy children from accessing benefits that they are entitled to, thus affecting their subsequent school performance.
- 1.21 A study was also commissioned during preparation to analyze the cost effectiveness of the current snack provision system, and to compare this with alternatives. Preliminary results of this study show that the cooked lunch is significantly costlier on a per calorie basis relative to the snack program. The study also recommended against a 'one-size-fits-all' approach to producing and delivering the snack given the different conditions facing schools in urban versus deep rural areas of the country. The study proposed a combination of local competitive bidding and public/private partnerships in the production and delivery of the snack, depending on factors such as market access and local economic resources.
- 1.22 The other safety net program for school-aged children is the **School Fee Assistance Programme**, designed to help needy secondary level students pay school fees that were introduced in 1994/95 as part of a formal Cost Sharing Scheme which requires that parents contribute to the cost of secondary education. Parents must apply for assistance, and the school principal or guidance counselor determines the amount of subsidy, if any, based on an assessment of need. In 1997, 38,500 students received assistance, 18% of whom received a full fee waiver. Only 17% of the students who receive waivers are from the poorest quintile while 31% of students who receive fee waivers are from quintile 4. The amount of resources spent on this program has increased 329% in nominal terms between 1995 and 1997, and by a further 93% between 1998/99 and 2001/02. The

current poor distribution of the subsidy across quintiles and the rising expenditure trend implies that a better targeting system needs to be applied.

- 1.23 **Targeting and impact on the poor.** There is a need for the two school-based programs to more directly target the poorest students. The distribution of benefits should be more progressive than is currently the case, since they contribute to the government's poverty alleviation efforts. Additionally, the programs need to encourage human capital development of poor children by: (i) improving school attendance, particularly in rural areas, which is a major problem in Jamaica; and (ii) improving enrollment and attendance of poor youth in secondary school. The current design of the targeting of the subsidies in these programs does not clearly respond to these needs.
- 1.24 **Cost effectiveness and efficiency.** A major portion of the budget of the SFP consists of a subsidy to Nutrition Products Limited (NPL), a state-owned company that is the sole producer and distributor of the snack and drink component of the program. Government subvention to NPL has increased steadily over the last four years since the withdrawal of the World Food Program, and is approximately US\$4 million in 2001-02. A study is about to be finalized, supervised by PIOJ and MOEYC, which analyzes the current production costs and recommends alternative cost-efficient production and delivery options.

### **3. Other SSN programs**

- 1.25 The Ministry of Health operates the Jamaica Drugs for the Elderly Programme (JADEP) which provides subsidized drugs to the elderly who suffer from specific diseases such as hypertension, diabetes, glaucoma, arthritis, and asthma. This program is not currently targeted based on income and initial analysis suggests that the poor have other obstacles besides the cost of pharmaceuticals to optimum disease diagnosis and management that limit their benefits from this program. The Ministry also administers a small supplementary feeding program, which distributes cornmeal to malnourished children in public health clinics.
- 1.26 Finally, there are three community-based safety net interventions, the Jamaica Social Investment Fund (JSIF), which is co-financed by the IDB (Loan No. 1005/OC-JA), the World Bank and other donors, the Social and Economic Support Programme (SESP), and Lift-Up Jamaica. The JSIF is a traditional social fund that finances community social and economic infrastructure on a demand-driven basis. The SESP is administered by the Office of the Prime Minister and also provides funds to communities for infrastructure projects, as well as some individual benefits for school materials, funerals, housing for the indigent, and in support of entrepreneurial activity. SESP currently employs a non-standardized targeting method for selecting beneficiaries. Lift-Up Jamaica is a community based public works program targeted towards youth-at-risk (ages 18-30). It was designed as a short-term response to a critical social situation, with a project life of 18 months and funding from several public sector enterprises.

## **D. Government strategy**

1.27 Jamaica's most recent Poverty Eradication Strategy is summarized in Ministry Paper #13, signed by the Prime Minister in 1997, which sets broad guidelines for programming in this area. Key features of the strategy include a focus on more development oriented programs that especially target families with small children, better overall targeting of programs, and rationalization to increase cost effectiveness where possible. The strategy also officially classifies the school feeding program as a poverty alleviation program, since originally it was not intended as such.

1.28 Within the framework of Ministry Paper #13, as well as the present context of fiscal restraint, the government has recently developed a concrete proposal for a comprehensive reform of the social safety net in order to increase efficiency and streamline the delivery of services to the poor. The reform proposal has been developed through a collaborative effort by line ministries and the country's main development partners (Canadian International Development Agency, Caribbean Development Bank, Department for International Development, European Union, Inter-American Development Bank, United Nations Children's Fund, and the World Bank), and has been coordinated by the PIOJ. The government's proposal identifies five key features desired of the reformed SSN:

### **1. Programs must be distinctively pro-poor**

1.29 This is to be achieved by designing programs to specifically address risks and conditions associated with poverty and vulnerability, and by the development and use of an appropriate targeting mechanism. A transparent means of evaluating potential beneficiaries will facilitate a reduction of leakage, while at the same time serving as a basis for identifying persons capable of contributing to the meaningful recovery of cost where services such as the SFP and JADEP are provided universally.

### **2. Programs and services must be integrated**

1.30 The objective here is to achieve complementarity and reduce the cost of service delivery, and presumes a consolidation of some programs, and a reduction in the scope of other programs in order to avoid duplication.

### **3. A comprehensive range of benefits must be provided**

1.31 The reformed SSN must address risks associated with different conditions of poverty and vulnerability as well as risks associated with the different life stages of the poor. The SSN should thus be comprised of developmental programs (education, training, health) to remove able-bodied beneficiaries from the welfare roll and assist in breaking the inter-generational cycle of poverty among families while at the same time providing for those who cannot provide for themselves. Central to this is that benefits are adequate in value and are paid on a timely basis.

#### **4. The SSN must be flexible and adaptable**

- 1.32 That is, the reformed SSN should have a set of core programs which can be easily scaled up or down as required and access to these can be fairly quick. Additionally, it envisages that a comprehensive register of beneficiaries would be maintained based on tracking of beneficiaries and their status by the welfare agency.

#### **5. SSN must be fiscally sustainable in the long term and economical and efficient in the short term**

- 1.33 The former is predicated on the assumption that a combination of pension reform, employment creation via economic growth, more equitable distribution of resources, more aggressive cost recovery, and current investments in education and health will result in a reduction in the number of persons below the poverty line and a lessening of dependence on the state. Simultaneously, it hinges on a skewing of welfare expenditure towards expeditiously removing persons from the welfare roll. For the short term, efficiency and economy should be achieved by doing more with less. This requires the elimination of marginal programs, consolidation of the major ones and modification of others. Supplementary actions include the reduction of administrative costs through the use of non-traditional means of service delivery and more specific targeting of benefits to the neediest.

#### **E. Bank strategy and rationale for Bank intervention**

- 1.34 The proposed loan is designed to support the reform process and ensure that a reformed social safety net, capable of addressing the needs of the poor in an efficient and well-targeted manner, is put in place. The program will accomplish these objectives by providing the policy framework and incentives for the timely design, implementation, and monitoring, of a reformed safety net. In addition, the program will protect part of the spending on the safety net and basic social services during a period of strong fiscal adjustment, and thus mitigate the adverse effects of structural adjustment on the poorest and most vulnerable. The parallel TC component of the program will finance some of the institutional reforms called for in the operation, as well as support the monitoring and evaluation of the reformed safety net programs.
- 1.35 The Bank's strategy in Jamaica described in the country paper (GN-2025) is twofold: (i) to support the establishment of a sound macroeconomic environment characterized by sustainable fiscal and balance-of-payments positions, and (ii) to support a process of structural adjustment and reform that will improve the conditions for private sector led growth, which includes public sector strengthening and reform. The current program is consistent with the Bank's objectives of supporting the reform of the public sector in order to increase efficiency. Components of the proposed program, including strengthening and

restructuring the safety net, as well as improved targeting, were discussed with the government in the most recent programming mission to Jamaica of July 2000.

**F. Bank experience and other donor interventions**

- 1.36 The most recent Bank initiative in the safety net area is the JSIF, which is co-financed by the IDB and the World Bank (see 1.26). In addition, the Bank is currently involved in the implementation of broad reforms of the health (1028/OC-JA) and education (Loan No. 1264/OC-JA) sectors, which include among their objectives improved access and quality of services for the poor. The Bank is also currently supporting the preparation of a Youth Development operation (JA-0119), which will be complementary to this operation and will support the strengthening of the SSN by expanding its coverage to this extremely important age group in Jamaica.
- 1.37 Several Bank sector loan operations have sought to protect spending levels in social and safety net programs, including the Social Reform and Social Protection Program (1174/OC-BR) and the Program for Fiscal Adjustment and Maintenance of Social Spending (1019/OC-BO), both approved in 1999, and more recently the Investment Sector Program (1259/OC-EC) which was approved in 2000. An operation that is very similar to the current one is the Special Structural Adjustment Program and Strengthening of Banking System Safeguards (1163/OC-AR), approved in 1998 and still in execution. This emergency operation includes conditions requiring the merger of six food and nutrition programs into one program to be administered by a single agency, as well as the use of a transparent proxy means test to select beneficiaries in six social safety net programs.
- 1.38 The World Bank is supporting specific elements of the redesigned safety net through an investment operation of approximately US\$40 million, which is described in more detail in Chapter II (see 2.26-2.29). The IDB and World Bank programs are complementary, the Bank program providing the context or policy framework for the overall transformation of the social safety net, and the World Bank program financing specific elements within the reformed social safety net.



## II. PROGRAM OBJECTIVES AND DESCRIPTION

### A. Objectives

- 2.1 The Social Safety Net Reform Program will focus on two main objectives: (i) protect components of social sector and safety net spending during a period of strong fiscal adjustment, and (ii) facilitate the restructuring and better targeting of several important safety net programs, including the school feeding programme. A *policy matrix* summarizing the actions to be taken by the government is presented in Annex 1, and is described in detail below. The *policy letter* in Annex 2 sets out the government's commitment to the proposed reform agenda and as such, provides the framework for the overall execution of the program. All 1<sup>st</sup> tranche conditions are expected to be met by Board approval. A parallel technical cooperation will finance specific activities related to the institutional reforms and restructuring of these safety net programs.

### B. Program components

#### 1. Macroeconomic framework

- 2.2 **Objective.** The government will continue to pursue sound macroeconomic policies consistent with the SMP, a primary objective of which is the resolution of the adverse debt dynamics facing the country.
- 2.3 **Actions.** The condition for Board approval is successful implementation of the FY2000-01 SMP, with broad targets fulfilled in the specific areas of the primary surplus, overall fiscal deficit, inflation, and safety net spending. The 2<sup>nd</sup> tranche conditions consists of the maintenance of sound macroeconomic policies and management consistent with the objectives and targets of the SMP.

#### 2. Protect social sector and specific safety net spending

- 2.4 **Objective.** Within the context of the strong fiscal adjustment necessitated by the internal debt crisis, this component aims to protect the poor by ensuring that essential social sector and social assistance services continue to be funded. Specifically, the Bank program will ensure that spending is maintained in two areas: (i) basic health and education service delivery, and (ii) certain key safety net programs.
- 2.5 **Basic health and education delivery.** The Bank program will protect the level of spending on non-salary recurrent items for basic health, pre-school, and primary education. These are defined to include key variable inputs such as medical supplies and vaccinations, teaching materials, textbooks, and recurrent maintenance expenditure. In addition, the program will protect the budget for preschool education (Grants to Basic Schools), which is one of the largest single programs in the Ministry of Education, and a stated priority according to the Ministry's corporate plan. The evolution of spending in these areas has varied

significantly over the last three years consistent with the priorities of the present Government. For example, both the Grants to Basic Schools and educational materials and supplies have increased by over 10% in real terms over the last three years. In contrast, real spending on non-salary variable inputs in basic health increased significantly between FY99-00 and FY00-01, but then fell by 15% in the current FY. Some of this decline is attributed to the reorganization of the health sector into Regional Health Authorities, and the increased importance of user fees to finance supplies and materials in the sector.

- 2.6 **Safety net programs.** The key safety net programs to be protected are listed in Table II-1. In education, these include the School Feeding Programme and the Secondary School Fees Assistance, the two largest programs in terms of budget in the safety net. The three main transfer programs (Food Stamps, Public Assistance, and Outdoor Poor Relief) are to be consolidated into the Unified Benefit Programme (UBP). Hence, over time there will be an increase in the budget of the UBP and a decline in the budget lines of the other three programs. As mentioned earlier, the SMP calls for the maintenance in real terms of SSN expenditures between the last fiscal year and the current one. The SSN programs identified under the Bank program are a subset of those in the SMP, and are chosen because of their potential impact on the poor.<sup>3</sup> The monetary targets for these programs represent a real increase of 16% over the executed budget in the previous fiscal year. However, overall real spending in these programs actually declined between FY99-00 and FY00-01, so that during the three-year period as a whole, the real increase in the budget of these programs is 4%. Nevertheless, this increase is commendable given the current fiscal context and the overriding need to reduce the debt burden.

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<sup>3</sup> The SMP review indicates that overall spending in the safety net fell slightly short of target during last FY. The Bank's strategy is to thus focus on a subset of high impact programs and ensure their execution.

Table II-1		
PROTECTED PROGRAMS AND TARGET SPENDING LEVELS FOR FY2001-02		
	J\$ '000s	US\$ '000s
SAFETY NET PROGRAMS		
Public Assistance	110,469.0	2,569.0
Food Stamp Programme	283,340.0	6,589.3
Kerosene Stamp	33,400.0	776.7
Unified Benefit Programme	69,000.0	1,604.7
Outdoor Poor Relief Services	56,312.0	1,309.6
School Feeding Programme	466,317.0	10,844.6
Secondary School Fees Assistance	330,250.0	7,680.2
Jamaica Drugs for the Elderly	50,110.0	1,165.3
<b>Total Safety Net Programs:</b>	<b>1,399,198.0</b>	<b>32,539.5</b>
BASIC HEALTH AND EDUCATION DELIVERY		
Education Materials, Supplies and Maintenance	416,000.0	9,674.4
Grants to Basic Schools	656,935.0	15,277.6
Health	326,654.0	7,596.6
<b>Total Basic Health and Education Delivery:</b>	<b>1,399,589.0</b>	<b>32,548.6</b>
<b>Grand Total</b>	<b>2,798,787.0</b>	<b>65,088.1</b>
J\$ amounts converted to US\$ using exchange rate of J\$43:1.		

- 2.7 **Actions.** The condition for Board approval is a commitment by the authorities to maintain spending in the pre-identified areas to the levels indicated in Table II-1. This commitment will involve actual budget allocations in these amounts to be approved by Parliament and published officially by the Ministry of Finance and Planning. For 2<sup>nd</sup> tranche, the Bank will require evidence that the total amounts for these safety net programs and basic social services, taken separately, were actually spent during the previous fiscal year. During FY2001-02 actual spending in the areas listed in Table II-1 will be monitored on a quarterly basis to ensure execution, and to provide an early warning system in case execution is significantly off-track. A further condition for 2<sup>nd</sup> tranche will be that spending in these identified activities be maintained in real terms in the next fiscal year.

### 3. Improved targeting of safety net programs

- 2.8 **Objective.** The program calls for the development of a uniform proxy means test, which will be used to identify beneficiaries for all major applicable programs in the social safety net. Implementation of such a system will ensure that potential beneficiaries of all major safety net programs are treated equally, and that the time cost for the poor in accessing entitlements is reduced, since the database will be shared by all program managers. The system will also provide the authorities with the means of responding to a crisis by allowing eligibility cut-off points to vary across programs and time periods.

- 2.9 Using data from the Survey of Living Conditions, the main correlates of poverty have been estimated and given weights using appropriate statistical techniques.<sup>4</sup> These weights comprise the scoring formula, which will be used to assess household eligibility, initially for the UBP, and eventually for other safety net programs as they are redesigned. The scoring formula has been developed by the PIOJ with support from the World Bank and IDB. Initially, the targeting instrument will be managed by the Ministry of Labor and Social Security, which will begin its application by the end of the year. Once the instrument has been piloted in the UBP, it will be made available to other agencies and line ministries involved in the delivery of safety net and other social programs. The parallel TC will finance the training and institutional strengthening required in other ministries for their successful adoption of the instrument.
- 2.10 **Actions.** The condition for Board approval is a decision by Cabinet that a uniform proxy means test will be used by all major SSN programs, including individual beneficiaries in the Social & Economic Support Programme (SESP). For 2<sup>nd</sup> tranche, the proxy means test must be in use by the UBP and the SESP.<sup>5</sup> In addition, other key agencies involved in the delivery of safety net programs (Ministry of Education, Youth, & Culture, Ministry of Health and the Office of the Prime Minister) must have access to the database and have received sufficient training in order to use the proxy means test in their programs. The training and institutional strengthening required to fulfill this condition will be financed through the parallel technical cooperation described in Annex 4.

#### **4. Reform of income transfer programs**

- 2.11 **Objective.** In order to eliminate extra administrative costs and to reduce beneficiary time costs, the three main cash/in-kind transfer programs, the Food Stamp Programme, Outdoor Poor Relief, and Public Assistance, will be unified into one transfer program under the responsibility of the MOLSS (the Unified Benefit Programme). The unified program should target 15% of the population in specified vulnerable groups, or approximately 220,000 individuals. To strengthen targeting and improve transparency in beneficiary selection, the UBP will use the new targeting instrument to evaluate eligibility for the program. Finally, the level of benefits in the reformed program should be increased to a level that can have a meaningful impact on the welfare of the poor.

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<sup>4</sup> Five sets of variables are used to predict household welfare: 1) housing characteristics such as access to potable water, type of toilet, source of energy, and main material of walls; 2) region of residence; 3) demographic characteristics (size and composition of family, crowding); 4) durable goods (telephone, car, refrigerator, stove); and 5) characteristics of the household head (sex, age, marital status, schooling).

<sup>5</sup> Activities under the SESP are decentralized to the local Parish Councils, who work with the local Social Development Committees to address concerns and implement projects. Individuals seeking benefits through the SESP would have to qualify through the proxy means test, which would be administered by the local office of the MOLSS.

- 2.12 **Actions.** The condition for Board approval is a decision by Cabinet to unify the three programs into one unified benefit program, to make this program effective in the budget, to raise the level of benefits and to formulate a transition plan for moving from the current system to the reformed one. This transition plan has been provided to the Bank, and specifies a three-year transition period, with benefits increasing from US\$6 per person per month in the last quarter of FY2001-02, to US\$8.50 per person per month in FY2002-03, and finally to US\$12 per person per month in FY2003-04, approximately 40% of the low-cost food basket<sup>6</sup>. The average level of monthly benefits in the current main transfer program (the Food Stamp Programme) is approximately US\$2 per child.
- 2.13 The Poor Relief Programme was created under the Poor Relief Act in the early 1800's. The Attorney General has recently opined that the Board of Supervision of Poor Relief has the power to authorize payments for Poor Relief to be made through the Unified Benefit Programme (UBP), and evidence of such authorization is a condition for 1<sup>st</sup> tranche. Furthermore, an institutional study is currently underway to analyze the need for legislative amendments or regulatory reforms to ensure the legal basis of the UBP. Implementation of the report's appropriate recommendations, including amendments to the Poor Relief Act if necessary, is a 2<sup>nd</sup> tranche condition (see Annex 3, condition 12).
- 2.14 The transition from the old to the reformed program will begin with a pilot phase in the parish of St. Catherine during the first 7 months of 2002 before expansion island-wide. A condition for 2<sup>nd</sup> tranche disbursement is that at least 45,000 beneficiaries be enrolled in the UBP.
- 2.15 A further condition for 2<sup>nd</sup> tranche is that the level of benefit be raised as specified in the transition plan. In addition, a Cabinet decision is required on a mechanism for review of the benefit level after the transition period is over to ensure its value does not erode over time. The decision should specify the agency or group responsible for technical review of the benefit level and provide a recommendation, the basis upon which the recommendation is made (% of low-cost food basket, poverty line, or similar measure), specify the Ministry responsible for submitting the annual review to Cabinet, and the manner in which the annual review will be made public. The mechanism will also specify a minimum level below which the value of the benefit should not be allowed to fall.

## **5. Reform of school-based assistance programs**

- 2.16 **Objective.** The program calls for improved efficiency and targeting of the Secondary School Fees Assistance Programme in order to increase secondary school access for poor children. The program will also support the reform of the School Feeding Programme in order to make the distribution of subsidies more progressive and thus increase the incentive for poor students to attend school.

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<sup>6</sup> Respective J\$250, J\$375, and J\$500.

- 2.17 **Actions.** For both the Secondary School Fees Assistance Programme and the School Feeding Programme, the 1<sup>st</sup> tranche condition is for Cabinet approval to use the proxy means test to select beneficiaries in the respective programs. By 2<sup>nd</sup> tranche, the proxy means test must be in use for selecting beneficiaries to receive schooling grants and subsidized lunches and free snacks in at least one parish.
- 2.18 In addition to the policy actions described above, the Government has indicated its desire to improve the cost-effectiveness of the snack program through the possible adoption of alternative procurement and delivery methods to the current system. The analysis undertaken during project preparation indicated that the geographic and economic heterogeneity of the country would require different procurement and delivery mechanisms in urban, rural, and deep rural areas. Specific proposals include competitive bidding with local community participation where possible, and a more explicit role of the private voluntary and business sector as a partner in the provision of meals, with the MOEYC setting broad guidelines in terms of nutritional content and sanitary procedures for food preparation and delivery.
- 2.19 Given these circumstances, the Bank and the Government agreed that as part of the rationalization and restructuring of the SSN, a series of pilot interventions to test alternative modes of procurement and delivery of school snacks and lunch would be implemented during the 2002-03 school year. This agreement is not part of the matrix of conditions for tranche disbursement, but is described in the policy letter in Annex 2 and is part of the overall program. The technical assistance required to carry out the pilot activities will be financed through the parallel TC component of the program, with counterpart funding to cover the cost of the food.

## **6. Evaluation and restructuring of other programs**

- 2.20 **Objective.** As part of the comprehensive reform of the SSN the program will support the evaluation and restructuring of other safety net programs in order to improve targeting and to reduce duplication. Some of these activities under this component are not part of the formal matrix of conditions for tranche disbursements, but are nevertheless an important component of the reform process and are included in the government's policy letter in Annex 2 and will be supported by the parallel TC.
- 2.21 **Actions.** Summaries of the actions that will be taken to consolidate and strengthen the SSN are listed below.
- a. As part of the consolidation and rationalization of the SSN, the Supplementary Feeding Programme will be terminated.
  - b. The initial pool of funds for Lift-Up Jamaica will be ending this fiscal year. As part of the preparation of the pipeline Youth Development Program

(JA-0119), Lift Up Jamaica will be evaluated, and the lessons learned incorporated into the design of the new program.

- c. The Social and Economic Support Programme (SESP) will adopt the uniform targeting instrument for selecting beneficiaries, and a ceiling will be set on the size of community infrastructure activities to be carried out under this modality in order to avoid duplication with JSIF. The SESP will also be evaluated in order to identify other areas where the program can be streamlined in order to avoid duplication with other SSN programs such as the Secondary School Fee Assistance Programme.
- d. An assessment of the efficiency and distributional impact of the Grants to Basic School Programme, in order to provide recommendations on how to strengthen the program's attention to the needs of the most vulnerable children.
- e. Finally, the evaluation of JADEP will commence shortly, funded through the existing IDB-financed Health Reform Program (1028/OC-JA), in order to identify ways to strengthen the program, including its future use of the targeting instrument, if appropriate. The use of the new targeting instrument in other health programs and services will also be studied in order to improve their accessibility to the poor.

## **C. Technical cooperation component**

- 2.22 The parallel technical cooperation is designed to support the reforms described in this document. Specifically, the technical cooperation will finance training and other institutional strengthening activities required to ensure that the conditions for 2<sup>nd</sup> tranche have been met. The most important of these conditions is the adoption of the targeting instrument by the major programs in the current safety net (SESP, SFP, and Secondary Schools Fees Assistance (SSFA)). To ensure that delays in implementing the TC do not jeopardize the attainment of 2<sup>nd</sup> tranche conditions, a program coordinator is expected to be in place shortly, financed through C & D Action Plan Funds, in order to begin work on procurement and other relevant activities while the conditions for effectiveness of the TC are being met. A summary of activities and associated costs is presented in Table II-2, while the detailed Plan of Operations is attached as Annex 4.
- 2.23 **Studies to inform reform.** The TC will finance the studies referred to in section B above. In addition to these, a small pool of money has been allocated to finance additional studies on social protection in order to inform future refinements in policy.
- 2.24 **Reform Implementation.** This component supports two major activities. The first activity is designed to assist the Ministry of Education, Youth and Culture, Office of the Prime Minister, and Ministry of Health in gaining access to and using the targeting instrument in their safety net programs. This will involve

training of key personnel involved in the management of these programs, as well as installation of adequate information systems to facilitate access to and use of the database. The second activity will be to provide technical assistance to the SFP for the successful implementation of several pilot interventions to improve cost-effectiveness of the program.

- 2.25 **Monitoring and evaluation.** This component will support several activities designed to strengthen the monitoring and evaluation capacity of government with respect to its social safety net programs. First, the TC will finance an expanded Survey of Living Conditions to be carried out in 2002 with a special module focusing on social programs in order to provide baseline information on access and targeting. Second, the TC will also finance the creation of conditions within the Statistical Institute (STATIN) to design a detailed poverty map using the expanded Survey of Living Conditions and the 2001 census. This poverty map can then be used to identify poor communities who could benefit from community-based programs such as the JSIF. Third, the parallel TC will be used to strengthen the capacity of PIOJ to coordinate the implementation of the reform. Specifically, it will support the PIOJ in carrying out on-going monitoring and evaluation activities regarding the efficiency, appropriateness and impact of the SSN in order for the reform effort to be adopted as a continuous, iterative effort. This will include consultations with beneficiary groups in order to incorporate perceptions and demands of the poor.



TABLE II-2				
TECHNICAL COOPERATION ACTIVITIES AND BUDGET				
		Total Cost	IDB	Counterpart
<b>1</b>	<b>Studies to Inform Reforms</b>	<b>185,000</b>	<b>185,000</b>	<b>0</b>
1.1	Lift Up Jamaica	50,000	50,000	
1.2	SSFA	50,000	50,000	
1.3	SESP	20,000	20,000	
1.4	Grants for Basic Schools	15,000	15,000	
1.5	Social Protection and Policy Studies	50,000	50,000	
<b>2</b>	<b>Reform Implementation</b>	<b>800,000</b>	<b>400,000</b>	<b>400,000</b>
2.1	Adoption of Targeting Instrument	150,000	150,000	
2.1.1	Ministry of Education programs (SFP & SSFA)	100,000	100,000	
2.1.2	OPM (SESP)	30,000	30,000	
2.1.3	Training for other agencies	20,000	20,000	
2.2	Technical Assistance for other Reform Implementation	650,000	250,000	400,000
2.2.1	SFP	600,000	200,000	400,000
2.2.2	Non-core welfare programs	50,000	50,000	
<b>3</b>	<b>Monitoring &amp; Evaluation</b>	<b>520,000</b>	<b>325,000</b>	<b>195,000</b>
3.1	Expanded SLC with SSN Module	440,000	245,000	195,000
3.2	Poverty Map Exercise	50,000	50,000	
3.3	Stakeholder Consultations	30,000	30,000	
<b>4</b>	<b>Program coordination and administration</b>	<b>180,000</b>	<b>156,000</b>	<b>24,000</b>
4.1	Coordinator	120,000	120,000	
<b>4.2</b>	<b>External Audit</b>	<b>20,000</b>	<b>20,000</b>	
<b>4.3</b>	<b>Accounting Services</b>	<b>40,000</b>	<b>16,000</b>	<b>24,000</b>
<b>5</b>	<b>Contingencies</b>	<b>34,000</b>	<b>34,000</b>	
	<b>Totals</b>	<b>1,719,000</b>	<b>1,100,000</b>	<b>619,000</b>

#### D. Complementary World Bank program

2.26 The World Bank is supporting the reform through a \$40 million investment loan, which would finance the conditional cash transfer payments in the UBP, as well as other supporting activities.

2.27 **Conditional cash transfer payments.** The main component of the World Bank program, representing 83% of the total operation, is the financing of conditional transfer payments in the UBP on a declining basis. Approximately 75% of beneficiaries in the UBP will receive payments conditional on the fulfillment of human capital enhancing activities such as well-baby check-ups for children under five, or minimum school attendance for older children.

- 2.28 **Supporting activities.** The World Bank program will support activities to merge the three transfer programs into one unified program, and to modernize operations. Specifically, the technical assistance component will finance the design and modernization of the UBP, including mode of delivery of actual transfers; the monitoring and evaluation arrangements for the program; the verification procedures for the conditional transfer component of the UBP; the training and institutional strengthening required to implement the new targeting instrument within the UBP, including training social workers to administer the questionnaire and perform verifications through house visits, setting up transparent appeal mechanisms, and ensuring quality control.
- 2.29 **Coordination with IDB Program:** The World Bank program is complementary to that of the IDB program, since the latter will provide the overall policy framework for the reformed SSN, while the former will finance specific investments within this framework. To ensure coherence and consistency between the two operations, both project teams have been participating in joint missions, and are collaborating in the design of the targeting instrument. In terms of sequencing, the World Bank loan will be processed in parallel with the IDB loan.

### **III. PROGRAM EXECUTION**

#### **A. The borrower, guarantor and executing agency**

- 3.1 The borrower and guarantor will be the Government of Jamaica. The Planning Institute of Jamaica (PIOJ), a statutory body under the Ministry of Finance and Planning, will be the executing agency. Given the multi-sector nature of the proposed measures and the need for coordination among several line ministries, PIOJ has established a steering committee in which representatives from the Ministries of Finance and Planning; Labour and Social Security, Education, Youth and Culture; Health; and Local Government and Community Development as well as the Office of the Prime Minister are represented. The steering committee will be responsible for coordination of the implementation of the overall reform agenda.

#### **B. Program structure and financing**

- 3.2 The proposed sector reform program is designed as a fast disbursing operation in the amount of US\$40 million from the Bank's ordinary capital, of which US\$32.5 million will be through the Bank's Intermediate Financing Facility. Resources will be released in two conventional tranches of US\$20 million, subject to compliance with the conditions set out in the policy matrix attached as Annex 1 of this document. The authorities will have complied with all policy conditions precedent to first disbursement before presentation of the operation to the Board of Executive Directors. Thus, the first tranche will be released upon contract signature and compliance with other standard requirements. The disbursement period is expected to be 24 months.
- 3.3 A parallel technical cooperation in the amount of US\$1.72 million will be financed by the Bank's Fund for Special Operations in the amount of US\$1.1 million and US\$0.62 million in counterpart funding. The technical cooperation is designed not only to assist the government in achieving specific second tranche conditions, but also to support institutional strengthening activities, including the establishment of conditions that will permit the future monitoring and evaluation of the overall reform effort. The Plan of Operations for the technical cooperation program is presented in Annex 4.

#### **C. Procurement of goods and services**

- 3.4 There are no procurement issues as this is a fast-disbursing loan with no formal restrictions on the use of the resources other than the general limitations on the use of Bank's resources.

#### **D. Disbursement procedures**

- 3.5 Fast disbursing loan resources from the program will be used to finance a project for the support of the borrower's national public sector which includes, inter alia,

import financing of eligible goods from the Bank's member countries. The Bank's simplified procedures for sector loans will apply (GN-2001-2). Funds will be disbursed upon request by the borrower and presentation of satisfactory implementation of the agreed upon conditions.

- 3.6 The borrower will maintain a separate and specific bank account in the program's name for management of loan's funds. PIOJ is responsible for: a) preparing and presenting disbursement requests to the Bank, and b) maintaining separate accounting records and support documentation that allow external audits and/or Bank's inspections, as required. The Bank reserves the right to require the borrower to furnish an audited report of disbursed funds.

**E. Monitoring and evaluation**

- 3.7 The Ministry of Finance and Planning will provide the Bank with quarterly reports on budget execution of agreed programs. In addition, the Bank shall establish such supervision and inspection procedures as it deems necessary to ensure satisfactory execution of the program. The borrower shall cooperate fully in providing assistance and information required for this purpose.
- 3.8 An ex-post evaluation of the program will be carried out by the borrower in conjunction with the Bank. To this end, the parallel TC supports the creation of a baseline through a special module on social programs which will be administered in the 2002 Survey of Living Conditions. This special module will be used for impact evaluation in a few years time, and will be undertaken by the PIOJ as part of its regular analysis and publication of the results of the Survey of Living Conditions. In order to assess the specific impact of this program, the Bank will work with the PIOJ in designing the baseline survey instrument in order to identify specific outcome indicators that can be linked to the policy reforms supported by the Bank program. The parallel TC also supports other monitoring and evaluation activities, including beneficiary consultations.

## **IV. BENEFITS AND RISKS**

### **A. Benefits**

#### **1. Environmental impact**

- 4.1 The proposed program has no environmental impact, given that its activities are limited to reforms and institutional strengthening of the country's social safety net programs.

#### **2. Social and other impacts**

- 4.2 The program will contribute to the development of a more efficient public service through the merging of similar programs and the rationalization and streamlining of other parts of the safety net that currently duplicate each other. As a result, the eventual social impact of the program is expected to be large. In the medium and long run, poor and vulnerable groups in the country should benefit from this operation in at least three ways, which are described below.

##### **a) Improved distribution of benefits to the poor**

- 4.3 The social safety net suffers from lack of uniformity in terms of beneficiary selection, and from significant leakage and under-coverage. The reformed system will use one uniform targeting mechanism for selecting beneficiaries in all major safety net programs, thus ensuring transparency and consistency. Furthermore, the use of a proxy means test based on results from the Survey of Living Conditions should greatly improve the targeting of beneficiaries, ensuring that the poor are adequately served by the safety net.

##### **b) Strengthened delivery of programs and increased benefits**

- 4.4 The current safety net is fragmented, and delivers a low level of benefits at high administrative costs. A major objective of the Bank program is to reform the safety net not only in terms of targeting, but also in terms of efficiency in delivery of services, which can be translated into higher real benefits for the poor. For example, a major objective of the reform of the School Feeding Programme is to improve cost-effectiveness in procurement and delivery in order to allow for greater coverage. Similarly, the proposed Unified Benefit Programme will eventually provide a monthly per person benefit that is over four times the current level of benefits in the Food Stamp Programme.

##### **c) Reduction in time costs for the poor**

- 4.5 The reformed safety net will significantly reduce the time costs that the poor must bear when accessing benefits. First, the unification of the three transfer programs into the Unified Benefit Programme will automatically reduce the amount of time that eligible people will spend in enrolling and accessing benefits. Second, the

uniform targeting mechanisms will be shared by all program managers, and thus eliminate the need for potential beneficiaries to be subjected to multiple means tests in order to qualify for different programs. In certain cases such as the UBP, enrolled beneficiaries will automatically qualify for other benefits such as School Fees Assistance.

- 4.6 In addition to the long term benefits described above, in the short run the maintenance of spending on key programs that benefit the poor will ensure that this group is protected during the current fiscal adjustment.

### **3. Specific gender issues**

- 4.7 Nearly half of household heads in Jamaica are women, and their households are disproportionately represented among the poor. Moreover, among female-headed households, those with partners are even more likely to be poor. The proxy means test being developed will explicitly consider sex of household head and marital or union status as proxy indicators of well-being, in order to ensure that female headed households are accurately targeted for benefits. Targeting female headed households may also have a trickle down effect on young children, as research from Jamaica has shown that female-headed households spend a greater share of their resources on food and children's goods. Finally, within the UBP, pregnant women have been specifically identified as a vulnerable group and will be eligible to receive benefits.

## **B. Risks**

- 4.8 **Macroeconomic framework.** The program calls for an increase to a meaningful level of the benefit in the new transfer program. Some of this increase should come from savings in administrative costs due to the unification of the three programs, as well as efficiency gains from the restructuring of other programs. However, raising real benefits will also depend on the freeing up of resources through the successful implementation of the macroeconomic program as outlined in the Staff Monitored Programme. Specifically, additional resources will be made available through the reduction in debt service due to lower interest rates, the restructuring of short-term debt and the increase in revenues from reforms in tax administration. Slippage in achieving some of the SMP targets represent a risk, since not all variables are under government's control. The proposed Social Safety Net Reform Program helps mitigate this risk by providing resources to protect the level of spending on critical social and safety net programs while the authorities resolve the internal debt situation.
- 4.9 **Political.** The new transfer program will also adopt the targeting instrument in order to select beneficiaries. Given the current high rate of leakage to non-poor individuals, the new program may result in loss of benefits for close to 50,000 individuals, which could have a political cost for the government. However, the government has indicated its willingness to adopt the uniform beneficiary identification mechanism in the UBP, school-based transfer programs,

and the Social & Economic Support Programme. Furthermore, a transition plan is being developed that will allow for the gradual removal of individuals who no longer qualify for benefits under the reformed programs. Finally, a public information and communication strategy will be implemented to gain public support for the reformed program.

- 4.10 **Legal.** Merging the Food Stamp, Public Assistance, and Poor Relief Programmes into the UBP may require an amendment to the Poor Relief Act to ensure the legal basis for the new program (see Annex 3, condition 12). If so, this will require action by Parliament, where the present government has a clear majority.

**JAMAICA SOCIAL SAFETY NET REFORM  
(JA-0115)**

<b>PRELIMINARY POLICY MATRIX</b>		
	<b>Actions to be taken during execution to trigger disbursement:</b>	
<b>Objective of Program</b>	<b>Board Approval</b>	<b>2<sup>nd</sup> Tranche</b>
<b>I. Macroeconomic Framework</b>		
Maintain sound economic policy framework, including policies consistent with reducing debt burden	1. Compliance with Staff Monitored Programme (SMP) targets	2. Continued maintenance of sound macro policies and management
<b>II. Protection of Social Sector Spending</b>		
<p>?? Protect spending on key programs in order to ensure functioning of essential services in health and education</p> <p>?? Ensure poor are protected by an effective safety net during adjustment</p>	<p>3. Evidence that the current FY budget for pre-identified basic health and education expenditures is at least J\$1,399,589,000.</p> <p>5. Evidence that at least J\$1,399,198,000 allocated to pre-identified SSN programs in current FY.</p>	<p>4. Evidence that executed budget in previous FY(s) for protected basic health and education expenditures was at least J\$1,399,589,000 in real terms.</p> <p>6. Evidence that executed budget in previous FY(s) for protected SSN programs was at least J\$1,399,198,000 in real terms.</p> <p>7. Evidence that budget allocation for protected social sector and safety net programs held at least constant in real terms in current fiscal year.</p>
<b>III. Social Safety Net Reform</b>		
<b>A. Targeting system for SSN programs</b>		
<p>?? Design a uniform proxy means test to be used by SSN programs that is easily verifiable and transparent</p> <p>?? Make proxy means test information available to all SSN program managers in order to reduce administrative costs associated with means testing</p>	<p>8. Cabinet decision that the new targeting mechanism will be used by main SSN programs including individual beneficiaries in the Social &amp; Economic Support Programme</p>	<p>9. Evidence that beneficiaries in unified benefit program are being selected using the new targeting instrument.</p> <p>10. Evidence that other key agencies and Ministries have access to data for use in their targeted programs, and that instrument is in use in the Social &amp; Economic Support Programme.</p>
<b>B. Reform of income transfer programs</b>		
<p>?? Consolidate three transfer programs into one cash or in-kind transfer program in order to eliminate extra administrative cost</p> <p>?? Raise benefit level to 40% of the low cost food basket and maintain in real terms in order to have an impact on beneficiaries.</p>	<p>11. Cabinet approval to unify transfer programs, and make program effective in current FY budget.</p> <p>13. Cabinet approval of new benefit level and transition plan for implementation.</p>	<p>12. Evidence of implementation of new unified benefit program with at least 45,000 beneficiaries enrolled.</p> <p>14. Maintain real per capita value of benefit as specified in transition plan.</p> <p>15. Cabinet approval of mechanism for annual review of benefit level to ensure real value does not erode over time.</p>



PRELIMINARY POLICY MATRIX		
	Actions to be taken during execution to trigger disbursement:	
Objective of Program	Board Approval	2nd Tranche
<b>C. Reform of school based programs</b>		
<p>?? Reform SFP to improve distribution of school lunch subsidies.</p> <p>?? Reform Secondary School Fee Assistance (SSFA) Programme in order to improve targeting and impact on human capital formation of poor children.</p>	<p>16. Cabinet decision to use the targeting instrument to select beneficiaries for subsidies in the School Feeding Programme (SFP).</p> <p>18. Cabinet decision to use the targeting instrument to select beneficiaries for SSFA Programme.</p>	<p>17. Evidence that targeting instrument being used to allocate subsidies in the SFP.</p> <p>19. Evidence that targeting system being used to allocate grants in the SSFA Programme.</p>

**JAMAICA SOCIAL SAFETY NET REFORM**  
**(JA-0115)**  
**LETTER OF SECTOR DEVELOPMENT POLICY**

Kingston, September 13, 2001

Mr. Enrique Iglesias  
President  
Inter-American Development Bank  
Washington, D.C.

Dear Mr. Iglesias:

- 1.1 The Government of Jamaica, as part of its Medium Term Economic and Social Policy Framework, is undertaking a reform of the Social Safety Net (SSN) to improve targeting of the needy, relevance and effectiveness of the welfare and related programs, and efficiency in the delivery of the services. These actions are being taken in the context of a major medium term social policy agenda aimed at addressing special needs of different population groups. To address some of these special needs, the Government requests a Social Safety Net Reform Programme in the amount of US\$40 million from the Inter-American Development Bank. In support of this request, this letter describes the country's recent macroeconomic performance in relation to the targets set out in the Staff Monitored Programme endorsed by the Executive Board of the IMF, and sets out the actions that will be undertaken to strengthen the SSN.

**A. Macroeconomic framework**

- 1.2 Major efforts at fiscal consolidation were undertaken during 1999/2000 to 2000/01. The 2000/01 fiscal surplus of \$4.175 billion or 1.3 percent of GDP outperformed the SMP target of 1.0 percent, and was the first surplus since fiscal 1995/96. The 6.4 percent rate of inflation for the fiscal year was within the SMP target range of 6.0 percent to 7.0 percent. The level of Net International Reserve surpassed its target of 14 ½ weeks of projected imports of goods and services. In terms of structural benchmarks, the Government was successful in achieving some of the targets including: the reduction of cash reserve requirements to 12.6 percent and the liquidity requirements to 20.0 percent; the tabling of appropriate legislation with regards to the Financial Services Commission; and the privatization of (electricity) – the Jamaica Public Service Company Limited.

- 1.3 The fiscal 2000/01 performance underlines the efforts at gradual, sustained improvement of economy. The public sector primary surplus had increased by 6.5 percentage points of GDP to 7.0 percent in 1998/99, mainly through strengthened tax administration and efficiency gains in the operation of the public enterprises. The growing interest bill on the large public sector debt had more than offset this gain, and the overall public sector deficit had moved from 7.1 percent of GDP in 1998/99 to 3.6 percent of GDP in 1999/2000. Further consolidation efforts in 1999/2000, relying mainly on expenditure cuts and some revenue measures, raised the public sector primary surplus by about 4.0 percentage points to 11.0 percent of GDP. The overall public sector deficit improved by 3 percentage points of GDP because of expenditure cuts and increased revenue. Subsequently, the stock of public debt had risen from about 135.8 percent of GDP at the end of the fiscal year 1998/99 to about 144.0 percent of GDP at the end of 1999/2000.
- 1.4 Real output grew by 0.8 percent in fiscal year 2000, following a decline of 0.4 per cent in 1999. For the fiscal year 2000/01, it is estimated that real output increased by about 0.5 per cent, following a decline of 0.1 percent in fiscal 1999/2000 which represented the fourth consecutive year of contraction. Inflation for fiscal year 2000/01 was 6.4 percent, down from the 1999/2000 increase of 8.4 percent, which was largely the result of higher prices for oil imports. The unemployment rate is estimated to have remained stable at about 15.5 percent, with some new entrants into the labour force being engaged in the informal sector. During 2000, the exchange rate averaged J\$43.32 to US\$1.00, representing a 10.0 percent depreciation, compared with a 7.2 percent adjustment in 1999.<sup>1</sup>
- 1.5 For years, the strategies to mitigate the crisis in the financial services sector using mainly domestic resources reduced the capacity of the public sector to deliver essential services, particularly health, education and social services used by the poor. Concentrated efforts at reducing the annual debt service requirements of the Government, will release resources to assist in financing social, economic, and productive investment, and to sustain the proposed increases in the social safety net. Within the wider context, the imminent return to a path of growth will provide opportunities for many of the unemployed and under-employed to participate in the socio-economic activities of the country.
- 1.6 With the bringing of Finsac debt into the 2001/02 budget, the Government will be challenged to resolve the debt and debt servicing costs. The planned debt management strategies have taken into account the need to achieve a continued lowering of the interest rates. The potential to meet the challenges has gained recent recognition in the upgrading of Jamaica's long-term sovereign credit ratings by Standard and Poor. This improved rating will facilitate the Government's shift of its debt portfolio to lower cost foreign sources, and contribute to the lowering of interest rates.

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<sup>1</sup> The average annual exchange rate is calculated as a simple average from end of month rates

**B. Summary of overall reform social safety net reform strategy**

1.7 Philosophy. The underlying philosophy of the proposed reform is that an SSN is necessary to assist persons to cope with difficulties occasioned by chronic poverty, economic downturn, social or natural calamities, physical disabilities or impairments due to age etc. As such the SSN should be a permanent feature of the economy but its scope and magnitude would be directly related the level of economic buoyancy being experienced. Importantly, the SSN does not contain poverty prevention strategies but rather strategies to ameliorate the conditions of individuals who are experiencing poverty. For these persons it contains both developmental and ameliorative components with the former geared towards rehabilitating working-age able-bodied beneficiaries in the shortest possible time and the latter providing for those who are likely to remain helpless for an extended period.

1.8 Features. The country's reformed SSN will have five essential features which are described below.

**1. Programs must be distinctively pro-poor**

1.9 This is to be achieved by designing programs to specifically address risks and conditions associated with poverty/vulnerability and by the development and use of an appropriate targeting mechanism. Central to this, is an objective and transparent means of evaluating potential beneficiaries, supported by a case management approach. The method guarantees a more progressive SSN and facilitates a reduction of leakage while serving as a basis for identifying persons capable of contributing to the meaningful recovery of cost where services, such as school feeding, are provided universally. It also facilitates the use of a more holistic approach for treating with needy families, and expediting their removal from the welfare roll.

**2. Programs and services must be integrated**

1.10 Programmes and services are integrated in order to achieve complementarity and reduce the cost of service delivery. This presumes a consolidation of some programmes and the establishment of a single social welfare agency with adequately trained and sufficient numbers of staff, including social workers, to carry out the case management approach.

**3. A comprehensive range of benefits must be provided by the SSN**

1.11 The SSN provides a comprehensive range of benefits to address risks associated with different conditions of poverty/vulnerability, as well as risks associated with the different life stages of the poor. The SSN should thus be comprised of developmental programmes (education, training, health) to remove able-bodied beneficiaries from the welfare roll and assist in breaking the inter-generational cycle of poverty among families while at the same time providing for those who

cannot provide for themselves. Central to this is that benefits are adequate in value and are paid on a timely basis.

**4. The SSN should be flexible and adaptable**

- 1.12 That is, it has a set of core programmes which can be easily scaled up or down as required and access to these can be fairly quick. Additionally, it envisages that a comprehensive register of beneficiaries would be maintained based on tracking of beneficiaries and their status by the welfare agency.

**5. The SSN should be fiscally sustainable in the long term and economical and efficient in the short**

- 1.13 The former is predicated on the assumption that: a combination of pension reform; economic growth and resultant employment creation; more equitable distribution of resources; more aggressive cost recovery; and current investments in education and health will result in a reduction in the number of persons below the poverty line and a lessening of dependence on the state. Simultaneously, it hinges on a skewing of welfare expenditure towards expeditiously removing persons from the welfare roll. For the short term, efficiency and economy should be achieved by doing more with less. This requires the elimination of marginal programmes, consolidation of the major ones and modification of others. Supplementary actions include the reduction of administrative costs through the use of non-traditional means of service delivery and more specific targeting of benefits to the neediest. An additional strategy would involve entering into collaborative arrangements with non-governmental agencies and divesting functions which may be more efficiently handled by the non-governmental organizations.
- 1.14 The following sections describe the specific actions that the Government is committed to taking in the short and medium term to achieve the type of SSN with these features.

**C. Targeting**

- 1.15 Currently each program in the social safety net employs its own beneficiary selection criteria, which not only increases administrative costs but also significantly raises the time cost of the poor in accessing benefits for which they are qualified. As a first step in the strengthening and streamlining of the safety net, the Government has committed itself to adopting a uniform beneficiary identification mechanism to be used by all major programs in the safety net. This targeting mechanism will be based on a scoring formula using appropriate statistically methods applied to the Jamaica Survey of Living Conditions. As such, the instrument will be scientifically based and transparent, allowing all potential beneficiaries to be judged on an equal basis.
- 1.16 The targeting instrument is being developed through a collaborative effort among the PIOJ, the IDB, and the World Bank. It will be piloted in the Unified Benefit

Programme (see **Transfer Programs** below). After being evaluated and adjusted based on the initial application, the instrument will be applied to beneficiaries of other welfare and social safety net programs operated by: the Ministry of Health; the Ministry of Education, Youth, and Culture; the Social Development Commission; the Ministry of Water and Housing; The Ministry of Local Government and Community Development; and the Office of the Prime Minister. Specific programs that have been identified for adoption of the new system are the Secondary School Fees Assessment Program, the School Feeding Program, the Social and Economic Support Program, and cost recovery in the health sector.

#### **D. Rationalization and restructuring**

- 1.17 A key component in the Government's strategy to reform the safety net is the rationalization of activities to avoid duplication, and restructuring in order to improve efficiency and thus to increase impact on the poorest. A study to determine the optimum institutional arrangements is being conducted with Bank support. The following paragraphs describe the specific actions the Government intends to take in these areas, in the interim.

##### **1. Transfer programs**

- 1.18 Priority focus for the short term is on rationalizing and restructuring of *three income transfer programs* which comprise a major share of SSN benefits: the Food Stamp and the Public Assistance Programs which cater to poor: children under six years; pregnant and lactating mothers; the elderly; the disabled; some working age single persons; and the Poor Relief cash benefits paid to persons categorized as "registered poor" under a Poor Relief Act. The merged program—the Unified Benefits Programme (UBP)—will substantially raise the real value of benefits; substitute subjective non-transparent selection processes with one equitable, objective transparent method; and replace a costly and time consuming delivery method with a modern, efficient one. The Government intends to review the legal framework governing the SSN, including the Poor Relief Act, to reflect the new approach to welfare.
- 1.19 The UBP will include payments to the poorest: children from 0 to 17 years; persons who are 65 years and older; persons who are disabled; persons who are pregnant and lactating, and some other poor persons of working age. Benefits will continue only if the children of school age have a specified percentage of attendance each term, and children under school age and all other beneficiaries attend health clinics for a specified number of times each year. Impact is expected through increased attendance and reduced drop-outs at schools, and by improved "wellness" among all the other categories of beneficiaries who will be required to visit health centers at least twice a year.
- 1.20 The first payment to beneficiaries under the UBP will be made in January 2002, as part of a pilot phase in the parish of St. Catherine. During the pilot phase, the new targeting instrument will be tested and adjusted if necessary. Full

implementation will take place island-wide beginning in late 2002. Transfer payments in the new program will be increased gradually over a three-year period from the current average J\$90 in the Food Stamp Program, to approximately J\$500 per person per month in the third year of the program (US\$12 at the current exchange rate).

- 1.21 Despite the reduction in administration costs associated with the merger of the three programs into one, the UBP is still expected to require additional resources to fund the large increase in transfer payments. The Government proposes to finance the increased cost of the UBP through a combination of reduced administrative expenses, increased tax revenue inflows, re-allocation from other programs to be rationalized and eliminated, and from funds made available from successful debt reduction strategies. Until such time as all the planned sources materialize under our medium term macroeconomic program, the World Bank will provide a US\$40 million loan to finance the payments of benefits to children and pregnant and lactating women, and to finance institutional strengthening for the successful implementation of the UBP. The Government, through counterpart funds, will finance the payments of benefits to the elderly, the disabled, and some of the working age poor, and for administration of the UBP until the end of the World Bank loan in 2005. Thereafter, the Government will finance the full cost of the UBP through general revenues. Furthermore, a mechanism will be put into place to facilitate periodic reviews of the benefit level to ensure that its real value is maintained over time.

## **2. School based programs**

- 1.22 The bulk of the Government's spending in the social safety net is through school based programs operated by the Ministry of Education, Youth, and Culture. In FY2001-02 for example, the equivalent of approximately US\$20 million has been allocated to the School Feeding Programme (SFP) and for Secondary School Fees Assistance (SSFA). Given the importance of these two programs in the safety net, the Government is embarking on a set of actions in order to ensure their redistribution and developmental impact.
- 1.23 With respect to the SFP, there is an urgent need to modernize the procurement and delivery mechanisms of the school snack to ensure cost-effectiveness. These snacks are currently produced and delivered by Nutrition Products Limited (NPL), a state-owned enterprise that begun operation when the country was receiving food aid through PL-480. The operation of NPL may not be the best use of Government resources, particularly since the plant remains closed for three months of the year when schools are in recess. Government subventions for the operating costs of NPL have increased dramatically over the last few years since the withdrawal of support from the World Food Programme, prompting a need to analyze the most cost-effective procurement and delivery mechanisms for this service.

- 1.24 The Government has recently commissioned, with technical and financial assistance from the IDB, a set of studies that analyze the cost-effectiveness of alternative procurement and delivery mechanisms for both the school snack and cooked lunch, including competitive bidding and local private-public partnerships. The Government is committed to testing several of these least cost options on a pilot basis during the 2002-03 school year, with the technical assistance of the IDB, in order to judge their appropriateness for expansion island-wide. Based on the results of these pilot programmes, the Government is committed to adopting the most cost effective procurement and delivery options.
- 1.25 In terms of targeting, the current system of allocating subsidies to schools for the cooked lunch program has recently been evaluated. Based on this evaluation, we are committed to reforming the current system of subsidies to one that is more progressive, in order to ensure that poor children are the majority recipients of subsidies. Specifically, beneficiaries of the subsidy will be selected using the proxy means test, with a small percentage of subsidies left to the discretion of each school to account for emergencies and other unforeseen circumstances. In addition, the current procedure for distributing subsidies will be reorganized in order to minimize the risk of stigma which prevents some needy children from accepting the subsidy.
- 1.26 Similarly, the targeting of benefits for SSFA will also be strengthened in order to ensure that no child is denied secondary school access due to economic circumstances. To this end, the new uniform targeting instrument will be adopted in the SSFA in order to ensure transparency and equity in the allocation of scarce resources in the safety net. And as a first step, families that qualify for eligibility in the UBP will automatically be eligible for benefits under the SSFA.
- 1.27 Another major school-based program with the potential for breaking the inter-generational transfer of poverty is the Grants to Basic Schools. Given the documented importance of early childhood development in determining the future life-chances of adults, the Government is seeking universal access to early childhood education of a minimum quality. As part of the strengthening of the safety net, we intend to evaluate the system of allocation of grants to basic schools, in order to inform changes that could strengthen the developmental impact of these resources, particularly for poor children.

### **3. Health based programs**

- 1.28 As a first step in this area, the Supplementary Feeding Programme has been terminated, and the needs of the children who usually benefited under the programme will be met by the UBP. In addition, the Jamaica Drugs for the Elderly Programme (JADEP) provides generic price discounted medication to the elderly who suffer from specific diseases such as hypertension, diabetes, glaucoma, arthritis, and asthma; this program is not currently targeted based on income. An evaluation of JADEP will be carried out as part of the reform, in



order to derive lessons learned for use in the design of a proposed National Health Fund.

#### **4. Community based programs**

- 1.29 A major community based SSN program to be rationalized is the Social and Economic Support Programme (SESP). The program will be reviewed, with activities that duplicate income transfer, school-based or other SSN programs being streamlined. The Members of Parliament will continue to make recommendations for individual benefits using the eligibility criteria established under the targeting mechanism. In addition, a ceiling of J\$2M (year 2000 dollars) will be established for the financing of community infrastructure projects such as water supply systems, playing fields and community centers.
- 1.30 A short term project, Lift Up Jamaica, is a public works program that targets youth-at-risk, an increasingly important and volatile group in our society, using their labour in small community infrastructure projects. It is financed from a special pool of resources derived from dividends of state-owned enterprises. The initial pool of funds will be exhausted by the end of fiscal year 2001/02. The program will be evaluated so as to identify best practices, and any follow-up programmes directed at the same group will be informed by the results of this study, including the Youth Development Programme being developed for financing by your Bank through a loan, scheduled to be presented to the Executive Board in 2002.

#### **E. Monitoring and evaluation**

- 1.31 Monitoring of the overall social sector reform will be undertaken at policy and operational levels. The Government's Human Resources Council, a sub-Committee of Cabinet, will monitor to ensure that the policy reforms are being implemented, and will be required to decide on policy adjustments identified. The Policy Review Unit of the Office of the Prime Minister will have "umbrella" responsibility for performance review. The Planning Institute of Jamaica (PIOJ) will continue to maintain the policy research, analysis, and development processes which identify the need for policy adjustments, and to make timely recommendations for consideration.
- 1.32 The monitoring of poverty and living conditions in the country is conducted via the Jamaica Survey of Living Conditions (JSLC), an annual survey conducted since 1989 and financed through general revenues. The Government is committed to financing the continued application of the JSLC in recognition of its important role as a tool for social policy in the country. Within this context, and under the direction of the PIOJ, the scope of the JSLC will be expanded in 2002 to include a special module on access to safety net programs and services. This module will provide baseline information with which to evaluate the short, medium and long term impact (especially of behavioral changes designed to break the poverty cycle for children) of the reforms being introduced. Results of the

research, monitoring and evaluation functions will provide the basis for the Government to review the offerings under all SSN reform programs, and facilitate timely decisions on the need to re-value the benefits and the level of revaluation needed, and on any further restructuring and reform.

- 1.33 As a further monitoring tool, the Statistical Institute (STATIN) and PIOJ will develop a comprehensive poverty map of the country using data from the expanded JSLC 2002 and the 2001 Census. We anticipate that this map will be used as a targeting tool for the community based programs in the safety net.
- 1.34 At the operating level, the MOLSS will introduce a strong monitoring system to assess levels of compliance by all categories of beneficiaries, to support continued payment of benefits. The monitoring process will also allow tracking of beneficiaries, and facilitate exit from the program should their status improve.

**F. Conclusions**

- 1.35 Jamaica has made significant progress in addressing the issues resulting from the need for macroeconomic structural reforms, as well as reforms in the social sector. In this latter area our success has been significant, with poverty rates declining from 30% in 1990 to less than 20% by the end of the decade. As described in this letter, the Government is committed to making substantial further progress in the social safety net area. The policy and procedural changes to be implemented during the next three years should strengthen the soundness and relevance of the social safety net. Accordingly, the Government hopes that our request for a new safety net reform program will be approved, and look forward to continued collaboration with the IDB in this and other areas.

Sincerely,

/signed/  
Omar Davies  
Minister of Finance and Planning

**JAMAICA SOCIAL SAFETY NET REFORM  
(JA-0115)**

<b>MEANS OF VERIFICATION OF TRANCHE CONDITIONS</b>	
<b>Condition number and description</b>	<b>Means of verification</b>
1. Compliance with SMP.	?? Successful completion of 2001 IMF Article IV Consultation and SMP Review, and compliance with SMP targets for primary surplus, overall fiscal deficit, and inflation.
2. Continued maintenance of sound macro policies and management.	?? Successful completion of 2002 IMF Article IV Consultation and SMP Review, and compliance with SMP targets for primary surplus, overall fiscal deficit, and inflation.
3. Evidence that the current FY budget for pre-identified basic social sector programs is at least J\$1,399,589,000.	?? Approved FY 2001-02 budget by Parliament provides for at least J\$1,399,589,000 in basic health and education expenditures in areas previously agreed upon, and published in <u>Estimates of Expenditure</u> by Ministry of Finance and Planning (MFP).
4. Evidence that executed budget in previous FY(s) for protected basic health and education expenditures was (were) at least J\$1,399,589,000 in real terms.	?? Revised estimates of actual expenditure as published in <u>Estimates of Expenditure</u> by MFP should be no less than J\$1,129,789,000 in real terms for in basic health and education and no less than 75% of the Capital A allocation of J\$269,800,000 in real terms.
5. Evidence that at least J\$1,399,198,000 allocated to pre-identified SSN programs in current fiscal year.	?? Approved FY 2001-02 budget by Parliament provides for at least J\$1,399,198,000 in Social Safety Net Programs and published in <u>Estimates of Expenditure</u> by MFP.
6. Evidence that previous FY(s) budget allocation for protected SSN programs was (were) executed according to spending plan.	?? Revised estimates of actual expenditure as published in <u>Estimates of Expenditure</u> by MFP should be no less than J\$1,399,198,000 in real terms for Social Safety Net Programs..

MEANS OF VERIFICATION OF TRANCHE CONDITIONS	
Condition number and description	Means of verification
7. Evidence that budget allocation for protected social sector and safety net programs held at least constant in real terms in current fiscal year.	?? Approved budget by Parliament for current FY maintains in real terms the budget allocation for basic health and education as defined and condition 3 [J\$1,399,589,000 in March 2001 J\$]. Approved current FY budget by Parliament maintains in real terms the total budget for Social Safety Net Programs previously agreed upon [J\$1,399,198,000 in March 2001 J\$]. Allocations as published in <u>Estimates of Expenditure</u> by MFP. Current nominal figures will be adjusted in real terms by the realized inflation rate for the previous fiscal year as published by the Statistical Institute of Jamaica.
8. Cabinet decision that the new uniform targeting mechanism will be used by main SSN programs including individual beneficiaries in the Social & Economic Support Programme .	?? Official communication from PIOJ to the IDB describing relevant Cabinet decision(s), including submission number(s), decision number(s), and decision date(s). ?? The exact proxy means test formula must be agreed to with the IDB.
9. Evidence that beneficiaries in unified benefit program are being selected using the new targeting instrument.	?? Status report from MOLSS on results of the application of the proxy means test in the pilot phase of the Unified Benefits Programme (UBP), including description of revisions and refinements, copy of questionnaire or application form, and number of beneficiaries enrolled via the proxy means test. Any changes to the proxy means test formula must be agreed to with the IDB.
10. Evidence that other key agencies and Ministries have access to data for use in their targeted programs, and that instrument is in use in the Social & Economic Support Programme.	?? Status report from PIOJ on activities that have taken place (training courses, equipment installation, etc) to facilitate use of proxy means test and/or access to MOLSS database by staff of Ministry of Education, Office of the Prime Minister, and Ministry of Health. Progress Report from the PIOJ on the number of beneficiaries selected for the receipt of individual benefits in the SESP using the targeting instrument. Instrument should be operational in at least one parish.
11. Cabinet approval to unify	?? Official communication from PIOJ to the IDB describing relevant

## MEANS OF VERIFICATION OF TRANCHE CONDITIONS

Condition number and description	Means of verification
transfer programs, and make program effective in current FY budget.	Cabinet decision(s), including submission number(s), decision number(s), and decision date(s). Unified Benefit Programme must appear in the budget and be reported in <u>Estimates of Expenditure</u> , published by MFP. Letter from Poor Relief Board of Supervision agreeing to consolidate Poor Relief Programme (outdoor) into UBP.
12. Evidence of implementation of new unified benefit program with at least 45,000 beneficiaries enrolled..	?? Documentary evidence of the number of beneficiaries enrolled in the program to date. Evidence of compliance with the appropriate recommendations informed by the Institutional Study of the SSN regarding establishment of the legal basis of the UBP. This could include entry into effect of any recommended legislative amendments and/or regulatory reforms in order to ensure the legal basis of the UBP.
13. Cabinet approval of new benefit level and transition plan for implementation.	?? Official communication from PIOJ to the IDB describing relevant Cabinet decision(s), including submission number(s), decision number(s), and decision date(s).
14. Maintain real per capita value of benefit as specified in transition plan.	?? Official communication with documentary evidence from the MOLSS that number of beneficiaries and level of benefits in the UBP is as defined in the transition plan submitted to the IDB.
15. Cabinet approval of mechanism for review of benefit level to ensure real value does not erode over time.	?? Official communication from PIOJ to the IDB describing relevant Cabinet decision(s), including submission number(s), decision number(s), and decision date(s). The approved mechanism should specify the responsible agency for doing the technical review and recommendation, the basis upon which the recommendation must be made (% of low cost food basket, poverty line, or similar measure), the Minister responsible for submitting the annual review to Cabinet, and the manner in which the annual review will be made public. The decision must further include a minimum level of benefit that would trigger a correction in order to maintain the real value of the benefit.
16. Cabinet decision to use the targeting instrument to	?? Official communication from PIOJ or Ministry of Education, Youth & Culture (MOEYC) to the IDB describing relevant Cabinet decision(s),

MEANS OF VERIFICATION OF TRANCHE CONDITIONS	
Condition number and description	Means of verification
select beneficiaries for subsidies in the School Feeding Programme (SFP).	including submission number(s), decision number(s), and decision date(s).
17. Evidence that targeting system is being used to allocate subsidies in the SFP Programme.	?? Status report from MOEYC indicating activities that have taken place (training, equipment installation, hiring of staff, etc) to facilitate use of proxy means test for selecting beneficiaries for lunch subsidies. Report on the procedures, rules, and regulations by which students are selected for lunch subsidies, including a copy of the form or questionnaire used to evaluate eligibility, and the number of students selected using the targeting instrument to date. Instrument should be operational in at least one parish.
18. Cabinet decision to use new targeting system to select beneficiaries for SSFA Programme.	?? Official communication from PIOJ to the IDB describing relevant Cabinet decision(s), including submission number(s), decision number(s), and decision date(s).
19. Evidence that targeting system is being used to allocate grants in the SSFA Programme.	?? Status report from MOEYC indicating the activities that have taken place (training, equipment installation, hiring of staff, etc) to facilitate use of the proxy means test for selecting beneficiaries under the cost sharing plan. Report on the procedures, rules and regulations by which students are selected for grants for school year 200203, including a copy of the form or questionnaire employed to evaluate eligibility, and the number of students selected using the targeting instrument.

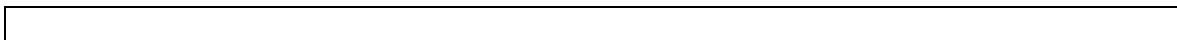
DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **JAMAICA**

### **SOCIAL SAFETY NET REFORM**

**TC-01-07-02-1-JA**

#### **PLAN OF OPERATIONS**







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## SOCIAL SAFETY NET REFORM

**TC-01-07-02-1-JA**

### EXECUTIVE SUMMARY

<b>Requester:</b>	Government of Jamaica		
<b>Executing agency:</b>	Planning Institute of Jamaica (PIOJ)		
<b>Amount and Source:</b>	IDB: (FSO net income)		US\$1,100,000
	Local:		<u>US\$ 619,000</u>
	Total:		US\$1,719,000
<b>Terms:</b>	Execution period:		30 months
	Disbursement period:		36 months
<b>Objectives:</b>	<p>The objective of this technical cooperation is to support the Social Safety Net Reform Program (JA-0115), which will put in place a reformed social safety net capable of addressing the needs of the poor in an efficient and well-targeted manner. The specific objectives are: (i) to support the design and the implementation of institutional reforms of several safety net programs in order to improve their impact, effectiveness and efficiency; and (ii) strengthen the monitoring system of the safety net in order to provide continual feedback to the reform process and collect baseline data for impact evaluation.</p>		
<b>Description:</b>	<p>In order to achieve project objectives, the program will include three components:</p> <p><b>Studies to inform reform.</b> The TC will finance the evaluation of a major works program for unattached youth and young adults—Lift Up Jamaica—in order to inform the design of the Youth Development Program (JA-0119) which is in the pipeline. In addition, the TC will finance the evaluation</p> <p>of three major safety net programs in order to assess their distributional impact, and provide recommendations to improve their efficiency and impact on the poor: Secondary School Fee Assistance Programme (SSFA), Social &amp; Economic Support Programme (SESP), and Grants to Basic Schools.</p> <p><b>Technical Assistance for Reform Implementation.</b> The TC will support the reform and restructuring of several major safety net programs. It will finance the adoption of the uniform targeting mechanism for selection of beneficiaries of the School Feeding Programme, Secondary School Fee Assistance Programme and</p>		

Social and Economic Support Programme. It will also finance the piloting of alternative production and delivery mechanisms for the School Feeding Programme. Finally, the component will finance institutional and operational reforms in the non-core welfare programs, including Golden Age Homes, services for the homeless, and care for the poor in infirmaries.

**Technical Assistance to Support Monitoring, Evaluation and Coordination.** This component will support several activities designed to collect baseline information for impact evaluation and strengthen the monitoring system for the safety net. These activities include an expanded Survey of Living Conditions to be carried out in 2002 with a special module focusing on social programs, technical assistance to PIOJ and the Statistical Institute of Jamaica (STATIN) in the preparation of an updated poverty map, and consultations with beneficiary groups in order to incorporate the perceptions and demands of the poor.

**Environmental/  
Social review:**

The Committee on Environment and Social Impact reviewed the operation, with no additional assessments or action required.

**Benefits and  
beneficiaries:**

The beneficiaries of this program will be poor and vulnerable groups in Jamaica who will benefit from a strengthened and better targeted social safety net. School children in particular will benefit, since major reforms of the SFP, SSFA Programme, and Grants to Basic Schools will be supported by the program.

**Risks:**

The implementation of this TC requires the active involvement and decision making of actors from a variety of social sector ministries. This coordinated implementation strategy is a strength in terms of longer-term sustainability of the investments and the reforms. However, it does introduce a level of greater complexity in the implementation process as significant amount of time and resources are required for consensus building. This risk is being mitigated by funding a coordinator to work with the existing group of professionals within the PIOJ.

**Bank's country  
and sector  
strategy:**

The Bank's strategy in Jamaica described in the country paper (GN-2025) is twofold: (i) to support the establishment of a sound macroeconomic environment characterized by sustainable fiscal and balance-of-payments positions; and (ii) to support a process of structural adjustment and reform that will improve the conditions for private sector led growth, which includes public sector strengthening and reform. This operation is consistent with the Bank's objectives of supporting the reform of the public sector in order to reduce duplication and administrative costs, and thus to increase efficiency.

**Special  
contractual  
conditions:**

Conditions prior for first disbursement:

PIOJ must have selected, with the Bank's no objection, the Project Coordinator.

PIOJ will establish an adequate accounting system for the financial administration and management of the project and will assign the required personnel for this purpose.

**Exceptions to  
Bank policy:**

None.



## I. BACKGROUND

### A. Macroeconomic framework

- 1.1 Jamaica has experienced large fiscal deficits over the last five years due to a long-term accumulation of outstanding debt, and more recently, the government's bail out of large indebted banks during a financial crisis in 1997. These deficits averaged around 6% in the latter half of the 1990s and declined to 4% in FY1999/2000.<sup>1</sup> In order to balance the budget and curb the adverse debt dynamics fueled by the deficit, the government has committed itself to a further reduction in the fiscal deficit. As a signal of its commitment to this policy, the government has agreed on a Staff Monitored Programme (SMP) with the IMF for the period 2000-2002, one component of which is the strengthening of the Social Safety Net (SSN) in order to protect the poor during this adjustment period. The Bank's program is intended to support the government's efforts to transform and strengthen the SSN.

### B. Overview of current social safety net

- 1.2 Jamaica spends approximately US\$80 million per year on social safety net programs, defined as programs intended to provide assistance to poor and vulnerable groups.

#### 1. Income transfer programs

- 1.3 Jamaica has three main income support programs which provide cash or in-kind welfare benefits, and which together account for about 16% of spending in the SSN. The largest and most important of these is the **Food Stamp Programme** (FSP), which was started in 1984 in part as a response to large public sector layoffs at that time, and is administered through the Ministry of Labour and Social Security (MOLSS). The FSP's annual budget is US\$7 million, and there are about 200,000 beneficiaries, with the two largest beneficiary groups being the elderly and/or disabled, and families with nutritionally at-risk children aged 0-5.
- 1.4 The second income transfer program is the outdoor **Poor Relief Programme**, which also targets the elderly and disabled, as well as indigent families, and is administered by the Ministry of Local Government & Community Development. Beneficiaries are identified by local poor relief workers, who also perform casework. There are about 24,000 beneficiaries in this program. The third income transfer program is the **Public Assistance Programme**, also administered by the MOLSS. This program provides a small cash transfer to a target group consisting of the elderly poor, disabled, and indigent individuals.
- 1.5 **Targeting and coverage.** All three transfer programs are affected by both leakage and under-coverage. The majority of beneficiaries in the Food Stamp

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<sup>1</sup> The fiscal year runs from April 1 to March 31.

Programme (children, the elderly and disabled) is self-selected, and does not undergo a means test. In spite of this fact, only 15% of the poorest quintile, and 9% of the second poorest quintile, receive food stamp benefits. While all three programs are generally progressive in their distribution of benefits, there is still significant leakage. In the Food Stamp Programme, for example, approximately one-third of beneficiaries comes from the three richest per capita household consumption quintiles.

- 1.6 **Level of benefits.** Another key issue affecting the impact of cash transfer programs as a whole is the low overall level of benefits for recipients. For example, Public Assistance and Poor Relief provide an average monthly benefit of US\$4 per person, while the Food Stamp Programme pays less than US\$2 per child per month. The per capita value of all three transfers combined adds up to about 10% of the overall poverty line in Jamaica.
- 1.7 **Lack of coordination and beneficiary group overlap.** The three programs have the same key target groups, most notably the elderly poor, the disabled and indigent families. Given that the level of benefits from any one program is unlikely to make any significant difference in well being, poor beneficiaries must participate in two or more of the programs to obtain some meaningful level of support. However, coordination is low among the three programs. Among outdoor poor relief beneficiaries, for example, only 25% also receive food stamps.

## **2. School-based programs**

- 1.8 The Ministry of Education, Youth, & and Culture (MOEYC) administers a subsidized **School Feeding Programme (SFP)**, which consists of a hot lunch component and a snack component (“nutribun” and milk). The program is intended to provide one meal per day to beneficiaries in basic, infant, primary, all-age, junior high and comprehensive schools. According to the Ministry’s Corporate Plan for 1998-99, the objective of the program is to “provide students with meals of basic nutritional value in an effort to encourage regular attendance, and give support to developmental activities in the schools.”
- 1.9 The cost of lunch is shared by the government (through a subsidy of the production and delivery of the different products) and the student, and schools provide up to 20% free lunches to needy students identified by school administrators. The cost to students of the snack is J\$2 (US\$0.02) and the cost of the cooked lunch ranges from approximately J\$10 to J\$40 (US\$0.22 to US\$0.86), depending on the school. The SFP is one of the larger items in the SSN, with an annual budget of US\$11 million and coverage of about 170,000 with the snack and 130,000 children in the cooked lunch program.
- 1.10 School attendance, especially for poor children in rural areas, is a significant problem in Jamaica, and the design of the SFP may contribute to this problem, since the current cost-recovery and exemption procedures are neither systematic nor well monitored. The cost of lunch is the most significant component of non-



tuition out-of-pocket school expenditures for households, representing 40% of all such expenditure; 80% of households from the lowest quintile cite 'money problems' as the main reason for non-attendance by children. In addition, data from the 1999 SLC show that 59% of children from the richest quintile participate in the SFP, while only 65% of children from the poorest quintile do so.

- 1.11 The other safety net program for school-aged children is the **School Fee Assistance Programme**, designed to help needy secondary level students pay school fees that were introduced in 1994/95 as part of a formal Cost Sharing Scheme which requires that parents contribute to the cost of secondary education. Parents must apply for assistance, and the school principal or guidance counselor determines the amount of subsidy, if any, based on an assessment of need. In 1997, 38,500 students received assistance, 18% of which received a full fee waiver. Only 17% of the students who receive waivers are from the poorest quintile while 31% of students who receive fee waivers are from quintile 4.
- 1.12 An important education-based program with the potential for impacting poor families is the **Grants to Basic Schools Programme**. Enrollment in early childhood education (ages 3-5) is nearly 90% in Jamaica, and predominantly through basic schools (community schools most with government funding) or infant departments of primary schools. Jamaica is thus close to achieving its target of universal early childhood education by 2004. The budget for this program increased by 85% in real terms, from US\$7.8 million in 1998-99 to US\$15 million in 2001-02. Nonetheless, children of the poorest quintile (who are most likely to be at risk developmentally) are concentrated in the group with less access to early childhood programs. Twenty percent of children in the first quintile and 14% in the second quintile do not attend services compared to 9% in the highest quintile.
- 1.13 **Targeting and impact on the poor.** The three school-based programs face difficulties targeting the poorest students. Given the designation of all three interventions as poverty alleviation programs, the distribution of benefits should be more progressive than is currently the case. Additionally, the programs need to encourage human capital development of poor children by: (i) improving school attendance, particularly in rural areas; (ii) improving enrollment and attendance of poor youth in secondary school, and (iii) increasing investment in early childhood education for poor children. The current design of the targeting of the subsidies in these programs does not clearly respond to these needs.
- 1.14 **Cost effectiveness and efficiency.** A major portion of the budget of the SFP consists of a subsidy to Nutrition Products Limited (NPL), a state-owned company that is the sole producer and distributor of the snack and drink component of the program. The subvention to NPL has increased steadily over the last four years, and is approximately US\$4 million in 2001-02. On the other hand, the cooked lunch modality is significantly more costly per calorie than the snack.

### 3. Other SSN programs

- 1.15 There are three community-based safety net interventions. The largest is **Lift Up Jamaica**, a public works program targeted towards youth-at-risk (ages 18-30). It was designed as a short-term response to a critical social situation, with a project life of 18 months and earmarked funding from several public sector enterprises. The **Social and Economic Support Programme** (SESP) is administered by the Office of the Prime Minister and provides funds to communities for infrastructure projects, as well as a range of individual benefits, including school materials, funerals, housing for the indigent, and support of entrepreneurial activity. SESP does not employ a standardized targeting method for selecting beneficiaries. The **Jamaica Social Investment Fund** (JSIF), which is co-financed by the IDB (Loan No. 1005/OC-JA), the World Bank and other donors, is a traditional social fund that finances community social and economic infrastructure on a demand-driven basis.
- 1.16 The Ministry of Health operates the **Jamaica Drugs for the Elderly Programme** (JADEP) which provides subsidized drugs to the elderly who suffer from specific diseases such as hypertension, diabetes, glaucoma, arthritis, and asthma. The Ministry also administers a small supplementary feeding program, targeted to malnourished children, which is being phased out.

### C. Government strategy

- 1.17 Jamaica's most recent Poverty Eradication Strategy is summarized in Ministry Paper #13, signed by the Prime Minister in 1997, which sets broad guidelines for programming in this area. Key features of the strategy include a focus on more development oriented programs that especially target families with small children, better overall targeting of programs, and rationalization to increase cost effectiveness where possible. The strategy also officially classifies the school feeding program as a poverty alleviation program.
- 1.18 Within the framework of Ministry Paper #13, as well as the present context of fiscal restraint, the government has developed a concrete proposal for a comprehensive reform of the social safety net. This was done through a collaborative effort of line Ministries and the country's main development partners (Caribbean Development Bank, Canadian International Development Agency, Department for International Development, European Union, Inter-American Development Bank, United Nations Children's Fund, and the World Bank), and has been coordinated by the Planning Institute of Jamaica (PIOJ).
- 1.19 The government proposal is based on a sector-wide approach, encompassing all existing programs targeted to the poor. The proposal identifies five key features of the reformed social safety net: (i) programs must be distinctively pro-poor, designed to address the risks and conditions associated with poverty and targeted using an objective and transparent mechanism to identify potential beneficiaries; (ii) programs and services must be integrated to increase their impact and reduce

the cost of service delivery, (iii) the range of benefits should be comprehensive, adequate in value and delivered on a timely basis; (iv) the SSN must be flexible and adaptable, including a core set of programs which can be easily scaled up or down as required; and (v) the SSN must be fiscally sustainable in the long term and efficient in the short term.

- 1.20 In this context, one of the key reform measures proposed is the development and implementation of a universal beneficiary identification system based on a proxy means test, much like Colombia's SISBEN. The system is to be used by the main safety net programs in order to increase transparency in the selection of beneficiaries, reduce the administrative costs associated with having each program carry out its own assessment of eligibility, and improve targeting. The proposal also calls for the unification of the three cash/in-kind transfer programs into one unified benefit, reducing fragmentation and duplication; cost-savings are to be translated into a higher benefit level, in order to improve the impact of the program on poverty levels.
- 1.21 In addition to restructuring the income support programs, the proposal also calls for reform of the various school-based and other programs, improving their targeting, efficiency and impact. Finally, the reform places emphasis on the development of monitoring and evaluation systems for the various programs, building on existing instruments, such as the yearly Survey of Living Conditions.

#### **D. Bank experience and other donor interventions**

- 1.22 The most recent Bank initiative in the safety net area is the JSIF, which is co-financed by the IDB and the World Bank. In addition, the Bank is currently involved in the implementation of broad reforms of the health (1028/OC-JA) and education (Loan No. 1264/OC-JA) sectors, which include among their objectives improved access and quality of services for the poor. The Bank is also currently preparing a Youth Development operation (JA-0119), which will be complementary to this operation.
- 1.23 The World Bank is supporting the redesigned safety net through an investment operation of approximately US\$40 million. The majority of this loan (83%) will finance the cash transfers in the Unified Benefit Programme (UBP), which will come about through the merger of the Food Stamp Programme, Public Assistance, and Poor Relief Programme (outdoor). The creation of the UBP is part of the IDB sector loan conditionality matrix. The World Bank loan will also finance technical assistance in support of the merger of the three programs, including introduction of the proxy means test, modernization of delivery systems, and monitoring and evaluation.

#### **E. Bank strategy**

- 1.24 The Bank's strategy in Jamaica described in the country paper (GN-2025) is twofold: (i) to support the establishment of a sound macroeconomic environment

characterized by sustainable fiscal and balance-of-payments positions, and (ii) to support a process of structural adjustment and reform that will improve the conditions for private sector led growth, which includes public sector strengthening and reform. The proposed operation is consistent with the Bank's objectives of supporting the reform of the public sector in order to reduce duplication and administrative costs, and thus to increase efficiency.

## **II. THE PROGRAM**

### **A. Objectives**

- 2.1 The proposed technical cooperation is designed to support the reform process described in the sector loan document, which will put in place a reformed social safety net capable of addressing the needs of the poor in an efficient and well-targeted manner. The specific objectives are: (i) to support the design and implementation of institutional reforms of several of the safety net programs in order to improve their impact, effectiveness and efficiency; and (ii) to strengthen the monitoring system of the social safety net in order to provide continual feedback to the reform process and provide baseline data for impact evaluation.

### **B. Program description**

- 2.2 The technical cooperation will accomplish these objectives by: (i) financing studies and evaluations of specific programs in order provide information for their restructuring; (ii) providing technical assistance in the implementation of reforms in the major safety net programs, with special emphasis on the adoption of the uniform targeting instrument by major programs; and (iii) strengthening the monitoring and evaluation capabilities of local institutions.

#### **1. Studies to inform reform**

- 2.3 The objective of this component is to finance the assessment of specific safety net programs in order to provide necessary information for redesign and restructuring. The following activities will be financed:
- a. Evaluation of Lift Up Jamaica, currently in its final phase, designed to document the experience and lessons learned. The evaluation will focus on: the socioeconomic and geographic profile of the participants; assess the usefulness of their involvement in the program in terms of aiding their insertion into the workforce on a more stable basis; the impact of the public works on the local community; and the cost-effectiveness of the program. The lessons learned will be used as input for the preparation of the Youth Development Program (JA-0119).
  - b. Comprehensive study of the current School Fee Assistance Programme. The first part of the study will assess: (i) the amount of funds being collected by

the participating schools from fees paid by parents; (ii) the impact of fee collection on schools in terms of administrative procedures and use of the funds; (iii) the existing procedures for applying for assistance, evaluating applicants and awarding assistance; (iv) the current distribution of the assistance that is awarded; (v) the estimated number of poor students who currently do not receive assistance; and (vi) the public's perception of the program. On the basis of this study, recommendations for reforming the program will be developed, and an action plan to incorporate the proxy means test will be prepared.

- c. Evaluation of the SESP within the context of the government's goal to improve the efficiency and effectiveness of the SSN by eliminating duplications between programs. The study will focus on areas of potential overlap between the SESP and other programs and outline the necessary operating procedures for SESP to adopt the new targeting instrument for the selection of individual beneficiaries.
- d. Assessment of the Grants for Basic Schools programme, including a review of: (i) the distributional impact in socio-economic terms of the current funding arrangement; and (ii) the way in which the current financing mechanism promotes or hinders quality service provision for children of different income groups and geographic locations. The preparation of the terms of reference for the study and the discussion of the results will be done in collaboration with the local stakeholders who contributed to the recent strategic review of the national early childhood programme.

## **2. Technical assistance for reform implementation**

2.4 The objective of this component is to assist line ministries and other agencies to implement the agreed upon reforms. The component will finance:

- a. Adoption of the targeting instrument by the major safety net programs, which are policy conditions of the sector loan. Specifically, the program will finance technical assistance, training, and computer equipment to enable the Ministry of Education to apply the proxy means test to the Secondary School Fee Assistance Programme and the School Feeding Programme, and to the Office of the Prime Minister to apply to the SESP. In addition, information and training on the use of the proxy means test will be provided to other agencies, such as the Ministry of Health, where the instrument might eventually be applied to other programs.
- b. Pilot testing of alternative production and delivery mechanisms for the School Feeding Programme, designed to increase cost-effectiveness. A preliminary study of the program carried out during project preparation recommended against a "one size fits all" approach to production and delivery given the different conditions facing schools in urban vs. rural areas and other factors. The program will finance the execution and evaluation of

pilots using local competitive bidding, public-private partnerships, and community participation as alternative modalities.

- c. Adoption of institutional and operational reforms in “non-core” safety net programs, which include care given to the poor people in infirmaries and the Golden Age Homes, services for the homeless, and the rehabilitation and compassionate grants, which are administered by the MOLSS and the Ministry of Local Government and Community Development. These reforms are designed to improve the quality of services through better case management, increase cost-effectiveness and minimize administrative costs.

### **3. Technical assistance to support monitoring, evaluation and coordination**

- 2.5 This component will support several activities designed to collect baseline information for impact evaluation of the reformed safety net and strengthen the monitoring system in order to provide continual feedback to the reform process. In particular, it will fund:

- a. An expanded Survey of Living Conditions to be carried out in 2002 with a special module focusing on social programs in order to provide baseline information on access and targeting.
- b. Technical assistance to PIOJ and the Statistical Institute of Jamaica (STATIN) in the preparation of an updated and detailed poverty map using the expanded Survey of Living Conditions and the 2001 census data. This poverty map will be used to identify poor communities that can benefit from community-based programs, such as the JSIF.
- c. Stakeholder consultations designed to obtain feedback from beneficiaries and other relevant actors in the process of reform, and incorporate their concerns.

- 2.6 The program will finance a full-time project coordinator based at PIOJ, who will be responsible for coordinating the activities of all the agencies involved in the program. The selection of the coordinator will be a condition prior to first disbursement.

### **C. Cost and financing**

- 2.7 The total cost of the project is estimated at US\$1,719,000. The Bank will finance \$1,100,000 from the net income of the Fund for Special Operations (net income FSO) and the counterpart contributions of US\$619,000 financed by GOJ will be provided in cash and in kind. A summary cost table is presented below.

BUDGET				
		Total Cost	IDB	Counterpart
<b>1</b>	<b>Studies to Inform Reforms</b>	<b>185,000</b>	<b>185,000</b>	<b>0</b>
1.1	Lift Up Jamaica	50,000	50,000	
1.2	SSFA	50,000	50,000	
1.3	SESP	20,000	20,000	
1.4	Grants for Basic Schools	15,000	15,000	
1.5	Social Protection and Policy Studies	50,000	50,000	
<b>2</b>	<b>Reform Implementation</b>	<b>800,000</b>	<b>400,000</b>	<b>400,000</b>
2.1	Adoption of Targeting Instrument	150,000	150,000	
2.1.1	Ministry of Education programs (SFP & SSFA)	100,000	100,000	
2.1.2	OPM (SESP)	30,000	30,000	
2.1.3	Training for other agencies	20,000	20,000	
2.2	Technical Assistance for other Reform Implementation	650,000	250,000	400,000
2.2.1	SFP	600,000	200,000	400,000
2.2.2	Non-core welfare programs	50,000	50,000	
<b>3</b>	<b>Monitoring &amp; Evaluation</b>	<b>520,000</b>	<b>325,000</b>	<b>195,000</b>
3.1	Expanded SLC with SSN Module	440,000	245,000	195,000
3.2	Poverty Map Exercise	50,000	50,000	
3.3	Stakeholder Consultations	30,000	30,000	
<b>4</b>	<b>Program coordination and administration</b>	<b>180,000</b>	<b>156,000</b>	<b>24,000</b>
4.1	Coordinator	120,000	120,000	
<b>4.2</b>	<b>External Audit</b>	<b>20,000</b>	<b>20,000</b>	
<b>4.3</b>	<b>Accounting Services</b>	<b>40,000</b>	<b>16,000</b>	<b>24,000</b>
<b>5</b>	<b>Contingencies</b>	<b>34,000</b>	<b>34,000</b>	
	<b>Totals</b>	<b>1,719,000</b>	<b>1,100,000</b>	<b>619,000</b>

### **III. PROGRAM EXECUTION**

#### **A. The executing agency**

- 3.1 The PIOJ will be the agency responsible for the implementation of the Technical Cooperation's Plan of Operations. The execution of this TC will require close coordination and collaboration with the Ministry of Finance and Planning, the Ministry of Education, Youth and Culture, Ministry of Health, Ministry of Labor and Social Security, STATIN, Ministry of Local Government and Community Development and the Office of the Prime Minister. Due to the multi-institutional and multi-sector nature of the operation, a steering committee has been created with the participation of representatives of the above ministries and chaired by PIOJ, in order to coordinate the overall reform agenda and implementation.

#### **B. Procurement of goods and services**

- 3.2 Procurement of consulting services, goods and services will be carried out by PIOJ according to applicable Bank procedures and policies.

#### **C. Execution and disbursement schedule**

- 3.3 The program duration is estimated at 30 months. Thirty-six months have been provided for the disbursement of the resources from the date of the agreement. The Bank will establish a revolving fund of the Bank's contribution upon compliance with the special and standard Bank conditions prior to first disbursement, in accordance with Bank policies and procedures. PIOJ will open a separate account on a commercial bank for the management of the program's resources, and will prepare and submit to the Bank semi-annual reports on the status of the revolving fund. PIOJ, as a condition prior to first disbursement, will establish an adequate accounting system for the financial administration and management of the project and will assign the required personnel for this purpose.

#### **D. Monitoring and reporting**

- 3.4 Monitoring of this project will take place through both regularly scheduled reports and consultants' technical reports as they are completed. The executing agency will submit the following information to the Bank:
- a. An inception report within two months of the technical cooperation agreement being declared eligible for disbursement. This report will include revised terms of reference (where necessary) and a detailed action plan for the project duration;
  - b. A mid-term progress report documenting the execution of each component and activity, assessing progress towards project objectives, identifying issues and proposing variations to the work plan. The mid-term report will be submitted to the Bank upon having disbursed 50% of the Bank's contribution



or one year after first disbursement, whichever occurs first. This report will serve as the basis for the mid-term review.

- c. A final report within 60 days of project termination. The final report will describe the project results and the action plan for continued implementation of SSN reform activities and the monitoring of the same.
  - d. All interim and final reports from each of the consultancies will be presented to the Bank.
- 3.5 COF/CJA will monitor and supervise the grant's technical, financial and administrative execution, in coordination with RE3/SO3. A mid-term review, with participation of the COF/CJA and RE3/SO3 team members will be scheduled between 12-15 months after the project becomes eligible for disbursement, likely at the time of the review of the second tranche conditions of the parallel sector loan.
- 3.6 Financial statements and audit. Within ninety days after the close of each fiscal year, the executing agency will prepare and submit the financial statement of the program. Within ninety days after the final disbursement date, the executing agency will prepare and submit an audited financial statement of the program. This statement will be audited by a firm of independent auditors acceptable to the Bank.

#### IV. BENEFITS AND RISKS

##### A. Benefits

- 4.1 **Improved transparency and targeting of safety net resources.** The social safety net suffers from lack of uniformity in terms of beneficiary selection and significant leakage and under-coverage. The reformed system will use a uniform targeting mechanism for selecting beneficiaries of the major safety net programs, ensuring transparency, consistency and lower administrative costs. Furthermore, the use of a proxy means test based on results will greatly improve the targeting of beneficiaries, ensuring that the poor are adequately served by the safety net, and leakages to the non-poor are minimized.
- 4.2 **Improved cost effectiveness of safety net programs.** The proposed operation will introduce reforms to improve cost-effectiveness in procurement and delivery of the School Feeding Programme, SESP and non-core welfare programs, in order to allow for greater coverage with the same level of government financing.
- 4.3 **Strengthened monitoring systems.** The proposed operation will strengthen the Government's ability to monitor the implementation of the reform, and introduce corrective actions as needed. In addition, the operation will finance the collection

of comprehensive baseline data for a future impact evaluation of the reformed safety net.

**B. Risks**

- 4.4 **Coordination of activities.** The implementation of this TC requires the active involvement and decision making of actors from a variety of social sector ministries. This coordinated implementation strategy is a strength in terms of long term sustainability of the investments and the reforms. However, it does introduce a level of greater complexity in the implementation process as significant amount of time and resources are required for consensus building. This risk is being mitigated by the creation of a multi-sectoral Steering Committee chaired by PIOJ and the hiring of a full-time coordinator under the program.

**LOGICAL FRAMEWORK**  
**SUPPORT TO THE SOCIAL SAFETY NET REFORM**  
**IMPLEMENTATION AND MONITORING**  
**(TC-01-07-02-1-JA)**

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<b>A. GOAL:</b>			
Implement reform of the Social Safety Net (SSN) Reform designed to better address the needs of the poor in an efficient and well targeted manner.	<p>Reduced leakage to non-poor in major SSN programs</p> <p>Reduced administrative costs of major SSN programs</p> <p>Reduced duplication of programs</p>	SLC	
<b>B. PURPOSE:</b>			
<p>Support the design and implementation of institutional reforms of several of the safety net programs.</p> <p>Strengthen the monitoring system in order to provide continual feedback to the reform process and collect baseline information for impact evaluation</p>	<p>Recommendations and action plan from the studies have been implemented by GOJ.</p> <p>SLC, Poverty Map and stakeholder consultations carried out.</p>	Project reports.	Cabinet approval of proposed reforms.
<b>C. COMPONENTS:</b>			

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
1. Carry out studies to inform continued reform.	Evaluations of Lift-Up Jamaica, Secondary School Fee Assistance, SESP, and Grants to Basic Schools completed and recommendations adopted.	Communication of HRC/Cabinet decisions regarding studies' recommendations.	PIOJ is able to coordinate the multi-sectoral/inter-agency involvement in the studies in a way that creates consensus.
2. Provide technical assistance for the implementation of reforms in several of the SSN programs.	<p>2.a Ministry of Education has adopted use of the new targeting instrument for SSFA and SFP.</p> <p>2.b OPM has adopted use of the new targeting instrument for individual benefits granted under SESP.</p> <p>2.c Two pilots of SFP have been implemented and evaluated.</p> <p>2.d Key recommendations of the institutional assessment of non-core welfare benefits have been implemented.</p>	<p>Operating guidelines of the SSFA and SFP.</p> <p>Operating guidelines of SESP</p> <p>Evaluation reports of SFP pilots.</p> <p>Implementation report of the welfare programs' reform.</p>	PIOJ is able to coordinate the multi-sectoral/inter-agency involvement in the studies in a way that creates consensus.

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
3. Improve the monitoring, evaluation and coordination capacity	3.a. Expanded SLC carried out and analyzed.  3.b. Updated Poverty Map in existence and use by community development SSN programs.	3.a. SLC results and analytical reports.  3.b. Poverty map; operating guidelines of main community development programs.	PIOJ is able to coordinate the multi-sectoral/inter-agency involvement in the studies in a way that creates consensus.
<b>D. INPUTS:</b>	<b>BUDGET SUMMARY</b>		
Administrative costs Studies Reform implementation Monitoring and evaluation	Project Coordination and Administration: US\$180,000 Consultancies: US\$185,000 Consultancies and MIS: US\$800,000 Consultancies: US\$520,000	Executing agency financial reports External audit	