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# **PRIDE Jamaica Project: Impacts, Lessons Learned and Best Practices**

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# PRIDE Jamaica

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## Introduction

Through collaboration with USAID Jamaica, the Government of Jamaica, Tax Administration Jamaica, the Jamaica Customs Department, and other local stakeholders and partners, PRIDE Jamaica (Promote, Renew, Invigorate, Develop and Energize Jamaica) provides focused technical assistance in three areas: Tax Policy and Administration; Trade Facilitation; and Customs Modernization and Policy and Administrative Reform. As PRIDE Jamaica completes its second full year of implementation, it is an ideal time to assess whether the intended impacts are in fact being made on Jamaica's revenue mobilization, institutional sustainability, governance, security, and business environment, as well as identify lessons learned and best practices developed during PRIDE Jamaica's implementation to date. This report summarizes the quantitative and qualitative impacts that PRIDE Jamaica has generated and is generating in these areas, along with lessons learned and best practices developed.

## Select Impacts of PRIDE Jamaica

The team identified both quantitative and qualitative impacts of PRIDE Jamaica, as the project works in a highly participatory manner with counterparts to contribute significantly to Revenue Mobilization, Sustainable Institutions, Good Governance, Security, and Business Environment Improvement.

Quantitative impacts include the following:

- Impact on revenue mobilization is expected to be in the billions of Jamaican dollars.
- Improved debt collection processes generated US\$1.5 million in debt collections at one Revenue Service Centre in just the month of April 2012, including US\$600,000 from high-priority debt cases and US\$900,000 from medium-priority debt cases.
- The Development Assistance Centre in its first 4 months of operation created a culture of facilitation that resulted in implementation within 90 days of 12 large projects, and attained a 99% client approval rating. This resulted in an improvement in Jamaica's rank in the World Bank's Doing Business category 'Dealing with Construction Permits', from 49 to 47.
- The project reduced customs clearance times by 2 days for certain categories of cargo.

Qualitative impacts identified by the team also have the potential to significantly transform revenue mobilization, sustainable institutions, good governance, security, and the business environment in Jamaica. The report organizes the impacts according to these five primary results areas. Of course, many contribute to more than one result area, as the report notes. For each impact, the report highlights: Summary of the intervention; PRIDE Jamaica's contribution; Impact; Best Practices, and Lessons Learned.

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## Impact on Revenue Mobilization

PRIDE Jamaica can be credited with improving revenue mobilization in three ways. First, PRIDE Jamaica's technical assistance and mentoring for Tax Administration Jamaica (TAJ), particularly in the areas of **improved audit risk assessment** processes and procedures, are already improving voluntary compliance and increasing tax revenue. One high-level official estimated that the impact on revenue mobilization is expected to be in the billions of Jamaican dollars.

Secondly, technical assistance and mentoring from PRIDE Jamaica to Tax Administration Jamaica is **improving debt collection.** In a pilot, the improved debt collection processes generated US\$1.5 million in debt collections at one Revenue Service Centre in just the month of April 2012, including US\$600,000 from high-priority debt cases and US\$900,000 from medium-priority debt cases.

Lastly, by working with Jamaica Customs in high priority sectors, PRIDE Jamaica is laying the groundwork to increase customs revenue. As a result of PRIDE Jamaica's technical assistance, Jamaica Customs determined that petroleum imports, **which contribute approximately 30% of Jamaica Customs revenue collected,** are not adequately monitored. Jamaica Customs has requested further assistance, and PRIDE Jamaica will provide the support, to train Jamaica Customs officers in methodologies to detect and plug revenue leakages.

Each of these impacts is discussed in greater depth below.

## Improving Revenue, Efficiency and Transparency by Development of an Audit Risk Assessment System

**Summary:** PRIDE Jamaica along with the Forensic Data-mining and Intelligence Unit (FDIU) staff and the Programmes Unit Audit staff at TAJ developed various Audit risk-models for TAJ.

**PRIDE Jamaica Contribution:** Risk-based audit-selection models were designed for corporate income tax returns (CIT); general consumption tax returns (GCT); and personal income tax returns (PIT). All models were tested and then used in the process of creating the TAJ Audit Work Plan for FY 2012/13. These risk-based selection models are evidence of TAJ's progress to better manage risk and modernize its Audit functions. In addition PRIDE Jamaica designed an Annual Audit Plan framework to guide the work for all Revenue Service Centres (RSC) Audit functions. PRIDE Jamaica prepared the necessary reports, forms, and procedures for conducting these operations as well as written guides for a number of audit operations that were in need of improvement.

**Impact:** The Audit Risk Models will contribute significantly to strengthening institutional capacity by improving TAJ efficiency and transparency. In the past, the TAJ Audit function used manual selection processes to identify returns for audit which is labor intensive and highly subjective, and often did not lead to the most productive (revenue generating) cases for audit. Implementing the scoring formulas system provides a more reliable method to select high scored returns. As the tax returns are scored Audit function classifiers will just need to review the groups of highest scored returns to select productive tax returns for assignment to auditors. The annual plan was revised to reflect the new

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capabilities, and now incorporates best practice for strategic planning for the audit programs. Each RSC Audit function is given a set of goals to achieve for the current fiscal year.

The new Audit Risk Assessment methods that have been adopted by TAJ will also improve the productivity of audit casework. The scoring systems will identify the best potential tax returns to work in each of the taxpayer groups. The new annual plan goals established for each RSC Audit function will assure that audit resources are directed at returns in a strategic manner. In summary, new procedures for the assessment, audit, and objections functions will improve the culture, streamline the process, focus on productive returns and should result in an increase of total tax revenue collections and improve taxpayer compliance.

**Best Practices:** Standardized Operational Work Plans and a systematic method of performance evaluation and assessment are “best practices” for modern Tax Administration organizations.

**Lessons Learned:** Developing modern risk management systems for Audit and Debt Management in a participatory fashion can have a significant impact on institutional efficiency, transparency, and revenue mobilization.

## Enhancing Tax Revenue Collection by Scoring, Categorizing and Prioritizing Tax Debt Arrears Inventory

**Summary:** PRIDE Jamaica assessed TAJ current practices prior to working with the staff to introduce best practices. PRIDE Jamaica confirmed that the book value of TAJ’s tax arrears inventory as of December 2011 was approximately \$230 billion Jamaican Dollars (JMD). Despite the fact that many of the tax debt arrears accounts are more than 5 years old, all the arrears taxpayers were considered to be in the active inventory of Debt Management. Tax Debt Arrears lists are printed each month and all of these taxpayer entity cases were distributed to Compliance Officers for action.

On average, each Compliance Officer had an overwhelming 300+ taxpayer entity cases assigned for collection action, and were expected to contact the taxpayer, explain the tax debt, interest, penalties and surcharges due and then collect some amount of the arrears. Until the total amount due is paid the taxpayer entity case remained on the tax debt arrears list with the expectation that repeated additional contacts will be made with the taxpayer entity.

**PRIDE Jamaica Contribution:** Beginning in 2011 PRIDE Jamaica and the Programmes Unit Debt Management Staff using the primary tax debt arrears factors of risk, revenue, compliance and collectability worked to prioritize the tax arrears inventory. PRIDE Jamaica and the Programmes Unit Debt Management staff developed a tax debt arrears weighted scoring system.

The arrears inventory cases were scored and categorized into High Priority (primary emphasis on Compliance Officer field contact), Medium Priority (emphasis on telephone and in-office work) and Low Priority. It was determined that the Low Priority cases would be removed from the active inventory assigned to Debt Management Compliance Officers so they would have sufficient time to concentrate their efforts on the High Priority and Medium Priority tax debt arrears cases.

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A three-month test was then conducted at one Revenue Service Centre as a pilot starting in March 2012 to determine the validity of the tax debt arrears scoring system and make any necessary changes to the scoring or processes. In May the new processes were implemented across all of TAJ's RSCs.

Another problem PRIDE Jamaica identified is that TAJ's tax debt arrears amount includes an extraordinary amount of interest, penalty and surcharges (IPS), both on modules with some amount of principal and those where IPS is the only remaining balance due. Of the \$230 billion JMD tax debt arrears total balance due, more than half, JMD \$176.6 billion (77%) is IPS and only \$53.708 JMD (23%) is principal tax.

Tax Debt Arrears accounts also include an extraordinary number of Government of Jamaica (GOJ) Agencies or GOJ related entities with tax debt arrears accounts. These types of tax debt arrears are historically difficult or impossible for Debt Management personnel to collect. Furthermore, the balance on many of these accounts is only for IPS – no tax principal outstanding.

PRIDE Jamaica next reviewed the outdated tax debt arrears write-off policy and drafted a new document, proposing a Currently Not Collectible (CNC) policy and procedure that would remove from active tax debt arrears inventory all cases where it was determined the tax debt arrears were currently not collectible.

**Impact:** In a pilot, the improved debt collection processes generated US\$1.5 million in debt collections at one Revenue Service Centre in just the month of April 2012, including US\$600,000 from high-priority debt cases and US\$900,000 from medium-priority debt cases.

**Best Practices:** All of the new programs, processes and procedures for improving management of the tax debt arrears inventory and prioritizing the tax debt arrears accounts follow the basic elements used by modern tax administrations to collect revenue from arrears cases. The initial phase of the work in the tax debt arrears program area was to conduct a detailed analysis of the arrears inventory and backlogs and then to identify the major problem areas to be addressed. This was followed by developing new programs and procedures to identify High Priority and Medium Priority arrears cases. Implementing a pilot in one large office helped determine what results could be achieved prior to expanding the program to all the other TAJ RSC Debt Management functions.

**Lessons Learned:** As there usually is organizational resistance to any major changes in work flow, conducting an in-depth analysis of workload inventory is a recommended first step. The analysis reveals practices that most counterparts agree need to be changed, and builds momentum for new programs to address the problem areas identified. By following this approach there is usually more "buy in" from the counterparts that change is indeed required to meet the overall objectives established by the Tax Administration organization.

## Enhancing Revenue by Targeting Key Risk Areas such as Petroleum Imports

**Summary:** Petroleum imports generate approximately 30% of Jamaica Customs Department (JCD) duty and tax collections. However, despite this being such an important sector of Jamaica's economy, it is not sufficiently monitored, and there is documented revenue leakage. International development partners suggested that Jamaica Customs could benefit from support to strengthen operations to mobilize revenue collection from this priority sector. PRIDE Jamaica agreed to support JCD to improve petroleum

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monitoring by assessing the current systems to monitor petroleum imports and developing an improved monitoring framework to be implemented by a new Petroleum Monitoring Unit (PMU). This department would specialize in the monitoring of petroleum imports and ensure all revenues due are collected. PRIDE Jamaica's design for the PMU included procedures to ensure that all shipments and transmissions of product are accounted for, and revenue collected in a timely manner.

PRIDE Jamaica utilized international experts who have similar responsibilities and demonstrated experience to work alongside their Jamaican counterparts to apply tools and methodologies to detect, document and control revenue leakage in the petroleum sector, and to propose solutions. After PRIDE Jamaica presented its findings, the JCD decided internally that it was not in their best interest to develop a full PMU, but instead chose to take the methodologies and processes proposed by PRIDE Jamaica and assign them to the Sufferance Wharf Department of JCD. At the request of the JCD, PRIDE Jamaica will provide further support to JCD by training JCD officers at various points of entry to monitor petroleum imports effectively.

**PRIDE Jamaica Contribution:** Petroleum Operations and Administration experts were engaged as consultants by PRIDE Jamaica to work with colleagues at JCD to complete this activity. After various weeks of work, they assessed the processes in place to monitor petroleum imports and identified various gaps and areas for improvement to control revenue leakage. They worked with a team of local JCD experts who already had a good idea of their needs and leakage points, but who needed support with additional ideas to control this sector.

The review disclosed that the management of the petroleum sector was scattered across several Customs units and that, although the tax treatment of petroleum products is clear and well understood, the systems in place for the stock management and inventory accounting are not adequate and need to be improved in order for JCD to have better control. The major weakness found in the system arises from the lack of technical skills for the independent verification of the quantities that are discharged and back loaded into vessels. This is hampering the monitoring and control of petroleum inventories and consequently JCD is not able to conduct meaningful audits of the oil importing companies. After completing the assessment, PRIDE Jamaica worked alongside Jamaica Customs to develop a proposed framework for the PMU incorporating international best practices with detailed recommendations and an implementation plan, including process reengineering strategies to strengthen the operation and effectiveness of the JCD to collect all revenues due.

**Impact:** This work is crucial for Jamaica, because it represents such a large part of imports (33% of imports are petroleum), is such an important part of JCD revenue, and presents extensive exposure for corruption. Any work done to support this sector is sure to have a strong impact in the area of revenue mobilization, improving the environment for trade, strengthening JCD as an institution and reducing corruption. This work will also have impact on improving security because many illegal activities (such as trafficking of drugs and people) occur in the same blind spots where petroleum transference happens. The work that PRIDE Jamaica did provided JCD with a roadmap to create significant change in this sector. While JCD has decided internally that it was not in its best interest to develop a full PMU, it is implementing the recommendations of the report within its existing operating structure. Aware of its

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need to continue to support this area, JCD has requested support from PRIDE Jamaica to train JCD officers at various points of entry where petroleum products are imported, and to automate petroleum monitoring activities. Potential for impact is very large if Jamaica continues to implement changes in this sector.

**Best Practices:** There are several practices than can be learned from PRIDE Jamaica’s work in this area. First, leverage international recommendations. Using recommendations for support from international development partners and the work that JCD had already advanced helped PRIDE Jamaica to propel the effort forward. Second, adapt to the needs of the country. PRIDE Jamaica brought in international experts who were knowledgeable of the problem and had important suggestions for improvement. Because JCD already had knowledge of the problem, it had a good idea of revenue leakage areas, but it needed guidance to develop effective solutions. The solution proposed was objective and implementable. As a result of changes in the JCD direction, the GOJ decided not to create a new unit within JCD (the PMU), but did use PRIDE Jamaica’s work with its existing departments’ functions and operations to begin a process to more effectively monitor petroleum imports.

Finally, this exercise demonstrates the benefits of utilizing technical experts from a country that has addressed similar issues to those of local partners. This is extremely useful to adapt proposed solutions. Consistent with this practice, PRIDE Jamaica identified international experts who are truly skilled in the technical areas of petroleum imports and revenue, and who could understand clearly the needs of the JCD.

**Lessons Learned:** Monitoring of the petroleum sector is a very specific area within customs and it requires particular skills and methodologies. Bringing experts, developing solutions and providing training in this sector requires a project to truly understand the local needs, listen to counterparts and propose solutions that the implementers understand to be valid for them.

## Impact on Sustainable Institutions

PRIDE Jamaica is improving the effectiveness, efficiency, reputation, transparency, and revenue mobilization capabilities of the Tax Administration Jamaica, all of which are important components of institutional sustainability. PRIDE Jamaica supported **modernization of the tax system** by reviewing and reengineering business processes. PRIDE Jamaica enhanced TAJ institutional capacity and sustainability **by improving annual planning for audit and debt management**. In addition, as discussed above, the project provided expert technical assistance and best practices to improve the process of selecting taxpayer returns for audit using mathematical formulas with weighted criteria. This will result in the most productive cases being selected for audit. Lastly, also discussed above, the project provided a systematic method for scoring, categorizing and prioritizing taxpayer tax debt arrears cases, as well as directing resources to high priority, high revenue cases, thereby increasing revenue collection potential. Voluntary compliance has already improved as public awareness grows of the new systems and procedures.

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## Modernizing the Tax System by Leveraging Donor Support and Catalyzing IDB Loan Approval

**Summary:** PRIDE Jamaica worked closely with TAJ to develop its Modernization Plan, and then supported TAJ to implement key activities. PRIDE Jamaica provided project management support for TAJ to establish an integrated domestic tax administration by April 2011, which was a major step in the process to becoming a semi-autonomous revenue authority (SARA). Major support activities by PRIDE Jamaica included working with TAJ to review its existing business processes and then to re-engineer the business processes in the four core tax operations areas: Returns Processing, Revenue Accounting, Taxpayer Service, and Audit and Collection. PRIDE Jamaica incorporated international best practices with the objective of improving overall taxpayer compliance and increasing tax revenue collection.

**PRIDE Jamaica Contribution:** PRIDE Jamaica reviewed each of the 283 line items of the TAJ Modernization Plan with TAJ Tax Administration and Information Technology experts, along with TAJ Working Groups and staff from Fiscal Services Limited (FSL), the Government of Jamaica (GOJ) organization that provides a wide range of information and communication technology services to various clients including GOJ ministries, departments and agencies.

Working together, the team calculated the internal costs (to be included in the TAJ Annual Budget) along with external costs (to be provided by a donor organization) for each line item to identify the total cost to implement over a three year period the TAJ Modernization Plan. Completing this costed Modernization Plan enabled TAJ to meet a key IMF benchmark.

USAID/Jamaica in cooperation with TAJ executive management and PRIDE Jamaica held stakeholder meetings with the International Monetary Fund (IMF), Inter-American Development Bank (IDB), World Bank, the European Union (EU), and the United Nations Development Program (UNDP). As the details of the Modernization Plan were developed and communicated there was a high level of interest and support from the international development partners. In April 2011 the IDB agreed to consider a loan in the amount of \$62 Million USD to the Government of Jamaica to support tax reform, customs reform and central treasury management. The loan would finance a number of major items in the TAJ Modernization Plan in the amount of \$32 Million USD. One of those items included purchase of a Commercial Off The Shelf (COTS) Integrated Tax Administration System (ITAS) that would be configured for the TAJ major tax types. PRIDE Jamaica estimated a cost of \$13 Million USD for purchase of the software application, hardware and communication equipment needed to replace the current TAJ Integrated Computerized Tax Administration System (ICTAS) that has been in service for over 12 years.

PRIDE Jamaica, along with its TAJ counterparts, incorporated the re-engineered business processes into their draft Request for Proposal (RFP) to procure a new COTS ITAS system that would support the re-engineered business processes. The draft RFP was prepared in accord with the IDB published guidelines for Bidding Documents for Procurement of Goods through International Competitive Bidding (ICB) in projects that are financed in whole or in part by the IDB.

PRIDE Jamaica also detailed the initial interfaces that will be required between the COTS ITAS system, Jamaica Customs systems, the TAJ cashing system, and the Tax Registration Number (TRN) system. The draft RFP document and related Annexes for Procurement of a COTS ITAS for TAJ under the Fiscal

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Administration Modernization Programme Financed by IDB Loan No. JA-L1039 was completed and delivered to TAJ.

The reengineered business processes enabled TAJ to more specifically define within the scope of its RFP what it requires, and, as a result should reduce the overall costs of the procurement. Over the next 18 months as TAJ implements the new organization and operations and business processes, supported by a new COTS ITAS system, TAJ expects to expand the tax base, improve the tax filing and compliance rates, and more effectively mobilize revenue collection.

**Impact:** Procurement and installation of the new COTS ITAS that will incorporate the re-engineered business processes will enable TAJ to more effectively manage its core tax operations, thereby improving taxpayer compliance and revenue collection. In addition, the process of migrating to the new COTS ITAS will include a comprehensive data cleansing activity prior to importing data to the new system. This will result in dramatically improved taxpayer account accuracy, timeliness of tax return posting, taxpayer accounts maintenance, payments, credits, Audit and Debt Management case management, Taxpayer Service activities and other vital taxpayer entity information. As a result the data and information available to TAJ employees, and information provided to the taxpaying public, will be based on more timely and accurate data from TAJ. This will serve to instill more confidence in the Tax Administration Jamaica as it improves its service delivery to administer a fair and equitable tax administration system. Thus, this PRIDE Jamaica effort this has multiple impacts, including contributing to good governance.

**Best Practices:** PRIDE Jamaica provided the initiative and expertise to enable major portions of the TAJ Modernization Plan become a reality by leveraging the work of TAJ, IDB and other stakeholders. In addition PRIDE Jamaica provided the project management, organizational and technical expertise in working with the primary TAJ functions, executive leadership and the various TAJ working groups to produce a completed product (COTS ITAS RFP) by the established target date of March 30, 2012. The new COTS ITAS, when installed, will be a completely integrated tax processing software package designed specifically to support TAJ in its administration of the major tax types. With a COTS ITAS package the basic architecture and programming are already complete so time is not wasted on establishing a high-level design. The new system will run on industry standard hardware, tools and technology that will support multiple database systems. Implementation of the new COTS ITAS will reduce operating and maintenance costs, especially in the area of tax return processing. It will also provide the capability for improved taxpayer customer service, grant faster access to more reliable data by TAJ employees and the taxpaying public, allow use of automated tools that will enhance Tax Debt Arrears management, Audit tax return selection and non-filer discovery, all resulting in increased tax compliance and improvement in overall performance of the tax administration.

**Lessons Learned:** All tax administration organizations are faced with limited resources and are given the mandate to improve operations and utilize staffing that will result in enhanced overall tax compliance. Given these conditions, making a major Tax Administration Modernization Plan become a reality required clearly focusing on the most important aspects of the TAJ Modernization Plan. It was then determined that replacement of the current TAJ Integrated Tax Administration System (ICTAS) was one of the most critical items in the Modernization Plan.

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The next critical step was providing the necessary consulting expertise to properly manage and drive the process to develop essential documentation to prepare the COTS ITAS RFP. PRIDE Jamaica provided strong project management and technical expertise to complete the necessary actions and documents to meet the aggressive target dates. In addition PRIDE Jamaica contributed to maintaining the focus of each TAJ working group and functional component of the organization to assure that a high-quality product was produced.

## Enhancing Institutional Sustainability by Improving Annual Planning for Audit and Debt Management

**Summary of Improvement – Audit Management:** As mentioned above, TAJ’s previous system to select Audit cases was fundamentally a random selection process where the cases selected were sent to Audit classifiers who reviewed and then assigned cases to auditors. This manual system was outmoded; tax administrations, using international best practices, have designed Annual Audit Plans and Risk Management Systems using mathematical formulas with weighted criteria to create and implement computerized systems to select taxpayer returns for assignment to Auditors.

**PRIDE Jamaica Contribution – Audit Management:** In July 2011 PRIDE Jamaica began working with the TAJ Operations function - Programmes and Technical Support Unit, the Audit Programmes staff and Forensic Data-mining and Intelligence Unit (FDIU) staff - to initiate development of an Annual Audit Plan and Risk Management models to select high potential cases for audit.

**Impact – Audit Management:** TAJ accepted the new methods and procedures and has for the first time directed all field offices to follow these guides. The new methodology has been institutionalized and will be used for future audit planning activities. In addition, the Annual Audit Plan developed by the TAJ Audit Programmes staff with PRIDE Jamaica support included the new capabilities by using Risk Management Systems to identify new groups of taxpayer entities and incorporated best practices. Each RSC audit function was then given a set of goals to achieve during the fiscal year. Thus, PRIDE Jamaica catalyzed institutional strengthening within TAJ to improve annual planning and assisted the organization to meet its goals efficiently.

**Summary of Improvement – Improving Debt Management:** PRIDE Jamaica started working with the TAJ Debt Management Programmes staff and the TAJ Planning Office in 2011, and identified the need for an Annual Work Plan for Debt Management operations. In addition, PRIDE Jamaica identified the need for a standardized set of reports with performance indicators and measures to assist in evaluating Debt Management operational performance against the Annual Work Plan.

**PRIDE Jamaica Contribution – Debt Management:** PRIDE Jamaica developed a Debt Management Operational Work Plan along with the Debt Management Programmes staff, and the annual plan was instituted for the new fiscal year 2012/2013 beginning April 1, 2012. The annual plan was then distributed to all RSC Debt Management offices. In addition PRIDE Jamaica developed uniform reports and performance indicators that will be used to track the accomplishments of each Debt Management office and the Debt Management Programme function.

**Impact:** TAJ is a newly merged Tax Administration, and as such is dealing with issues of integrating operations as an institution. The work completed on the Annual Plan and standardized reports will result in a more sustainable “new” organization, where performance can be tracked and baselines for

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performance established. PRIDE Jamaica trained managers and analysts to conduct a better analysis of performance data. Prior to these uniform reports each of the former TAJ organizations prepared reports that had historically been expected and there were no cross references to other components within the new TAJ. The impact of the new consolidated reports helps managers to see patterns of performance across organizational lines and contributes significantly to the “one TAJ” approach.

PRIDE’s Audit and Debt management work had other significant impacts as well. For example, these efforts improved governance, and increased revenue. PRIDE Jamaica has created more transparent tax operations for TAJ Debt Management by introducing the Annual Plan concept in conjunction with implementation of a standardized set of performance reports that can be used for evaluating operational performance. Additionally, performance indicators will become the norm for assessment of performance within the TAJ and therefore evaluation of performance will be more transparent. As a result, the Debt Management Operation can better direct resources to high priority and high revenue cases, thereby increasing revenue collection potential.

**Best Practices:** Standardized Operational Work Plans and a systematic method of performance evaluation and assessment are “best practices” for modern Tax Administration organizations.

**Lessons Learned:** Many international organizations had previously identified the need for TAJ to develop a modern and “best practices” approach to preparing their Annual Audit Plan and Annual Debt Management Plan. The key to TAJ and PRIDE Jamaica success was to identify the technical and consulting resources that would provide the appropriate expertise to assist TAJ to manage and drive the process of preparing the Annual Work Plans. PRIDE Jamaica provided support and expertise to manage and complete the necessary actions and documents to meet the target dates. In addition PRIDE Jamaica contributed to maintaining the focus of each TAJ Programmes Unit counterpart to assure that a high-quality product was produced in a timely manner.

## Impact on Good Governance

The team identified two principal impacts on good governance. First, PRIDE Jamaica is instilling more confidence in the tax-paying public in the TAJ ability to administer a fair and equitable tax administration system. The project provided technical and managerial support to assist the TAJ to reengineer business processes in four core areas (returns processing, revenue accounting, taxpayer service, and audit and collection). Information to taxpayers is now more uniform, predictable, and timely, boosting public confidence in the institution as well as voluntary compliance. This intervention is discussed in detail in the previous section as it also contributed significantly to building institutional capacity.

Second, PRIDE Jamaica contributed to good governance by increasing the ability of government at a variety of levels, from the parish level to the national level, to **effectively deliver the public service of development approvals** for construction projects. Through technical assistance for a Development Assistance Centre (DAC), PRIDE Jamaica created a framework for a more predictable and transparent building and construction approvals process that depends on a consultative methodology among government authorities, rather than bureaucratic inter-agency opposition and delays. The DAC created a culture of facilitation that resulted in implementation within 90 days of 12 large projects in its first 4

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months of operation, and attained a 99% client approval rating. This resulted in an improvement in Jamaica's rank in the World Bank's Doing Business category 'Dealing with Construction Permits', from 49 to 47.

## Cementing a “Culture of Consultation” Regarding Development Approvals

**Summary:** PRIDE Jamaica successfully engaged with a public-private partnership to bolster activities that were underway to dramatically reduce the time needed to obtain construction approvals for large development projects. Even more importantly than the success in obtaining construction approvals within 90 days, the public-private partnership 1) for the first time in this sector brought together private sector and public sector leaders who successfully worked to achieve mutually beneficially outcomes, proving that working together on shared challenges can yield significant impacts and 2) transformed the culture of development approvals from one characterized by turf battles and bureaucratic delays to one of consultation toward crafting solutions.

By improving the predictability of approvals and creating a process of consensus by which authorities can consult and comment on projects under development, PRIDE Jamaica contributed to good governance by increasing the ability of government at a variety of levels, from the parish level to the national level, to effectively deliver the public service of development approvals. At the same time, PRIDE improved the business environment, by streamlining the approvals procedures. Finally, through PRIDE Jamaica's support, the DAC is mobilizing revenue, bringing development projects to fruition that previously may have chosen alternative locations, or wouldn't have been developed as quickly.

**PRIDE Jamaica Contribution:** Developers faced an array of up to 32 separate agencies involved in granting construction approvals. Both investors and the public sector realized that the scope of the problem was hindering economic development. Two high-level projects – the luxury Atlantis resort complex that chose to locate in the Bahamas, and a Federal Express distribution center that was built in the Dominican Republic – both passed on locating in Jamaica in part due to the lengthy and unpredictable construction approvals process.

PRIDE Jamaica cemented the initial work begun under a prior USAID Program, “Legs and Regs” begun with the Jamaica Chamber of Commerce and piloted with the Office of the Prime Minister (OPM), and the Cabinet Office. To streamline the approvals process, a Technical Advisory Committee was formed with leading public and private sector partners to seek a solution. After visiting US locations modeling best practices in streamlined approvals including Austin Texas, the Committee supported the creation of a Development Assistance Centre (DAC). The DAC offers five services: Pre-consultation (convening development approvals authorities to learn of investment projects and comment in advance on their approvability), Facilitation, Tracking, Reporting, and Recommendations. PRIDE Jamaica's contribution was principally to work with the Technical Advisory Committee as a strong advocacy partner, providing credibility to the objectivity and transparency of the process. By assuring that no significant stakeholders could remain outside of the process and potentially derail it, PRIDE Jamaica played an important role in cementing the public-private partnership, nurturing trust and facilitating consensus that led to the successful implementation of the DAC.

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**Impact:** In its first 4 months of operation, from July 2010 to November 2010, the DAC successfully facilitated implementation within 90 days of 12 projects, including a large manufacturing plant and a large housing development. The DAC will be an important competitive edge in discussions with leading foreign investors, providing predictability and speedy decisions. Within the first 18 months of operation, the DAC received 440 clients, conducted 201 pre-consultation and facilitation meetings, issued 77 Technical Information Documents laying out in clear terms what the developer must do to obtain approvals, and met or exceeded client expectations 99% of the time.

Just as important as the quantitative impact is the cultural transformation that the DAC is having. In pre-consultations on a St. Thomas airport project, the Mines and Geology Division provided clear technical input on the need for a comprehensive drainage plan, which was then developed without causing any delay. In order to protect a fish breeding sanctuary located near a housing project in Negril, the DAC pre-consultation process resulted in a proposed solution whereby the developer would pay a monthly fee to the Fisheries Division to monitor the safety of the sanctuary. The project has been approved. The consultative process is shaping the development authorities into a body which considers and comments on upcoming projects in a spirit of seeking shared solutions, not a serial search for problems to highlight which then cause hold-ups and cost overruns.

Another important impact includes developing standardized parish-level forms to apply for building and planning permission, which capture information required by the New Building Code. The DAC plans to offer technical assistance to their parish-level counterparts in how to adopt a culture of consultation.

**Best Practices:** The DAC experience demonstrates several best practices. First, PRIDE Jamaica built on previous USAID and private sector efforts, moving forward a high-priority initiative that had begun with prior funding. Second, the DAC was modeled after global best practices, visited in a series of study visits, tailored for the Jamaican context. Third, DAC's top executive leadership was selected from the private sector, assuring businesses that the institution, although housed within the National Environment and Planning Agency (NEPA), is committed to streamlining approvals.

**Lessons Learned:** A key to assuring success in creating the DAC was keeping all key stakeholders at the table for initial consensus building. While at times it was tempting to move forward without input from parties that held differing views, by marshalling all the actors through the design process, PRIDE Jamaica assured that the final product was acceptable to all, and was spared excessive criticism. In addition, the amount of supervision and oversight from a public private partnership can be adjusted depending on the stage of development; the Technical Advisory Committee met weekly during the DAC pilot phase and now meets as needed during implementation.

## Impact on Security

PRIDE Jamaica contributed to the implementation of a ***more intelligent Customs risk management system*** that is assisting the country to better identify contraband, drugs, weapons, and terrorist or dangerous activities, while at the same time is better identifying and speeding clearance of non-risky cargo. The project reduced clearance times by 2 days for certain categories of cargo, and added

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transparency to the clearance process at point of entry, thus catalyzing an improvement in the business environment and good governance. The project identified immediate changes to the customs risk management process that are both increasing security and reducing the clearance time of certain categories of cargo.

## Reducing Clearance Times by Improving Risk Management Processes

**Summary:** PRIDE Jamaica successfully helped the Jamaica Customs Department (JCD) to develop a comprehensive risk management framework that encompasses recommendations for improvement in the areas of risk management procedures, policies and operations. This work, coupled with recommendations for a risk management information technology solution, used a holistic approach to customs operations, involving not only the operations of risk, but also looking at their interaction with valuation, classification and other core customs operations. By taking this holistic approach, PRIDE Jamaica was able to identify small immediate changes to the risk management process, that when implemented had an immediate impact of reducing the clearance time of risky cargo (which accounts for about 25% of imports) by 2 days.

Improving risk management operations at JCD has a strong impact on its overall ability to provide improved services. By better targeting risky shipments and focusing efforts on those considered higher risk, JCD reduced the number of inspections at the points of entry and freed other non-risky cargo to be released faster. In addition, risk management is at the heart of security operations for customs. The more intelligent the risk management system, the better the country will be at identifying contraband, drugs, weapons, and terrorist or dangerous activities. In general, a better risk management system enhances transparency of customs operations by developing a rational system of risk criteria that is based on statistical and documented data, rather than on assumptions or random information. By reducing the clearance times, and adding transparency to the clearance processes at the points of entry, JCD can bring more certainty to trade operations thereby improving the business environment. Finally, other countries that have implemented a robust risk management system have seen an increase in revenue collection, with a decrease in the number of inspections, thereby mobilizing revenue while at the same time optimizing use of constrained staff resources.

According to the World Customs Organization, the application of risk management is a critical element that underpins all modern Customs administration. Because Jamaica Customs' current risk management system does not discriminate risk well, it generates too many false positives, thereby requiring the Customs Risk Management Unit (RMU) to conduct manual screenings of risk, which further slows down the clearance process. In addition, although the RMU was effective but slow, it formed an integral part of the entry processing workflow instead of being a less transaction-involved entity, more focused on effective, analytical account management and criteria-driven solutions. The participation of the RMU in the transactional entry processing process was delaying the overall clearance process by 3 days. In addition, the compliance level of the Jamaican importing community is poor, therefore overly complicating risk management functions. As a result, Jamaica Customs' overall examination rate of an estimated 25% is too high.

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**PRIDE Jamaica Contribution:** PRIDE Jamaica worked with Customs' RMU to develop an effective risk management framework with policies, procedures and functions. PRIDE Jamaica also developed a comprehensive risk management system and trained members of the RMU to apply this structure to operations. In particular, launching the implementation of the design for new risk management processes, PRIDE Jamaica recommended that the RMU step out of certain parts of the entry processing workflow and focus more on the analysis of operations. In effect, PRIDE Jamaica helped the RMU make better use of their VIRMS (IT system) by feeding it specific criteria and instructions to send the relevant selected declarations to the department concerned with the cause for inspection. For example, the system now routes declarations held for inspection due to valuation, directly to the valuation department, or to the classification department if the issue is one of classification, instead of routing them first to the RMU. In this way, RMU is no longer involved in each transaction, but has stepped out to focus more on analysis and risk criteria definition. This change has had a direct, positive impact on clearance times.

In addition, following the implementation of a risk management (RM) framework at Jamaica Customs, PRIDE Jamaica worked with JCD to implement the second phase of the two-part activity in support of the development of a RM IT solution. These phase two activities provided technical assistance to develop a Request for Proposal (RFP) for the Jamaica Customs Risk Management IT system. In consultation with JCD personnel, PRIDE Jamaica carried out an assessment of the existing RM methodologies guided by a high level process flow diagram that was prepared by JCD to outline those procedures that will involve an automated interface. PRIDE Jamaica also conducted a review of current operations in the Risk Management, Customs Modernization, Intelligence, Valuation and Information Management divisions of Jamaica Customs. The initial objective provided understanding the function and operations of the risk management computer system, business processes, and the technology of VIRMS product which currently supports the risk management function.

**Impact:** The work had a direct impact on decreasing the clearance times for cargo identified as risky (about 25% of imports) by 2 days. In addition, the work helped the RMU to better understand its role and concepts of risk management. Officers were able to understand that their role is one of analysis of the data and definition of criteria, as opposed to direct involvement in each of the transactions that the IT system was selecting for inspection. The work has made the RMU more effective, thereby not only improving the time to clear, but bringing JCD closer to a modern customs authority that uses risk management as the core of its operations.

**Best Practices:** PRIDE Jamaica's work with JCD to implement a modern RM methodology produced several best practices. First, tap into local momentum. PRIDE Jamaica was able to tap into the ongoing modernization framework that JCD has developed in order to become an Executive Agency. PRIDE Jamaica worked with the momentum that existed already and the impetus of this change wave was helpful to leverage political will and desire to change, to implement changes quickly and effectively. Second, identify and supply experts who are capable of understanding local needs and adapting solutions. PRIDE Jamaica provided experts who have very broad experience implementing RM methodologies and systems worldwide. They were able to quickly assess the needs, and find quick RM solutions that have a significant impact on clearance times and improving JCD operations. However, the

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experts were also able to understand the environment and needs, and worked with what resources were available in the country, instead of designing solutions that are un-implementable. Lastly, design solutions with a holistic view. JCD indicated that they were very pleased with PRIDE Jamaica's approach to looking at RM from the broad perspective as part of a full, integrated customs process. As a result of this holistic view, PRIDE Jamaica was able to pinpoint those small process changes that had a large impact on clearance times.

**Lessons Learned:** The work required a few elements to succeed, including close collaboration with a "champion" in JCD who understood the importance of risk management and its connection with security, better environment for trade and better customs operations. Since JCD is in the process of a complete modernization overhaul, small initiatives can get lost, and recommendations can be forgotten if they are not connected to overall efforts. In this case, the local team along with the international PRIDE Jamaica consultant worked side-by-side with JCD to drive this reform process.

## Impact on Business Environment Improvement

The team identified three principal impacts on business environment. The first two have already been discussed above. First, based on PRIDE Jamaica's support to Tax Administration Jamaica, taxpayers have a better understanding of their responsibilities to comply with their requirements to pay taxes. This is creating more predictability in the business environment. Second, PRIDE Jamaica's work in Development Approvals has enabled the building and construction sector to plan with more certainty regarding time, and therefore also costs, that will be required to bring a project to completion, thus increasing the predictability of the business environment.

Third, the project produced a **comprehensive assessment of the trade system in Jamaica**, including a full mapping of all import/export processes. This will guide the Government of Jamaica, other donors (particularly the Inter-American Development Bank) and private sector initiatives toward streamlined, simplified, and transparent trade-related processes. PRIDE Jamaica is catalyzing significantly streamlined administrative processes for agencies involved in trade operations at ports of entry, improving the business environment for trade and investment. By reducing customs clearance times by 2 days for certain categories of cargo, businesses are able to access inputs for their operations, thereby reducing the time products get to market.

## Mapping Trade Processes to Improve Transparency

**Summary:** PRIDE Jamaica implemented several trade improvement activities under the scope of the Caribbean Basin Security Initiative (CBSI). One of these activities was completing a full mapping of Jamaica's import/export processes for all the agencies involved in trade operations at the ports of entry. This work was performed in conjunction with the Trade Community System Partnership (TCSP), which is a public-private partnership. This task of mapping the trade related processes of all the border agencies was undertaken in support of the Government of Jamaica's effort to identify the gaps, redundancies and process overlaps as a first step to develop a future streamlined process.

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The TCSP benefitted from the work, because it supports the Port Community System (PCS) the TCSP is proposing to implement in order to connect the operations of the main trade agencies. Since the completion of the mapping, the TCSP prepared a tender to develop the PCS, and by June 2012, 22 companies had already shown interest. More importantly, the work will serve to support the Single Window for imports and exports efforts that is being treated as a primary objective by the Government so that Jamaica can truly become competitive in the area of trade (The PCS will be a component of the Single Window). Thus, PRIDE Jamaica's work will help the GOJ to establish an e-Trade platform.

**PRIDE Jamaica Contribution:** PRIDE Jamaica developed the maps by conducting interviews with 30 trading community professionals. The team identified import and export business processes across trade related GOJ agencies, and their interactions with their clients including customs brokers, freight forwarders, importers, and others. The team used process maps and flow diagrams to document interactions between the stakeholders within Jamaica's trading community. In addition, the analysis identified concerns of the users of the systems, issues and constraints to trade facilitation, and developed solutions and next steps.

After completing the Import/Export Mapping, the TCSP, with strong support from one of its private sector members – the Shipping Association of Jamaica (SAJ) - is in the process of seeking a comprehensive solution to intertwine the activities of the entities operating in the port community and therefore, embed the business logic of the community. The TCSP compiled a Request for Information (RFI) as Stage I of the procurement process which uses the Mapping information to guide the design, development, configuration, and implementation specifications of the Port Community System.

**Impact:** PRIDE Jamaica produced a comprehensive “x-ray” of the trade system in Jamaica. This complete picture is a very valuable tool to launch and guide the GOJ and the private sector's initiatives to have streamlined, simplified and transparent trade related processes. The Import / Export Mapping is an important first step toward identifying gaps and defining a roadmap for process reengineering. The process to achieve a true Single Window for imports and exports with full automation and simplified processes is long. PRIDE Jamaica's work is an important first step in the right direction.

While there is no specific quantitative data at this time to gauge the impact of the Import/Export Mapping activity, its potential for impact is huge, if the GOJ –now invigorated with the prospect of developing an international trade Single Window– continues with the effort of modernizing trade processes. This line of work will surely impact the GOJ's overall ability to deliver efficient trade related services, improve the quality of the services to its clients, and enhance transparency. It will send a strong message that Jamaica has an improved business environment for trade.

**Best Practices:** There are a few best practices than can be learned from PRIDE Jamaica's work mapping the import and export procedures of Jamaica. First, build on local initiatives already in motion. PRIDE Jamaica was able to leverage the strength of the TCSP, and in particular of one of its strongest private sector members, the Shipping Association of Jamaica. PRIDE Jamaica worked with the momentum that existed, and tapped into knowledgeable members of the community who had already started the first

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steps towards the development of the PCS. Second, support the local champion. PRIDE Jamaica did not have to work to develop the type of public-private dialogue that is needed to have complete buy-in of an activity such as this one that requires the collaboration of over 7 GOJ agencies. PRIDE Jamaica supported the key people who were already championing this effort, who had the GOJ connections and who could call and bring to the table the key stakeholders from both public and private sectors. This champion was a fundamental contributor to the success of the mapping process. Third, serve as a link and coordinator among donors. The PCS, which is a component of the Single Window, is an expensive endeavor. PRIDE Jamaica understood that the IDB was in the process of approving a loan to support key reform initiatives in Jamaica that could include aspects of the trade process, and focused on using project funds to help that process along.

**Lessons Learned:** A key to the successful development of the Import/Export Mapping was PRIDE Jamaica's ability to communicate effectively with all relevant sectors, to seek out all stakeholders and to catalyze dialogue to shape project activities. In the area of customs modernization there are many interests, and many proposed solutions. Some favor the public sector and some the interests of the private sector. Even within each sector, the interests of each vary widely, and in many cases can seem opposed to each other. Governments struggle between facilitating trade while ensuring security for the people. A project will produce successful results if it manages to stay objective, focused and unbiased, listening to all sectors, and recommending solutions that are consistent with good examples across the world, but that are suitable for the specific country.

## Cross-cutting Lessons Learned

In addition to specific lessons learned, organized above by impact area, the assessment team identified the following overarching lessons learned:

- The PRIDE Jamaica scope and methodology for catalyzing tax and customs modernization has a significant impact across multiple key results areas. The approach enhances good governance, contributes to sustainable institutions, improves security, increases revenue mobilization, and catalyzes improvements in the business environment. Individual activities typically contributed to more than one result area.
- PRIDE Jamaica's participatory and integrative implementation mechanisms are credited with building buy-in and sustainability for the program. PRIDE Jamaica worked collaboratively with the tax and customs entities to draft scopes of work that specifically targeted priority technical areas with the power to catalyze significant impact. Then, as the work progressed, PRIDE Jamaica assured that consultants not only provided the highest quality technical assistance, but integrated technical support with the managerial and administrative procedures necessary to implement the technical procedures. Finally, PRIDE Jamaica's long-term staff followed up assiduously with the entities to see that the tax and customs systemic changes were implemented, serving as the technical "glue" among the disparate STTA consultancies and bridging the technical pieces together into an implementable pathway leading to systemic transformation.

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- In fact, while PRIDE Jamaica has had and will have significant impact, if additional resources had been available, the addition of more long-term technical assistance (LTTA) could have boosted results even further. Targeted STTA provided critically important technical solutions. The addition of LTTA in key institutions would likely have provided opportunities to embed the technical solutions into managerial, administrative, and institutional practices to a greater extent than PRIDE Jamaica could with its small long-term staff. However, given the project funding level the mix of STTA and LTTA was deemed appropriate.

Taken together, these cross-cutting lessons learned are very insightful for guiding USAID efforts under USAID Forward to build local capacity, whether in tax and customs modernization or other types of institutions. Critical building blocks for building sustainable local capacity include:

1. Providing access to a proven methodology that provides significant impact;
2. Working in a participatory manner with target institutions to identify and meet their high-priority technical and managerial needs;
3. Focusing technical assistance on those key areas that offer the potential to catalyze significant transformation;
4. Integrating technical solutions into managerial, administrative, and institutional procedures, and
5. Assuring assiduous follow-up, assisting the target institutions to fully implement systemic changes.