

PD-AAZ-594  
6215

Project No.: 532-0152

PROJECT GRANT AGREEMENT  
Between the  
GOVERNMENT OF JAMAICA  
and the  
UNITED STATES OF AMERICA  
for the  
HEALTH SECTOR INITIATIVES PROJECT

Dated: 27 JUL 1989  
Appropriation: 72-1191021  
BPC: LDHA-89-25532-KG13  
Amount: \$468,000

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PROJECT GRANT AGREEMENT

Between

The Government of Jamaica ("Grantee")

And

The United States of America, acting through the Agency  
for International Development ("A.I.D.") as Grantor

**ARTICLE 1:**        The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below and with respect to the financing of the Project by the Parties.

**ARTICLE 2:**        The Project

Section 2.1.: Definition of the Project. The Project, which is further described in Annex I, consists of activities which will (1) work simultaneously with the public and private health sectors in the areas of health services utilization, drug costs and utilization, health insurance coverage and adoption of public sector policies to facilitate increased health insurance coverage and private sector expansion; (2) promote the shifting of financial and health care delivery burdens to the private sector for those who can afford to pay; and (3) assist the Ministry of Health (MOH) in the areas of financing and management, specifically: to analyze and formulate long term policy options for sustainable mechanisms to finance health care in Jamaica; increase cost recovery through improved systems of user fees; and improve the quality of health care services through improved management and planning structures and rationalized health care services in both primary and secondary care.

Annex I attached, amplifies the above description of the Project. Within the limits of the above definition of the

Project, elements of the amplified description stated in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2. without formal amendment of this Agreement.

Section 2.2.: Incremental Nature of Project.

- (a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1. of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to mutual agreement of the Parties, at the time of a subsequent increment, to proceed.
- (b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Cooperating Country, may specify in Project Implementation Letters appropriate time periods for the utilization of funds provided by A.I.D. under an individual increment of assistance.

ARTICLE 3: Financing

Section 3.1.: The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement an amount not to exceed Four Hundred Sixty Eight Thousand UNITED STATES DOLLARS (\$468,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1., and local currency costs, as defined in Section 6.2., of goods and services required for the Project.

Section 3.2.: Grantee Resources for the Project.

- (a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.
- (b) The resources provided by the Grantee for the Project will be not less than the equivalent of U.S. \$1,855,000, including costs borne on an "in-kind" basis.

Section 3.3.: Project Assistance Completion Date

- (a) The Project Assistance Completion Date (PACD) which is July 27, 1996, or such other date as the Parties may

agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

- (b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.
- (c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1., no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

**ARTICLE 4:        Conditions Precedent to Disbursement**

**Section 4.1.: First Disbursement.** Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and
- (b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2., and of any additional representatives, together with a specimen signature of each person specified in such statement.

Section 4.2.: Notification. When A.I.D. has determined that the conditions precedent specified in Sections 4.1. have been met, it will promptly notify the Grantee.

Section 4.3.: Terminal Dates for Conditions Precedent. If the conditions specified in Section 4.1. have not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

**ARTICLE 5:        Special Covenants**

Section 5.1.: Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

- (a) Evaluation of progress toward attainment of the objectives of the Project;
- (b) Identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) Assessment of how such information may be used to help overcome such problems; and
- (d) Evaluation, to the degree feasible, of the overall development impact of the Project.

**ARTICLE 6:        Procurement Source**

Section 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services, including ocean shipping, required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality, in the United States of America (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance. Ocean transportation costs will be financed under the grant only on flag vessels under flag registry of the U.S., except as A.I.D. may otherwise agree in writing.

Section 6.2.: Local Currency Costs. Disbursements pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Jamaica ("Local Currency Costs").

ARTICLE 7: Disbursement

Section 7.1.: Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods and services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for disbursement or reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services on Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2.: Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for local currency costs required for the Project in

accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance costs.

(b) The local currency needed for such disbursements may be obtained:

- (1) by acquisition by A.I.D. with U.S. Dollars by purchase; or
- (2) by A.I.D. (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for the procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b)(1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

**Section 7.3.: Other Forms of Disbursement.** Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

**Section 7.4.: Rate of Exchange.** Except as may be more specifically provided under Section 7.2., if funds provided under the Grant are introduced into Jamaica by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Jamaica at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Jamaica.

**ARTICLE 8: Miscellaneous**

Section 8.1.: Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To the Grantee

Mail Address

The Minister of Finance  
Ministry of Finance  
30 National Heroes Circle  
Kingston 4, Jamaica

Cable Address

The Minister of Finance  
Ministry of Finance  
30 National Heroes Circle  
Kingston 4, Jamaica

To A.I.D

Mail Address

Director  
USAID/Jamaica  
P.O. Box 541  
6b Oxford Road  
Kingston 5, Jamaica

Cable Address

USAID/Jamaica

Other addresses may be substituted for the above upon giving of notice. The Grantee, in addition, will provide the USAID Mission with a copy of each communication sent to A.I.D.

Section 8.2.: Representatives. For all purposes relevant to this Agreement and its amendments, the Grantee will be represented by the individual holding or acting in the office of Minister of Finance and A.I.D. will be represented by the individual holding or acting in the office of the Mission Director, USAID/Jamaica, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1. to revise elements of the amplified description in Annex I.

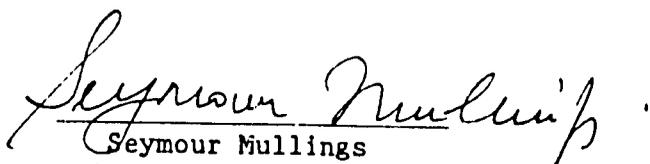
The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D. which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 8.3.: Standard Provisions Annex. A "Standard Provisions Annex" (Annex II) is attached to and forms part of this Agreement.

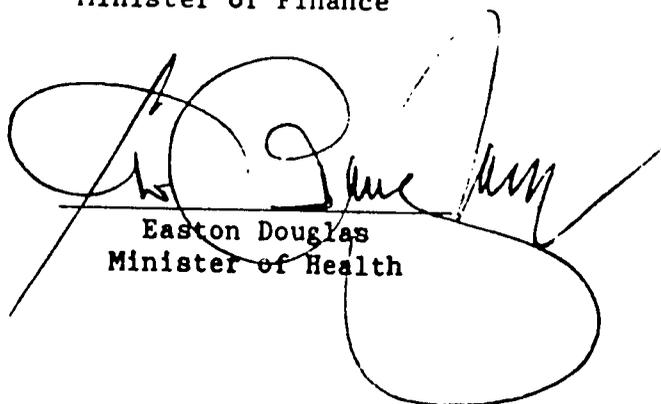
IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

GOVERNMENT OF JAMAICA

UNITED STATES OF AMERICA

  
Seymour Mullings  
Minister of Finance

  
Myron Golden  
Acting Director  
USAID/Jamaica

  
Easton Douglas  
Minister of Health

Date: 21 JUL 1969

Amplified Description of the Project

Elements of the Amplified Description of the Project may be changed by written agreement of the authorized representatives of the parties named in the Project Agreement without formal amendment of the Agreement, provided that such changes are within the general scope of the Project as set forth in Section 2.1. of the Agreement.

I. Description of the Project

The goal of the seven-year Project is to improve the health status of the Jamaican people. The purpose of the Project is to improve the quality and efficiency of current and future health services delivery.

The Project is designed to address the problem of insufficient public resources to provide free health services for all citizens, regardless of income. The objectives are:

- to spread the financial burden of health care costs by tapping additional resources; and
- to improve the quality of health care services.

Over the seven year life of the Project, the Project will assist the Ministry of Health (MOH) in the areas of financing and management, specifically to analyze and formulate long term policy options for sustainable mechanisms to finance health care in Jamaica; increase cost recovery through improved systems of user fees; and improve the quality of health care services through improved management and planning structures and rationalized health care services in both primary and secondary care.

The Project will improve cost efficiency in public facilities through improved management and rationalization of staff and facilities, and the privatization of support services. Efficiency activities will concentrate on strengthened management in primary and secondary care, headquarters, and alternative approaches to managing public facilities.

The Project will work simultaneously with the public and private health sectors in the areas of health services utilization, drug costs and utilization, health insurance coverage and adoption of public sector policies to facilitate increased health insurance coverage and private sector expansion. The Project will promote the

shifting of financial and health care delivery burdens to the private sector for those who can afford to pay. This shift will be promoted by more efficient cost recovery, increased health insurance coverage, and social marketing to promote these efforts.

Expected outputs are increased levels of health insurance coverage, increased private sector investments in health care, improved quality of care, improved financial viability of the private health sector and strengthened public and private partnerships in health.

The overall strategy adopted is to build upon the considerable strengths of the combined public and private health care services sectors to increase productivity, increase private source revenues, reduce costs, expand coverage, and improve quality of services provided.

More specifically, the Project is designed to: (1) increase efficiency and productivity at public sector hospitals, where 95 percent of Jamaicans receive secondary care, and which account for 61 percent (1986) of government health expenditure; (2) increase revenues at public hospitals from those who can pay; (3) increase the productivity and expand the market for private hospital and medical support services among persons now relying on public facilities; (4) expand private payment of health care costs through commercial health insurance; (5) increase productivity of private hospitals and their capacity to serve a broader segment of the population; and (6) foster closer collaboration between public and private sector health care providers in order to make more economic utilization of the total national health care human and material infrastructure.

This Project addresses most key factors now constraining the provision of health care services in Jamaica. However, the Project does not provide either additional professional manpower or financial capital. Instead, it focuses on better utilization and/or increased mobilization of existing sources of human and financial capital, public and private.

The public sector components of the Project will assist the MOH with continued implementation of financing and management initiatives which have proved successful in the past, and with analysis of policy options which represent new directions for the future. The primary focus of these components is to assist the MOH to plan and implement initiatives for improved management and financing of the health services. As the public sector continues to provide the majority of health services in Jamaica, particularly secondary and tertiary, and is the major financier of health services, it is critical to achievement of Project objectives that public health services be upgraded.

At the same time, the Project will assist the GOJ in its analysis of the potential role which the private sector can play in the financing and provision of health care services in the long term. The Project will provide direct assistance for an expanded private sector role in the delivery of health care and an expansion in the percentage of the population covered by health insurance. As insurance coverage rises, the demand for private facilities will rise, even where public care is an option. Insurance is therefore a key element in efforts to promote private health care.

## II. Project Outline and How It will Work

The Project consists of a Public Sector Financing component, a Public Sector Management component, and a Private Sector component. Several activities are expected to be implemented under each component, as described below.

### 1. Public Sector - Financing

a. Policy Framework - This component of the Project will assist the GOJ in its analysis of a variety of policy options, and the implementation of these options through updated legislation in order to put in place a policy framework which supports improved financing and management of the health services.

(i) Policy Analyses: The Project will provide assistance to the GOJ in analyzing various policy options - in particular policies which promote private sector health care investment, expanded health insurance coverage and financing mechanisms for those unable to pay for their health care. A number of studies will provide the analytical foundation on which to base subsequent policy decisions. Some illustrative examples of studies to be financed under this component include the following:

- Defining the Indigent
- Financing and Managing Indigent Care
- Social Insurance Feasibility Study
- Incentives for Health Insurance Expansion
- Regulatory Role of Government with Expanding Privately Provided Health Care
- Health Care Implications of Aging in Jamaica
- Pharmaceutical Procurement

These are illustrative examples of studies which might be undertaken. The studies will be carried out by the MOH with the assistance of Jamaican and/or U.S. consultants, as necessary.

(ii) Health Legislation: As the MOH begins to redefine its functions in the delivery and financing of health care, new laws will be

required and legislation currently on the books will require updating. This component will ensure that policy decisions which require legislative enactment will be implemented. In other instances, many laws need to be written or revised, and regulations need to be formulated from existing laws. The Project will assist the MOH with identification of areas requiring amended and/or new legislation, and with the preparation and submittal of briefs to the Attorney General's office, for drafting the actual legislation.

b. More Efficient Cost Recovery Through User Fee Reforms - This component will implement improvements in user fee administration in public facilities, and promote a revised system of charges which more closely approximates the real costs of providing those services. User fee reform activities will encompass the Administrative System, Adjustment of the Fee Structure, and the Retention/Utilization of Fees.

(i) Administrative System: This will result in streamlining of the administration of fees from the central government and training and group seminars for both medical and administrative staffs in order to develop better collection systems.

System Design - It is expected that a national workshop with relevant hospital personnel will be organized in the first year of the Project in order to gather information on current practices of collecting hospital user fees, with the objective of designing a standardized system for fee collection. It is anticipated that the seminars will allow facility managers and fiscal personnel to share experiences across hospitals in the alternative arrangements used to identify paying patients, tracking them, collecting the charges, handling the revenue, and requesting reimbursement from the MOH, and will suggest means of designing appropriate systems. Jamaican and/or U.S. technical assistance will be provided during the first year to finalize the design and the administrative requirements of the fee system.

System Implementation - Implementation of the system will be accomplished through initial training seminars for the collection agents, hospital administrators, assessment officers, controllers, accountants and accountant assistants at all public hospitals (except Bellevue), with follow-up seminars planned three times during the life of the Project, beginning in the first year.

In addition, follow up visits to designated hospitals by the trainer(s) and relevant Project staff will occur at six month intervals after the training to assist hospitals with the start-up and operation of their new systems. The benefits, which will be derived within months after training, will be quantified by the increase in revenue and the efficiency of collection and transmission to the MOH.

(ii) Adjustment of Fee Structure: This will result in adjustments in charges to remove incentives for extended inpatient stays and unneeded tests; charges for insured patients will be set closer to those of the University Hospital; and an increase in the prices charged.

The results of the policy studies completed in the first component will provide information in support of user fee reform activities, in particular the level of fees, and determination of billable items. The level of fees should bear some relationship to other Project elements: charges should be linked to some degree to the costs of services, primary care referral arrangements can be strengthened by establishing higher charges for those who unnecessarily bypass public clinics, and expansion of those covered by insurance will add to public revenues, particularly if the reforms proposed here are implemented.

(iii) Retention and Utilization of Fees: This will design alternative facility reimbursement arrangements (for deposited revenue); increase the percentage of fees which the collecting facility retains; and develop revised guidelines on the utilization of retained fees.

The anticipated outputs of this component are administrative systems designed and in place in public hospitals to collect hospital fees and insurance payments; increased revenues available to the MOH and the collecting facility; and revised policies analyzed and in place for fee structures, and the retention and utilization of fees by the collecting hospital.

c. Social Marketing - The Public Sector Management component of the Project will address service delivery constraints in primary and secondary care delivery. This component will address some of the principal behavioral constraints which impact on the sector.

This component will address four principal Project concerns: proper services utilization, drugs (pharmaceuticals) costs and utilization, expanding demand for health insurance coverage (especially managed care), and public sector health policies including alternative management. Other priority issues may be added during the course of Project implementation. The component will focus on four specific target groups, according to the subjects and strategies developed: health consumers, health providers, employers, and labor unions. Some activities will be aimed at audiences Island-wide, and others will be targeted to specific Parishes or other limited geographic zones according to the particular objectives.

Although detailed approaches and strategies will be determined later, as explained below, the following illustrate the nature of this component. The sub-activity aimed at rationalizing services

utilization will describe the proper uses of primary care and secondary facilities and explain that inappropriate use raises costs and reduces services received. The health insurance sub-activity will explain the benefits of private health insurance, the importance of cost containment measures, and the ramifications of insurance abuse.

The Project will contract with a social marketing contractor to plan, design, implement and evaluate the "projects". The Project's New Initiatives in Health Financing and Management Secretariat will be responsible for coordinating the Social Marketing Component of the Project with other related activities supported by the Project. The Project will finance market research studies and pre- and post-Knowledge, Attitudes and Practices (KAP) surveys to measure the impact of these activities.

The outputs of this component will be a series of social marketing activities resulting in improved knowledge, attitude and practices of health consumers, providers, employers and labor unions with regard to health services utilization, health insurance coverage, drug costs and utilization, and public sector health policies. For each "project", concrete knowledge, attitude and practices changes will be defined and quantified in terms of number of persons affected. This component's expected outputs will consist of three to five completed social marketing "projects", with quantified "KAP" changes achieved. The "projects" will be carried out by a Jamaican firm contracted under a Host Country Contract.

## 2. PUBLIC SECTOR - MANAGEMENT

a. Headquarters Strengthening - This component of the Project will assist with restructuring of headquarters, and the design and implementation of modern management systems for headquarters' key support functions.

(i) Headquarters Restructuring: The MOH has been considering various options for its restructuring which would facilitate improvements in the planning and management of the health services. Through the provision of local technical assistance, this component of the Project will assist the MOH to further define and analyze the various organizational options. Given the nature of this activity, GOJ counterpart funds will support consulting services as needed.

(ii) Management Information System: Provision will be made for the enhancement of the MOH's information framework which will complement the other activities undertaken by the Project. This component will build on the accomplishments achieved under the Health Management Improvement Project (HMIP) in this area. This Project will procure, install, and train staff to automate the supply management, finance and personnel divisions. In addition, the program will provide

modern management technology to other headquarters offices in the areas of information processing and telecommunications.

Expected outputs are a restructured headquarters with improved planning and management capability; improved and more efficient systems in place for MOH's accounting and budget, personnel and supply management systems; and increased productivity of Headquarters staff through utilization of modern office technologies. Jamaican and/or U.S. technical assistance will be provided for implementation of this component.

b. Alternative Management of Public Facilities - This component of the Project will assist the GOJ with implementation of a policy agenda and analyses of various policy options which have been explored or implemented successfully under the HMIP. The GOJ has been investigating the feasibility of several alternative means of transferring management, and to the extent possible, financial responsibility of public hospitals, and related primary care and support services, from MOH to private entities. This component will build upon the work done to date and enable the GOJ to pursue and implement the initiatives which have proven feasible under HMIP.

Activities included under this component are: (i) the contracting out of public sector functions to the private sector; (ii) the integration of management of primary and secondary health areas and; (iii) an expansion of the role and authority of regional hospital boards.

(i) Contracting Out: The MOH has already successfully divested selected health care related support services resulting in considerable cost savings, improved quality of service, and a reduction in MOH staff. The Project will support an expansion in the range of services divested and in the number of participating facilities. Specialized US and/or Jamaican consultant services will be provided to the Secretariat to determine an overall master plan for implementation of divested support services over the life of the Project. The Project will provide commodity support, small-scale renovation or other costs associated with the preparations needed to facilitate contracting out. The assistance may be directed as well to private/public contracts for management of professional support services such as radiology and laboratory, or referral of "public" patients to private facilities on a contractual basis.

(ii) Integration of Primary and Secondary Care Health Areas: This Project will support the Ministry's plan to fully implement the four decentralized Primary Health Care (PHC) areas, and over time to develop fully integrated primary and secondary care decentralized regions. The Project will provide Jamaican technical assistance to develop the plans, management procedures, lines of authority, reporting relationships and implementation of the new management structures through in-service training, workshops and seminars.

(iii) Expansion of the Role and Authority of Hospital Boards: The MOH has taken the policy decision to decentralize management and budgetary authority for hospitals to strengthened Hospital Boards. The Project will assist the MOH with implementation of this new organizational framework by providing technical assistance to define the role and functions of strengthened Hospital Boards; recommend the legislative changes needed and a redraft of the Public Hospitals Act. The Project will support development of management procedures including reporting relationships, management and budgetary practices, lines of authority and roles and responsibilities. These will be implemented through technical assistance for organizational development and in-service training.

Outputs include a number of private/public contracts under which private sector health care enterprises will provide services which were previously provided directly by the public sector. It is expected that a national master plan for contracted health care services will be developed and that the MOH will have implemented a new organizational framework for administration and management of hospital services and decentralization of primary health care administration. A decentralized administration which integrates primary and secondary care will be designed and in place. The impact of this will be cost savings due to a streamlined and more efficient administration, and improved quality of care.

c. Primary Care - The Primary Health Care Operations Research (PRICOR) has developed a test model by category of worker to provide maximum efficiency in health delivery at the primary health care level. Under the HMIP, USAID is funding local costs to implement the recommended personnel changes as a pilot project in one parish. The present Project will include funds for evaluating the PRICOR model. Provided the evaluation is positive, it is expected that the Project will undertake replication of the PRICOR model in the remaining twelve parishes. The Project will also support other operations research studies to test out improvements in the quality and efficiency of health care delivery.

The expected outputs are rationalized deployment of staff and facilities for primary health care in the remaining twelve parishes resulting in improved quality of care and increased efficiency in the utilization of staff and physical resources. It is expected that approximately four operations research projects will be implemented which demonstrate cost savings or improvements in quality of care.

d. Secondary Care - This component will train hospital administration and other key hospital staff in essential skills for managing and operating Jamaican public hospitals, with an emphasis on establishing clear lines of authority and responsibility within the hospitals and establishing clear written operating standards and

procedures. This activity will upgrade the skills of incumbent administrators, clarify roles and relationships among the key actors, and define critical standards and procedures in hospitals to make a marked difference in their performance. The component will be conducted in two phases. Phase one will focus intensively on two public hospitals for one year. Lessons learned from the Phase One effort can then be applied more widely in phase two which will extend the training to managers from all public hospitals. Upgrading of the physical infrastructure to be implemented in concert with management improvements will be financed by the GOJ counterpart budget.

(i) Phase One: The MOH has identified Spanish Town Hospital and Victoria Jubilee Hospital (VJH) as the two pilot facilities. A senior hospital administration advisor recruited from the U.S. will work directly with the Administrators, and other members of the hospital management teams, of these two public hospitals intermittently over the course of one year. The Advisor will diagnose the principal management issues facing the two hospitals, identify priority needs for operating standards and procedures, develop on-the-job training strategies intended to build skills, clarify roles, prepare or modify procedures, and carry them out over the twelve month period.

The Advisor will identify needs and candidates for specific skills development training and recommend formal training sources for obtaining it. The Project will support short-term training courses, locally or overseas. The Advisor will provide follow-up technical support to the two hospitals in subsequent years of the Project.

(ii) Phase Two: After one year of experience working intensively with the two "pilot" hospitals, the Advisor, assisted by additional experts, will develop a set of training modules based on some of the highest priority issues, to be used in a series of training workshops for administrators and other staff of the other public hospitals. The focus and content of these workshops will be determined in consultation with appropriate MOH officials and Project staff. Participants may include hospital board members, senior medical officers, matrons and other interested parties, as well as the hospital administrators. Targeted seminars may be developed aimed especially at one or more of those groups.

It is expected that the workshops/seminars will be conducted during years two, three, and four of the Project, following development of their content based on the intensive "pilot" work of Phase One.

Expected outputs are improved management of secondary care facilities through staff training and management assistance.

1. PRIVATE SECTOR

The Private Sector Organization of Jamaica (PSOJ) will be the implementing organization for this component. A.I.D. will make a direct grant to PSOJ and enter into a Cooperative Agreement for this component. The activities to be supported under this component of the Project are an (a) Investment Climate Study and (b) Private Sector Technical Support.

a. Investment Climate Study - Private investment in health care enterprises is constrained by unfavorable tax and regulatory policies, as compared to other priority economic sectors such as tourism, manufacturing and export agriculture. Health sector investments can help to shift a portion of the national health care burden from the public sector to the private sector. Such a shift, however, will require incentives similar to those currently offered to investors in other sectors.

The Project will support a detailed assessment of the private health care industry, its investment climate and current profitability for different segments of the market. Investment incentives and disincentives, including access to credit, taxes, import duties, and regulations, will be analyzed and their impacts quantified. The analysis will also identify the demand for health services, in terms of level of quality, types of services, and acceptability of fee structures. The analysis will tie in with the Social Marketing component, with differentiation by locality and recommended options to increase market penetration through improved public perceptions of and recourse to private health services.

The study will be conducted by the PSOJ and will result in recommendations to the GOJ for policy changes to encourage private investment in the health care industry.

b. Private Sector Technical Support - This component will be implemented by the Private Sector Organization of Jamaica (PSOJ) and will provide technical expertise to private health care enterprises, including insurers and HMOs, in support of their investments in management improvements, services expansion or initiation, major equipment purchases, or other improvements required to become financially viable. The component will not provide funds for the capital investments, however. More specifically, the following are among the areas that could be addressed:

(1) Health Insurance Industry Expansion:

- Targeted Social Marketing
- Product Improvement
- Regulatory Guidance
- Cost Containment

(ii) Private Health Care Service Providers:

Financial/Management Analysis - Analysis of the present financial and management systems will be carried out, emphasizing planning and monitoring capabilities. Advisors will also work with the private sector facilities to establish short, medium and long range priorities, and specific objectives such as health care services targets, financial targets, and professional development targets.

Operations Review - Identification of problem areas affecting the cost of operating the facility, particularly focusing on financial and management accounting systems and mechanisms, and procedures for operations and maintenance of physical assets.

Service Levels - Optimal levels of service for existing and future demands will be determined. This will involve thorough investigations of fixed costs at the unit/cost center level and a review of the break-even level of services required; surveys of prevailing rates and reviews of the levels of coverage under prevailing health plans when making these determinations; and recommendations for competitive prices for services in each profit/income center.

Profitability - Recommendations for improvements that will increase profitability while maintaining service coverage. These recommendations will be in the areas of systems/approaches; organization structure; staffing requirements; and training requirements. The advisors will also provide recommendations on the mix of services in light of the capability of present and planned physical facilities and personnel levels. These recommendations will be supported by an analysis of the likely impact on revenue with an evaluation of cost-benefit and profitability of providing each service, the compatibility with existing services, and the implications for investment outlay.

Training - Training of staff in all areas of business management, such as marketing, finance and production.

(iii) Other Areas -

New Investments - Feasibility studies in support of new private sector investments in health care services. These will be conducted by Jamaican firms with U.S. technical assistance as appropriate.

Public/Private Partnership - Technical assistance and training for private sector firms working in partnership with the MOH in the area of divested support services and public/private partnerships.

Assistance will be provided in the form of a matching grant to an enterprise to pay for consultant services, marketing assistance or

training. A maximum amount of \$75,000 will be provided to any one enterprise, on a cost sharing basis with the grantee providing 25% in cash or in kind. Typical "grants" will involve feasibility studies, management assessments, market and site selection studies, equipment specifications preparation and review, marketing assistance, and training. Because the present private health care industry is small, excluding individual physician practices, this assistance will be available to almost all of the hospitals, diagnostic centers and laboratories, and health insurance companies as well as to newly formed enterprises. The criteria to be used in providing this support will be developed by the PSOJ in conjunction with the MOH to ensure that the overall health policies of the GOJ are facilitated. USAID will approve the criteria.

The expected outputs are recommendations for revised GOJ policies to encourage private investment in health care services; new private health care enterprises; increased health insurance coverage through improved product packaging and marketing; and enhanced collaboration between the private and public segments of the health care sector.

### III. PROJECT IMPLEMENTATION AND ADMINISTRATION

The Ministry of Health will be the GOJ implementing agency and will be responsible for all host country accounting and financial reporting and contracting for goods and services. Funds will be disbursed by USAID to the MOH under the reimbursement basis.

The Cooperative Agreement between the PSOJ and A.I.D. will operate under an advance/reimbursement method of financing.

Project funds are provided to contract periodically with local chartered accounting firms to perform reviews to ensure that the internal controls, accounting and reporting systems are adequately maintained through the life of the Project.

A. Project Management Responsibilities and Organization - The following section outlines the responsibilities of the key players. Specific implementation steps of the activities are described in further detail below.

Public Sector - Responsibility for the Public Sector aspects of the Project will be lodged in the New Initiatives in Health Financing and Management Secretariat in the Ministry of Health. The Secretariat will be responsible to the Permanent Secretary of the MOH who is designated Project Director. The function of the Secretariat will include Project related administrative responsibilities which will be carried out with the addition of GOJ funded administrative staff. These individuals are currently located in the organizationally separate PIU of the HMIP. Actual day to day Project implementation will be the responsibility of a GOJ funded Project Manager who will be assisted by the following Jamaican staff:

- Health Finance Coordinator
- Health Management Coordinator
- Secretary
- Administrative Staff

Institutional Contract - It is expected that the U.S. and local short term TA will be provided under an AID direct institutional contract. A Request for Proposals (RFP) will be prepared inviting proposals from both Jamaican and U.S. firms for a joint venture arrangement to access the required mix of TA. Individual consultants provided under the Contract will be subject to approval by the Secretariat and USAID.

Social Marketing Contract - The Secretariat will work out specific achievable behavioral change objectives, and using the institutional contract described above, contract for field research to determine target groups' understanding of the issues, reasons for their current practices, and receptivity to change. An RFP will be developed and a Jamaican firm chosen to implement the Social Marketing activities. A series of media packages will then be developed and executed by the social marketing firm to develop and test messages, determine the appropriate media, conduct the interventions, evaluate their performance, and measure the impact. The Secretariat staff, as well as any short-term technical specialists working on a related component (pharmaceutical utilization, privatization, health insurance coverage, etc.), will work closely with the firm throughout the social marketing process to ensure that the technical quality of the social marketing efforts are maintained, and GOJ policies are adhered to. The Project will seek financial or in-kind contributions from private sector institutions which stand to benefit from this component, such as insurance companies, to defray Project costs.

Private Sector - The Private Sector aspects of the Project will be the responsibility of a Private Sector Coordinator funded by the Project and located in PSOJ. The PSOJ will be responsible for carrying out the Investment Climate Study, which will assess the environment for doing business in health care services, analyze the comparative position of the health sector in competing for private sector participation, and provide policy recommendations to promote private sector participation.

Depending on the nature of the activity, grants will be awarded through a competitive process either in response to invitations from the Private Sector Coordinator or, in response to unsolicited proposals that meet established criteria. Selection criteria will be determined in conjunction with the MOH and will focus on the extent to which sub-activities will increase private sector services capacity, quality of care, market share, coverage of lower income groups, and reduction of public sector health care expenditures, at

least in the long run. A special panel of experts will be formed to advise the Private Sector Coordinator on implementation of this component and to review and approve "grant" applications. The panel will consist of a majority of private sector representatives drawn from the PSOJ Health Subcommittee, as well as the MOH delegate.

The potential grantee will submit a proposal which will serve as the basis for determining their eligibility to receive a "grant". The proposal will include their proposed 25% cost sharing arrangement.

Depending on the receiving organization's capability, assistance will be provided as a "grant" which the organization will use to procure the services; or directly provided to the organization with the requisite assistance contracted for by the PSOJ Private Sector Coordinator. Under the first option, the applicant will be given a grant to procure appropriate expertise required. The Private Sector Coordinator will assist the applicant to identify and make arrangements with consultants, but their actual selection and hiring will be the responsibility of the applicant. Under the second option, the Private Sector Coordinator will arrange to provide appropriate consultant services required to meet the applicants' requirements, at a cost not exceeding the approved "grant".

B. Procurement Plan - The goods and services to be procured by the Project consist primarily of commodities and technical assistance.

Commodities - The commodities consist of computer hardware and software, office equipment, and equipment which supports divestment of hospital support services such as catering equipment, laundry equipment, etc. USAID will contract directly with a Procurement Services Agent to procure all project funded commodities. The specifications for the equipment procured under the Project will be developed by consultants or MOH staff who possess the requisite technical skills.

Technical Assistance - The MOH and AID will jointly develop a Request for Proposals for short-term technical services to be provided over the Life of the Project. The RFP will be advertised in the Commerce Business Daily, AID Bulletin and locally to American and Jamaican firms who will be encouraged to develop joint venture arrangements. Criteria for selection will be developed jointly and a Technical Review Committee convened for purposes of reviewing and ranking the technical proposals received. It is expected that a USAID direct contract will be executed.

Similarly, an RFP and a competitive review of proposals will form the basis for awarding a host country contract for the Social Marketing component of the Project. However, this contract will be limited to Jamaican firms.

The MOH will execute Host Country contracts for the long term Jamaican technical assistance required by the Project. These include the Health Finance and Health Management Coordinators in the Secretariat, and the technical assistance for updating Health Legislation.

The technical services required for the Private Sector component of the Project will be procured by the PSOJ, i.e. an RFP will be developed and a firm selected and contracted for the services to be provided. Technical assistance under this contract will be provided to grantee organizations which do not have the capability to procure their own services; otherwise a grant will be provided.

For both components of the Project, the sources for all procurement of goods and service provided under the Project will be the United States or Jamaica in accordance with current Agency policy on Source and Origin of grant-financed assistance.

C. ANNUALIZED PROJECT OUTPUTS - The following are the expected achievements/accomplishments of the Project on an annual basis:

YEAR 1

- . Policy Studies - Social Insurance Feasibility Study  
- Defining the Indigent
- . National Workshop Held - Standardized system for fee collection designed
- . Design Management Information System
- . Complete Master Plan for Divested Services
- . Evaluate Primary Care Rationalization Project (PRICOR)
- . Recruit In-country Advisor for Hospital Management Upgrading
- . Investment Climate Study

YEAR 2

- . Policy Studies - Financing and Managing Indigent Care  
- Pharmaceutical Procurement
- . 5 legal briefs prepared
- . 3 Training Workshops on Hospital Fee Collection and follow-up visits completed
- . Develop the objectives and RFP for Social Marketing Component
- . Procure equipment and install MIS (Management Information System)
- . 2 Divested Hospital Services in place
- . Replicate PRICOR in 2 parishes
- . Hospital Management Improvements implemented in 2 pilot hospitals
- . Develop Hospital Management Training Modules
- . 5 Technical Support packages undertaken for Private Sector

YEAR 3

- . Policy Study - Incentives for Health Insurance Expansion
- . 5 legal briefs prepared
- . Adjustment and Review of Fee Structure and Retention and Utilization of Fees
- . 1st Social Marketing Project completed
- . 2 Divested Hospital Services in place
- . Replicate PRICOR in 2 parishes
- . 4 completed Hospital Management Seminars
- . 5 Technical support packages undertaken for Private Sector
- . Primary Care administration decentralized
- . Mid-project evaluation complete

YEAR 4

- . Policy Study - Regulatory Role of Government
- . 2nd Social Marketing Project completed
- . 2 Divested Hospital services in place
- . Replicate PRICOR in 2 parishes
- . 4 completed Hospital Management Seminars
- . 5 technical support packages undertaken for Private Sector
- . Decentralized Hospital Boards in place

YEAR 5

- . Policy Study - Health Care Implications of Aging
- . 3rd Social Marketing Project completed
- . 2 Divested Hospital Services in place
- . Replicate PRICOR in 2 parishes
- . 4 completed Hospital Management Seminars
- . Integrate Primary and Secondary Care Administrative Systems

YEAR 6

- . 4th Social Marketing Project completed
- . 2 Divested Hospital Services in place
- . Replicate PRICOR in 4 parishes
- . Final Project Evaluation

IV. Cost Estimates

Over the seven-year life of the Project, USAID will finance long and short term Jamaican TA, short term US TA, training, commodities, renovations, private sector, and support costs. The GOJ contribution will include Support Costs (Training Programs - Hospital Administration and Staff), commodities, and supplies. To provide these inputs and carry out the Project activities will require a total of US\$6,855,000 of which US\$5,000,000\* will be contributed by A.I.D. and the equivalent of US\$1,855,000 by the Government of Jamaica.

The following Illustrative Budget shows current and future planned obligations of A.I.D. funds for the Project.

\*Subject to the availability of funds to A.I.D. for this purpose and the mutual agreement of the parties to proceed at the time of availability.

## ILLUSTRATIVE COST SUMMARY - Health Sector Initiatives Project Grant Agreement

(US\$000)

Line Item	Prior Obligation		This Obligation		Planned Subsequent Obligations		Total Planned Obligations	
	AID	GOJ	AID	GOJ	AID	GOJ	AID	GOJ
Technical Assistance	0	0	300	0	2167	0	2467	0
Training	0	0	12	0	431	0	443	0
Commodities	0	0	50	27	445	196	495	223
Renovation	0	0	0	85	0	525	0	610
Private Sector	0	0	36	0	785	0	821	0
Support Costs	0	0	10	44	80	978	90	1022
Audits & Evaluation	0	0	10	0	219	0	229	0
Contingency/Inflation	0	0	50	0	405	0	455	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>468</b>	<b>156</b>	<b>4532</b>	<b>1699</b>	<b>5000*</b>	<b>1855</b>

## FUNDING CITATIONS

Grant

Appropriation: 72-1191021

BPC: LDHA 89-25532-KG13

Amount: \$468,000.00

\*Subject to the availability of funds to A.I.D. for this purpose and the mutual agreement of the parties to proceed at the time of availability.

V. Project Monitoring and Evaluation

Monitoring during the Project will be provided by the GOJ Project Manager, who will also be responsible for an ongoing process of evaluating the impact of the Project. USAID will monitor the Project with one U.S. Direct Hire Health Officer and a Foreign Service National Program Specialist designated responsibility for backstopping the Project. Project monitoring will ensure that the Project is on track and that necessary reviews are undertaken to evaluate and measure impact. Progress under the Project will be monitored through monthly meetings of the Project Review Committee, consisting of key MOH staff and the USAID Project Officer. Measurement of the Project's progress will be monitored through analyzing the data collected under the World Bank sponsored Living Measurement Standards Surveys to monitor trends in health care utilization and illness.

In those cases where training is envisioned, there will be follow-up monitoring of training, with feedback to be utilized in the planning of future seminars or training programs. This monitoring will be included as part of the responsibilities of the trainer(s) and will be ensured by the Project Manager.

In addition, under the Social Marketing component, the Secretariat will develop appropriate baseline indicators of target group knowledge, attitudes and practices about each subject to be addressed. These will be monitored periodically during implementation to measure progress. Impact indicators will also be developed in terms of changes by target groups of health services utilized, drugs purchased, insurance purchased, adaptation to privatized facilities, etc. The Project Manager will be responsible for ensuring that these indicators are reviewed periodically.

It is anticipated that an assessment will take place in year three of the Project. The assessment will determine the extent to which the Project is meeting its objectives of increasing the collection of hospital fees; increasing the percentage of the population with insurance coverage; increasing utilization of the private sector; and improving management and efficiency of public sector health services. In addition, the evaluators will: (a) determine if the inputs are being provided in a timely manner, (b) determine the extent to which planned outputs are achieved, and (c) provide recommendations on timely corrective actions needed. A final evaluation of the Project will be conducted in year 6 for the purpose of evaluating the impact of the Project on GOJ health care financing and management reforms.