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PRIDE JAMAICA

ANNUAL REPORT

October 1, 2010 – September 30, 2011

CONTRACT # EEM-1-00-07-00006-00

TASK ORDER # 11



October 2011

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October 28, 2011

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LIST OF ABBREVIATIONS

ACRE	Access, Communication, Reform, Efficiency
AEO	Authorized Economic Operator
AID/W	Agency for International Development, Washington D.C.
BPR	Business Process Reengineering
CADR	Commercial Alternative Dispute Resolution
CARTAC	Caribbean Regional Technical Assistance Centre
CEO	Chief Executive Officer
CO	Cabinet Office
COTR	Contracting Officer's Technical Representative
COTS	Commercial Off The Shelf (System)
CPC	Chief Parliamentary Counsel
DAC	Development Assistance Centre
DAP	Development Approvals Process
DBJ	Development Bank of Jamaica
EA	Executive Agency
EPU	Entry Processing Unit
ERA	Environmental Regulatory Authority
EU	European Union
FDIU	Forensic Data-mining and Intelligence Unit
FinMan	Financial Management (System)
GOJ	Government of Jamaica
HAJL	Housing Agency of Jamaica Limited
HEART/NTA	Human Employment and Resource Training/National Training Agency
HPM	Honorable Prime Minister
ICT/IT	Information and Communication Technology/Information Technology
IDB	Inter-American Development Bank
IDP	International Development Partners
IMF	International Monetary Fund
IRD	Inland Revenue Department
JAMPRO	Jamaica Promotions Corporation
JCC	Jamaica Chamber of Commerce
JCD	Jamaica Customs Department

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JIS	Jamaica Information Service
KCT	Kingston Container Terminal
LAMP	Land Administration and Management Programme
Legs and Regs	Legislation Regulations and Process Improvement Project
LPA	Local Planning Authority
MFI	Microfinance Institution
MIP	Modernization Implementation Plan
MoFPS	Ministry of Finance and the Public Service
MOJ	Ministry of Justice
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprise
NEPA	National Environment and Planning Agency
OPM	Office of the Prime Minister
OTA	Office of Technical Assistance (US Treasury)
PCAU	Post Clearance Audit Unit
PMEP	Performance Monitoring and Evaluation Plan
PPP	Public Private Partnership
PSMD	Public Sector Modernisation Division
PSOJ	Private Sector Organisation of Jamaica
RFI	Request for Information
RFP	Request for Proposal
RMU	Risk Management Unit
SAJ	Shipping Association of Jamaica
SARA	Semi-autonomous Revenue Authority
TAAD	Taxpayer Audit and Assessment Department
TAD	Taxpayer Appeals Department
TAJ	Tax Administration Jamaica
TASD	Tax Administration Services Department
TCSP	Trade Community System Partnership
TOR	Terms of Reference
TRN	Taxpayer Registration Number
USAID/Jamaica	United States Agency for International Development/Jamaica Mission
UTECH	University of Technology
UWI	University of the West Indies
WCO	World Customs Organization

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YUTE

Youth Upliftment Through Employment

EXECUTIVE SUMMARY

Promote, Renew, Invigorate, Develop Energize (PRIDE) Jamaica successfully completed its second year of project implementation¹. PRIDE Jamaica worked closely with counterparts across PRIDE Jamaica's component areas to achieve results. This is demonstrated, in part, by the more than US\$3 million counterparts contributed toward project implementation over the last program year. In addition to meeting or exceeding all of the targets in the Performance Monitoring and Evaluation Plan, PRIDE Jamaica achieved important implementation benchmarks in the core program areas. This has enabled the project to establish the foundation to achieve even stronger results in the upcoming year, which is now expected to be the project's final year of implementation activities.²

Tax administration reform continued to be USAID/Jamaica's highest priority for PRIDE Jamaica's implementation program. Working with colleagues in Tax Administration Jamaica (TAJ), PRIDE Jamaica made great strides toward expanding the taxpayer base, improving compliance and mobilizing revenue collection. With reform project management support from PRIDE Jamaica, TAJ achieved a major milestone on April 1, 2011, when it established its new, integrated domestic tax organization. This was a key transition step toward TAJ establishing itself as a semi-autonomous revenue authority by April 1, 2012, a priority benchmark established by international development partners. PRIDE Jamaica worked with TAJ to develop and implement its transition structure and functions during this interim period. Additionally, PRIDE Jamaica provided ongoing support to TAJ to develop and present its case to establish itself as a semi-autonomous revenue authority to the Tax Administration Reform Program's Executive Steering Committee. This was in preparation for its presentation to the Honorable Minister of Finance, who will officially present the case to Cabinet early in the next program year. The presentation to Cabinet is the prelude to tabling legislation in Parliament to formally establish TAJ as a semi-autonomous revenue authority.

To support TAJ's increasing autonomy and accountability as it transitions to a semi-autonomous revenue authority, PRIDE Jamaica developed the structures, functions and processes for new internal accounting, budgeting and analytics units that integrate operations of three previously separate domestic tax entities. As a result of implementing PRIDE Jamaica's structure and processes, TAJ reports that it achieved a 50% improvement in efficiency in the area of internal accounting operations, enabling it to deploy staff to other management support units to further improve its operations.

¹ PRIDE Jamaica's field implementation began at the end of March 2010. In order to align the project year with the US Government fiscal year, USAID/Jamaica requested that Year 1 include the 6.5 month period March through September, 2010. Year 2 includes the period October 1, 2010 through September 30, 2011.

² In June 2011 USAID/Jamaica advised CARANA Corporation of substantial reductions in funding. CARANA expects that funding levels will require implementation to be completed within the next fiscal year, one year earlier than planned.

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PRIDE Jamaica supported TAJ to prepare its first budget, spanning a three year budget cycle, for its newly integrated operations. TAJ is now preparing its next budget submission, utilizing templates designed by PRIDE Jamaica during the last budget planning process. TAJ is also in process of establishing the new budget and analytics unit developed by PRIDE Jamaica, and expects this unit will be fully operational by early 2012. The unit will enable TAJ to track expenditures across the integrated organization, identify opportunities for cost savings, and redeploy resources to meet priority needs across the organization.

In the area of tax operations, PRIDE Jamaica worked with TAJ to reengineer business processes across the four key tax processes.³ Introducing updated software to map processes, PRIDE Jamaica trained TAJ personnel to utilize the new program as part of the reengineering process. TAJ will soon complete its final review of the fully decomposed tax operations processes and implement these within its tax operations. TAJ will also incorporate the reengineered business processes into an anticipated Request for Proposal it will prepare, with the support of PRIDE Jamaica, to acquire a new information management system that will substantially improve tax operations and compliance, and mobilize revenue collection.

To improve decision making and target resources on the highest revenue generating areas, PRIDE Jamaica developed a series of 'at a glance' reports for TAJ's executive and senior management operations team. These reports highlight data and performance results in key operations areas, including filing, collections and audit, which are critical to informing TAJ whether it is meeting its revenue collection targets; and, enable management to more quickly implement corrective actions. The new Debt Management Report identified the need to correct system errors to ensure that filed taxpayer returns are properly accepted by the current information management system. These corrections are being incorporated into a larger data cleansing initiative that TAJ must complete before it can implement any new technology solutions.

Mobilizing revenue collection is a fundamental role of tax administrations worldwide. PRIDE Jamaica worked with TAJ to design and implement a risk management framework to score taxpayer returns and identify those taxpayers most at risk for non-compliance. This will improve audit planning, and enable TAJ to select compliance leads for action. Taxpayer populations were segmented and PRIDE Jamaica developed selection formulas for each of the target groups. The criteria were weighted and assigned varying points depending on the relative importance of each criterion. TAJ is applying the protocols to a pilot population of tax returns to test the scoring system and will assign the cases to compliance officers for action as the test results are generated. These cases will result in additional contributions to revenue collection.

TAJ has acknowledged it needs to improve its collection of tax debt arrears. PRIDE Jamaica redesigned existing systems and developed new ones for TAJ to implement in order to generate additional revenue from the backlog of cases. PRIDE Jamaica prepared a 'Financial Analysis and Collection Interview Techniques Handbook' that includes structured interview techniques and formats to collect taxpayer information regarding pertinent data on income and assets. The

³ The four processes are Taxpayer Service, Returns Processing and Revenue Accounting, Audit, and Collection.

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formats will enable TAJ to better analyze a taxpayer's financial position and negotiate better payment agreements to improve revenue collection and taxpayer compliance.

To address one of the long standing complaints regarding Jamaica's tax administration provisions, PRIDE Jamaica developed a comprehensive rationalization of the administrative provisions regarding tax assessments, collections and enforcement and prepared a draft of a new Tax Administration Act. This single body of law will provide for common procedures, rights and remedies – including a taxpayer bill of rights, penalties and sanctions regardless of the tax type. This unified act simplifies the administration of Jamaica's tax laws, and will make it easier for taxpayers to understand and for TAJ to apply in a more even-handed approach. TAJ is completing its final reviews prior to advancing the act through the legislative approval process.

As the only long-term resident program supporting tax administration reform, international development partners, including the IMF, IDB, and the EU continue to look to PRIDE Jamaica to provide guidance on TAJ's progress toward implementing the reform program. PRIDE Jamaica effectively leveraged this position to work with USAID/Jamaica, TAJ and the IDB to position Jamaica to obtain more than US\$30 million in funding to support tax administration reform, and close to US\$20 million to support reform of Jamaica Customs.

PRIDE Jamaica's activities in development approvals noted substantial achievements during this program year. The Access, Communication, Reform, Efficiency (ACRE) Task Force, a public-private partnership established by PRIDE Jamaica, supported the pilot phase of the newly established Development Assistance Centre (DAC). The DAC provides a vehicle for developers of large projects to consult with the various commenting agencies prior to formal submission of project documents for formal approval. This enables developers to incorporate guidance from the authorities during the planning process, and improves the likelihood that prerequisites for project approval will be met. The goal of the DAC is to have a turnaround time of twenty days or less on 100% of all submissions. As a result of the ACRE Task Force's input to the DAC during the pilot phase, the DAC achieved a 78% rate of the twenty day timeframe, with a 99% satisfaction level with the service of the DAC. In addition, the DAC is now assisting clients with services beyond those originally envisioned, suggesting that, over time, the DAC may well represent a mechanism to transition to a true One Stop Shop for development approvals.

To further support expediting the development approvals process, PRIDE Jamaica prepared a Legal Opinion in support of a Two-Tiered System for Development Approvals. The Legal Opinion determined that existing common law legally obligates the relevant approving agencies to process applications and provide critical feedback to applicants in a timely manner. This strengthens applicants' positions within the approval process and makes it incumbent on the relevant agencies to adhere to the common law standards. Elements of the Legal Opinion are now being incorporated into a new National Building Code that the Prime Minister tabled in Jamaica's Parliament. The tabling of the New Building Code represents a significant achievement for development approvals reform as it will allow for the standardization of requirements for the design and construction of most types of buildings.

PRIDE Jamaica implemented several activities within the scope of the Caribbean Basin Security Initiative (CBSI). Working with a public-private partnership, Trade Community System Partnership, PRIDE Jamaica completed a full mapping of Jamaica's import/export processes to improve trade facilitation. The results of the mapping process identified a number of areas through which the trade community can improve the time and reduce the cost to import and export goods, while improving Jamaica's border security and reducing corruption. The trade

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community is utilizing the recommendations of the PRIDE Jamaica mapping to prepare a tender for a technology solution that will increase the electronic interface between Jamaica Customs and the private sector to improve efficiency, reduce errors, and increase transparency.

An important element of PRIDE Jamaica's CBSI activities included working closely with Jamaica Customs to effectively manage risk to improve border security and eliminate corruption. PRIDE Jamaica worked with Customs' Risk Management Unit to develop and implement an effective risk management framework with policies, procedures and functions. PRIDE Jamaica also developed a comprehensive risk management system and trained members of the Risk Management Unit to apply this structure to operations. Arising from this work, Jamaica Customs, with support from PRIDE Jamaica, will prepare a Request for Proposal to procure a technology solution that will apply the risk management approaches identified by PRIDE Jamaica. In addition, PRIDE Jamaica will work with the Risk Management Unit to develop and apply risk criteria and establish a scoring system to assess an importer's risk of non-compliance. The high risk cases will be assigned to compliance officers for action. These activities will further support mobilizing revenue, improving border security, and eliminating corruption.

In support of CBSI workforce development activities to support at-risk youth, PRIDE Jamaica executed a US\$400,000 grant agreement with the Private Sector Organisation of Jamaica (PSOJ). Coordinated by PSOJ, Youth Upliftment Through Employment (YUTE) is a public-private partnership spanning a broad spectrum of private sector firms and public sector agencies to target some of the root causes of crime and violence among young people in Jamaica. YUTE focuses on building technical and social skills, increasing employability, and providing long and short term economic and entrepreneurship opportunities for 2,200 young people over the life of its activities. The program is being initially implemented in eight inner-city communities through 2013. To date PSOJ has garnered more than US\$3.5 million in commitments from private sector and international development partners to support this critical initiative.

In the realm of addressing regulatory issues to improve access to credit for micro, small and medium enterprises, PRIDE Jamaica worked with a public-private partnership that included the Development Bank of Jamaica and microfinance institutions (MFI) to assess what type of regulatory framework would enable MFIs to access additional funds for on-lending and to improve their operating profitability. PRIDE Jamaica's assessment determined that the MFI industry would have to rely on self regulation given that the Bank of Jamaica has no plan in the near term to issue regulations for the sector. In support of the self regulatory framework, PRIDE Jamaica outlined a detailed methodology, including a structure and guidelines of a governing body, that the sector could use as a basis to begin the process. The two primary associations representing MFIs are in discussion to determine what aspects of PRIDE Jamaica's methodology they will apply.

To further support improved efficiencies and reduce transaction costs to deliver financial services to MFI clients, PRIDE Jamaica worked closely with a public-private partnership to consider the opportunity to introduce fully inter-operable mobile financial services to Jamaica. In support of an implementation plan being developed by the University of the West Indies, a member of the partnership, PRIDE Jamaica undertook field survey research and completed an overall economic impact analysis of the potential benefits that mobile financial services would offer to Jamaica. PRIDE Jamaica's analysis determined that a fully-interoperable system offers the greatest potential to reduce the costs of financial transactions and, over time, bring more

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people into the formal financial system. Full interoperability will require a pro-active regulatory position from the Bank of Jamaica.

PRIDE Jamaica continued to incorporate a strong partnership approach with all of its implementation partners to achieve results. This approach has led to very close working relationships with stakeholders. It provides access to decision makers, enables open and ongoing communication with counterparts, and supports real ownership by partners of the assistance that PRIDE Jamaica offers. PRIDE Jamaica's flexible approach and ongoing review of activities and programs facilitated new activities being incorporated into the existing program, and eliminated those which did not demonstrate sufficient progress. With resources even more constrained, PRIDE Jamaica will continue to vigorously assess expected future results to ensure that implementation activities maximize impact.

In June 2011, USAID/Jamaica advised that future program funding for PRIDE Jamaica will be substantially reduced. As a result, PRIDE Jamaica anticipates that the program will end by September 30, 2012, which is one year earlier than anticipated. PRIDE Jamaica will be working with stakeholders to ensure that reform activities and operational improvements continue beyond PRIDE Jamaica's tenure. PRIDE Jamaica is also working closely with international development partners to support a smooth transition whereby stakeholders can utilize resources from other development partners to continue reform program activities.

SECTION I

1.1 PROJECT OVERVIEW

1.1.1 BACKGROUND

The CARANA consortium, including Crown Agents, SUNY, Duke University and International Land Systems (ILS) completed the second year of implementation on USAID/Jamaica's program Promote, Renew, Invigorate, Develop and Energize (PRIDE) Jamaica. PRIDE Jamaica works with public and private sector counterparts to reduce and eliminate administrative barriers and improve the policy framework to establish an improved business operating environment to support private sector growth.

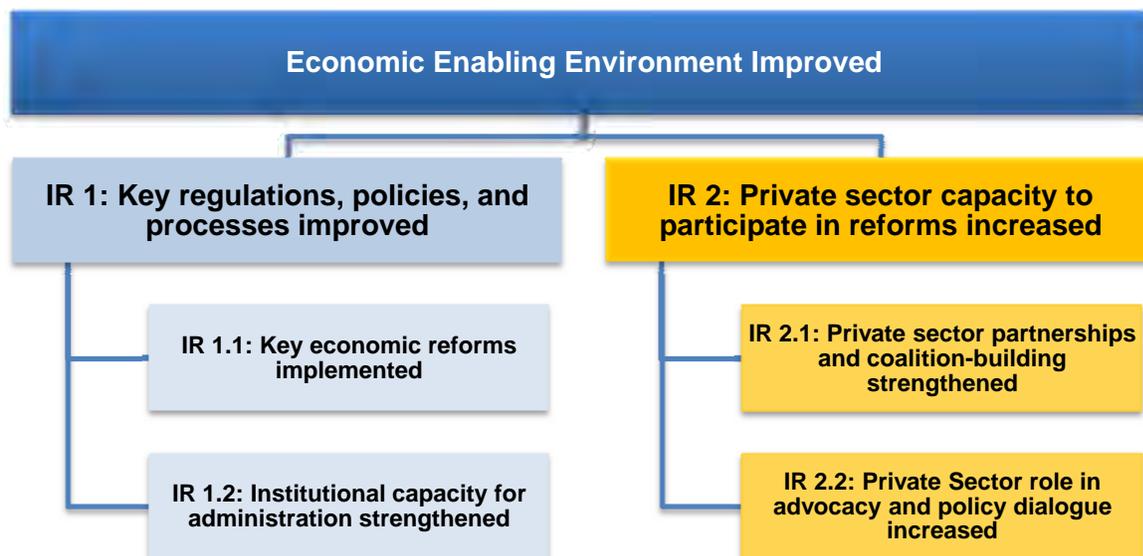
PRIDE Jamaica continues to support broad consensus between the Government of Jamaica (GOJ) and the private sector on the critical initiatives needed to drive economic growth and sustainable development. PRIDE Jamaica implements activities that are aimed toward eliminating the administrative constraints of doing business, including operational, policy, regulatory and legislative changes that are conducive to private sector economic growth and those that support needed fiscal and macroeconomic reforms. These activities contribute to creating an enabling environment that will improve Jamaica's international competitive position as a place to do business. Annex A provides information regarding counterpart contributions from stakeholders over the last program year in support of PRIDE Jamaica's implementation program.

PRIDE Jamaica's component areas include:

- Tax Policy and Administration;
- Licensing and Other Competitiveness Areas;
- Access to Credit for Micro, Small and Medium-Sized Enterprises;
- Legislative Process; and
- Land Policy and Administration.

The USAID/Jamaica Results Framework for Assistance Objective 3, '*Economic Enabling Environment Improved*,' is outlined below.

FIGURE 1 – Assistance Objective 3



PRIDE Jamaica’s activities are designed to achieve results within the scope of Intermediate Result 1: Key Regulations, Policies and Processes Improved, and Intermediate Result 2: Private Sector Capacity to Participate in Reforms Increased. The project tracks the outcomes of activities at the sub-intermediate results level, ensuring that implementation activities within the project components can be tracked and measured according to the requirements of the Results Framework.

PRIDE Jamaica worked with USAID/Jamaica to finalize the Project Monitoring and Evaluation Plan (PMEP) in accord with updated guidance regarding the sub-intermediate results and new indicators from AID/Washington. PRIDE Jamaica submitted the final PMEP to USAID/Jamaica on November 22, 2010⁴. Annex B provides the updated annual PMEP Results Reporting Table, and Annex C provides detailed information regarding annual results by indicator.

Based on PRIDE Jamaica’s work over the life of the project, results are expected to improve Jamaica’s economic enabling environment, resulting from a more unified private sector advocating for and participating in Jamaica’s economic development. The improved enabling environment will support the country’s competitive position in regional and global markets, with Jamaica viewed to be a more attractive location for both domestic and foreign business investment.

⁴ The project was designed for a three and one half year implementation timeframe, funded at a level of US\$8.1 million. PMEP targets were developed on the basis that the contract would be fully funded, and that the timing of funding would enable activities to be implemented with sufficient lead team for proposed outcomes to occur. In June 2011 CARANA was advised that future project funding would be substantially reduced. PRIDE Jamaica is now expected to complete program activities by September 2012, one year earlier than planned.

SECTION II

2.1 TECHNICAL ACTIVITIES

2.1.1 COMPONENT 1: TAX POLICY AND ADMINISTRATION

The Tax Policy and Administration component continues to be USAID/Jamaica's highest priority for PRIDE Jamaica's implementation work. PRIDE Jamaica's activities in this component supported Tax Administration Jamaica (TAJ) to mobilize revenue collection, broaden the tax base by improving administration, streamlining processes to make it easier and simpler for taxpayers to comply, and harmonizing tax policy and legislation. In addition PRIDE Jamaica worked with Tax Administration Jamaica to improve existing programs and develop new ones to manage risk (audit, non-filers, debt collection). All of these initiatives support the TAJ's efforts to expand the tax base and improve compliance.

Many of PRIDE Jamaica's implementation activities were derived from key recommendations in the April 2010 and March 2011 IMF reports that outlined a series of benchmarks to improve Jamaica's tax administration. Recommendations from the April 2010 report were captured in the August 2010 fully costed Modernization Implementation Plan prepared by TAJ and PRIDE Jamaica. Implementation activities focused on improving the efficiency of internal operations and systems, streamlining business processes for tax operations, developing an improved legal framework to enable TAJ to mobilize additional revenue from existing taxpayers and establishing a more transparent system for assessment, collections and enforcement.

PRIDE Jamaica coordinated its activities very closely with other international development partners, including, among others, the IMF and the IDB. PRIDE Jamaica's flexible approach enabled the project to be responsive to the changing needs of the GOJ and incorporate additional implementation opportunities when the needs arose.

Project Management Support to TAJ Reform Project Team

Since June 2010, PRIDE Jamaica worked closely with TAJ and the US Treasury Office of Technical Assistance (OTA) to support TAJ's tax reform program. One of the key areas in which OTA provided support was in the role as project managers with TAJ counterparts to ensure that reform program activities were being implemented. OTA concluded this function at the end of March 2011, at which time PRIDE Jamaica assumed this program activity.

Within the scope of project management support, PRIDE Jamaica worked with TAJ Executive Management on a number of initiatives. Some of these initiatives include:

- Recommending a transition organizational structure for the TAJ that will phase into the semi-autonomous revenue authority (SARA) organization when the SARA legislation is approved.
- Coordinating with the IMF and TAJ management on various assessment areas that were reflected in the April 2010 IMF report and the draft IMF report of March 2011.
- Developing an Action Plan for TAJ to implement each of the IMF recommendations and meet the benchmarks within the required timeframes.

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- Working with TAJ to present its case for SARA to the Reform Program Executive Steering Committee and the Minister of Finance.

TAJ achieved an important benchmark on April 1, 2011 – ‘standing up’ its new domestic tax administration. Many of the reform activities, however, were just getting started. The following period has been, and will continue to be, critical for TAJ’s reform efforts. It includes legislative changes for which TAJ needs to gain support from Cabinet. It is the beginning of the organization’s restructuring, and re-engineering and implementing its business processes for tax operations are underway. TAJ expects to see a major influx of donor support to continue with its reform program. It is against this backdrop that PRIDE Jamaica assumed the mantle of project management support to the TAJ Reform Team. PRIDE Jamaica and OTA began the transition process in January 2011, enabling sufficient time for overlap and a smooth transfer of these responsibilities to PRIDE Jamaica.

One of the key organizational changes that TAJ is moving toward in its reform is to establish itself as a semi-autonomous revenue authority (SARA). This was one of the major recommendations in the April 2010 IMF report, and this type of tax administration organization is utilized by a variety of tax regimes throughout the world. Specifically, implementation of semi autonomous authority will provide TAJ with the ability to craft legislation that incorporates current benefits of an executive agency, with additional provisions proven to be effective in improving governance, transparency, accountability, and organizational flexibility to allocate resources to accomplish its objectives.

With assistance from PRIDE Jamaica, TAJ developed and presented its case for SARA to the TAJ Executive Steering Committee (ESC) in preparation for a further presentation to Cabinet on behalf of the Minister of Finance. The ESC advised that it is important for TAJ to clearly outline the role of the Board of Directors for a SARA, versus the role that an Advisory Board serves with an Executive Agency. The Board of Directors will be more involved in the administrative management aspects, and the recommendations it offers will be considered more than just ‘advisory’, although the Board will have no input on operational matters as these pertain to the handling of taxpayer matters. The ESC also recommended that the implementing legislation clearly detail how the Board is appointed; the role and responsibility of the Minister of Finance in regard to both the Board and TAJ; the separation of powers; and TAJ’s reporting responsibilities. Should Cabinet approve TAJ’s move to a SARA, TAJ can prepare the legislative changes that will be necessary, and anticipates it can meet an April 1, 2012 IMF benchmark for SARA to be in place.

In order to populate the senior and mid-level positions within TAJ, PRIDE Jamaica worked with Caribbean Regional Technical Assistance Centre (CARTAC) and TAJ to finalize an updated organizational structure. The updated structure was approved by the Executive Steering Committee of the TAJ Reform Project⁵. Contracts for the executive level management were

⁵ The Executive Steering Committee includes the Financial Secretary, Ministry of Finance and the Public Service; Commissioner General of TAJ; Commissioner of Jamaica Customs; and representatives from: the private sector, through the Jamaica Chamber of Commerce, Cabinet Office, Services Commission, Public Sector Establishment Division, Revenue Protection Division, and the Civil Service Association.

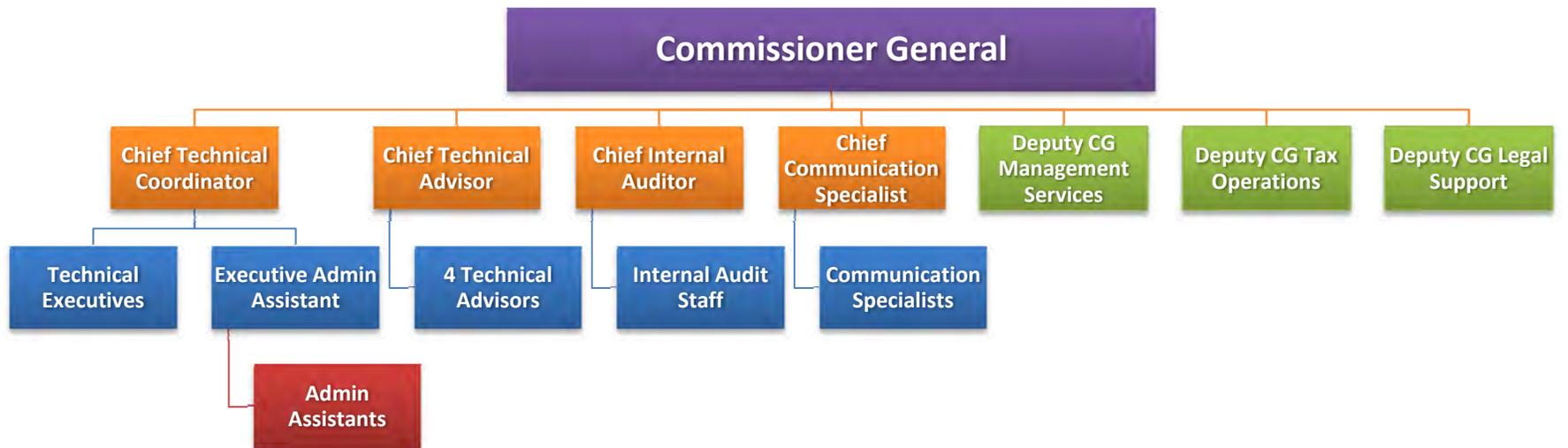
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finally signed by all parties. With this, delegation of human resource matters also resides with the Commissioner General of TAJ. This will enable TAJ to execute its own contracts with members of staff.

PRIDE Jamaica worked closely with Deputy Commissioners General to develop appropriate organizational structures for each of the organization's operating divisions - Management Services, Operations and Legal Support - that are operational during the transition period pending establishment of the SARA organization. PRIDE Jamaica helped to prioritize the key executive, top-level management and program/management analyst positions that should be filled competitively on a temporary basis as soon as possible. This was essential to ensure that the top-level management positions were filled in order to provide the necessary direction and oversight to the TAJ organization in order to mobilize revenue collection and improve compliance.

The TAJ's new organizational structure incorporates three of the previous four separate operating units – Taxpayer Audit and Assessment Department (TAAD), Tax Administration Services Department (TASD), Inland Revenue Department (IRD) - under the direction of the Commissioner General, as outlined below.

FIGURE 2 – Tax Administration Jamaica Headquarters Structure



Taxpayer Appeals will be separated from tax administration and will be located elsewhere within the Ministry of Finance and the Public Service (MoFPS). The rationale for this separation is to avoid perceived conflict of interest in regard to one tax administration department (Taxpayer Appeals) having to potentially make a judgment against another department (Tax Operations).

TAJ has almost finalized the documentation it will submit to the Cabinet Office and the Establishment Division in the Ministry of Finance and the Public Service to create and classify the new positions within TAJ. TAJ expects timely approval, and will then move forward to populate the next level of management positions within the new organization.

Restructuring Support to TAJ Management Services

TAJ's new operating structure required consolidating and integrating internal financial management operations and building the capacity to operate in a semi-autonomous environment. Prior to the integration of the former operating units, there were three separate budgeting operations in each of the three departments. This fragmentation complicated coordination and made it more difficult to align corporate priorities across operating units and effectively prioritize expenditures. The departments were staffed primarily with paraprofessional technicians who performed exclusively budget execution and accounting activities. As a result, budget formulation had largely been a mechanical exercise that consisted of costing the current on board staffing and using formulas for estimating resource requirements.

In its transition to a semi-autonomous revenue authority, TAJ needed to establish an integrated financial management organizational unit to both formulate its budget requests and execute the budgets that are eventually voted by Parliament. To fully exploit the opportunities presented by semi-autonomous authority, the new organization needs to bolster its analytical capacity and provide vigorous planning and analytical support. Budget formulation will need to be tightly linked to strategic planning, and there has been limited capacity for either supporting the departments to conduct benefit/cost analysis for new initiatives that require additional funding, or to identify the "opportunity cost" trade-offs of funding new initiatives by redeploying scarce funds from existing programs.

SARA resource flexibility brings with it a commensurate responsibility for producing results; however, the capacity for establishing an accountability framework had been constrained as there were inadequate analytical support resources to establish clear and measurable performance metrics and monitor performance against results during the execution year. Operations had not permitted any capacity for ensuring proper financial management and reporting of the tax revenues received by TAJ and reported to the central government. It was determined that it would be important to have a small staff of professionals outside of tax operations to issue revenue policy and procedures, ensure compliance with financial requirements, conduct operational reviews, ensure systems integrity, and provide financial modernization development support.

PRIDE Jamaica collaborated with TAJ on a two-phased activity to remedy these issues and strengthen TAJ's position in its move toward SARA. During phase one PRIDE Jamaica developed a structure for a new budget and analytics unit to enable TAJ to maintain tight budget and accounting controls during budget execution, while also building the analytical capacity needed for effective strategic planning, performance based budgeting, and revenue financial management. The unit will operate within the Management Services Division of the new organization. The organizational units and the positions for these units can be funded from the anticipated savings from the consolidation of existing budget and accounting activities. PRIDE

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Jamaica designed a new process for periodic budget performance review and an accountability framework that should become operational when the next fiscal year begins. TAJ expects to implement this analytics unit by early 2012.

In phase two of this activity PRIDE Jamaica shifted its focus from budget organization structure to budget processes. PRIDE Jamaica worked with TAJ to map processes to ensure that budget execution and accounting controls will be maintained during the transition period to SARA, and also mapped processes that will be performed by the budget analytics unit once the new organization is established. These processes will ensure a common process is in place for basic activities, including: requisitioning goods and services; making payments; processing new hires, resignations, retirements, and transfers; making salary adjustments; and processing payroll. The mapping process captured, to the extent possible, the resource costs for each process steps per unit of volume.

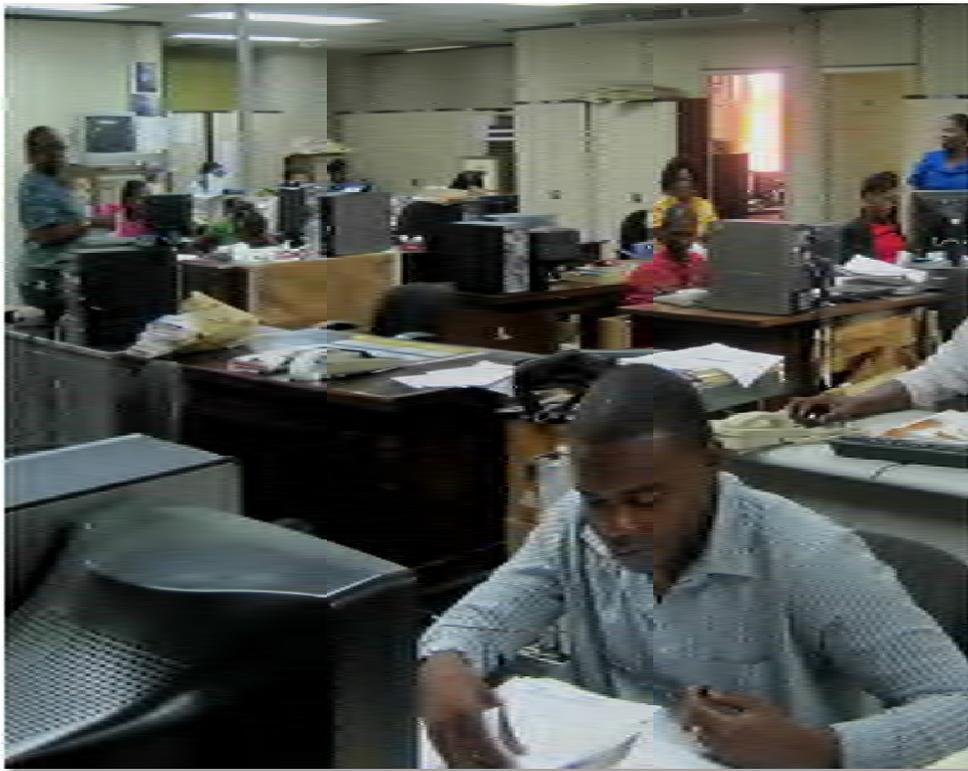


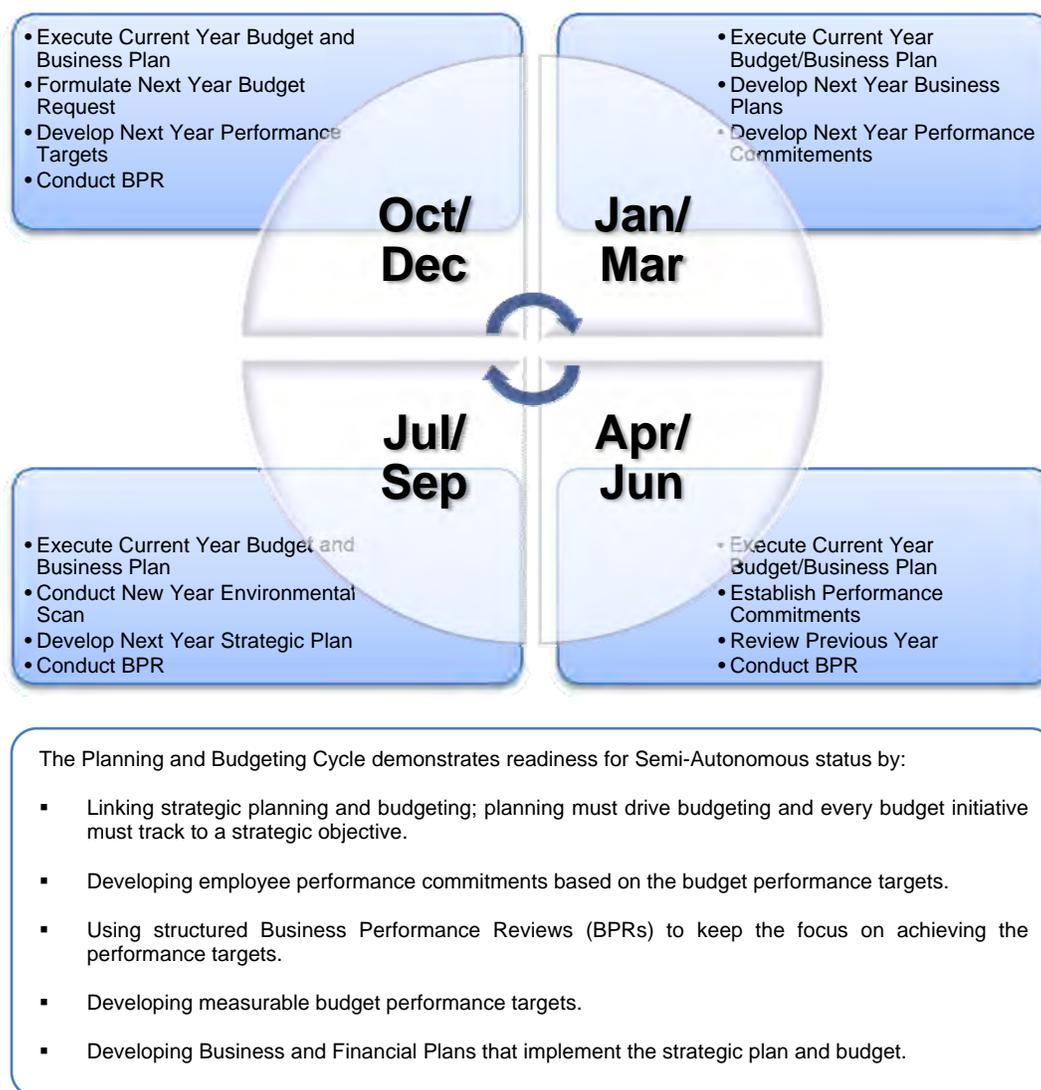
FIGURE 3 – TAJ personnel in the Expenditures Unit processing internal payments.

TAJ has used this data to determine staffing requirements for budget execution and accounting, and to identify staffing surpluses which can be redeployed to fund the new positions needed for meeting new responsibilities. TAJ has fully implemented the structure and processes developed by PRIDE Jamaica for the integrated budgeting and accounting structure and functions. With its new authorities, TAJ is able to internally process all internal financial commitments, whereas previously TAAD and T ASD had to transmit in hard copy all requests for internal payment to the Ministry of Finance and the Public Service (MoFPS) for processing. The integrated TAJ is now also fully automated for its internal payments system. It is using FinMan, which is the financial management system that IRD had previously used to process its own internal payments. This has further improved operating efficiencies, as TAAD and T ASD were

operating on fully manual systems for internal payments processing prior to the TAJ integration. As a result of implementing the processes recommended by PRIDE Jamaica, integrating operations and adopting FinMan, TAJ reports it has improved internal operating efficiencies of the processing payments division by 50%, to the extent that it has redeployed resources to other accounting functions.

In regard to planning and budgeting, the diagram below illustrates the annual planning and budgeting cycle that TAJ can utilize to maximize the benefits that operating as a SARA will offer.

FIGURE 4 – Planning and Budgeting Cycle – *Business Performance Reviews*



Historically each of the TAJ operating units (TAAD, TASD, IRD, and TAD) prepared and submitted its own budget request directly to MoFPS. In anticipation of the units integrating under TAJ effective April 1, 2011, TAJ was now required to prepare its first budget submission for the 2011/2012 budget inclusive of all the budget requirements across the entire, integrated

organization.⁶ In addition, the MoFPS was selected as one of the public sector bodies to pilot a new, three year budget submission process.⁷ As TAJ still remained within the purview of the MoFPS, TAJ's first budget submission also required it to include projections for the next three budget cycles.

To ensure that it could meet the budget submission requirements, TAJ requested support from PRIDE Jamaica to prepare the submission. One of the key risks that TAJ continues to face is the potential lack of funding it requires from the GOJ in order to implement reform activities in addition to its normal operating functions. PRIDE Jamaica's assistance enabled TAJ to prepare the integrated budget request for the three year budget cycle. The assumptions used to prepare the three year budget submission are included in Annex D of this report. TAJ is utilizing the formats developed by PRIDE Jamaica as it begins its process to prepare its next budget submission for FY 2012/2013.



FIGURE 5 – Preparing the integrated three-year budget submission for TAJ.

Supporting TAJ Tax Operations to Improve Compliance

TAJ met the IMF benchmark to establish itself as an integrated, domestic tax administration by April 1, 2011. One of the key components of the new organization will be the new mode of how it conducts its operations. In order to adopt international best practices in its business model, TAJ undertook to review its existing business processes, and to revise its business practices to incorporate international best practice to improve taxpayer compliance and strengthen tax collections. TAJ completed the high level mapping of the tax operations areas with initial support from US Treasury's Office of Technical Assistance (OTA). The objective was to complete a full decomposition of business processes in tax operations to outline process flows

⁶ The Government of Jamaica's fiscal year begins April 1st.

⁷ Standard practice is for ministries to prepare and submit one year operating budgets.

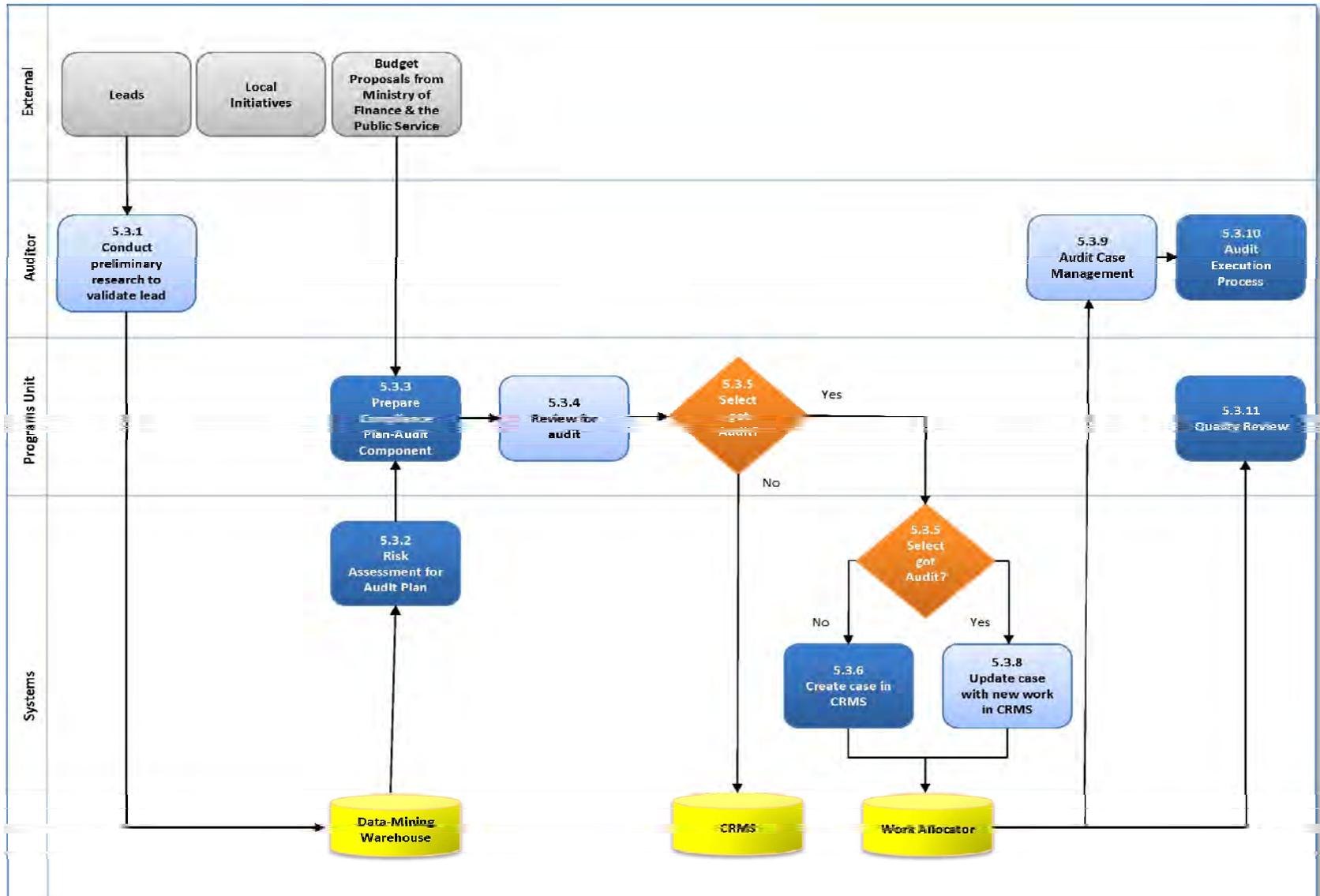
in the key tax types. To support this effort, PRIDE Jamaica provided assistance to re-engineer business processes in the four, core tax operations areas:

TABLE 1 – Key Tax Processes

Operational Area	Objective
Taxpayer Service	The primary mission of taxpayer service is to promote voluntary compliance through education and assistance to taxpayers. The most effective means of accomplishing this is to provide Quality Customer Service.
Returns Processing and Revenue Accounting	The mission of the returns processing and revenue accounting function is to provide quality service to the taxpayers of Jamaica through the timely and quality processing of the tax returns (invoices) and the matching of the payments to these returns. This function also has the responsibility to rapidly balance the accounts for every taxpayer and to issue tax balance due notices and tax refunds in a timely manner.
Audit	The mission of the audit function is to provide quality examination of the tax returns of citizens, individual entrepreneurs and legal entities of Jamaica to ensure correct application of the tax law.
Collection	The mission of the collection function is to collect the revenue due the government and secure missing tax returns, while ensuring that the rights of taxpayers are protected. Collection function employees will actively assist taxpayers in meeting their filing and paying requirements; however enforcement actions will be taken where necessary to resolve delinquencies.

TAJ will incorporate the completed process flows and descriptions into a Request for Proposal (RFP) to procure its new Commercial Off the Shelf (COTS) IT system to support the reengineered business processes. The documents can also be used as the basis to prepare a procedure narrative or desk guide. PRIDE Jamaica also detailed the initial interfaces that will be required between the COTS system and Jamaica Customs, the cashiering system, and the Tax Registration Number (TRN) system.

FIGURE 6 – Tax Administration Jamaica Audit Process Map



To effectively document the business processes TAJ established work groups consisting of technical and subject matter experts, IT personnel, and managers. The groups met to design the flow charts and complete the necessary documentation for inclusion in the RFP. The flow charts and associated documentation will form the basis of new procedures for the four functions to discharge their responsibilities to the government and the taxpayers. PRIDE Jamaica introduced an updated business design tool, QPR, to document the new business processes and incorporate the associated narrative information. As part of this activity PRIDE Jamaica trained TAJ personnel on the use of QPR, and TAJ personnel assumed the IT support role in the flow-charting process.



FIGURE 7 – Training on QPR software for TAJ business process mapping.

The reengineered business processes will enable TAJ to more specifically define within the scope of its RFP what it requires, and, as a result should reduce potential costs of the procurement. During the upcoming period TAJ's senior management will complete its review and provide final approval of the new business processes. As TAJ implements the new organization and operations, business processes and IT system over the next 18 months, TAJ expects to expand the tax base and more effectively mobilize revenue collection. Functional recommendations to support implementation of the redesigned business processes are included as Annex E to this report.

During the March 2011 visit by the IMF to review TAJ's progress in its reform program, the need arose for TAJ to produce a variety of reports on operational results. The exercise revealed that TAJ's existing management information system was not structured to easily generate the types of standardized reports that management requires to effectively measure the organization's performance. With the establishment of the integrated domestic tax organization (TAJ), there is

a further need to redefine the types of reports that are required to assess operational performance, take corrective actions, and measure the impact of the corrections taken.

Working with TAJ counterparts, PRIDE Jamaica conducted an initial review of TAJ's current systems and performance reports that executive management uses to assess operational performance. This included assessing the range and scope of various reports, accuracy of data, definitions of measurement, utility, and determining what types of reports are useful for different levels of managers within the organization. The outcome of the review resulted in several recommendations for change, including the design of a performance management system model and sample report formats for operations components of TAJ that will incorporate more appropriate information for better decision making and corrective actions. Included in this design are measurement elements for cycle time and quality of work performed (audit); inventory volume, enforcement actions recommended, and age of open inventory (debt management); and numbers of newly registered taxpayers and numbers of e-filers (taxpayer services).

The design of performance reports appropriate for the levels of review also resulted in information being more appropriately matched to the reader's needs. The senior management does not routinely need the detail of operational reports that are useful to line managers and department heads. This change resulted in higher-level strategic information being reviewed at the senior levels and more detailed operational information developed for lower levels. The design of the new reporting formats also outlined the key program measures and performance indicators as well as current levels of achievement toward target goals, enabling TAJ to evaluate the effectiveness of TAJ strategies, policies, programs and operational plans. Included in the design is an "electronic score sheet" to facilitate ongoing status checks on key program areas. Lastly, PRIDE Jamaica introduced a new Business Review Process to the Deputy Commissioner General of Operations on how these new reports can be used to facilitate review and discussion of performance progress with the tax operations organization. The entirety of the Planning Staff was educated about the new model and provided additional input on its use. Samples from the Performance at a Glance reports are included as Annex F to this report.

The new Debt Management Report easily highlighted an area where staff resources will be directed in order to correct some tax returns and to correct system errors that resulted in 'failed fact of filing' results. The information generated by the report enabled TAJ to focus on this indicator, and to proceed with IT to generate a list of which specific returns have to be adjusted. Identifying the returns and making the corrections is an important element of the data cleansing exercise that TAJ must complete to improve accuracy within the information management system and generate taxpayer confidence. This is one part of a much larger data cleansing exercise that TAJ must complete prior to transitioning to a new IT system in the next two years.

The operations management review highlighted the need for TAJ to continue to populate the Data Dictionary that accompanies the operations management reports. The Dictionary defines terms and the parameters of elements in the reports. It is particularly important in regard to requests for information from TAJ's information systems, as report results differ greatly depending on how terms are defined. This has important implications for management decisions, and for information that TAJ provides to international development partners.

Another critical item highlighted in the March 2011 IMF report was the continuing need for TAJ to strengthen the operations of the Forensic Data-mining and Intelligence Unit (FDIU) to support all areas of tax compliance including audit, improving debt management and collections and expanding the taxpayer net. In order to effectively and efficiently work the tax compliance leads

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generated by the FDIU, TAJ required a risk management system developed on the basis of risk criteria for the various categories of leads among the existing base of taxpayers to assure that the high-potential/risk cases are identified for priority action.

Responding to this priority item, PRIDE Jamaica provided an initial round of support to the FDIU. Working with TAJ counterparts, PRIDE Jamaica completed a review and analysis of the current system and methodology used by the FDIU to gather data and identify economic entities (corporations, group companies, partnerships, etc.) for potential tax compliance leads.

In line with international best practice, the first step in the process was to segment the entire population into homogeneous groups, with an initial focus on corporate bodies. PRIDE Jamaica then designed a new risk-based model to select tax compliance leads for action. The segmented population was further divided into three smaller segments to create more homogeneous groups. This step will improve audit planning, and also improve the power of the selection formulas that were developed for each of the target groups. Each formula has its own unique set of criteria and scoring, specifically designed for the particular group. The criteria are weighted to assign varying points depending on the relative importance of each criterion. To make an initial test of the practicality of the scoring system, a number of files were printed out, and they were manually scored; each return was given a final total score.

TAJ has completed the programming of the formulas into its IT system and is applying these to a pilot population of tax returns to test the scoring system. Once this is completed, TAJ will review the spread of scores and the nature of returns with the highest scores. FDIU will then provide these leads for follow up to the relevant tax compliance team within TAJ. Annex G includes a methodology to track results.

Jamaica's inventory of tax arrears continues to increase despite debt collection enforcement programs that TAJ has introduced to reduce the arrears inventory and mobilize revenue collection. Some of the outstanding inventory is explained by the high level of penalties and interest that continue to accrue on amounts owed. TAJ does have, however, a critical need to continue to develop new arrears collection programs to improve the effectiveness of its tax debt arrears collection functions and reduce the outstanding arrears inventory. This includes the need to establish a debt management framework to identify and prioritize the most productive arrears accounts for assignment to compliance officers.

At the operational level – collections – TAJ needs to update its standardized procedures in several areas to increase the effectiveness of the debt management program and improve arrears collections. These include:

- Prompt taxpayer contact – reducing the elapsed time between when a taxpayer account falls into arrears and contacting the taxpayer about the account;
- Analyzing a taxpayer's financial position – ensuring the compliance officer has a full and complete view of the taxpayer's assets and income sources and effectively analyzing the taxpayer's financial position;
- Assessing a taxpayer's ability to pay amounts owed – utilizing information from taxpayer interviews and financial statements, determining what a taxpayer can realistically pay;
- Securing payment agreements – negotiating and finalizing a payment plan with a taxpayer for outstanding amounts owed; and,

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- Initiating timely enforcement actions – utilizing the legal system to enforce payment when other methods to obtain payment from the taxpayer fail.⁸

Working with TAJ counterparts, PRIDE Jamaica completed its initial activity to reduce the debt arrears inventory. Arising from PRIDE Jamaica's review of the current systems and procedures, PRIDE Jamaica designed revisions to existing systems, processes and procedures, and developed new ones that TAJ can apply to improve collections of arrears. Annex H includes samples of the new formats to obtain taxpayer information in the interview process. One of the new tools is a 'Financial Analysis and Collection Interview Techniques Handbook'. The handbook includes structured interview techniques and formats that collection officers can utilize to secure pertinent income and asset information to support analyzing a taxpayer's financial position. Negotiating skills and procedures were outlined to strengthen TAJ's ability to secure better results for amounts taxpayers will pay, and improved payment agreements. It is far more advantageous to TAJ to come to agreement with taxpayers on amounts owed and finalize payment arrangements that the taxpayer is likely to adhere to, than having to begin the lengthy and costly process of resorting to the legal system to seek collection.

Strengthening the Legal and Regulatory Framework

One of the long standing complaints regarding Jamaica's tax administration provisions is that they are difficult for taxpayers to understand and comply with. This complaint is echoed by tax administration officials who also state that Jamaica's codified tax administration provisions are outdated, do not provide for sufficient assessment, collections and enforcement authorities present in most countries, and the authorities that do exist are not harmonized among the various "stove-pipe" tax laws. At the request of TAJ's legal department, PRIDE Jamaica provided support to improve the legal and regulatory framework for assessment, collections and enforcement, both to strengthen the framework, and reduce its complexity, from the aspect of both taxpayers and tax administrators.

Working with TAJ, PRIDE Jamaica conducted a complete review of the provisions across a wide range of regulations and case law, including the Income Tax Act, the General Consumption Tax Act, and the Revenue Authority Act, among others, that guide TAJ's application of assessment, collection and enforcement authorities. Rather than make additional ad hoc amendments to the regulations, PRIDE Jamaica recommended and developed a comprehensive rationalization of the administrative provisions to establish a single body of law that provides for common procedures, rights and remedies, penalties, and sanctions in the form of a separate, new Tax Administration Act. This broad-based, unified tax administration act will simplify and incorporate international best practices in administration and allow for operating effectiveness and efficiencies. It will make it far easier for taxpayers to understand and comply with, simplify its application by tax administration officials, and provide a more transparent and even-handed approach toward improving compliance.

⁸ Finalizing and aggressively pursuing passage of the Tax Administration Act drafted by PRIDE Jamaica will dramatically strengthen TAJ's enforcement capabilities.



FIGURE 8 – Workshop with Tax Administration Jamaica, Ministry of Finance and the Public Service and Jamaica Customs to review legal framework for assessment, collections and enforcement.

The Tax Administration Act will provide a single body of law that outlines common procedures, rights and remedies, clarification of taxpayer rights, and certain tax related crimes and sanctions regardless of the type of tax at issue. This Act will also seek to achieve a balance between the rights of the tax body and those of taxpayers by establishing a transparent, equitable and fair relationship. It will support increased taxpayer compliance as it will allow and require tax officials to improve and expand taxpayer services and reduce compliance costs, and streamline methods and procedures. It also reduces the potential for corruption as it clearly defines the basis on which penalties are applied and reduces the discretion of administration officials. Annex I provides the rationale to adopt the Tax Administration Act.

PRIDE Jamaica incorporated substantial input on the drafts of the Act from within TAJ and other units of the MoFPS involved with assessment, collections and enforcement, and solicited some input from the private sector. PRIDE Jamaica also prepared supporting commentary for all of the provisions. The difficult enforcement procedures and the complexity of the present regulations continue to hamper TAJ's ability to easily enforce taxpayer compliance. The draft Act is presently being reviewed by TAJ's Legal Services Department. TAJ has indicated that the draft may need to be revised in conjunction with policy changes that the GOJ is considering to the application of general consumption tax, and the corresponding amendments to the General Consumption Tax Act that would be required. TAJ's Tax Operations department views approval of this proposed legislation as a very high priority to strengthen its ability to mobilize revenue collection and improve taxpayer compliance.

Leveraging Assistance from Other Donors

Many of the activities that PRIDE Jamaica completed over the last program year were derived from the fully costed Modernization Implementation Plan (MIP) that PRIDE Jamaica completed with TAJ during August 2010. The MIP, developed initially to meet an IMF benchmark to define the scope and cost to establish a modern tax administration, has also served another very important purpose. With strong support from USAID/Jamaica, TAJ and PRIDE Jamaica have utilized the MIP to establish a basis for other international development partners to support tax reform activities.

USAID/Jamaica hosted meetings with donors and interfaced with senior levels of Jamaica's political directorate to garner support for TAJ's reform program. Arising from these discussions and with the detailed outline of the costs to reform TAJ in hand, the IDB has progressed with plans to submit to its Board of Directors a US\$65 million loan request from the Government of Jamaica to fund the TAJ reform program. Although TAJ can implement aspects of the reform program, the largest cost is the procurement of a new IT system which it cannot afford without the IDB support. A new IT system is essential for TAJ to complete many of the more important aspects of its modernization program.

IDB conducted its first loan appraisal mission in March 2011. PRIDE Jamaica worked very closely with TAJ and the multiple IDB loan assessment missions to prepare the loan investment matrix, budget matrix, procurement plan and initial cost/benefit rationale and other supporting documentation for the upcoming loan submission to the IDB Board of Directors. To support effective coordination and timely submission of information, the Commissioner General appointed a senior TAJ representative, per PRIDE Jamaica's recommendation, to manage the interface with IDB. This effort will culminate with the loan package being reviewed at the IDB Board of Directors meeting at the end of October 2011.⁹

PRIDE Jamaica is the only long-term resident program supporting reform of tax administration; as such, other international development partners, including the IMF and the EU, among others, looked to PRIDE Jamaica to provide guidance on TAJ's progress toward implementing the reform program, along with the challenges and the opportunities. Arising from the March 2011 IMF visit, one of the key areas for immediate attention was the need for regular internal reporting and analysis of performance results to drive timely compliance management. In response, PRIDE Jamaica supported TAJ to develop a series of standardized reports, as referenced above, to assess operational performance and take corrective actions. PRIDE Jamaica incorporated additional support to strengthen TAJ's compliance management, also raised in the March 2011 IMF report, with an initial activity to apply a risk-based scoring system to identify Corporate Income Tax refunds for audit.

As part of the dialogue with development partners, PRIDE Jamaica worked with the EU to strengthen TAJ's reform efforts by recommending reforms that the EU could incorporate in its policy framework dialogue with the GOJ.

⁹ The total loan requested by the GOJ was US\$60 million. This includes \$32 million for TAJ, \$20 million for Jamaica Customs, and \$8 million for a Central Treasury Management System and Debt Management System.

PRIDE Jamaica will continue to work closely with international development partners to support the reform of TAJ and ensure a smooth transition when PRIDE Jamaica completes its implementation program.

New Structure for Tax Policy Divisions within the Ministry of Finance and the Public Service

Fiscal policy analysis — the objective, accurate, and timely analysis of the budget, revenue and expenditure trends, and impact of fiscal policies — is essential to a well-functioning government. The fiscal policy analysis functions help expand the coverage, accuracy, and timeliness of monitoring, forecasting, and estimation of a variety of macroeconomic and fiscal variables while assisting the government to manage and align expenditure and revenue flows. These functions become a key contributor to the policymaking process, improving the quality of government planning and policy formulation through the evaluation of the impact of proposed fiscal changes on the economy as well as on certain groups within the society.

At the request of the MoFPS, PRIDE Jamaica completed an assessment of the structure and functions of the Tax Policy Division and the Economic Management Division, both located within the Ministry of Finance and the Public Service to consider the current structures, functions and staffing to suggest whether an alternative structure would support more informed decision making on tax policy issues. The objectives of this assessment were twofold: *(i)* to strengthen the tax policy analysis function of the MoFPS; and *(ii)* to provide input to the MoFPS' Corporate Services Division in its effort to streamline the reporting structure of the MoFPS organization.

There are a variety of models to implement fiscal policy analysis functions around the world; one size does not fit all; however, international experience suggests an initial basic organization around five core functions of fiscal policy analyses: *(i)* macroeconomic analysis; *(ii)* analysis of tax policy and administration; *(iii)* revenue forecasting; *(iv)* expenditure planning and analysis; and *(v)* debt management analysis¹⁰. In addition, the fiscal policy analysis unit often performs evaluations of economic, financial, and legal issues pertaining to broader government planning and policy formulation. Since there is no one-size-fits-all solution to organizing a fiscal policy analysis unit, the consideration for designing the functional division and organizational structure should be based on the evolution of the organizational development at the MoFPS, and the potential synergy of generating faster decision making, better coordination, and improved knowledge management among the units involved.

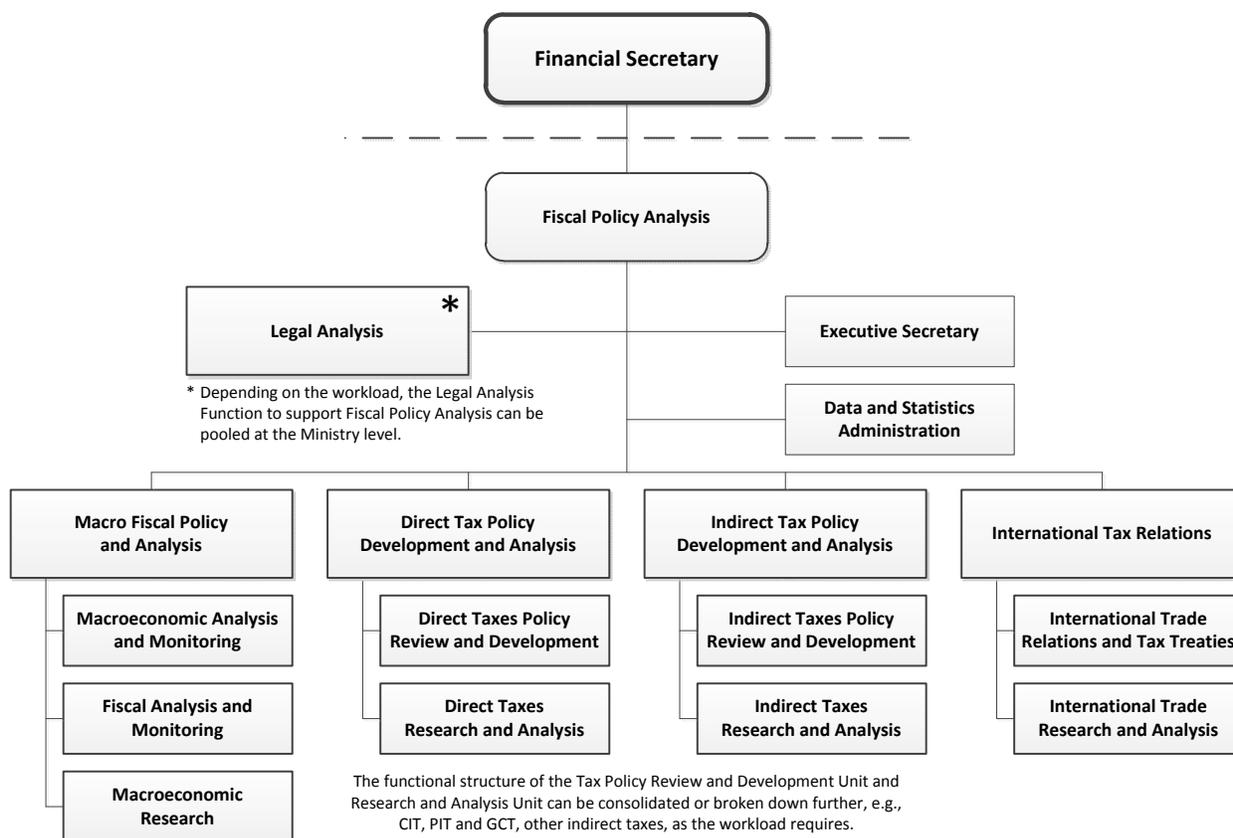
In Jamaica, the fiscal policy analysis functions as defined above are by and large performed by two different divisions under the MoFPS, with each division headed by a Deputy Financial Secretary. The Taxation Policy Division (TPD) is responsible for the development and implementation of tax policies geared toward guiding the development and maintenance of an efficient, equitable and effective tax system, consistent with Jamaica's national objectives and international trade obligation. TPD is expected to provide and maintain a tax regime which provides the required revenue for financing Government's programs and commitments encouraging savings and investment and promoting social justice.

¹⁰ See Martinez-Vazquez and Heredia-Ortiz (USAID, May 2009)

The Economic Management Division is responsible for assisting the Government with prudent fiscal management and providing sound economic analysis to the Government. This division’s role includes formulating sound fiscal policy that will generate sustainable fiscal balance, managing the public debt, managing project loans/grants activities consistent with the fiscal objectives, and managing Jamaica’s relationship and negotiating with international and regional financial institutions.

Based on the review, PRIDE Jamaica recommended the consolidation of the Tax Policy Division and the Fiscal Policy Management Unit (presently located in the Economic Management Division), in addition to several other recommendations, to form the Fiscal Policy Analysis Division. PRIDE Jamaica made these recommendations after analyzing the roles and responsibilities of the various organizational units under the TPD and the EMD in delivering the fiscal policy analysis functions and the potential synergy of generating faster decision making, better coordination, and improved knowledge management from the consolidation of the units. The recommendations also take into consideration the viable evolution of the organizational development at the MoFPS and identify the least disruptive transition toward the establishment of a strengthened Fiscal Policy Analysis Division.

FIGURE 9 – Proposed Structure for the Fiscal Policy Analysis Unit



The MoFPS will soon begin a full strategic review as part of the public sector transformation process underway throughout Jamaica’s public sector bodies. The MoFPS has put forward the PRIDE Jamaica report to address how tax policy resources should be organized in the

restructured Ministry. Additional recommendations for the proposed restructuring are included in Annex J of this report.

Issues of Note

TAJ requires substantial financial resources over the next three to four year period to fully implement its reform program. These resources will require a commitment from the GOJ, as well as from external funding sources. It is extremely likely that the IDB will approve the loan requested by the GOJ to support tax administration reform. The risk, however, is that the GOJ will further reduce TAJ's funding over the upcoming budget cycles with the view that the IDB funding will replace the shortfall; this is not the case. The IDB funding is expected to finance 'extraordinary' costs of tax administration reform. It is not intended as budgetary support for standard recurring costs of TAJ's normal operations. If the GOJ does not maintain its budgetary commitment to TAJ, then reform efforts will be negatively affected.

As TAJ is in the midst of its transition process it needs to move swiftly to identify and hire the next group of management and staff positions below the Deputy Commissioner General level. This should be quickly followed by the hiring of the next level of staff. As the Financial Secretary stated, the sooner TAJ completes its transition phase, the better it will be for personnel and operations. To proceed, TAJ must finalize and submit job descriptions to the Cabinet Office and the Establishment Division of the Ministry of Finance so the positions can be classified and created.

It was originally expected that most personnel would be positioned within the transitional organization approximately six months prior to SARA being operational on April 1, 2012. This timeframe is unlikely to be met, and it poses a risk to operational changes potentially being implemented without the relevant personnel being in place. This issue has been pending for almost one year. Initially TAJ was concerned that the organizational structure continued to be in a state of flux, and this had an impact on the job descriptions. The IMF, PRIDE Jamaica and OTA have, on an ongoing basis, recommended that TAJ proceed to get the positions established.

The June meeting of the TAJ Executive Steering Committee acknowledged that the structure was likely to change further, and TAJ had the Committee's support to undertake further changes with the view that populating the organization with the necessary personnel was critical to operations. Only ten of the remaining two hundred three position descriptions have been sent for classification, with another thirty drafted for internal review. The remaining one hundred twenty eight job descriptions are still to be developed. TAJ is estimating that it could take between twelve and eighteen months to complete the entire process.

TAJ needs to ensure that it strategically focuses its staff resources on those areas that will provide the biggest opportunity to mobilize revenue collection. It is extremely important that TAJ conduct fact based analysis when it considers adopting new programs to determine the likely cost/benefit of allocating staff resources to various initiatives. This is extremely critical when audit and debt collections personnel are redeployed, as these functions, particularly in the Large Taxpayer Office, are already so understaffed. Audit and debt collection functions are core activities of a tax administration organization, and these functions must be bolstered with sufficient resources.

It is very important that TAJ aggressively pursue two key legislative items, both of which support the reform effort. The first pertains to establishing TAJ as a semi-autonomous revenue authority

(SARA). TAJ must present its case to the Minister of Finance, who will then make the case before Cabinet. If approved at this level, TAJ can finalize the necessary changes to the legislative framework, and then proceed to seek approval from Parliament. This item has been pending for almost one year, with the April 1, 2012 IMF benchmark to establish the SARA quickly approaching. In addition to the IMF benchmark, this item is also important to enable to TAJ to complete its transitional status and begin operating fully as a SARA. The transition to SARA has significant implications on staffing and human resource issues, as well as budget authority and managing resources.

The second legislative item concerns the draft Tax Administration Act prepared by PRIDE Jamaica to strengthen TAJ's assessment, collections and enforcement authorities, an area of need noted both by the IMF and TAJ itself. This draft Act provides a standardized and transparent framework to guide how TAJ determines and applies a range of enforcement actions across all tax types. The new Act will reduce discretionary application of rules, and the corresponding potential for corruption. It will strengthen TAJ's enforcement authorities via administrative processes, rather than the lengthy and costly process – for TAJ and taxpayers – of the court system. This will reduce transaction time to conclude arrangements with taxpayers, thereby supporting revenue mobilization. In addition, the Act also includes a taxpayer bill of rights that address the responsibilities that TAJ has toward taxpayers. TAJ should move swiftly to make any revisions needed, and begin the process to move the legislation through the approval process, including consultations with stakeholders.

Due to significant reductions in funding, PRIDE Jamaica is planning to complete project activities by September 2012, almost twelve months earlier than expected. Although IDB resources should be in place to support reform activities, it is uncertain at this time if resources will be in place to provide project management support to TAJ's Reform Management Team to guide the implementation process. The Reform Management Team and the reform program would benefit greatly if project management support continued for the next two to three year period; lack of this support poses a risk to the reform program.

COMPONENT ACTIVITIES DURING THE NEXT PROGRAM YEAR

During the next program year PRIDE Jamaica expects to support a range of activities in support of TAJ's reform program. These are likely to include, among others¹¹:

- ***Continue project management support to implement the Tax Administration Reform Program:*** Provide continuous technical advice and assist the project team where necessary to facilitate the multiple projects on the ground so that TAJ can meet the program objectives; assist in analyzing and overseeing various activities and to deal with the main implementation challenges of the program as a whole; support TAJ to leverage resources from development partners to support the tax reform program and enable a smooth transition to continuing reform activities with support from other development partners as PRIDE Jamaica completes its program.

¹¹ The level and scope of support will be dependent on timing and level of available resources.

- ***Develop a revised risk management system to identify and prioritize tax debt arrears for collection:*** Conduct a review and analysis of the current methodology TAJ uses to identify, select and assign tax debt arrears cases to tax officers. PRIDE Jamaica will use the results of the review to design and develop a risk management system to identify and prioritize tax debt arrears accounts based on the amount of the arrears, age, and likelihood of collection, for cases to be assigned to collection officers.
- ***Develop processes and procedures and provide training to improve collections from tax debt arrears:*** Develop processes and procedures to increase the effectiveness of tax debt arrears collection and reduce the inventory of open, uncollectible accounts and older, low collection potential accounts. This will include a financial analysis component that incorporates methods of determining ability to pay, negotiating skills and techniques, securing payment arrangements, and investigative techniques to discover taxpayer assets and income sources.
- ***Design a risk management system to select taxpayer entities for audit¹²:*** Conduct a review and analysis of TAJ's existing risk management system used to select taxpayer entities for audit (examination of tax returns). PRIDE Jamaica will use the results of the review to design and develop a new risk management model to improve the selection of tax returns for the audit function. The new system will include identifying data sources and major elements used to determine the level of potential for additional tax assessments.
- ***Develop tax compliance improvement programs to identify areas of high non-compliance for additional revenue collection:*** Establish a pilot program to identify potential areas of high non-compliance among large taxpayers in order to improve tax revenue collections and compliance. This will initially focus on non-registered entities, non-filers and stop filers. A performance measurement system will be used by TAJ to track the results.
- ***Review implementation of the new Performance Management System model and provide training to analysts¹³:*** Based on use of the Performance Management System model, revise reports and provide training to analysts to utilize information to improve operational performance.
- ***Support TAJ to implement any other priority initiatives to mobilize revenue collection, improve operations or support the tax reform program:*** Within the scope of available funds, provide support for other initiatives to enable TAJ to mobilize revenue collection from existing and new taxpayers, streamline processes, improve transparency in operations, improve compliance and expand the base of taxpayers to generate additional revenue collection.

¹² The first phase of this activity was completed in July 2011.

¹³ The first phase of this activity was completed in June/July 2011.

2.1.2 COMPONENT 2: LICENSING AND OTHER COMPETITIVENESS AREAS

While Jamaica has made some gains in the time required to obtain construction permits, most recently evidenced by Jamaica's improved ranking from 74 in 2007 to 48 of 183 economies in the 2009 World Bank Doing Business Survey, "Dealing with Licenses" category, the cost to obtain approval for building and construction permits remains comparatively high in relation to service delivery. Other competitiveness areas that negatively affect the country's economic growth prospects include the time to import and export goods, and the time and cost to resolve contract disputes. The Government of Jamaica has been working with Jamaica's private sector to implement reform activities in licensing and competitiveness areas, with the intention that these reforms will continue to have a positive impact on Jamaica's overall rank in annual World Bank Doing Business Surveys. The expected outcome is that these improvements will increase Jamaica's competitiveness to attract investment, as the overall ease of doing business improves.

The objective of Component 2 – Licensing and other Competitiveness Areas – is to support the Government of Jamaica in its efforts to enhance the business environment by improving regulatory efficiency utilizing legal and administrative reforms and facilitating the implementation of key solutions. This approach will increase transparency and accountability, and reduce corruption.

2.1.2.1 Development Approvals Process

The Development Assistance Centre (DAC) operates as a pilot project under a public-private partnership between the Government of Jamaica (GOJ) and the private sector. Ministry Paper 22/2010 established guidelines for the one year pilot operation. The pilot is supported by the Office of the Prime Minister (OPM), the Cabinet Office, and the Jamaica Chamber of Commerce-Legs & Regs Committee (JCC) with funding support by the United States Agency for International Development (USAID) through PRIDE Jamaica, and the Government of Jamaica. The Access, Communication, Reform Efficiency (ACRE) Task Force that was established under the PRIDE Jamaica project to ensure continuity of a public/private partnership (PPP) for reform of the development application approvals process engaged activities that provided for monitoring operations at the DAC in order to identify and recommend those areas that require improvement, as well as to advocate for Government of Jamaica support for policy decisions that can serve to strengthen the role and functions of the DAC.

The DAC operates structurally and institutionally under the general umbrella of the National Environment and Planning Agency (NEPA) and directly under the Office of the CEO, NEPA. As the newest element of NEPA's structure it is physically located on the ground floor of NEPA's offices at 11 Caledonia Avenue, Kingston 5.

The main purpose of the pilot DAC was to assist developers of "large projects" to adequately prepare their projects to achieve approval within the GOJ 90-day process target after formal application. The intent of the pilot was that only major projects (including subdivision applications over 10 lots) would be routed through the DAC for pre-consultation (assessment, advice and assistance) and facilitation with various commenting agencies from which input is typically required before building and construction permits can be issued.

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Operations at the DAC were slated to officially begin March 2010. The actual work of receiving customer enquiries began July 2010, with the pilot phase of the DAC being completed at the end of March 2011.

Two of the DAC's key functions are to provide pre-consultation and facilitation assistance to clients with development projects prior to applications for approvals being submitted to NEPA or other Local Planning Authorities (LPAs). The goal of the DAC is to have a turnaround time of 20 days or less on 100% on all submissions. Between start-up of operations in July 2010 through to February 2011, of the 96 projects that sought pre-consultative and facilitation assistance, a total of 75 projects achieved this benchmark. Seven projects took a little over 20 days. Follow-up meetings were held with the remaining 14 projects from which the DAC expected additional submissions by the clients/applicants.

An official event held on March 16 to launch the DAC was attended by the Hon. Prime Minister of Jamaica, the United States Ambassador to Jamaica, USAID/Jamaica's Mission Director, Ministers of Government, other GOJ officials, and private sector leaders. The launch which took place at the DAC was hosted by the Jamaica Chamber of Commerce.



FIGURE 10 – USAID Mission Director Dr. Karen Hilliard and US Ambassador Pamela Bridgewater join Prime Minister Bruce Golding in ribbon cutting ceremony at the Development Assistance Centre. Looking on (l-r) is Tony Chang of the JCC, and Peter Knight, CEO NEPA.

The DAC facilitation process is offering efficacy to the entire process of development approvals by acting as a filter for submissions that should not pass to other commenting agencies or into the approvals system until the pre-requisites for applications have been met. This is instructive to pursuing a recommendation that a clear policy is set and effected that requires proponents of developments to routinely visit the DAC for pre-consultation and preparation before applications are formally submitted for approval. This will support increased pre-screening of development applications and improve the efficiency of the post-application processing for developments (saving time and costs associated with a protracted process).

A perceptive index of how effective the DAC has been can be drawn from the results of a DAC customer service evaluation survey involving 84 respondents. Results indicate a 99% satisfaction level with the service of the DAC. In the case of the “dissatisfied” 1%, the services

being requested by the client were not within the remit of the DAC and so the DAC did not have the capacity to respond to the needs of the individual. The team at the DAC advises that they are assisting processes that had not been contemplated. In this regard, DAC staff are not only being asked to consult “development” and “construction” projects but from time to time are consulted for information relating to “permitting” and “legal” guidelines. This broadens the scope of the DAC, and the very process suggests the need for gradual expansion of services to incorporate other elements of the approval process beyond the pre-consultation and facilitation role. The DAC may well represent a mechanism to transition a One Stop Shop for Development Approvals.



FIGURE 11 – Client taking advantage of pre-consultation and facilitation support from a member of the Development Assistance Centre’s technical team for a large development project.

USAID/Jamaica through the PRIDE Jamaica project also provided support to an activity that the Government of Jamaica expressed a desire to institute and to implement, and one which has been guided by recommendations made by the PPP under the JCC Legs and Regs Project. This activity is the development of a Legal Opinion for statutory enabling of a Two Tier System of development approvals. PRIDE Jamaica undertook the preparation of the Legal Opinion that was authored by a Legislative and Regulatory Attorney-at-law in consultation with various stakeholders to include Office of the Prime Minister, Office of the Cabinet, NEPA, Solicitor General’s Department, other Regulatory and Commenting Agencies, UWI and UTECH Law Faculties.

The Legal Opinion has taken a close look at existing common-law as it affects (a) the shortcomings of delay in the processing of applications and (b) lack of provision of critical

feedback to applicants. It has concluded that the common law does give full support to purging the development approvals systems of those shortcomings, without resort to legislation.

The Legal Opinion document also addressed the issue that in the short term the two critical areas of deficiency (a) and (b) stated above, may be addressed by a program to make the relevant agencies aware of the legal obligation which they have to applicants at common law and the importance of adhering to those standards as critical performance benchmarks to measure the efficiency of their existing operations.

The conclusions derived from the cases examined is that the Courts have determined the law and have established that the wide discretion given to a regulatory authority by any statute does not include a power to act otherwise than in accordance with the rights and duties defined by common law.

The fundamental elements of the rights and duties impose an administrative responsibility upon the agencies which process development approval applications to ensure that they:

1. Deal with applications fairly and impartially;
2. Afford opportunity to the applicant for consultation;
3. Do not deal with the application in an indifferent or inefficient manner;
4. Deal with the application in a reasonable time and notify the decision;
5. Deal with the application in good faith and in accordance with the empowering statutes' provisions;
6. Avoid taking account of irrelevant or extraneous considerations for the application;
7. Avoid denying the applicant's legitimate or reasonable expectation;
8. Do not breach the rules of natural justice in the right to be heard on any issue that may cause the application to be rejected;
9. Do not abuse the scope of the given authority by a perverse decision based on a failure to consult, undue delay or onerous requirements designed to frustrate the application.

Under the Legal Opinion, a simple recommendation emits from the law examined and the inescapable conclusions. To overcome the expected challenges to the Two Tier System - in the resistance of the LPA staff to change, the Legal Opinion recommends that there should be a special administrative education program within regulatory or development approval agencies which receive applications to make them aware that:

- A. In law there is a statutory and common law duty owed by them to applicants;
- B. There are nine standards of that duty;
- C. That setting official policy guidelines for timely performance of the statutory approval functions involves these nine duty standards;

D. That should the agency fail any one of these standards it would be in breach of its own statutory obligation and infringe upon the legal rights of the applicant.

The inevitable result of this administrative education program is that institutional capacity for administration would be strengthened by it, as first improving the human element is vital to any planned improvement of any administrative process.

The Legal Opinion (Report and Recommendations) is to be presented to the Government of Jamaica through the National Environment and Planning Agency, to assist policy recommendations/decisions toward a One Stop Shop for development approvals.

A significant milestone was achieved in DAP reform during the program year. In keeping with recommendations presented by the PRIDE Jamaica ACRE Task Force to advocate a reform measure that has been on the collective agenda and supported by stakeholders both directly and indirectly involved in the DAP reform effort, Prime Minister Bruce Golding announced in September that the National Building Code is to be enacted. A Bill to establish the Building Act 2011, to facilitate the adoption and efficient application of the National Building Code, was tabled by Prime Minister Bruce Golding in the House of Representatives on September 27.

According to the Bill, the building code will significantly reduce or eliminate the practice of granting exemptions, which currently exists, and it will also bind the Government of Jamaica. The Bill will confirm the Bureau of Standards Jamaica as the standards authority with power to specify the version of the international codes that are to be used as the national code and to promulgate application documents in respect of those codes. As the standards authority, the Bureau will also be empowered to recognize building standards and approve, list or certify building products, construction methods, building components and systems.

The Bill contemplates elements of findings and recommendations of the PRIDE Jamaica supported two-tier Legal Opinion, and these are being incorporated.

Under the stewardship of PRIDE Jamaica’s ACRE Task Force several initiatives regarding DAC systems and processes have been implemented and are presented in the table below.

TABLE 2 – DAC Reform Activities Conducted to enhance DAC Operations

Operational Area	Objective
Pre-consultation & Facilitation Processes	The workflow processes to support pre-consultation and facilitation services to clients were streamlined and better defined. These will assist with improved customer focus, linkage and incorporation into AMANDA (NEPA’s central application management system used for storage and tracking of projects in the approval process).
DAC-AMANDA System	The process for the DAC-AMANDA (ICT) system was refined and rolled out in November 2010.
Enterprise Geographic Information System Portal	The Enterprise Geographic Information System Portal was launched by NEPA during the period. The EGISP supports the work of the DAC by providing geographic mapping and locations data during assessments of client proposals.

Operational Area	Objective
Operational Policies	Operations policy documents were drafted for four operational areas namely: Leadership & Management, Information & Document Management, Process Management and Customer Management. These are 95% complete.
Forms and Templates	Revisions have been made to the format and content of the Development Project Brief, Client Cover Letter, Technical Information Document, Meeting Summary Template and Meeting Schedule Template. These support a quality DAC process and improved documentation for analysis and reporting.

Annex K provides report updates on the performance level of the DAC during the pilot period. The DAC has since provided further performance updates through the first two quarters of operations. These are attached as Annex L.

Recommendations Proposed to Government of Jamaica

Based on operations and deliberations with DAC clients, the PRIDE Jamaica ACRE Task Force made the following recommendations which are essential to ensure continued improvement, efficacy and reform sustainability of the entire development approvals process. The recommendations are to be formally submitted to the Government of Jamaica via NEPA.

TABLE 3 – Recommendations Proposed to Government of Jamaica

Operational Area	Recommendation
Standardize Application Documents	Recommendation is made that all application forms and application checklists at all approval Authorities be further standardized for layout and information. The only difference on the form for respective Authorities should be the name, address, etc., of the authority.
Route all Applicants to the DAC	Recommendation is made that a clear policy be set and effected that requires proponents of developments to routinely visit the DAC for pre-consultation and preparation before applications are formally submitted for approval. This will support increased pre-screening of development applications and hence improve the efficiency of the post-application processing for the developments.
Online Access for Application Documents	Recommendation is made for a policy that requires all approval Authorities to have websites that provide online access to all application documents. This will support easier and more efficient document access and hence improved customer service.
Digital Submission of Application Documents	Recommendation is made for a policy to allow digital submission of application documents in addition to normal “hard” version of the documents. This will support faster and more efficient receipt and processing of applications.
Steering Committee	Recommendation is made that the Task Force continue its work and function as a Steering Committee in order to provide ongoing monitoring and oversight support to operations at the DAC, and to the overall development approvals process.

Issues of Note

There exists an urgent need for buy-in from all commenting and regulatory agencies involved with development approvals to ensure efficiency of the entire approval process. Additionally, support is required from the GOJ Public Information machinery (such as JIS and other “time available for government broadcasts” opportunities), to actively and vigilantly promote the services of the DAC while supporting stakeholder buy-in.

In order to increase compliance and to ensure consistency, transparency and track performance, use of the electronic tracking system (AMANDA) is to be strictly enforced across the various commenting/approval agencies involved in the development approvals process.

SUB-COMPONENT ACTIVITIES OVER THE NEXT SIX MONTH PERIOD

Development Approvals Process

Based on guidance from USAID/Jamaica, unless otherwise advised PRIDE Jamaica does not anticipate being involved in activities that will provide direct support to development approval reform beyond the term of this report. PRIDE Jamaica concluded direct support to the DAP reform effort at the end of April 2011 when the Legal Opinion was completed. This timeline closely coincided with the deadline designated by the Government of Jamaica and the ACRE Task Force to conclude the pilot phase of the Development Assistance Centre. PRIDE Jamaica has submitted quantitative evidence of its involvement in these reform efforts to the World Bank Doing Business team for consideration, and looks forward to the 2012 Doing Business Report to learn whether evidence of the reform activities undertaken by the Government of Jamaica will reflect in Jamaica’s ranking for Dealing with Construction Permits.

2.1.2.2 Import/Export Processes

Import/Export Mapping Report

As part of its modernization drive, the Government of Jamaica (GOJ) has expressed its commitment towards improving the efficiency of the trade facilitation process in Jamaica. Using CBSI Funding PRIDE Jamaica assisted activities that support improvements in the trade facilitation process, mobilizing additional revenue, improving transparency and reducing corruption. In response to this effort, PRIDE Jamaica, working alongside the public-private Trade Community System Partnership (TCSP), commissioned an ‘AS IS’ Process Mapping Study as the first step toward process improvement and assisting the Government of Jamaica with establishing a ‘national trade facilitation portal’ or E-Trade platform. The overarching goal is to improve the trade facilitation process by streamlining and automating the procedural regime thereby increasing the trading communities’ operational efficiency, improving revenue collection and reducing the transaction costs of doing business in Jamaica. PRIDE Jamaica expects to provide additional technical assistance to support the procurement of an integrated automated solution to improve trade processes in Jamaica.



FIGURE 12 – Jamaica Customs and other members of the Trade Community System Partnership (TCSP) in discussions on matters concerning Jamaica’s trade facilitation processes.

One critical element of this project was to support Jamaica’s trading community’s ability to network, communicate and share relevant information among government entities, the port community, customs brokers, importers and exporters. It was widely recognized that automation is an important tool as it enhances transparency, encourages consistency and supports the simplification of trade processes thereby speeding up the clearance process, all of which will ultimately result in a reduction of the transaction costs – including corruption – of doing business in Jamaica. An appropriate integrated automated solution can be utilized to improve the operations of all structures. Annex M provides the TCSP’s vision of a trade community system for Jamaica.

The mapping assessment was conducted through interviews with at least thirty (30) trading community professionals and the processes were mapped according to their respective experiences. The report identified the import and export business processes across relevant agencies and customers, using process maps and flow diagrams to demonstrate interactions between the stakeholders within the Jamaican trading community. It also provided a snapshot of the current situation as it relates to information systems within the port community and regulatory agencies. Some recommendations for an automated integrated business process solution were provided.

A comparative analysis was conducted that was intended to enable a gap analysis of the current ‘AS IS’ processes and the ‘TO BE’ processes, however as the mapping activity evolved, PRIDE Jamaica learned that the “AS IS” Import/Export processes are closely aligned with the practical experiences of the stakeholders with whom the project consultants interfaced during the mapping activity. Consequently there were no real gaps identified between the defined “as is” process and the applied practices of stakeholders, thus eliminating the need for a separate gap analysis.

Work flow in the import and export process in Jamaica is predominantly manual and partly computerized. Historically, Jamaican Government entities held the view that the automation of business processes will solve operational problems and issues. Several stand-alone automated systems were developed by the government-owned IT-company, Fiscal Services Limited, or

otherwise purchased, customized and implemented. This resulted in inefficient manual processes being automated which created greater inefficiencies, frustration and duplication of processes and delays. This view is changing and the shift is now toward improvement of business processes before automation. Business process automation can potentially contribute to achieving success if the processes are first improved and all other aspects of a business process management project are addressed.

Jamaica Customs and the port community currently practice continuous improvement of their processes. Monthly quality assurance meetings are held between port and customs authorities, shipping agents, brokers etc. Each authority interviewed during this assessment referred to those meetings and their efforts to implement recommendations made by the users of their systems, their clients, etc. The private sector confirmed the implementation of several recommendations made. The communication process seems to have improved and it is apparent that there is continuous dialogue between the public and private sector entities as the private sector play an active role in process improvement.

Continuous improvement does not necessarily mean that the organizations are ready to automate. There are clear indications that the authorities have allowed their managers the alacrity to be in control of their business in terms of recommending and implementing changes. However, it was noted that most of their time was spent on dealing with symptoms of problems and not on dealing with the causes and prevention of those problems. This requires timely, easy sharing and control of information on critical business processes which could be facilitated by providing the appropriate supporting tools for the processes and people. Solutions could include an appropriate integrated e-solution which focuses on automating import/export processes across the supply chain rather than in functional silos. This approach would provide a seamless, efficient and effective importer/export experience for the trading communities' customers and would present an experience that will translate into the reduction of transaction costs and increased benefits to consumer and country at large. However, in the short term, it is understood that improvements could be achieved without automation.

Jamaica Customs and the port operators, Kingston Container Terminal Ltd. and Kingston Wharves Ltd., are integrally linked in the import and export supply chain core process with supporting processes from the ministries, departments and agencies as it relates to inspections, permits, licenses and approvals for goods entering and leaving Jamaica. There is a high volume of similar and repetitive transactions and a clear flow of high-volume transactions that need to be passed from one organization to another (each adding value along the way). The need to monitor the status of those transactions by various parties at all times (real-time monitoring) and of course, processing time, is of critical importance. Many calculations are completed and payments to various entities are required at various stages of the import/export process, in addition to transactions/files that need to be accessible by many parties at the same time.

There is a clear need for a true end-to-end perspective of the import and export process to provide visibility and integration to importers and exporters. Process standardization could be achieved, gaps in the end-to-end process filled and a greater understanding of the process demonstrated by parties who perform parts of the process. With the appropriate strategy, process-centric public authorities within the trading community will emerge with an understanding of the impact of their processes on traders and partners.

To achieve this, the process mapping study was commissioned to assess the existing trade procedures from the public and private sectors' viewpoints. This study highlighted some

concerns of the users of the systems, the issues and constraints to trade facilitation, and suggested solutions and next steps. In conducting a review of the Import/Export mapping report the TCSP was guided by recommendations, attached as Annex N to this report, and will incorporate these recommendations for decisions to guide “next step” activities.

Guided by the comprehensive “As Is” Import/Export Mapping, the TCSP under the aegis of the Shipping Association of Jamaica (SAJ) is presently 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 in which the requirements for the design, development, configuration, supply, successful implementation and operation of a Port Community System (PCS) in Jamaica are presented.

The PCS is expected to allow for integration, which will give community members access to pertinent data and will enhance the efficiency and effectiveness of their interactions. There are two major objectives to be met by the development of the Request for Information (RFI). First, it is intended to establish and define a clear set of requirements to be satisfied for the new system. Second, it will provide overall direction to the Bidder in submitting a bid that will meet the needs of the PCS PROJECT.

This self-financing and self-sustaining initiative is being undertaken to address several developmental, regulatory, and operational requirements to improve Jamaica’s Port Community Information and Communications Technology (ICT) needs for the foreseeable future. It is also intended to enhance the efficiency and competitiveness of Jamaica’s Import/Export trade, by raising the required level of functional readiness of the members of the port community. The solution will have to integrate with e-government initiatives to deliver a totally integrated, accessible value-added electronic service to the port community.

The solutions should provide the PCS PROJECT with the reengineered processes and an integrated environment designed to support its special and often complex requirements. Among other things, business process reengineering will be a fundamental aspect of this project. The contractor must prioritize process improvements and obtain acceptance, conduct detailed technical assessment of the ICT infrastructure, automate improvements, implement the new system and integrate with existing systems.

FIGURE 13 – Port Community System



Issues of Note

Notwithstanding the various creative options being discussed for project financing as a part of the tender/bidding process, the TCSP is in need of funding support in order to effectively begin the procurement process for an integrated ICT system for trade. Additionally, there is no single centralized unit responsible for the related project management activities. While the TCSP has recognized this as a significant shortcoming, none of the participating entities is in a position to assign full-time staff seconded to the project. This has had a significant impact on the timeline of the project as action steps are only determined when the group is able to convene for a meeting and when participants volunteer resources to certain actionable items. There is no sustained effort for project execution and implementation and there is the risk that much of the preliminary work done and recommendations made will be obsolete and irrelevant by the time that the procurement process can be fully engaged.

SUB-COMPONENT ACTIVITIES OVER THE NEXT SIX MONTH PERIOD

Import/Export Processes

PRIDE Jamaica expects that activities in support of import/export reform will include the following activities, among others, to improve the import/export process:

- ***Develop initial process requirements for new models and systems:*** Arising from the mapping exercise, PRIDE Jamaica will work with the TCSP community, including Customs and private sector users, to reengineer items to reduce time and improve public-private systems interface. The TCSP will utilize the reengineered processes to solicit offers for a new IT system.
- ***Support development of RFP for new ICT system:*** The TCSP will integrate all stakeholders in the shipping, transport, freight and port industry, through a new IT platform. PRIDE Jamaica will provide support to the TCSP to prepare the procurement document. PRIDE Jamaica will work with the TCSP to leverage resources from other donors to support the procurement of the new IT system.
- ***Provide technical assistance for vendor selection:*** PRIDE Jamaica expects to support Stage II of the tender process specifically to evaluating the tender documents submitted by bidders.

PRIDE Jamaica's proposed activities in the area of import/export processes should contribute to reducing the time required to import and export goods across Jamaica's borders. These activities should support improvement in Jamaica's ranking on the World Bank *Doing Business Survey's* sub-indicator 'Trading across Borders.' These improvements should also enable manufacturers to more reliably meet the needs of their customers, both domestically and internationally, further improving Jamaica's competitive position in the international market.

2.1.2.3 Jamaica Customs Modernization

In support of activities under the Caribbean Basin Security Initiative (CBSI), PRIDE Jamaica is working with Jamaica Customs to improve Jamaica's capability to improve border protection, and improve transparency and accountability and eliminate corruption. PRIDE Jamaica is also committed to assisting further interventions that are identified as key ingredients to achieving shared CBSI objectives.

The Jamaica Customs Department (JCD) is an organization in transition from a labor intensive, control oriented organization to a modern Customs operation that uses risk management principles in a data rich environment. The transition period began in April 2011, and is scheduled to be fully implemented by April 2012. The JCD has made significant progress since its first modernization in 2002; however there are greater scopes to be achieved with its current modernization plan going forward. The move to become an Executive Agency (EA) is expected to deliver a more modern customs administration which will provide excellent service, foster tax compliance and contribute to national development and the protection of Jamaican society.

Today, risk analysis and risk management techniques are part of any decision making process in practically every kind of organization. Generally speaking, such methodologies can be applied to all those situations where an undesired or unexpected event can have a significant impact on the objectives of a particular entity. For Customs, risk analysis and management

techniques are helpful to optimize both human and financial resources, reduce costs, expedite clearance, limit corruption (where inspection processes are automated), thereby improving their overall efficiency and performance. Indeed, if adequately implemented, customs risk management can offer valuable support to Customs in their effort to find the right balance between their control task and facilitation-related goals.

The use of risk management by Customs administrations is encouraged by the Revised Kyoto Convention (RKC)¹⁴, the “Framework of Standards to Secure and Facilitate the Global Trade” (SAFE), and constitutes one of the 10 building blocks of the “Customs in the 21st Century” and action plan developed by the World Customs Organization (WCO) which lays the foundations for the strategy for the future of Customs.¹⁵

PRIDE Jamaica is working with the Risk Management Unit (RMU) at Jamaica Customs to streamline and improve the approach towards risk management and automated border controls. A methodological approach to risk management can effectively enhance the ability of Customs to manage risks, providing the basis for more rational decision-making processes within the organization at all stages – from strategic decisions through to managerial decisions and routine operational decisions, so improving their overall performance, without negatively impacting on trade facilitation and the flow of goods.

JCD’s deployment of a modern IT hardware system, the creation of a well trained and effective post clearance audit staff and the expansion of their risk management group has greatly improved its operation allowing JCD to meet its revenue targets despite a waning economy. Additionally, the Jamaica Customs Department is in process of implementing an aggressive modernization program in accord with guidelines established by the International Monetary Fund (IMF) and the Customs Modernization Plan October 2010. Transformation to an Executive Agency is actively underway. A number of other reform measures are also underway in JCD, most notably the implementation of the AEO (Authorized Economic Operator) program that provides expedited clearance for Jamaica’s largest importers. Also, a modern COTS (Commercial Off the Shelf) or independently programmed ICT system is being contemplated for

¹⁴ The Kyoto Convention was one of the major outcomes of the Customs Cooperation Council (the forerunner of the World Customs Organization). Adopted in 1973, it establishes a uniform set of rules and guidelines to be implemented by Customs administrations, aimed at improving their efficiency and transparency, reducing transaction costs and promoting trade. The Convention of Kyoto was revised by the WCO Council in 199 to put it better in line with the new technological developments, advances in information technology and international trade practices. The “revised” version took effect on 3rd February 2006, namely three months after forty Contracting Parties have signed the Amendment Protocol or have deposited their instrument of ratification or accession.

¹⁵ Customs in the 21st Century is a policy paper adopted by the WCO Council during its annual session in June 2008. It contains a set of measures, to be implemented by the customs administration members of the Organization, aimed at enhancing customs operations globally and promoting security and trade facilitation. The document is structured in ten building blocks [1. Globally networked customs; 2. Better coordinated border management; 3. Intelligence-drives risk management; 4. Customs-business partnership; 5. Implementation of modern working methods, procedures and techniques; 6. Enabling technology and tools; 7. Enabling (legal) powers; 8. Professional, knowledge-based service culture; 9. Capacity building; 10. Integrity].

automation of the Customs cargo processing system. These factors will necessitate wholesale changes to JCD's business models.

The JCD is also to be commended for the implementation of the AEO (Authorized Economic Operator) program which is an innovative way to utilize risk management for large compliant importers. The AEO program is a "gold card" program that has been recognized as an international best practice. The program is developed on the premise that Importers who display excellence, and are competent and compliant, pose little risk to Customs. Under the program, compliant large importers are allowed and encouraged to speed their goods through Customs formalities. This in turn allows Customs' limited resources to attribute greater focus on higher-risk shipments while providing tangible benefits to legitimate businesses. Treating these AEO companies as accounts, appointing Customs employed account managers and instituting a special set of compliance, risk criteria and post-clearance audit for select companies could allow many legitimate companies true "green line" or expedited service and separate their shipments from the flow of riskier imports. Opportunities have been identified for JCD to improve this program and lower AEO risk by reorganizing the Risk Management Unit to provide individual account managers for the AEO entities. AEO declarations enjoy a low examination rate (approximately 2%) and constitute around 30-40% of entry volume. Non-AEO entries are examined at a much higher rate: 20-35%.

Despite these innovations instituted by the JCD, PRIDE Jamaica's Customs Specialist observed where significant improvements can be made in the area of Risk Management. One primary observation is that Risk Management is poorly supported by ICT solutions and is labor intensive. The Risk Management Unit is effective, but also forms an integral part of live entry processing rather than being involved in the more effective analytical, account management and criteria driven solutions model. Despite these shortcomings, JCD does a credible job of managing major risk although at the price of lengthier and inefficient process. Additionally, JCD has an effective but overburdened Post-Clearance Audit Unit (PCAU)¹⁶ that needs additional staff, relief from non-audit responsibilities and changes to make audit techniques more encouraging for firms to place more emphasis on compliance.

The objective of PRIDE Jamaica's activity assisted JCD to develop a robust risk management framework that sets out the policy and overall procedures, organization structures, roles and

¹⁶ Post-Clearance Audit is an excellent tool to verify compliance and refine risk management techniques. It assists in judging the integrity of information supplied in the Customs entry and the importer's level of compliance with Customs legislative requirements. Customs' overall aim should be to achieve private sector compliance on a company-by company basis while assuring itself that the company's import department is knowledgeable and proficient in Customs' laws and regulations. True compliance exists when systems and/or departments at importing companies are aware of and take steps to comply with Customs laws and regulations. Instead of verifying the flow of goods across the border on an instance-by-instance basis in real time, Customs is able to move most of international shipments from compliant companies (as in the AEO program) to the low-risk or Green lane in confidence after a successful audit. Another benefit is that declared values can be verified with purchase and financial records of the importer company eliminating the need for general value listings or ranges while making more reliable use of WTO transaction value in a high risk environment.

responsibilities, staff competency requirements, operating processes and ICT support options for risk management. The activity also assisted in the preparation of an implementation plan for a comprehensive risk management system, and developed the capacity of staff in the Risk Management unit through coaching, training and mentoring. Annex O provides the structure and recommendations proposed by PRIDE Jamaica for the Jamaica Customs Risk Management Unit, and Annex P outlines the proposed approach.

The Customs Modernization Plan identifies as a priority the need for JCD to strengthen its capacity to assess risk and implement more robust and comprehensive ICT based risk management systems. The vision is that all facets of customs operations will function under the principles of risk management. The Risk Management Framework document prepared by PRIDE Jamaica included a Risk Management Policy including a strategic plan to implement risk management throughout Jamaica Customs. The strategic plan included opportunities to introduce and/or update automation. The framework document also included a proposed organization structure, optimal staffing levels, and roles and responsibilities for a Risk Management Unit (RMU).

Additionally, the framework document set out standard operating procedures for the RMU, while identifying opportunities for automation. Strategies presented by the report identified immediate, medium and long term integrated risk management processes throughout JCD and included recommendations for linkages between operations and IT support.

PRIDE Jamaica continues its work with JCD in the creation of a Risk Management Framework for the organization, and through its Customs Specialist has provided a number of recommendations to assist the JCD to systematically adopt a streamlined risk based approach which will be underpinned by the use of intelligence and an increased focus on enforcement. The following section addresses these issues and makes specific recommendations to improve operations in the specific area of Risk Management.

Recommendations for Improvement in Risk Management

Risk Management is a systematic approach to making decisions under uncertain conditions by identifying, assessing, understanding, and planning and communicating risk issues. It forms the basis for selectivity and is the single most important facilitative measure that a Customs administration can take. For Customs and border agencies, it is means to move from an attempt to achieve total control of documents and goods for most shipments as it arrives in the country to a rational, data driven process to select only high-risk cargo for document review or intensive physical examination. Many countries have adopted the risk management approach to facilitate the international movement of goods from compliant importers while devoting their Customs and other control agency resources to goods that have the highest potential negative impact on revenue, the economy and especially the health and welfare of its citizens. Risk management deployment simply means that a large proportion of international shipments can cross the border quickly with no inspection and minimal formal requirements.

Issues: Despite a recent increase in staff, the Risk Management Unit (RMU) is still hobbled by an archaic proprietary risk management system called VIRMS (Valuation, Intelligence and Risk Management System). The code is locked and delivers far too many false positives that must be reconciled by the RMU staff. Besides the RMU and the adjoining valuation, Tariff and Origin staff, Entry Processing Unit (EPU) staff and Customs station officers perform risk management functions while noting inspection results. Despite modern Non-Intrusive Inspection (NII-X-rays, etc.) equipment, physical examinations of around 25% of cargo prevail.

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Specifically:

- The current risk management IT system, VIRMS, does not discriminate risk well, resulting in many false positive referrals.
- The manual entry screening done by the RMU and Customs field personnel winnows the false positives at the cost of a multilayered and overly complex entry process. However, business process reengineering in entry processing could free up positions for higher-level responsibilities such as audit and RMU.¹⁷
- The AEO program is exemplary in terms of facilitation but may expose Jamaica Customs to unnecessary risk by not fully qualifying participants and administrative program weaknesses. Also, Customs audits are professional but do not contribute much to an atmosphere of voluntary compliance to the extent necessary. Compliance measurement using random valid statistical sampling could improve the process for assessing risk.
- Importers and Brokers make far too many mistakes that must be caught by the Customs manual review. The compliance level of the Jamaican importing community is poor, therefore overly complicating Customs Risk Management functions.
- The overall examination rate (estimated 25%) is too high. A better risk management regime including cargo selectivity could lower that rate considerably for commercial entries while enhancing revenue collection and enforcement.
- The current One-Stop Shop at the seaport is a good start but provides little relief from the importer's burden of document preparation or licensing. Improving agency coordination and reengineering the licensing, permitting and validation of certificates is the single most important factor to improving the World Bank Doing Business scores for the "Trading Across Borders" area.
- Jamaica Customs has a well-trained and viable Post-Clearance Audit section. Unfortunately, the Jamaica Customs Act does not provide a positive compliance atmosphere for traders especially in the areas of advanced cargo reporting and the basis for Customs Audit. Lack of private sector record availability requirements, clear legal authority for inspection/audit of trade related financial records and short duration for duty/tax recovery periods stifle incentives for voluntary compliance.
- Equipment for Non-Intrusive Inspection is good but not generally used to eliminate manual inspections or conduct risk management.
- Despite improvements to the I.T. infrastructure, Risk Management is not supported well by current functionality.

¹⁷ The current manual processing, despite being overly complicated and manually intensive, provides adequate revenue protection and even gives acceptable clearance times for the "Customs" part of the cargo clearance process. This is a tribute to the staff and management of the JCD.

As stated above, a reorganization of the RMU is needed to modernize their function in accord with international methods.

Additionally, the AEO program, may pose unacceptable risk to Customs. Since the risk assessment is being performed at the company rather than the entry transaction level, care must be given to qualify these companies according to the importing companies' levels of compliance in a systematic and objective way. Better utilization of the Post-Clearance Audit Unit (PCAU) to perform compliance audits that gauge the levels of qualifying candidate companies is a means to strengthen risk management in this area.

The chart below sets out the PRIDE Jamaica Report on Risk Management and Audit Recommendations, including the JCD's response to the recommendations. Those recommendations that can be effected without legislative intervention are currently being systematically implemented by JCD.

TABLE 4 – Recommendations for Jamaica Customs Risk Management and Audit

Categories	Sub-Categories	Comments
1. Potential Changes to Risk Management Division	a. Discontinue Declaration Processing – unit will be non-operational.	Agreed. Changes will take full effect by August 16, 2011.
	b. Include a Monitoring & Evaluation Section.	Agreed. Changes will take full effect by August 16, 2011.
	c. Establish Account Managers in AEO and take over AEO Account Processing.	Agreed. Changes will take place gradually commencing with top 20 AEO Companies.
	d. Establish two sections for analysts/account managers: Criteria Management and Account Management.	Agreed. Changes will take place gradually.
2. Audit	a. Institute compliance audits using statistically valid sampling on AEO companies.	Agreed. Will use this method for AEO Companies to reduce audit timelines.
	b. Add more positions.	Positions are in line with EA structure. Need more however if the recommendations in 3b are to be adopted.
	c. Continue Targeted Audits but more fact-based.	Agreed. Improved risk management process will support this type of audit.
	d. Discontinue AEO application processing and collections processing.	Agreed. Would now be the purview of AEO Account Managers in RMU.
3. AEO Lessen Risk	a. Add company compliance level questions to questionnaire.	Agreed.
	b. Conduct initial and annual audits for companies to remain in AEO.	Could only be achieved if the staff complement is doubled (Support 2b

Categories	Sub-Categories	Comments
		recommendations).
	c. Assign AEO companies to Customs account managers.	Agreed.
	d. Do another certification and compliance audit – Call it Phase 2.	Agreed. Second Phase could include security requirements acceptable on an international AEO scale.
4. Prepare a Customs Modernization Act for enactment prior to automation.	a. Eliminate RM and Supervisor steps in entry processing.	Agreed.
	b. Eliminate Customs gate checks except spot checks.	Agreed. But would be a future event depending on systems integration.
	c. Manually set RM parameters for Red and Green designations.	Disagreed. Need to push for an automated system to improve the processes and ensure objectivity and reduce interference.
	d. Green Releases direct from Entry Processing.	Agreed. For AEO and other low risk importers – if the Cargo Processing System was integrated with the Cargo Manifest System.
	e. Begin Business Process Reengineering on operational units.	Agreed.
	f. Capture findings/discrepancies in a central file for analysis.	Agreed. Will be supported by an automated system.
5. Prepare a Customs Modernization Act for enactment prior to automation.	a. Reporting times moving to advanced information for cargo and passenger data.	Agreed. Legislative amendment submitted.
	b. Warrantless search authority.	Agreed. Legal Matter (legislative changes required).
	c. Lengthened 2-3 year audit recovery and recordkeeping.	Agreed. Legal matter.
	d. Increase penalties where appropriate.	Agreed. Legislative amendment submitted.
	e. Provide authorization for electronic reporting.	Agreed. Legal matter.
	f. Other loose ends for carriers, forfeiture and other pertinent matters.	Agreed. Legal matter.

As part of its approach to assist with the process of RMU reorganization, PRIDE Jamaica conducted an extensive training exercise for risk management classes with key JCD personnel to enhance organizational knowledge in Customs risk management. The course topics included an Introduction to the Course; Account Management; Risk Management: AEO & Criteria Based

(a copy of this module is attached as Annex Q); Customs Intelligence; Monitoring and Evaluation; Customer Service; AEO Compliance-Post Clearance Audit.



FIGURE 14 – JCD personnel participate in Risk Management Training Module at JCD training facility.

Issues of Note

JCD requires substantial resources to fully implement its reform program over the next three year period. These resources will require a commitment from the GOJ, as well as from external funding sources. Should resources not be available, it will severely hamper customs modernization. Should the IDB approve the loan to the GOJ, funds are expected to be disbursed over a five year period. There is generally a ramping up of disbursements such that the first eighteen months of the loan period result in a lower disbursement level, with years two and three of the loan demonstrating higher disbursement amounts. This timing will likely affect JCD's modernization program.

JCD has not received the resources it requires to establish a separate, dedicated reform project unit. As a result, senior managers are required to implement reform activities, manage their respective divisions, and, in some cases, respond to operational issues. This makes it extremely difficult for the organization to manage both daily operations and the change taking place. This situation is likely to continue until a separate project reform unit can be supported.

SUB-COMPONENT ACTIVITIES OVER THE NEXT SIX MONTH PERIOD

Jamaica Customs Modernization

JCD is a small Customs administration with a dedicated workforce and an able leadership cadre. Great strides have been made in recent years through the institution of the AEO program, IT network and hardware extension and the institution of the Post-Audit Clearance Unit. An excellent modernization report has been issued and is being followed closely. Clearly, the next big step is to instill efficiency into the JCD business processes and to begin using a more robust risk management application. Over the next three to six months PRIDE Jamaica will provide further technical support to JCD in the preparation of a Request for Proposal (RFP)

to procure the ICT platform that will support Risk Management functions, as well as will provide support to ongoing activities that will Improving levels of customer service for the informed stakeholders, impacts positively on trade facilitation. PRIDE Jamaica will work alongside Jamaica Customs toward strengthening the capacity of Jamaica Customs to deliver its services, improve the level of staff performance and commitment, and improve border protection, specifically by employing anti-corruption measures.

Technical Assistance to Develop RFP For Risk Management System: PRIDE Jamaica has proposed that in order to assist Jamaica Customs with meeting some of the outstanding transition requirements, PRIDE Jamaica will provide support to an improved and strengthened performance at Customs with the use of management information in planning, to achieve a more refined service delivery through greater use of risk based approaches. As a rule, targeting techniques today rely on innovative methods, based on the use of sophisticated IT systems and software which speeds up tasks that previously depended exclusively on the Customs officer's experience, judgment and insight. Automated risk analysis methods are also able to minimize possibilities for corruption, as they avoid any discretionary intervention of Customs officers in the selection of consignments to be subjected to controls. In order to do this effectively, technical support will be provided to assist Jamaica Customs in the development of a Request for Proposal for the procurement of a Commercial off-the-Shelf IT System to support Risk Management functions at Jamaica Customs Department.

Private Sector Customs Compliance: Customs Brokers and importers have unacceptable levels of errors. The errors are caught by Customs and the entries are returned to the Customs brokers for correction and resubmission. Errors are detected at many points of the process, some serious but others are relatively minor. The errors which are often the same error repeated multiple times, are due largely to flaws in the private sector processes of entry preparation, the hiring of low cost but error prone brokers, and a lack of compliance effort by the importing companies.

Jamaica Customs has an importer population that varies in levels of compliance from world class to adequate to significantly deficient. The complexity of Customs processes is due in part to the large amount of errors that Customs corrects through automated and manual reviews. In this very complicated process documents are traded back and forth between the brokers and Customs, sometimes 8 – 12 times before a transaction is concluded. Brokers and their importer clients have high error rates running between 5-12% of entry volume. Less serious errors are not counted but constitute a higher percentage (these errors are corrected on the spot.) Quality assurance practices are performed at the Entry Processing Unit (EPU) and also by cargo officers at pier and other field locations. Minor mistakes are handled expeditiously but constitute double handling by all concerned. Many of the mistakes are repetitive in nature.

Customs tracks the fatal errors and classes the poor performing brokers into a lower tier. Since these Tier 2 brokers are considered more risky (and therefore convey this risk to the importer and his goods) their shipments are examined at a higher rate. Since they charge lower prices than the competition, the second-class brokers are able to stay in business. However, tolerating the poor brokers condones poor compliance and is detrimental to a modern, largely mistake-free Customs environment. PRIDE Jamaica will work with Jamaica Customs to raise the compliance level of the trade community.

2.1.2.4 Commercial Alternative Dispute Resolution (Commercial ADR)

The Private Sector Organisation of Jamaica (PSOJ) approached PRIDE Jamaica to support its efforts to expedite the resolution of commercial disputes. With only one commercial court there is an enormous backlog of commercial cases waiting to be heard. The PSOJ had begun efforts to establish a Commercial Alternative Dispute Resolution (CADR) Center. The CADR Center will be targeted to meet the needs of the small and medium enterprise community in an attempt to alleviate some of the backlog of disputes, and to reduce the time required to bring these disputes to final resolution.

PRIDE Jamaica agreed to support legislative drafting that is necessary to update the legislative framework for arbitration of commercial matters. The drafting professional would act under Drafting Instructions from Jamaica's Chief Parliamentary Counsel (CPC), to update the legislative framework for commercial dispute resolution in Jamaica. PRIDE Jamaica also agreed to assist the PSOJ by supporting a public awareness campaign designed to demonstrate the benefits of utilizing the CADR, and encourage utilization of the center's services by targeted stakeholder groups. PRIDE Jamaica's resources, as well as resources from the private sector (PSOJ, JCC) leveraged US\$300,000 of IDB funding for this activity. PSOJ retained the services of a project manager for the project and one of its members has provided a location for the CADR as part of the counterpart contributions.

Working with the Ministry of Justice to champion the effort, the PSOJ prepared the necessary Cabinet Submission to seek and obtain approval from Cabinet for conducting a review of legislation governing CADR. This step is the precursor to securing Drafting Instructions by the Chief Parliamentary Counsel (CPC) to allow for legislative drafting to begin. The Ministry of Justice had initially supported PSOJ's efforts, however ongoing discussions indicated that PSOJ was not yet able to secure the requisite level of commitment from the Government of Jamaica to support the legislative changes required. This legislative change initiative represented the primary consideration for PRIDE Jamaica's initial support to the CADR program, as this element focuses on improving the business enabling environment.

To this end, PRIDE Jamaica previously recommended to USAID/Jamaica that funding assistance be deferred until there was substantive evidence that the legislative change element of the CADR program would be implemented. If/when this requirement was satisfied, funding support would be revisited. Without this legislative element, the CADR program would not fall within PRIDE Jamaica's core activity areas. While the marketing/public awareness element of the CADR program may be useful, this would not have been recommended as a stand-alone activity. USAID/Jamaica agreed to this corrective action.

PRIDE Jamaica held further discussions with USAID/Jamaica and agreed to consider timelines for implementation of the activity. In preparation for the next year project work plan, and in consultation with colleagues at USAID/Jamaica, PRIDE Jamaica established certain timelines that were intended to guide next step deliverables in order to accelerate the CADR activity. These deliverables would be indicative of, among other things, a commitment by the GOJ to advancing the proposed new legislation. The required timelines outlining the deliverables schedule were submitted to the PSOJ.

In a separate development PRIDE Jamaica was subsequently informed by the PSOJ that the Minister of Justice had indicated that a Cabinet Submission in relation to the new CADR legislation would be withdrawn. Typically, a Cabinet Submission is an indication from a government ministry in relation to a particular policy, submitted through Jamaica's Cabinet (the

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Cabinet Office), to advise Jamaica's Parliament of an intention by the government to proceed with a policy matter, pending parliamentary legislative approval. Withdrawal of a Cabinet Submission is therefore a clear indication, reasonably interpreted, as intransience.

As a result of reduced program funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica will not undertake further activity on this item.

Issues of Note

While there is general recognition among all stakeholders of the need for sweeping reform in the area of commercial arbitration, it is critical that facilitators ensure that pre-consultations are held with implementing partners in order to determine whether there exists a clear indication that the supporting activities are endorsed and can be implemented. The absence of clearly defined strategic approaches can sometimes lead to a misinterpretation of the desire and/or willingness of counterparts to proceed with activities which were perceived to be implementable, and requiring donor funded support. Often this leads to efforts being expended in an attempt to advance activities that are destined to stagnation.

If the intervention is to succeed, political will must be demonstrated and secured particularly in instances where execution involves PPP participation.

SUB-COMPONENT ACTIVITIES OVER THE NEXT SIX MONTH PERIOD

No further activities for this sub-component are envisioned for the upcoming program year unless otherwise advised by USAID/Jamaica.

2.1.2.5 Workforce Development – Youth Upliftment Through Employment (YUTE)

The PSOJ is working through partnerships at all levels to design and support interventions which will impact directly on the lives of young persons who live in inner city communities. PRIDE Jamaica worked with PSOJ to finalize and execute a US\$400,000 Grant Agreement to PSOJ to support the YUTE program which is designed as one such intervention. Through the executed Agreement between PRIDE Jamaica and the PSOJ, USAID has become the first international development partner (IDP) to commit to the YUTE program. The program also represents the largest Global Development Alliance (GDA) project in which USAID has participated over the agency's 50 years in Jamaica. Leveraging of funds to support and sustain the program is anticipated through the creation of a symbiotic relationship between Jamaica's private sector, the Government of Jamaica, Non-Governmental Organizations and international development partners.

In response to the sustained levels of antisocial behavior, violence and crime within inner-city communities and consistent with the national agenda to roll out an aggressive program of inner-city renewal, a PSOJ-led Coalition of private sector bodies has committed to work with young persons in inner city communities. The Coalition has committed to focus on building technical and social skills, increasing employability, and providing long and short term economic and entrepreneurship opportunities for 2,200 young persons. The program, Youth Upliftment Through Employment – YUTE – will be rolled out in eight inner-city communities during the first phase (February 2011- January 2013).

YUTE, as a unique intervention:

- Provides a total solution, supporting NGOs and government agencies that will work with participants from entry through to job placement, through to the final desired outcome - a young person who is integrated into the social and economic fabric of the society. YUTE addresses both the demand and supply needs for economic empowerment.
- Recognizes the potential risk of a high dropout rate and seeks to reduce one of the highest risk elements in programs designed for young persons at risk, in particular unattached young persons.
- Ensures that 1,290 of its participants, 53%, will participate in the formal economy and the remaining participants will at the end of the first phase be in a learning environment.
- Has been designed to be a part of a solution and is consistent with the national agenda as expressed first through the National 2030 Vision document and more recently through the PIOJ's Community Renewal Plan.

Expected Impact of the Program

During the first year of YUTE, some 2,750 young persons from eight communities will have been invited to attend a YUTE Enlist Orientation Session, and a minimum of 2,200 of these young persons are expected to enroll as a YUTE participant. At the end of the two year period, a minimum of 1,290 of these young persons should be in permanent jobs or have had significant work and apprenticeship experiences:

- 1026 young persons will have had an opportunity at full or part time work;
- a further 126 are expected to establish enterprises; and
- 162 will complete the U-Turn program.



FIGURE 15 – Participants completing registration at YUTE Orientation Session

Investment Requirements

The total investment for YUTE is US\$10.5 million, of which US\$4.624 million represents the value of long-term jobs, work experience and apprenticeship opportunities provided by the private sector. An additional US\$2.168 million represents the cost of access to existing Government of Jamaica programs, and US\$2.7 million represents cash contributions that will be raised from private corporations, International Development Partners (IDPs) and Jamaicans at home and overseas, and US\$1 million represents in-kind contributions. The grant from PRIDE Jamaica represents four per cent (4%) of the total cost of the project.

To date US\$1,750,466 have been committed by individual private sector companies while US\$1,882,224 have been committed by IDPs. There has been a net gain of US\$5,295 in private sector anticipated commitment. This came about after US\$50,000 committed by Citi Foundation was reclassified as IDP funds. One anticipated commitment from the private sector was not realized while another firm confirmed its commitment.

As at August 2011, YUTE has received commitments totaling US\$3,632,700 against the total cash budget over the life of the program of US\$4,600,000.

YUTE Blueprint

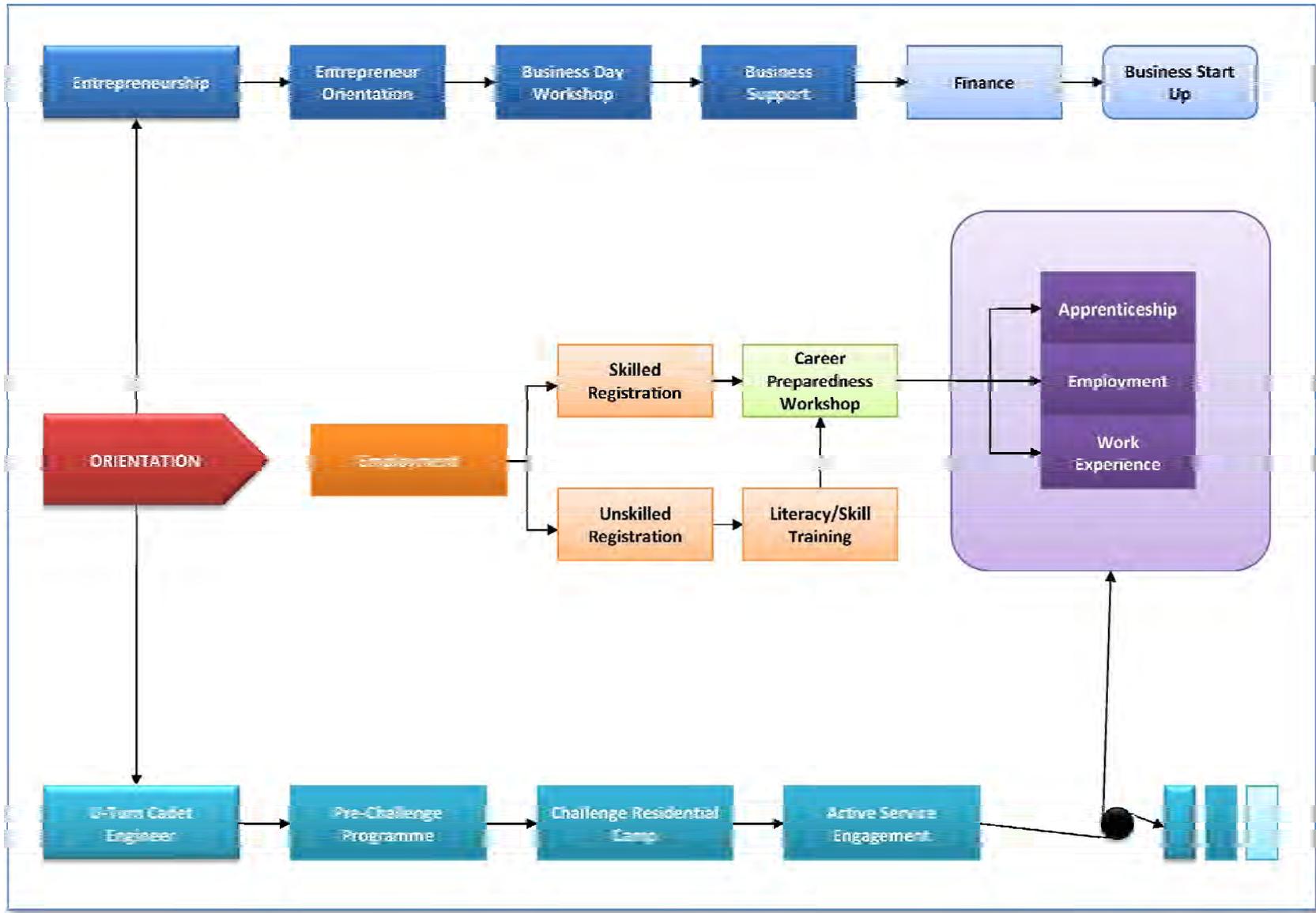
YUTE will be implemented in phases, and will initially be launched in 8 communities - Trench Town, Tivoli Gardens, Rockfort, Denham Town, Parade Garden, Jones Town, Mountain View and Olympic Gardens. The communities were selected on the basis of being:

- Within and adjacent to the industrial belt of Kingston;
- Within and adjacent to the Central Business District (CBD) of Kingston; and
- Along and in close proximity to the corridors of access to the Norman Manley International Airport –the Mountain View Corridor and the Windward Road Corridor.

These communities reflect certain traditional variables that define the degree of social exclusion – poverty, high unemployment, poor housing stock, designated on several occasions to be 'hot spots'. They were also selected on the basis of quantifiable and qualitative evidence of:

- i. Unemployment among the target group being above 25%;
- ii. Evidence of education or training achievement levels of the target group that make them eligible for some level of employment or consideration for enterprise start up;
- iii. High levels of anti-social behavior, violence and crime and where agencies such as the PMI and CSI are on the ground; and
- iv. Existing program initiatives that are executing one or more elements of any given YUTE stream and can therefore support and increase the impact of YUTE.

FIGURE 16 – YUTE Blueprint Diagram



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During the project initiation phase which ended in January 2011, eligible participants were invited to attend a YUTE orientation session at selected locations. Private sector leaders were featured as special speakers at each of these YUTE Orientation events. Following a presentation on YUTE opportunities and requirements, young persons who were committed to following one of the three streams were asked to register for one of the three YUTE program streams.



FIGURE 17 – Potential YUTE Program beneficiaries viewing video presentation during orientation session.



FIGURE 18 – Young participants role-play to communicate the benefits of the YUTE program to attendees at the Orientation Session.

The table below represents a summary of the number of young persons who applied to participate in the YUTE Program, the number accepting participation following screening, and the current status. The YUTE project contracted a company for the development of a web based data management solution of which 85% of the work is complete at the time of reporting. Baseline data for all original YUTE applicants has been entered, along with updates on some program activities. The process is expected to be completed and accessible in October 2011. Once finalized this will facilitate a more accurate tracking and reporting on the status of all YUTE participants.

TABLE 5 – Status of Enrolled YUTE Participants

Description		Number of Participants
Registered		1,081
Notified eligible ¹⁸		945
Agreed to move forward		825
Following assessment ¹⁹		720
Current	Actively Engaged	508
	Inactive	212 ²⁰

YUTE Works

Pre-skills training continued under the YUTE Program with a recent noted increase in the number of participants. The start of the placement of participants in 2-Day internships has prompted increased interest in attendance in pre-skills. An estimated 120 participants are expected to be involved in Soft Skills training prior to the start of training activities to operate a Micro Franchise.

In March 2011, three hundred and forty four (344) persons were contracted to submit HEART (Human Employment and Resource Training) forms. HEART is the GOJ's national training agency. Sixty percent (60%) or 206 submitted forms. Of this number, twenty two percent (22%) were considered ready for training, while thirty three percent (33%) were asked to submit qualifications. Less than one half of the persons who were asked to submit qualifications have done so and they have been advised that if they are notable to provide proof of qualifications,

¹⁸ Some applicants were in school, others were employed, and others were outside the age cohort for the Program.

¹⁹ When notified of the need to attend pre-skills classes over a 5-6 month period, 105 participants withdrew their interest, for some they were not interested in an extended classroom experience, others indicated that this would impact on their ability to 'hustle', others cited the need to care for a child/children.

²⁰ The YUTE PMO has contracted short term community based field officers to track and locate inactive participants. This work is completed in 5 of the 8 communities.

they will need to sit the diagnostic assessment. The majority (45%) were advised to do a diagnostic assessment. Of those scheduled for diagnostic assessment, two thirds sat the test.

The program has been experiencing challenges placing persons in the HEART/NTA academies as the institutions have limited space. This is borne out by the number of persons who have been placed: 10 to date. Several participants have received varying responses from the HEART/NTA: persons have been advised that classes will begin in September; others have received letters but received no calls to attend interviews, while some participants have been called for interviews and advised that they will be further contacted. Among the challenges faced in placing participants is the inability of HEART/NTA to contact the participants. As a result the YUTE project through its field team has been tasked to identify and advise participants of opportunities. Several participants have indicated that they have not yet received a call from HEART.

The YUTE project team has identified and is in discussion with several community based training organizations to absorb a minimum of 120 of the participants who have recently submitted their HEART forms, particularly those with one or more CXC (Caribbean Examinations Council) subjects and/or have a Level 1 NVQJ (National Vocational Qualification of Jamaica) certificate from the HEART Trust/NTA. Participants who have completed forms recently and do not possess any form of qualifications will be invited to sit a diagnostic assessment. The next intake cycle of the community based organization training organizations is scheduled to begin in September 2011.

In addition to the unique and individual placements pursued by the YUTE program during the reporting period was partnership with a private sector firm. Under this agreement the firm will deliver a five week training module which will equip YUTE participants for employment with this organization, and the training module will include a focus on developing critical soft skills. Upon successful completion of training, the firm has guaranteed work opportunities for a minimum of 85% of the participants immediately upon completion and then 15% within a 2 month period.

YUTE U-Turn

Forty (40) male YUTE participants completed a 4-week Challenge Camp in July 2011, while a female residential camp that had been scheduled to begin in September 2011 has been rescheduled for January 2012.

Entrepreneurship Stream

One-hundred and five (105) YUTE participants completed two day entrepreneurship screening workshops. This determined their interest to participate in the YUTE Entrepreneurship Stream. It also underscored the need for an appropriate youth entrepreneurship intervention which acknowledged that the majority of the participants, while interested in operating an enterprise, would require a participation in the pre-skills program and b) a model which would give extensive support to participants to ensure the targeted level of success.

Against this reality YUTE reviewed other models and accepted that the emerging concept of micro franchising is an appropriate fir for the majority of those registered in the Entrepreneurship Stream. YUTE approached the IDB to support the development work of this model and received a grant of US\$150,000. In a meeting with PRIDE Jamaica, a request was made for the YUTE program to utilize these funds in conjunction with the USIAD/PRIDE Jamaica funds earmarked for the 6 (six) business development plans to research an estimated 10 potential

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micro franchise products and then to do a live market test of two or three of these. PRIDE Jamaica agreed to the modification.

The requested changes will in fact result in a greater number of YUTE participants being exposed to entrepreneurship as an option for economic empowerment. It will also allow for an increase in the probability of success in the Entrepreneurship Stream.

Mentorship Program

The mentorship program is a fundamental element of the YUTE program. The YUTE Project has selected two local firms to deliver training for mentors. Recruitment of mentors began in February 2011, with the first training session taking place in April. Volunteers are primarily recruited through corporate mentorship drives, presentations in service clubs, and word of mouth.

Through August 2011, 604 persons have signed up and completed applications to become mentors. Of this number 39 are located outside of Jamaica or outside of the Kingston Metropolitan region and opted not to be trained in view of the required face to face meetings in the mentor/mentee relationship. A further 108 have been invited to at least 3 training sessions, but failed to attend. To date 298 mentors have been trained and matched with mentees following mentorship training which began in August 2011.

In an effort to significantly increase the number of volunteer mentors, the YUTE program hosted some 960 persons including existing mentors and their mentees, program sponsors of YUTE, along with media, members of the business community as well as civic organizations at the Carib cinema on August 13. They were treated to a specially sponsored (by LIME – telecoms provider) screening of a newly released Jamaican film, ***Ghett' A Life***. Motivated and inspired, 206 persons signed up to volunteer as mentors and 14 owners of companies pledged internships and jobs.

There are clear benefits from the training and matching of YUTE participants to trained mentors who are providing much needed support particularly to those participants who are waiting to be placed in program streams.

There are however challenges with the management of the mentor-mentee relationship. An estimated 30% of the mentees fail to communicate with their mentors on a regular basis. Mentees regularly miss meetings, and fail to return telephone calls or respond to messages. There are also mentors who may not understand the realities of their mentees, whose access to a working telephone is sporadic. Mentors have been encouraged to use the challenges as a learning tool for helping their mentees to develop communication skills appropriate for interaction in a formal setting. The project team schedules and supports one-on-one sessions with mentors/mentees that require and request intervention.

Mentorship training is scheduled to continue with a target of 150 mentors to be trained, however it is anticipated that this number will increase pending the completion of application forms by an additional 206 persons who have indicated their interest to be trained as mentors at the end of the reporting period.

Constraints

Among a few of the constraints recognized by the YUTE Program are that a) Participants are not positioned to enter post-secondary training; b) For those participants who are ready to be placed, there is inadequate space in post-secondary c) Limited capacity of NGOs and Technical experts to undertake supporting assignments.

Lessons Learned

Recognizing that the recruitment of participants shifts from a demand driven mode to a supply mode, YUTE will confirm and contract for training opportunities prior to future intakes. Additionally the program will finalize contracts for managing U-Turn Camps and will ensure that there are some deposits in the Job Opportunity Bank (JOB),

The program has also observed that initial registration by young persons does not necessarily translate to a commitment to being a participant in the program's schemes. In the future, young persons who express an interest in the program will be required to participate in a screening orientation of 3 – 4 days over a two week period. The desertion rate will then be assessed from this level.

New Opportunities Identified

Following unsuccessful efforts to fill positions at a Call Center which had several hundred jobs available, the YUTE project team met with the firm. YUTE participants did not have a mix of social skills and appropriate skills sets to be effective in the Call Center environment. The project management team for YUTE has therefore negotiated with the firm to provide the requisite training as well as to guarantee placement of 85% of the 160 who will be trained. The first YUTE participants have been scheduled to begin training in September 2011.

A table outlining in summary the activities, goals, challenges and solutions of the YUTE program, is attached as Annex R to this report.

Issues of Note

The administrative requirements governing execution of the YUTE Grant Agreement proved more challenging for the implementing partner to manage than had been envisioned by PRIDE Jamaica. While the elements of implementation may have been reasonably handled by the project management team, the statutory requirements under the contract were not always readily forthcoming. There was often a need for field personnel to request that certain issues be escalated in order to generate timely responses, or meet technical and financial reporting guidelines in accordance with the terms of the grant agreement. This feature could be a derivative of an implementing partner's unfamiliarity with the reporting requirements of a donor funded initiative, as well as not fully appreciating that the level of accountability that is ascribed to the contractor by virtue of the agreement, is also incumbent on the grantee.

SUB-COMPONENT ACTIVITIES OVER THE NEXT SIX MONTH PERIOD

Workforce Development – YUTE Program

USAID/Jamaica informed PRIDE Jamaica of the Mission's intention to de-obligate the unused portion of funding for the grant. USAID will combine these funds with funds the Mission plans to provide within a new cooperative agreement directly between USAID/Jamaica and the PSOJ to support YUTE.

This action is in-line with the tenants of USAID Forward²¹ as it will enable the Mission to more efficiently manage funds and ensure that more money is allocated to the YUTE project. Ultimately, de-obligating funds from the existing sub-grant with the PSOJ will free PRIDE Jamaica staff to focus more on the core activities such as customs and tax-reform activities, therefore ensuring that this time and effort is put to more efficient use. Further, it is also likely that the YUTE funds would not be spent down until the end of February 2012. This would have created two parallel management structures for implementation of YUTE as the cooperative agreement is soon expected to be signed and administered separately by Mission staff.

PRIDE Jamaica will provide ongoing monitoring and support to PSOJ as it implements activities under the grant agreement through November 30, 2011 when a final accounting will be due to PRIDE Jamaica by the PSOJ.

2.1.3 COMPONENT 3: ACCESS TO CREDIT FOR MICRO, SMALL AND MEDIUM ENTERPRISES

PRIDE Jamaica's work in this component focused on regulatory frameworks to expand the access of available and new credit opportunities to the micro, small and medium enterprise sectors. PRIDE Jamaica addressed these issues by working with public and private sector partners to consider a regulatory framework for microfinance institutions (MFIs) and to introduce services to reduce transactions costs and expand the network of potential borrowers through mobile financial services.

Microfinance Institution Regulatory Framework

The micro, small and medium enterprise sector (MSME) is affected by the impediments that affect all borrowers in Jamaica, but the sector faces additional obstacles to accessing credit. In general, the commercial banking sector does not lend to microenterprises. Over the last twenty-

²¹ The United States Agency for International Development (USAID) has embarked on an ambitious reform effort, USAID *FORWARD*, to change the way the Agency does business—with new partnerships, an emphasis on innovation and a relentless focus on results. It gives USAID the opportunity to transform its agency and unleash its full potential to achieve high-impact development. USAID *FORWARD* is a comprehensive package of reforms in seven key areas: **Implementation and Procurement Reform, Talent Management, Rebuilding Policy Capacity, Strengthening Monitoring and Evaluation, Rebuilding Budget Management, Science and Technology, and Innovation.**

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five years Jamaica has seen the emergence of a wide range of entities that provide financing to microenterprises. The majority of these operations confirm that providing credit to the microenterprise sector is very costly, with very low margins to cover costs. The lack of a regulatory framework in Jamaica for the microfinance institutions (MFI) has been identified as a constraint both by wholesalers of funds, and the micro lenders themselves.

With a view to improving operating profitability and identifying additional opportunities for wholesalers with available funds for on-lending, PRIDE Jamaica worked with the Development Bank of Jamaica (DBJ) and the MFI sector to assess what type of regulatory framework would be appropriate to strengthen MFIs' ability to access additional funds for on-lending and to improve their operating profitability. The results of an industry assessment completed by PRIDE Jamaica led to working with a public/private working to establish a network of MFIs and micro-finance practitioners as a first step toward introducing international best practices within the sector.

MFIs believe that a regulatory framework will provide legitimacy to their operations, establishing international benchmarks against which they can be assessed, and open additional avenues to obtain funding to on-lend. There is a common understanding of the need to order, coordinate and supervise the activities of microfinance in Jamaica through a comprehensive regulatory framework. The framework should involve as many of the players as possible. It should be designed to consolidate, coordinate, oversee and expand financial intermediation services provided by the microfinance industry, with the aim of providing these services in an optimal way, and facilitating investors to the industry in Jamaica. It is important to find cost-effective ways to improve the standards of many of the MFIs that are operating in Jamaica, while at the same time avoiding restrictions that would impair their efficiency or effectiveness.

A major concern is the lack of open and widely distributed data about the Jamaican microfinance sector. The lack of standardized reporting makes it difficult for wholesale lenders to assess the financial and operational strength of MFIs, and reduces options for on-lending to the sector. High operating costs and a large number of small loans reduces the profitability of MFIs.

The PRIDE Jamaica assessment concluded that the Bank of Jamaica has no plans in the near term to issue regulations for the microfinance sector. Therefore, the remaining option at this time is for the MFIs to establish a self regulatory system. The regulation and supervision of non regulated MFIs should include systems and procedures to protect investors, to promote sound business practices, and to address risk issues. The most important precondition to establishing a self-regulatory framework is to determine whether the MFIs are really ready to share standardized data.

Given the present status of the sector, PRIDE Jamaica, in conjunction with DBJ and the industry tried to determine what the optimal degree of self regulation is now, and what direction the industry should be moving toward. Arising from stakeholder input the MFI sector put forward several key objectives to pursue:

- Creating a network of MFIs;
- Building a database with standardized information;

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- Supervision and monitoring of the performance standards and dissemination of the information;
- Access to a Credit Bureau; and
- Rating or qualification of the MFIs belonging to the network.

As part of this process, PRIDE Jamaica put forward a draft Memorandum of Understanding (MOU) to the two industry associations representing MFI interests in Jamaica. A copy of the MOU is included as Annex S to this report.

Some of PRIDE Jamaica's key recommendations include establishing an MFI network with a secretariat. The secretariat would serve as the coordinating point for the sector, and be in a position to advocate for the industry. The secretariat would also serve as the focal point through which wholesalers of funds and technical assistance would be channeled. This would support the process to integrate members of the industry, encourage sharing of information, and over time introduce industry standards. The long term objective is to improve financial viability of MFIs and expand and improve service delivery to their clients. Annex T to this report includes the key recommendations.

PRIDE Jamaica continued to engage MFIs and DBJ to encourage the industry's integration. As part of coordinating donor support, PRIDE Jamaica assisted IDB's efforts to conduct a regional assessment regarding the need and potential for MFI self-regulatory frameworks by providing IDB with a copy of the PRIDE Jamaica assessment. The results of the IDB assessment will be released during November 2011. The two main associations serving individual MFIs are continuing their discussions toward establishing an integrated network.

With reduced levels of funding available, PRIDE Jamaica responded to USAID/Jamaica's request to phase out activities in this component by the end of this program year.

Issues of Note

A major concern is the lack of open and widely distributed data about the Jamaican microfinance sector. In that sense, there is no centralized, public information available about MFIs operating, total number of clients, or products and services provided. Another important aspect for understanding the relatively lower development of microfinance in Jamaica appears to be the relatively small size of the overall market of people that could be involved in micro enterprise activities.

Though MFIs are considering the process of working together, there still is not yet agreement on the level and type of information that should be shared, nor a process in place to implement this. This is a key first step toward establishing common practices and procedures within the sector, leading ultimately to self-regulation.

There is no question about the importance of regulation and supervision for a healthy microfinance sector; the question remains, however, whether either the financial authorities of Jamaica and/or the MFIs are prepared to implement the desired level of regulation the market needs. Given that the Bank of Jamaica has no plans in the near future to issue regulations for the sector, the responsibility to establish a self-governing framework will remain with the MFIs.

Mobile Financial Services

Mobile financial services have encouraged notable transformations in the access to financial services. These systems use advances in the telecommunications sector to deliver access to low-cost transactional financial services, and in some cases provide more advanced services including savings, transfer of payroll and social welfare benefits. These benefits extend to all areas of the financial services market, including MFI's, credit unions, commercial banks, and rural banks to name a few. Mobile financial services are associated with improved efficiencies to both users and providers of financial services, new employment opportunities, increases in income and even economic growth. In the specific case of the MFI's, the mobile phone has been used to improve operating efficiencies of MFIs, extend the coverage of financial activities to a broader range of borrowers among the poor and lower income groups, increase the number of micro-enterprises that can access financing, and improve the financial viability of MFIs. Importantly, mobile commerce holds the potential to improve the way in which microcredit is made available to the relevant sector. Offering a stable platform that lowers and equalizes entry costs to the owners and operators of financial services is key to maximizing the potential that mobile financial services can offer.

To promote the introduction of mobile financial services in Jamaica, PRIDE Jamaica continued its alliance with the Mobile Financial Services Public-Private Partnership (PPP) to promote fully interoperable mobile financial services in Jamaica. The PPP, which includes the University of the West Indies (UWI), the private sector, the Development Bank of Jamaica and donors, acknowledged that it needed answers to a variety of questions that included, among others:

Who are the potential owners of this platform?

What did the regulatory framework look like: including banking, mobile banking, utilities and international aspects?

What are the set of relevant technical solutions to establishing the mobile platform and at a level that all can use it as well as customize it to suit individual businesses?

What are the commercial dimensions, including settlement, benchmarking and pricing?

What are the macro and micro economic impacts?

What are the concrete strategies for implementation?



FIGURE 19 – Minister of Finance and the Public Service, the Honorable Audley Shaw, addressing the Mobile Financial Services Conference, December 2010.

To arrive at some initial answers, the PPP sponsored a conference in December with more than 100 participants from the telecommunications, financial, regulatory and MFI sector. Presenters provided information on relevant aspects of mobile commerce, including the regulatory framework, alternative platform configurations and implications, and commercial and economic considerations. A copy of the conference proceedings is included as Annex U.

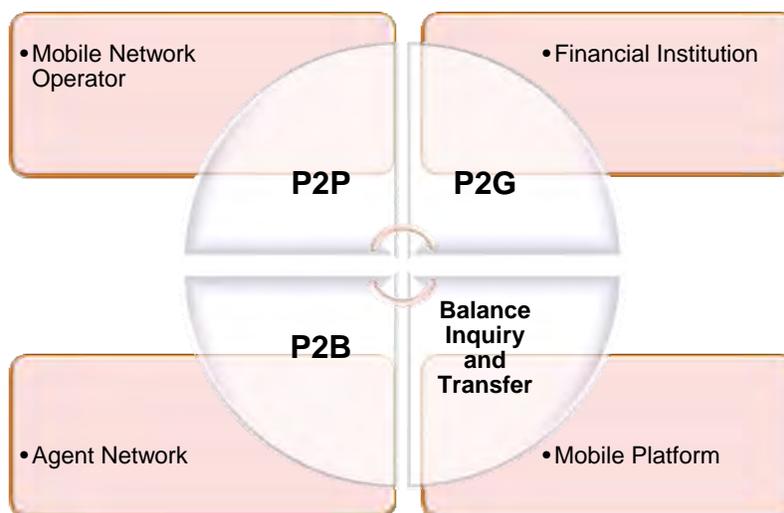
One of the major outcomes arising from the conference was the PPP's recognition that an implementation plan was needed to outline alternative scenarios for the introduction of mobile financial services in Jamaica, providing a cost benefit analysis of each scenario. In addition to the cost benefit analysis for each potential scenario, the implementation plan would detail the type of regulatory framework that will be necessary to support the various options.

Colleagues from UWI engaged one of the December conference technical presenters to develop the technical and regulatory aspects of the implementation plan. In developing the plan framework, UWI identified the need for supporting economic impact analysis to assess the benefits of mobile financial services to certain segments of the population, particularly the unbanked and those who receive social welfare payments from the GOJ.

To support this effort, PRIDE Jamaica engaged an economist from the December conference to prepare this component of the implementation plan. As part of this effort PRIDE Jamaica also engaged a field survey research team through UWI to provide data for the economic impact analysis. The survey instrument was designed, and a randomized cluster sample was used to identify households for interview. The survey counted the numbers of unbanked, and extracted information about whom they are socioeconomically, and assessed attitudes to and uses of mobile phones. A copy of the survey instrument is included in Annex V.

The mobile financial system, given its broad-based reach has been linked around the globe to greater economic transparency, lower transactions costs, employment and small business opportunities, and increases in GDP. From a national policy perspective, this means that for any slow-growing, high-poverty, low-asset country such as Jamaica, the opportunities to improve financial access while ensuring the protection of financial stability and the roles mandated by law for mobile providers and financial institutions, needed to be considered in order to recommend policy directives.

FIGURE 20 – The Mobile Financial System²²



Jamaica exhibits many of the prerequisites that would suggest a useful role for using the mobile technology to encourage financial inclusion and reap the benefits generally associated with this. In Jamaica mobile subscription rates exceed 100% and there is suggestion of large numbers of individuals who are excluded from financial account ownership and or from access to payments and remittance channels that result from account ownership. In addition, the attitudes of those who receive Government benefits to receiving these over a mobile delivery channel were considered.

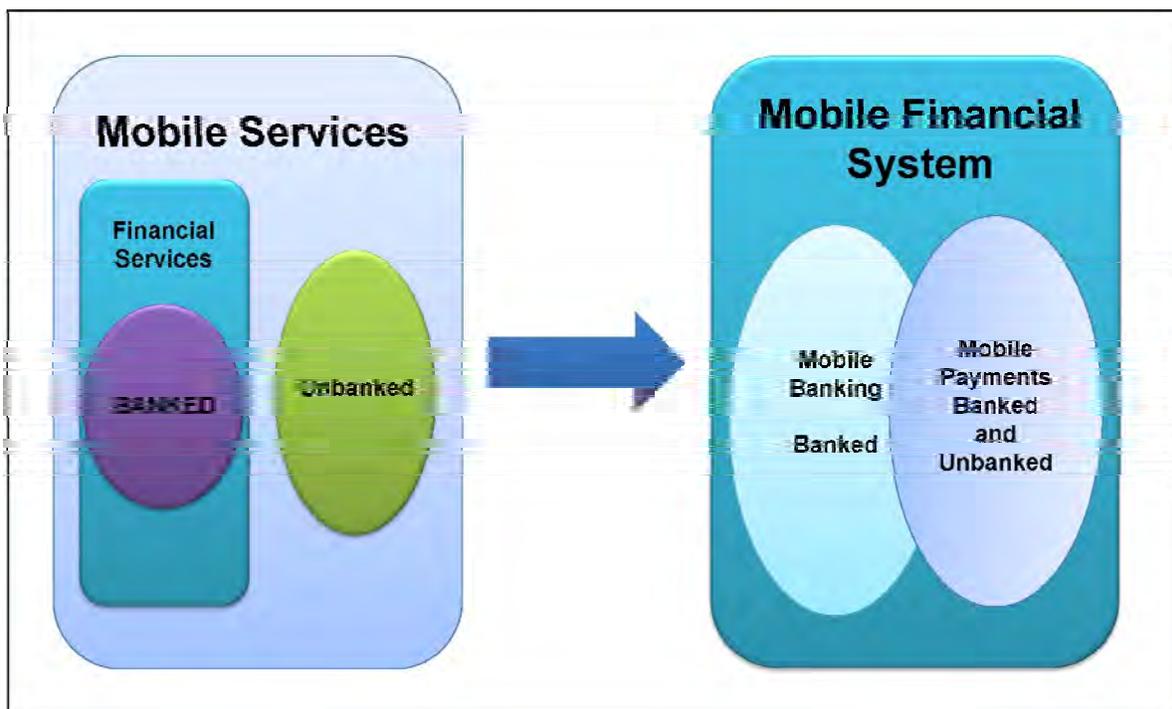
The survey results clearly revealed that Jamaica has a critical need for low-cost, safe, payments channels. This is demonstrated by the following survey results:

- In Jamaica 33.65% of the adult population do not own bank accounts and must use cash and or the non-bank payment outlets at relatively high costs;
- Although 66.35% of the population owns a bank account, banking remains very basic with few able to access payments and remittances services using account ownership;
 - Only 12% own money transfer accounts, checking accounts and credit cards;

²² P2P is person to person mobile payment; P2G is person to government mobile payment; P2B is person to business mobile payment.

- Few Jamaicans, 15%, have access to internet at home, suggesting that most of the banked cannot use their savings accounts to make payments and remittances;
- 77.9% - 86% of adult Jamaicans have limited access to low-cost, safe, payments channels and as a result can benefit from the implementation of a Mobile Financial System.

FIGURE 21 – Mobile Services and Financial Inclusion



The mobile financial system can be used by both the banked and unbanked to: receive and send payments for goods and services; receive payroll deposits and other forms of employment and social benefits; establish direct debits with utilities and microfinance institutions; deposit and withdraw cash - the so-called cash-in/ cash-out services that are conducted through retail agents including bank automated teller machines and merchant point of sale terminals; and receive domestic and international remittances all using an short message service instruction. For those who are banked, they may also use the mobile device to conduct inquiries and initiate payments and transfers on bank accounts. From a socioeconomic perspective, mobile financial systems are attractive to policymakers and economists because they provide growth-related opportunities related to the improved access to financial services for all groups of people in a given society, as long as they are mobile subscribers.

The size of the economic impact from this system depends on the business model that is implemented. For Jamaica, a model that ensures financial stability while encouraging rapid uptake in the system and the greatest volume of traffic is critical. On this basis, the economic impact analysis recommended that Jamaica adopt the fully interoperable agent-based bank model to achieve these objectives. Existing regulations that will ensure the implementation of this business model remain insufficient; although The Money Order Act 2006 from the Bank of Jamaica ensures the implementation of a bank model, there remains a regulatory void regarding

interoperability and the use of agents. To ensure that Jamaica realizes the promises for financial inclusion and economic development, the Bank of Jamaica will need to provide legal directives on both issues.

With reduced levels of funding available, PRIDE Jamaica responded to USAID/Jamaica's request to phase out activities in this component by the end of this program year.

Issues of Note

The PPP had intended that the implementation plan would be completed and presented in March 2011 to the broader group of stakeholders. The rationale for this timeframe was to provide policy makers and regulators greater flexibility to consider options and outline an approach prior to potential operators establishing positions that would be either difficult to regulate after the fact, or might reduce options available to regulators. UWI is overseeing the development of the implementation plan and has advised that the plan is likely to be introduced in October 2011. In view of no current regulation or guidelines, operators are proceeding, in the best sense, to gain a foothold in the marketplace. As the gap widens between operators moving forward and establishing operating plans, versus regulators trying to close the gap with appropriate policies and regulatory frameworks, it becomes more likely that the resulting mobile financial system in Jamaica will be less interoperable and more user specific, to the general detriment of the country's economic development.

COMPONENT ACTIVITIES DURING THE NEXT PROGRAM YEAR

In line with guidance from USAID/Jamaica, PRIDE Jamaica completed its activities in this component due to substantial reductions in funding.

2.1.4 COMPONENT 4: LEGISLATIVE PROCESS

The Government of Jamaica (GOJ) is working to implement a wide-ranging legislative agenda to support business reform, eliminate corruption, and reduce crime, all of which have an impact on establishing a business and investor friendly environment. In order to monitor the progress of its initiatives, provide information to civil society, and work with the international community, the GOJ has found it difficult to readily know the status of legislative items as they move through the development and approval process. Ready access to this information has been difficult to obtain. There was a need to review what processes are in place to track legislation as it moves from the stage of development, through to passage, and determine if revisions to the existing system are needed. If a tracking system were lacking, models from regional and/or international best practices could be considered by Jamaica to resolve this issue.

Incorporating an accessible legislative tracking system that is available to all members of society enables transparency, and promotes public-private and civil society dialogue in the policy development and implementation process. Although Jamaica does have a clear legislative process, it is not clear whether the legislative tracking system is in place; and, if there is a system, does it meet the needs of Government and civil society.

PRIDE Jamaica held discussions with the Office of the Chief Parliamentary Counsel (CPC) to conduct a review of:

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- The extent to which a legislative tracking system exists;
- Where it is located, its upkeep, and its functionality;
- What may be required to improve its usefulness and accessibility; and
- To the extent that a system does not exist, consider existing regional and international models that may be appropriate for Jamaica.

The CPC agreed to prepare a formal proposal to PRIDE Jamaica that would outline other areas where support for interventions was most needed. PRIDE Jamaica also suggested that USAID/Jamaica re-engage with the Office of the Prime Minister in order to garner support for this activity. Work with stakeholders was expected to improve the ability to track legislation through the preparation and approval processes, and to reduce the time required to draft legislation.

Despite this early intervention there was not a clear indication that the nature of the assistance that had been proffered was of keen interest to stakeholders involved. The activity was therefore reconsidered. Notwithstanding this turn of events, during the conduct of activities across program components, PRIDE Jamaica continued to advocate for those legislative and statutory enabling changes that are required to strengthen the various institutions and provide a supporting framework for reform. A new Tax Procedures Act and the Legal Opinion for a Two-Tiered Process for Development Approvals are part of this component. It should also be noted that this component, as envisioned in the PRIDE Jamaica Request for Proposal, to be a major focus of implementation activities, has since been reduced dramatically. This is in accord with guidance the PRIDE Jamaica team received from USAID to focus its work on Tax Policy and Administration and Licensing and Other Competitiveness Areas due to funding limitations. Items for the legislative agendas to support tax reform and customs reform will continue to be a cross-cutting theme through the remainder of the PRIDE Jamaica program.

Issues of Note

Similar to those issues that were identified within the CADR activity, it became evident that an intervention must be supported by strong political will and clear administrative guidelines. PRIDE Jamaica's suggestion to USAID/Jamaica to outline specific milestones that would assist with informing a decision on whether to proceed with the CADR activity was a useful means of making a final determination, as well as served to provide implementing partners with parameters by which they could be guided to measure progress and the likelihood of future execution of the proposed intervention.

COMPONENT ACTIVITIES OVER THE NEXT SIX MONTH PERIOD

Legislative Process

During the next six month period PRIDE Jamaica expects to continue to implement activities specific to the legislative requirements of the respective component areas where legislative reform represents a necessary element for improvement, or supports the various process that are under review.

2.1.5 COMPONENT 5: LAND POLICY AND ADMINISTRATION

Over the last decade a number of donor funded initiatives were advanced in the area of Land Policy and Administration in Jamaica. Additionally, the Government of Jamaica, through the National Land Agency and the Land Administration and Management Programme (LAMP), has made inroads to address some of the underlying issues regarding land titling and registration. During work planning discussions with USAID/Jamaica, PRIDE Jamaica was advised that the Mission would work with AID/W to conduct a comprehensive review of previous donor activities on land reform and administration in Jamaica. Given scarce project resources, USAID/Jamaica wanted to ensure that any investment of PRIDE Jamaica resources in this component area would add value and achieve results.

AID/W completed the review and provided recommendations to USAID/Jamaica for program interventions. During the first quarter of the reporting period USAID/Jamaica requested that PRIDE Jamaica engage with stakeholders to confirm implementation opportunities that could be initiated within the scope of available program resources. PRIDE Jamaica began discussions with stakeholders with a view to finalizing several implementation options.

However since the requested review, in July 2011 PRIDE Jamaica received further guidance from USAID/Jamaica based on which PRIDE Jamaica agreed not to undertake activities in this component due to reduced levels of funding and shifting priorities.

Issues of Note

PRIDE Jamaica, working with colleagues at the National Land Agency (NLA) made every reasonable effort to provide continued assistance to reform activities in this component; however due to reduced funding and guidance from USAID/Jamaica no further activities will be undertaken in this component. Stakeholders were advised of the constraints very early in the process and were accepting of the resultant decisions.

COMPONENT ACTIVITIES OVER THE NEXT SIX MONTH PERIOD

Based on resources available, PRIDE Jamaica will not implement any activities under this component unless otherwise advised by USAID/Jamaica.

SECTION III

3.1 YEAR 2 RESULTS

PRIDE Jamaica met or exceeded all of its PMEP targets for this program year. Annex B provides the updated Results Reporting Table from PRIDE Jamaica's PMEP, and Annex C provides detailed information by indicator for each of the results.

PRIDE Jamaica worked closely with US Treasury's Office of Technical Assistance (OTA) to ensure that resources from both PRIDE Jamaica and OTA were utilized effectively to maximize support to TAJ's reform work. When OTA's work with TAJ ended in March, PRIDE Jamaica assumed the responsibility for project management to support TAJ's reform activities. The past year was a critical one in TAJ's transition process as it became an integrated tax administration agency on April 1, 2011, and moved forward in its progress toward implementing SARA, re-engineering business processes and implementing new systems to facilitate compliance.

In order to populate the senior and mid-level positions within TAJ, PRIDE Jamaica worked with CARTAC and TAJ to finalize an updated organizational structure. The updated structure was approved by the Executive Steering Committee of the TAJ Reform Project²³. PRIDE Jamaica worked closely with Deputy Commissioners General to develop appropriate organizational structures for each of the organization's operating divisions - Management Services, Operations and Legal Support - that are operational during the transition period pending establishment of the SARA organization. PRIDE Jamaica helped to prioritize the key executive, top-level management and program/management analyst positions that should be filled competitively on a temporary basis as soon as possible.

PRIDE Jamaica collaborated with TAJ on a two-phased activity to strengthen TAJ's position in its move toward SARA. During phase one PRIDE Jamaica developed a structure for a new budget and analytics unit to enable TAJ to maintain tight budget and accounting controls during budget execution, while also building the analytical capacity needed for effective strategic planning, performance based budgeting, and revenue financial management. In phase two of this activity PRIDE Jamaica shifted its focus from budget organization structure to budget processes. PRIDE Jamaica worked with TAJ to map processes to ensure that budget execution and accounting controls will be maintained during the transition period to SARA, and also mapped processes that will be performed by the budget analytics unit once the new organization is established. As a result of implementing the processes recommended by PRIDE Jamaica, integrating operations and adopting FinMan, TAJ reports it has improved internal

²³ The Executive Steering Committee includes the Financial Secretary, Ministry of Finance and the Public Service; Commissioner General of TAJ; Commissioner of Jamaica Customs; and representatives from: the private sector, through the Jamaica Chamber of Commerce, Cabinet Office, Services Commission, Public Sector Establishment Division, Revenue Protection Division, and the Civil Service Association.

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operating efficiencies of the processing payments division by 50%, to the extent that it has redeployed resources to other accounting functions.

To ensure that it could meet the requirement to prepare and submit a three year budget for the integrated organization, TAJ requested support from PRIDE Jamaica to prepare the submission. One of the key risks that TAJ's continues to face is the potential lack of funding it requires from the GOJ in order to both implement reform activities and conduct its normal operations. PRIDE Jamaica's assistance enabled TAJ to prepare its first integrated budget request for the three year budget cycle. TAJ is now utilizing the formats developed by PRIDE Jamaica as it begins its process to prepare its next budget submission for FY 2012/2013.

In order to support TAJ's move toward a modern, integrated tax administration organization, PRIDE Jamaica worked with TAJ to re-engineer business processes in the four core operations, and corresponding sub-processes. These include:

TABLE 6 – Key Tax Processes

Core Process	Sub-Process
Taxpayer Service	<ul style="list-style-type: none"> ▪ Taxpayer Education ▪ Taxpayer Inquiries (Walk-in service; correspondence control; telephone call-in service) ▪ Registration (Changes in Registration; Deregistration)
Returns Processing and Revenue Accounting	<ul style="list-style-type: none"> ▪ Returns Processing ▪ Payments Processing ▪ Revenue Accounting ▪ Tax Accounting
Audit	<ul style="list-style-type: none"> ▪ Risk Assessment ▪ Audit Planning ▪ Audit Case Processing ▪ Objections
Collection	<ul style="list-style-type: none"> ▪ Refunds and Offsets ▪ Delinquent Filers

Two additional cross-functional processes were identified – Refunds and Offsets, and Build and Refine Risk Models – and mapped. PRIDE Jamaica introduced an updated software tool, QPR, and provided training to TAJ counterparts to map the business processes. Recognizing that a new TAJ IT system will have to interface with a variety of other systems, PRIDE Jamaica defined the initial requirements for system interfaces with Jamaica Customs, the cashiering function and the Taxpayer Registration Number (TRN) system. TAJ senior management will complete a final review of the re-engineered business processes prior to these being incorporated into the RFP to procure a new IT system.

Identified as a high priority by the IMF in March 2011, PRIDE Jamaica designed new operations performance management reports that enable the Commissioner General, Deputy Commissioner General and senior managers to quickly review data and information to assess the performance of tax operations and take corrective action. Included in the design are measurement elements for cycle time and quality of work performed (audit); inventory volume,

enforcement actions recommended, and age of open inventory (debt management); and numbers of newly registered taxpayers and numbers of e-filers (taxpayer services).

The new Debt Management Report easily highlighted an area where staff resources will be directed in order to correct tax returns and system errors that resulted in 'failed fact of filing' results. The information generated by the report enabled TAJ to focus on this indicator, and to proceed with IT to generate a list of which specific returns have to be adjusted. Identifying the returns and making the corrections is an important element of the data cleansing exercise that TAJ must complete to improve accuracy within the information management system and generate taxpayer confidence.

The Debt Management Report also provided pointed information regarding the status of tax debt arrears by taxpayer category, and will enable TAJ to effectively prioritize these for collection and enforcement.

Another critical item highlighted in the March 2011 IMF report was the outstanding need for TAJ to strengthen the operations of the Forensic Data-mining and Intelligence Unit (FDIU) to support all areas of tax compliance including audit, improving debt management and collections and expanding the taxpayer net. PRIDE Jamaica designed a new risk-based model to select tax compliance leads for audit action. The taxpayer population was segmented and then further divided into three smaller segments to create more homogeneous groups. This will improve audit planning, and also improve the power of the selection formulas that were developed for each of the target groups. Each formula has its own unique set of criteria and scoring, specifically designed for the particular group. The criteria are weighted to assign varying points depending on the relative importance of each criterion. TAJ has completed the programming of the formulas into its IT system and is applying these to a pilot population of tax returns to test the scoring system. Once this is completed, TAJ can review the spread of scores and review the nature of returns with the highest scores.

In the area of tax arrears collections, TAJ needed to update its standardized procedures in several areas to increase the effectiveness of the debt management program and improve arrears collections. Working with TAJ counterparts, PRIDE Jamaica completed its initial activity to reduce the debt arrears inventory. PRIDE Jamaica designed revisions to existing systems, processes and procedures, and developed new ones that TAJ can apply to improve collections of arrears. One of the new tools is a 'Financial Analysis and Collection Interview Techniques Handbook'. The handbook includes structured interview techniques and formats that collection officers can utilize to secure pertinent income and asset information to support analyzing a taxpayer's financial position. Negotiating skills and procedures were outlined to strengthen TAJ's ability to secure better results for amounts taxpayers will pay, and improved payment agreements.

PRIDE Jamaica completed a major activity to improve the underlying legislative framework for tax administration in Jamaica. Working with colleagues across TAJ, Jamaica Customs, the Revenue Protection Division, and the Tax Policy Division of the Ministry of Finance and the Public Service, PRIDE Jamaica developed a draft of a proposed new Tax Administration Act. If passed, the Act will form a major part of the process to improve the assessment, collections, and enforcement aspects of Jamaica's tax laws. The Act will standardize the way assessments are calculated across tax types, include a taxpayer bill of rights, and provide transparent guidelines for enforcement. The Act is being reviewed by TAJ's Legal Services Department in order to finalize and table the legislation.

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PRIDE Jamaica continued to work closely with USAID/Jamaica and TAJ to garner support from other donors to secure the resources that TAJ requires to achieve the reform objectives. These efforts are resulting in US\$60 million loan package²⁴ being submitted to the IDB Board of Directors at the end of October 2011. The loan will finance the procurement of a new IT system and most of the other external costs included in the fully costed Modernization Implementation Plan that TAJ and PRIDE Jamaica prepared to support TAJ's reform program.

Ongoing support by PRIDE Jamaica to reform activities in licensing and competitiveness areas has had positive impact on maintaining the joint public-private partnerships that are essential for the successful implementation of reform measures to take effect. In the area of Development Approvals, PRIDE Jamaica's support contributed toward reaching a significant milestone for the DAC. March 16, 2011, marked the official launch of the DAC. The event was attended by the Honorable Prime Minister of Jamaica, the United States Ambassador to Jamaica, USAID/Jamaica's Mission Director, Ministers of Government, other GOJ officials, and private sector leaders. The event was hosted by the Jamaica Chamber of Commerce (JCC), and represented a culmination of the work of the JCC "Legs and Regs" Committee. "Legs and Regs" was responsible for establishing the public-private partnership for the Development Approvals Process Project under a Cooperative Agreement with USAID. The establishment of the DAC is the manifestation of recommendations by the "Legs and Regs" project.

With support from PRIDE Jamaica, the "Legs and Regs" public-private partnership transitioned to the ACRE Task Force which provided the monitoring and oversight of the DAC pilot operations. The DAC provides full pre-consultative and facilitation services to development and construction clients, with a complete response being provided in 20 days or less. The DAC plans to use this matrix and model to push the entire approval and review process to under 90 days. Currently approximately 67% of projects submitted are achieving this benchmark.

²⁴ The total loan requested by the GOJ was US\$60 million. This includes \$32 million for TAJ, \$20 million for Jamaica Customs, and \$8 million for a Central Treasury Management System and Debt Management System.



FIGURE 22 – (Foreground) Prime Minister Bruce Golding (4th left) cuts ribbon to officially open DAC. Looking on (l-r) are Milton Samuda (Pres. JCC), Karen Hilliard (USAID Mission Director), Pamela Bridgewater (US Ambassador to Jamaica), partially hidden (far right) Peter Knight (CEO NEPA).

In keeping with recommendations presented by the PRIDE Jamaica ACRE Task Force to advocate a reform measure that has been on the collective agenda and supported by stakeholders both directly and indirectly involved in the DAP reform effort, Prime Minister Bruce Golding announced in September that the National Building Code is to be enacted. A Bill to establish the Building Act 2011, to facilitate the adoption and efficient application of the National Building Code, was tabled by Prime Minister Bruce Golding in the House of Representatives on September 27.

According to the Bill, the building code will significantly reduce or eliminate the practice of granting exemptions, which currently exists, and it will also bind the Government of Jamaica. The Bill will confirm the Bureau of Standards Jamaica as the standards authority with power to specify the version of the international codes that are to be used as the national code and to promulgate application documents in respect of those codes. As the standards authority, the Bureau will also be empowered to recognize building standards and approve, list or certify building products, construction methods, building components and systems.

Utilizing funding from CBSI monies, PRIDE Jamaica completed a comprehensive mapping exercise to detail the numerous processes required throughout the import/export process. Working with the Trade Community System Partnership (TCSP), which represents a joint public/private stakeholder consortium from among the port community focusing on improving transparency, reducing corruption, and reducing the time and costs to move goods into and out of Jamaica, the mapping involved users, suppliers and facilitators of import/export services. The TCSP considers re-engineered processes, improved technology and multi-user interface as critical mechanisms through which agencies and private sector users will see results.

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The TCSP has completed its review of the Import/Export Mapping report which the group acknowledges, has added a measure of transparency to the import/export process. The report has been utilized to help identify other activities that can be implemented to support the TCSP in bringing improvements to the import/export system. Specifically the mapping report advocates for re-engineering of business processes and those activities that stimulate economic growth particularly through increased revenues from exports, utilizing a risk based approach in line with work that is currently being undertaken at Jamaica Customs.

The group is currently involved in the first phase of a procurement exercise for a Port Community System (PCS). A small sub-committee has been formed by the TCSP to put together a Stage I tender document (Request for Information) for the Port Community System Project. PRIDE Jamaica was asked to conduct a review of the document to offer advice, especially to evaluation criteria as they relate to the design, development and implementation of a port community system for Jamaica.

The Shipping Association of Jamaica and the Port Authority of Jamaica are jointly spearheading this effort on behalf of the TCSP and are named as the procuring entity responsible for committing funds toward the cost of the project. PRIDE Jamaica expects that further support will also be requested for Stage II of the tender process specifically to evaluating the tender documents submitted by bidders.

The goal of the proposed Port Community System project is to provide one electronic platform for all trade related information. Multi-stakeholder cooperation will allow all processes, from advanced screening and targeting, declarations, booking, transport and release of passenger and cargo, payment of duties, taxes, and fees, and post declaration to be covered. The system will allow for the completion of multiple, concurrent transactions, procedures/process flows from a single originating transaction/data entity. All processing logic and business rules of the agencies involved will be centralized in the system including the license and permit application process, and the validation of licenses and permits by the appropriate Trade Agencies. The set of rules embedded in the rules engine will execute the processing requirements for each of the trade agencies.

Effective September 2011, in keeping with the recommendation made by PRIDE Jamaica's Customs Specialist, the Commissioner of Customs approved a proposal submitted by the Risk Management Unit (RMU) for discontinuation of the physical processing of flagged import entries by the Risk Management Unit. All flagged import entries will flow directly to the Valuation Verification Unit for processing. The objective of this is to reduce processing time on flagged entries and increase time available for greater analysis within the Risk Management Unit. Officers within RMU have since been focusing on implementing other areas of risk management improvement that have been recommended by the PRIDE Jamaica report to include:

- AEO Account Monitoring
- Transaction/Criteria Analysis and Monitoring
- Traders Monitoring and Evaluation
- Performance Analysis

Currently approximately 80% of the Unit's productivity is concentrated on processing the physical flagged entries. The Unit will continue to analyze and monitor the flagged entries by employing greater emphasis on the electronic copy, internal systems and databases, as well as feedback from Valuation Verification Unit and other units within Customs.

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Jamaica Customs has confirmed its interest in working with PRIDE Jamaica to implement activities from its modernization plan in preparation for its Executive Agency status. Utilizing funding from CBSI, PRIDE Jamaica's focus on risk management activities is designed to strengthen the capacity of Jamaica Customs to deliver its services, improve the level of staff performance and commitment, generate revenue mobilization, improve border protection, and increase compliance among the trade community.

The table below provides additional reporting information for specific outputs resulting from PRIDE Jamaica activities with Jamaica Customs, funded with CBSI funds:

TABLE 7 – CBSI Results Outputs

Output	Number Completed	Details
Number of customs policy reforms/regulations/administrative procedures/processes presented for stakeholder consultations as a result of USG assistance with CBSI funds.	5	<ol style="list-style-type: none"> 1. Prioritize areas for process improvements and re-engineer business processes. 2. Prepare new process models and documentation for re-engineered business processes. 3. Automate the E-system. 4. Develop and implement a Trade Facilitation Reform Agenda. 5. Develop a Risk Management Framework for Jamaica Customs
Number of Trade and Investment capacity building diagnostics conducted as a result of CBSI funding.	2	<ol style="list-style-type: none"> 1. Import/Export Mapping Assessment Report 2. Risk Management Framework for Jamaica Customs
Number of Public/Private Dialogue mechanisms utilized as a result of USG assistance	1	<ol style="list-style-type: none"> 1. Trade Community System Partnership
Number of changes made to the Business Enabling Environment	2	<ol style="list-style-type: none"> 1. Import/Export Mapping 2. Risk Management Framework for Jamaica Customs

PRIDE Jamaica is supporting workforce development through a US\$400,000 grant to the PSOJ for the YUTE Program. Also funded with CBSI workforce development funding, YUTE provides training, job placement, and entrepreneurship support to 2200 at-risk youth from vulnerable communities. YUTE's agenda is supported by a broadly based public – private partnership.

Forty (40) male YUTE participants completed a 4-week Challenge Camp in July 2011, while a female residential camp that had been scheduled to begin in September 2011 has been rescheduled for January 2012.

One-hundred and five (105) YUTE participants completed two day entrepreneurship screening workshops. This determined their interest to participate in the YUTE Entrepreneurship Stream. It also underscored the need for an appropriate youth entrepreneurship intervention which acknowledged that the majority of the participants, while interested in operating an enterprise,

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would require a participation in the pre-skills program and b) a model which would give extensive support to participants to ensure the targeted level of success.

The mentorship program is a fundamental element of the YUTE program. The YUTE Project has selected two local firms to deliver training for mentors. Recruitment of mentors began in February 2011, with the first training session taking place in April. Volunteers are primarily recruited through corporate mentorship drives, presentations in service clubs, and word of mouth.

Through August 2011, 604 persons have signed up and completed applications to become mentors. Of this number 39 are located outside of Jamaica or outside of the Kingston Metropolitan region and opted not to be trained in view of the required face to face meetings in the mentor/mentee relationship. A further 108 have been invited to at least 3 training sessions, but failed to attend. To date 298 mentors have been trained and matched with mentees following mentorship training which began in August 2011.

PRIDE Jamaica completed an assessment and developed a structure to enable the MFI sector to implement a self-regulatory framework for the MFI sector. The framework will support the sector to increase operational transparency, improve information sharing among MFI lenders to reduce risk, and establish standardized reporting standards to enable higher tier lenders to more easily consider on-lending to the sector. In the absence of the Bank of Jamaica or other regulators being prepared to establish regulations, it will be up to the sector, working closely with the Development Bank of Jamaica, to implement the options.

PRIDE Jamaica completed its work with the Mobile Financial Services Public-Private Partnership (PPP) to promote fully interoperable mobile financial services in Jamaica. As part of the implementation plan needed to outline alternative scenarios for the introduction of mobile financial services in Jamaica, PRIDE Jamaica prepared the economic impact analysis component of the plan. PRIDE Jamaica also engaged a field survey research team through UWI to conduct 2500 field surveys to provide data for the economic impact analysis. The results of the economic impact analysis work led to the recommendation that Jamaica should adopt the fully interoperable agent-based bank model to achieve these objectives. To ensure that Jamaica realizes the promises for financial inclusion and economic development, the Bank of Jamaica will need to provide legal directives to close existing regulatory gaps.

PRIDE Jamaica continues to enjoy strong working relationships with all of its partners throughout the project's component areas. It is due to the strength of these relationships that PRIDE Jamaica has been able to implement its broadly based program across a wide range of component areas and achieve results. PRIDE Jamaica will continue to build on these relationships to maximize results across all implementation areas.

The timing and level of resources made available to PRIDE Jamaica have affected the rate and scale of implementation activities; this will certainly be the case moving forward, with future funding confirmed at significantly lower levels and the overall project timeframe being reduced by one year. Should the expected level of funding change, PRIDE Jamaica has the flexibility to adjust implementation activities to reflect these changes.

ANNEX A

COUNTERPART CONTRIBUTIONS

October 2010 – September 2011

Component	USD Amount	Notes
Tax Policy and Administration	1,425,333	<ul style="list-style-type: none"> ▪ Assumes proportionate amounts of TAJ internal costs from TAJ Modernization Implementation Plan for the period October 2010 through March 2011. ▪ Includes \$20,508 counterpart contribution toward Tax Policy Division Structure Assessment
Business Licensing and Other Competitiveness Areas		
<ul style="list-style-type: none"> ▪ Import/Export Processes 	158,280	Provided by the Trade Community Partnership from estimates of activities related to the Import/Export Mapping exercise, involving SAJ, Kingston Wharves, Kingston Container Service Ltd, Port Authority of Jamaica, and Jamaica Customs.
<ul style="list-style-type: none"> ▪ Jamaica Customs Reform 	283,823	Represents funding support from the Cabinet Office toward mobilization.
<ul style="list-style-type: none"> ▪ Development Approvals Process (DAC Operations) 	505,364	Includes salaries and allowances for permanent staff, telephone, utilities, office space, in-kind contributions and other goods and services
<ul style="list-style-type: none"> ▪ Youth Upliftment Through Employment 	1,095,753	Includes in-kind and cash contributions from private sector partner organizations, as well as cash from IDPs
Access to Credit:		
<ul style="list-style-type: none"> ▪ MFI Regulatory Framework 	13,850	Development Bank of Jamaica costs
<ul style="list-style-type: none"> ▪ Mobile Financial Services Conference 	83,000	UWI, private sector, other donors
TOTAL	3,565,403	

ANNEX B

PMEP RESULTS REPORTING TABLE

PRIDE Jamaica – October 1, 2010 - September 30, 2011

Performance Based Management System

Results and Related Performance Indicators ²⁵	Baseline	2010 Target ²⁶	2010 Results	2011 Target	2011 Results
IR1: Key Policies, Regulations and Processes Improved					
Sub-intermediate Result 1.1 Key Economic Reforms Implemented					
Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultations as a result of USG assistance.		1	2 ²⁷	5	8 ²⁸
Sub-intermediate Result 1.2 Institutional Capacity for Administration Strengthened					
Number of institutions/organizations undergoing capacity/competency assessments as a result of USG assistance.		1	1 ²⁹	4	7 ³⁰

²⁵ Indicators and targets do not include activities for Land Policy and Administration. Indicators and targets were to be adjusted when USAID/Jamaica and PRIDE Jamaica identified component activities to implement. In line with reduced program funding, USAID/Jamaica advised PRIDE Jamaica not to undertake activities in this component area.

²⁶ Represents the period March 11 – September 30, 2010, Year 1 of the project. 2011 information represents the period October 1, 2010 through September 30, 2011.

²⁷ Outputs include Tax Administration Jamaica (TAJ) fully costed modernization implementation plan, and analysis and recommendation to support procurement of a commercial off the shelf (COTS) information technology solution.

²⁸ Outputs include reengineered business processes for TAJ Taxpayer Services, Returns Processing and Revenue Accounting, Audit, and Collection; new structure and processes for Budget and Analytics Unit; draft of a new Tax Procedures Act; Performance Management Reporting Formats; criteria to identify and select high risk Corporate Income Tax cases for audit.

²⁹ Includes ACRE Task Force assessment of pilot operations of the DAC.

³⁰ Includes Tax Administration Jamaica (TAJ), the Tax Policy Division of the Ministry of Finance and the Public Service and the Economic Management Division of the Ministry of Finance and the Public Service, ACRE Task Force assessment of pilot operations of the DAC, CBSI funding for Import/Export Mapping, CBSI funding for development of a Risk Management Framework for Jamaica Customs, and the Assessment of a Regulatory Framework for the Microfinance Institution Sector (this included an assessment of the role of the Development Bank of Jamaica).

Results and Related Performance Indicators ²⁵	Baseline	2010 Target ²⁶	2010 Results	2011 Target	2011 Results
Number of Trade and Investment capacity building diagnostics conducted as a result of USG assistance.		---	---	4	7 ³¹
IR2: Private Sector Capacity to Participate in Reforms Increased					
Sub-intermediate Result 2.1 Private sector partnerships and collation-building strengthened					
Number of Public-Private Dialogue mechanisms utilized as a result of USG assistance.		3	3 ³²	5	6 ³³
Number of microfinance institutions supported by USG financial or technical assistance.		---	---	5	8 ³⁴
Sub-intermediate Result 2.2 Private sector role in advocacy and policy dialogue increased					
Number of Public-Private Dialogue mechanisms utilized as a result of USG assistance.		3	3 ³⁵	5	6 ³⁶
Number of changes made to business enabling environment.		---	---	4 ³⁷	4 ³⁸

³¹ Includes review of Assessment, Collections, and Enforcement framework for TAJ, ACRE Task Force for Development Approvals, Legal Opinion for statutory enabling of a two-tiered system for development approvals, CBSI funding of the Mapping of the Import/Export Process with the Trade Community System Partnership, CBSI funding of the Development of a Risk Management Framework for Jamaica Customs Modernization, Assessment for a Microfinance Institution Regulatory Framework, and Economic Impact Analysis of Mobile Financial Services in Jamaica.

³² Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

³³ Includes Executive Steering Committee, Tax Administration Reform Program; ACRE Task Force for Development Approvals; Trade Community System Partnership for Import/Export; Youth Upliftment for Employment (YUTE); MFI/DBJ self regulatory mechanism; and Mobile Banking Public-Private Partnership.

³⁴ Includes Jamaica National Small Business, Bank of Nova Scotia Foundation, First Union, COPE, Micro-Credit Limited, Nation's Growth, and Micro-Enterprise Finance Limited. Members of the Jamaica Microfinance Alliance also receiving assistance through their organization.

³⁵ Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

³⁶ Includes Executive Steering Committee, Tax Administration Reform Program; ACRE Task Force for Development Approvals; Trade Community System Partnership for Import/Export; Youth Upliftment for Employment (YUTE); MFI/DBJ self regulatory mechanism; and Mobile Banking Public-Private Partnership.

³⁷ This target included a revised legal framework for Commercial Alternative Dispute Resolution (CADR). After the PMEP was finalized PRIDE Jamaica was advised that the Minister of Justice was not prepared to proceed with the legislative changes in the near future. This target also included a Rules Engine for Development Approvals. After the PMEP was finalized USAID/Jamaica provided guidance to PRIDE Jamaica to complete activities on Development Approvals by March 31, 2011. These two items will have an impact on achieving the overall target during the program year.

ANNEX C

YEAR 2 ANNUAL RESULTS BY INDICATOR

PRIDE Jamaica

October 2010 – September 2011

INDICATOR 1: *Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultations as a result of USG assistance.*

Target for Year 2: 5

Actual for Year 2: 8

Component 1: Tax Policy and Administration

1. Re-engineered business processes for four core tax operations:

- a. Taxpayer Services³⁹: The primary mission of taxpayer service is to promote voluntary compliance through education and assistance to taxpayers. The most effective means of accomplishing this is to provide Quality Customer Service.
- b. Returns Processing and Revenue Accounting⁴⁰: The mission of the Returns Processing and Revenue Accounting function is to provide quality service to the taxpayers of Jamaica through the timely and quality processing of the tax returns (invoices) and the matching of the payments to these returns. The Returns Processing and Revenue Accounting function also has the responsibility to rapidly balance the accounts for every taxpayer and to issue tax balance due notices and tax refunds in a timely manner.
- c. Audit: The mission of the audit function is to provide quality examination of the tax returns of citizens, individual entrepreneurs and legal entities of Jamaica to ensure correct application of the tax law.
- d. Collection⁴¹: The mission of the collection function is to collect the revenue due the government and secure missing tax returns while ensuring that the rights of taxpayers are protected. Collection function employees will actively assist taxpayers in meeting

³⁸ Includes revised operating procedures to the DAC provided by ACRE Task Force; Tabling of the National Building Code; Codified mapping of import/export procedures; and, revised Risk Management Framework implemented by Jamaica Customs.

³⁹ Includes complete mapping for four sub-processes.

⁴⁰ Includes complete mapping for three sub-processes.

⁴¹ Includes complete mapping for two sub-processes.

their filing and paying requirements, however we will also take enforcement actions where necessary to resolve delinquencies.

2. Design of a new Budget and Analytics Unit and Process Mapping

PRIDE Jamaica collaborated with TAJ to develop a new budget organization structure that will enable TAJ to maintain tight budget and accounting controls during budget execution, while also building the analytical capacity needed for effective strategic planning, performance based budgeting, and revenue financial management. The unit is now operating within the Management Services Division of the new organization.

PRIDE Jamaica worked with TAJ to map processes to ensure that budget execution and accounting controls will be maintained during the transition period to SARA, and also mapped processes that will be performed by the budget execution and accounting unit once the new organization is established. These processes have been implemented and are ensuring that a common process is in place for basic activities, including: requisitioning goods and services; making payments; processing new hires, resignations, retirements, and transfers; making salary adjustments; and processing payroll. TAJ reports that implementing these processes have improved operating efficiencies by 50%, enabling TAJ to redeploy staff to other internal support service areas.

3. Completed draft of a proposed Tax Procedures Act

PRIDE Jamaica completed a draft and supporting commentary of a new Tax Administration Act. The new act will rationalize the administrative provisions of a wide range of existing taxation acts, including, among others, the Income Tax Act, General Consumption Tax Act, and the Revenue Authority Act, to establish a single body of law that provides for common procedures, rights and remedies, penalties, and sanctions in the form of a separate, new Tax Administration Act. This broad-based, unified tax administration act will simplify and incorporate international best practices in administration and allow for improved operating effectiveness and efficiencies by TAJ, incorporate a taxpayer bill of rights, and apply standardized procedures for enforcement. The draft is being reviewed by TAJ prior to moving it forward in the legislative approval process.

4. Preparation of Tax Operations Performance Management Reports

PRIDE Jamaica designed new operations performance management reports that enable the Commissioner General, Deputy Commissioner General and senior managers to quickly review data and information to assess the performance of tax operations and take corrective action. Included in the design are measurement elements for cycle time and quality of work performed (audit); inventory volume, enforcement actions recommended, and age of open inventory (debt management); and numbers of newly registered taxpayers and numbers of e-filers (taxpayer services).

The new Debt Management Report easily highlighted an area where staff resources will be directed in order to correct tax returns and system errors that resulted in 'failed fact of filing' results. The information generated by the report enabled TAJ to focus on this indicator, and to proceed with IT to generate a list of which specific returns have to be adjusted. Identifying the returns and making the corrections is an important element of the data cleansing exercise that TAJ must complete to improve accuracy within the information management system and generate taxpayer confidence. The Debt Management Report also provided

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pointed information regarding the status of tax debt arrears by taxpayer category, and will enable TAJ to effectively prioritize these for collection and enforcement.

5. Design of criteria to score and select high risk tax returns for audit

PRIDE Jamaica designed a new risk-based model to select tax compliance leads for audit action. The taxpayer population was segmented and then further divided into three smaller segments to create more homogeneous groups. This will improve audit planning, and also improve the power of the selection formulas that were developed for each of the target groups. Each formula has its own unique set of criteria and scoring, specifically designed for the particular group. The criteria are weighted to assign varying points depending on the relative importance of each criterion. TAJ is completing the programming of the formulas into its IT system so that a large population of returns can be scored.

INDICATOR 2: *Number of institutions/organizations undergoing capacity/competency assessments as a result of USG assistance.*

Target for Year 2: 4

Actual for Year 2: 5

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

PRIDE Jamaica is providing ongoing review of TAJ to implement activities from the Modernization Implementation Plan to reform tax administration operations. Activities include review and assessment of: organizational structure, tax operations, allocation of resources and process improvements to improve operating efficiencies, improve taxpayer compliance and expand revenue collection efforts. The assessment has resulted in activities to re-engineer business processes for tax operations, designing a budget and analytics unit and associated processes, and completing a draft of a Tax Procedures Act.

2. Assessment of the Tax Policy Division and the Economic Management Unit Structures and Functions

PRIDE Jamaica completed an assessment of the roles, structure and requirements of the Tax Policy Division and the Economic Management Unit of the MoFPS and recommended changes to the structure, functions and operating requirements to improve the ability of both units to meet their mandates.

Component 2: Licensing and Other Competitiveness Areas

Development Approvals Process

1. ACRE Task Force Monitoring of DAC Pilot Operations

Through the public-private partnership ACRE Task Force, PRIDE Jamaica facilitated monitoring and oversight of pilot operations at the DAC to provide process improvements to improve operations. The DAC continues to enjoy a high approval rating from proponents (99% favorable) and will continue to be supported by professionals in the construction sector

to enable the achievement of a timeline of 90 days or less to receive approval for building and construction projects. Currently the DAC provides full pre-consultative and facilitation services to clients with a complete response in 20 days or less. The DAC plans to use this matrix and model to push the entire approval and review process to under 90 days. Currently approximately 67% of projects submitted are achieving this benchmark, and these results are supporting DAC sustainability.

2. Import/Export (Funded with CBSI funding)

Working with the private-public partnership TCSP, PRIDE Jamaica completed the first phase of work to improve the import/export process. The major facet of this activity included the mapping of 'as is' business processes utilized by Jamaica Customs and its customers to enable the transit of goods into and out of Jamaica. Based on findings, this study is intended to highlight some concerns of the users of the systems, the issues and constraints to trade facilitation, and suggest solutions and next steps.

The TCSP has utilized the results to improve processes and define a best practices IT solution to increase transparency, improve border safety, and expedite the movement of goods across Jamaica's borders.

3. Jamaica Customs Department (Funded with CBSI funding)

In support of activities under the Caribbean Basin Security Initiative (CBSI), PRIDE Jamaica is working with Jamaica Customs to improve Jamaica's capability to improve border protection, and improve transparency and accountability by customs officials. The objective of the PRIDE Jamaica activity was to assist JCD to develop a robust risk management framework that sets out the policy and overall procedures, organization structures, roles and responsibilities, staff competency requirements, operating processes and ICT support options for risk management. The activity will also assist in the preparation of an implementation plan for a comprehensive risk management system, and will develop the capacity of staff in the Risk Management unit through coaching, training and mentoring.

The move by JCD to become an Executive Agency is expected to deliver a more modern customs administration which will provide excellent service, foster tax compliance and contribute to national development and the protection of Jamaican society.

Component 4: Access to Credit

1. PRIDE Jamaica completed an assessment and developed a structure to enable the MFI sector to implement a self-regulatory framework for the MFI sector. The framework will support the sector to increase operational transparency, improve information sharing among MFI lenders to reduce risk, and establish standardized reporting standards to enable higher tier lenders to more easily consider on-lending to the sector. In the absence of the Bank of Jamaica or other regulators being prepared to establish regulations, it will be up to the sector, working closely with the Development Bank of Jamaica, to implement the options.

INDICATOR 3: *Number of trade and investment capacity building diagnostics conducted as a result of USG assistance.*

Target for Year 2: 4

Actual to date for Year 2: 6

1. Draft of a proposed Tax Procedures Act

PRIDE Jamaica completed a draft and supporting commentary of a new Tax Administration Act. The new act will rationalize the administrative provisions of a wide range of existing taxation acts, including, among others, the Income Tax Act, General Consumption Tax Act, and the Revenue Authority Act, to establish a single body of law that provides for common procedures, rights and remedies, penalties, and sanctions in the form of a separate, new Tax Administration Act. This broad-based, unified tax administration act will simplify and incorporate international best practices in administration and allow for improved operating effectiveness and efficiencies by TAJ, incorporate a taxpayer bill of rights, and apply standardized procedures for enforcement. The draft is being reviewed by TAJ prior to moving it forward in the legislative approval process

2. Review of DAC Pilot Operations

Through the public-private partnership ACRE Task Force, PRIDE Jamaica facilitated monitoring and oversight of pilot operations at the DAC to provide process improvements to improve operations. The DAC continues to enjoy a high approval rating from proponents (99% favorable) and will continue to be supported by professionals in the construction sector to enable the achievement of a timeline of 90 days or less to receive approval for building and construction projects. Currently the DAC provide full pre-consultative and facilitation services to clients with a complete response in 20 days or less. The DAC plans to use this matrix and model to push the entire approval and review process to under 90 days. Currently approximately 67% of projects submitted are achieving this benchmark, and these results are supporting DAC sustainability.

3. Develop a Legal Opinion for a Two Tiered System of Development Approvals

PRIDE Jamaica completed the development of a Legal Opinion for statutory enabling of a Two Tier System of development approvals. The Legal Opinion was prepared by a Legislative and Regulatory attorney-at-law in consultation with various stakeholders to include Office of the Prime Minister, Office of the Cabinet, NEPA, Solicitor General's Department, other Regulatory and Commenting Agencies, UWI and UTECH Law Faculties. The Legal Opinion has taken a close look at existing common-law as it affects (a) the shortcomings of delay in the processing of applications and (b) lack of provision of critical feedback to applicants. It has concluded that the common law does give full support to purging the development approvals systems of those shortcomings, without resort to legislation.

4. Import/Export Process Mapping (Funded with CBSI Funding)⁴²

PRIDE Jamaica completed the mapping of import and export procedures on behalf of the Trade Community System Partnership (TCSP), a public-private partnership. This significant first-step will support a re-engineering to reduce the time, improve transparency, and reduce corruption in the movement of goods across Jamaica's borders. The new business processes will be automated through a procurement of a new IT system for customs, with interfaces for the private sector. This will increase Jamaica's competitiveness by streamlining and simplifying processes to import and export goods.

5. Risk Management Framework for Jamaica Customs (Funded with CBSI Funding)

Utilizing funding from CBSI, PRIDE Jamaica's focus on risk management activities is designed to strengthen the capacity of Jamaica Customs to deliver its services, improve the level of staff performance and commitment, generate revenue mobilization, improve border protection, and increase compliance among the trade community. Effective September 2011, in keeping with the recommendation made by PRIDE Jamaica's Customs Specialist, the Commissioner of Customs approved a proposal submitted by the Risk Management Unit (RMU) for discontinuation of the physical processing of flagged import entries by the Risk Management Unit. All flagged import entries will flow directly to the Valuation Verification Unit for processing. The objective of this is to reduce processing time on flagged entries and increase time available for greater analysis within the Risk Management Unit. Officers within RMU have since been focusing on implementing other areas of risk management improvement that have been recommended by the PRIDE Jamaica report.

6. Assessment for a Regulatory Framework for Microfinance Institutions

PRIDE Jamaica completed an assessment and developed a structure to enable the MFI sector to implement a self-regulatory framework for the MFI sector. The framework will support the sector to increase operational transparency, improve information sharing among MFI lenders to reduce risk, and establish standardized reporting standards to enable higher tier lenders to more easily consider on-lending to the sector. In the absence of the Bank of Jamaica or other regulators being prepared to establish regulations, it will be up to the sector, working closely with the Development Bank of Jamaica, to implement the options.

7. Economic Impact Analysis for Mobile Financial Services Implementation Plan

PRIDE Jamaica completed its work with the Mobile Financial Services Public-Private Partnership (PPP) to promote fully interoperable mobile financial services in Jamaica. As part of the implementation plan needed to outline alternative scenarios for the introduction of mobile financial services in Jamaica, PRIDE Jamaica prepared the economic impact analysis component of the plan. PRIDE Jamaica also engaged a field survey research team through UWI to conduct 2500 field surveys to provide data for the economic impact analysis. The results of the economic impact analysis work led to the recommendation that Jamaica should adopt the fully interoperable agent-based bank model to achieve these objectives. To

⁴² This activity is also referenced in Indicator 2, above.

ensure that Jamaica realizes the promises for financial inclusion and economic development, the Bank of Jamaica will need to provide legal directives to close existing regulatory gaps.

INDICATOR 4: *Number of Public-Private Dialogue mechanisms utilized as a result of USG assistance.*

Target for Year 2: 4

Actual to date for Year 2: 5

1. Executive Steering Committee for Tax Administration Reform

The Executive Steering Committee (ESC) oversees the direction of the Tax Administration Reform Program. It includes representatives from the private sector, the Ministry of Finance, labor unions and the Revenue Protection Division. The ESC conducted a review and provided approval on TAJ's proposed new organization structure. It also provided review and comment on TAJ's upcoming presentation to the Minister of Finance in regard to TAJ's proposal to become a semi-autonomous revenue authority.

1. ACRE Task Force

Building on the successful public/private coalition model created by the GOJ and the Jamaica Chamber of Commerce (JCC), PRIDE Jamaica has successfully transitioned a Task Force comprised of a group of public/private stakeholders who have been directly involved with development approval reform activities. This approach is pursued in order to continue the support to those reform initiatives already in progress in the area of construction and building approvals. This public/private coalition is recognized as the PRIDE Jamaica **A**ccess, **C**ommunication, **R**eform, **E**fficiency (ACRE) Task Force.

PRIDE Jamaica's ACRE Task Force comprises Government of Jamaica Ministries, Regulatory Agencies and Authorities, as well as Professional Associations and Organizations (architects, engineers, planners, developers, attorneys) involved with development applications and approvals processes, who bring their collective technical expertise, strength in advocacy, and commitment to reform, to structured efforts that will improve Jamaica's competitiveness in the area of construction permitting and licensing. As a group, this collaboration represents one of Jamaica's most successful efforts at a public/private partnership, having worked together under various structures consistently for a period of over 4 years.

PRIDE Jamaica's ACRE Task Force employed efforts to reform building applications processes in order to streamline the approvals process by making the process more transparent and predictable, while reducing the time to build and the costs associated with undue delays of construction projects.

2. Trade Community System Partnership (TCSP)

The port community's Trade Community System Partnership (TCSP) is a public/private port community stakeholder group that has demonstrated a commitment to improving Jamaica's competitiveness in trade and investment specifically by streamlining and simplifying processes and procedures involved with the importing and exporting of goods. The TCSP involves a diverse group of stakeholders to include haulage contractors, shipping

lines and agents, manufacturers, port operators, customs department, and recognizing the various interest that they may have individually, the group has agreed to allow reform activities to be guided by modernization activities at Jamaica Customs, to, as best as possible, ensure that the goals and objectives of the partnership are in concert with the GOJ's plans (activities) and timelines for import/export reform activities, while creating a process that engages the business community.

The TCSP is conducting a detailed and thorough review of the import/export mapping report and processes in order to arrive at consensus on an approach for the development of procurement solicitation documentation that will present a system that reduces of the cost and time to import and export.

Through its participation with the TCSP group, PRIDE Jamaica has made recommendations to the TCSP to as best as possible, ensure that reform efforts are appropriately targeted and engaged toward specific, achievable objectives.

3. Workforce Development – Youth Upliftment Through Employment (YUTE)

Through partnerships at all levels, the PSOJ is supporting the implementation of interventions which will impact directly on the lives of young persons who live in inner city communities. The organization is currently working with other private sector bodies through a coalition of the private sector (PS Coalition) and in partnership with non government and governmental organizations to include HEART/Trust NTA, to develop, fund and execute innovative programs. The alliance will build on the good practices of Government and Civil Society.

While there are a variety of initiatives being undertaken by NGOs, Community Based Organizations (CBOs), individual and collective private sector firms, and the government to address the economic, social and physical challenges which have resulted in the social and economic exclusion of residents of many of our inner city communities, the PS Coalition will increase the value of ongoing interventions, and will focus specifically on increasing the employability and the access to employment and entrepreneurship opportunities for young persons in inner city communities.

4. Microfinance Regulatory Framework

Working with MFIs, MFI practitioners and the Development Bank of Jamaica, PRIDE Jamaica is supporting the development of a framework to establish standardized reporting and information sharing formats among the MFI community. The findings of the PRIDE Jamaica microfinance regulatory assessment confirmed that none of the regulatory bodies plan to establish regulatory guidelines in the near term for the MFI sector. This is largely due to the dispersed nature of operators in the sector and the lack of standardized reporting by MFIs. This private-public partnership is intending to improve transparency within the MFI lending sector, enable easier assessment of MFIs by second tier lenders to increase funds for on-lending, and improve financial viability of MFIs by working with a credit bureau to reduce lender risk.

5. Mobile Banking

This public-private partnership, led by the University of the West Indies, and joined by members of the local banking sector, along with representatives from the Development

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Bank of Jamaica, PRIDE Jamaica, and IDB among others, worked together to identify the legal, regulatory, technology and policy issues that Jamaica will need to address to establish fully operational mobile banking. It is well recognized that mobile banking offers a number of opportunities to reduce the costs of financial transactions, bring more people into the formal banking system, and potentially expand credit options to micro-entrepreneurs.

INDICATOR 5: *Number of microfinance institutions supported by USG financial or technical assistance.*

Target for Year 2: 5

Actual for Year 2: 8

PRIDE Jamaica completed an assessment with the MFI community to review the options to establish a regulatory framework for MFIs. Within the scope of this assessment, PRIDE Jamaica interfaced with eight microfinance institutions, in addition to other microfinance industry practitioners and two industry associations to outline a plan for the MFI industry to move toward a self-regulatory framework. PRIDE Jamaica is working with a public-private partnership to establish a self-regulatory network of MFIs and micro-finance practitioners as a first step toward introducing international best practices within the sector. Representatives from the industry associations are conducting initial discussions to present a plan to their membership to move forward with this initiative.

INDICATOR 6: *Number of changes made to business enabling environment.*

Target for Year 2: 4

Actual for Year 2: 4

Development Approvals Process

1. ACRE Task Force Monitoring of DAC Pilot Operations

Through the public-private partnership ACRE Task Force, PRIDE Jamaica facilitated monitoring and oversight of the pilot DAC in order to assess ways by which to improve processes and operations. The DAC continues to enjoy a high approval rating from proponents (99% favorable), and will continue to be supported by professionals in the construction sector with the ultimate goal being the achievement of a timeline of 90 days or less to receive approval for building and construction projects. Currently the DAC provides full pre-consultative and facilitation services to clients with close to 80% receiving a complete response from the DAC within 20 days. The DAC plans to use this matrix and model to push the response time across the entire approval and review process to under 90 days. Currently approximately 67% of projects submitted by way of the DAC are achieving this benchmark, however this is measured against the less than 10 projects that have satisfied completed application requirements for approval submission. Notwithstanding, these results are encouraging and supportive of the DACs sustainability. During the DAC launch event, Prime Minister Bruce Golding suggested that a detailed evaluation will be conducted at the end of the pilot to outline what has been learned and how further improvements can be made. The Prime Minister also indicated that measures will be considered to allow the DAC to impose minimal fees for its services for sustainability, and hinted at plans to institutionalize the DAC.

2. The New National Building Code

In keeping with recommendations presented by the PRIDE Jamaica ACRE Task Force to advocate a reform measure that has been on the collective agenda and supported by stakeholders both directly and indirectly involved in the DAP reform effort, Prime Minister Bruce Golding announced in September that the National Building Code is to be enacted. A Bill to establish the Building Act 2011, to facilitate the adoption and efficient application of the National Building Code, was tabled by Prime Minister Bruce Golding in the House of Representatives on September 27.

According to the Bill, the building code will significantly reduce or eliminate the practice of granting exemptions, which currently exists, and it will also bind the Government of Jamaica. The Bill will confirm the Bureau of Standards Jamaica as the standards authority with power to specify the version of the international codes that are to be used as the national code and to promulgate application documents in respect of those codes. As the standards authority, the Bureau will also be empowered to recognize building standards and approve, list or certify building products, construction methods, building components and systems. Elements of the Two-Tier Legal Opinion are being incorporated in the new Code.

3. Import/Export (Funded with CBSI funding)

Working with the private-public partnership TCSP, PRIDE Jamaica completed the first phase of work to improve the import/export process. The major facet of this activity included the mapping of 'as is' business processes utilized by Jamaica Customs and its customers to enable the transit of goods into and out of Jamaica. Based on findings, this study is intended to highlight some concerns of the users of the systems, the issues and constraints to trade facilitation, and suggest solutions and next steps. The TCSP has utilized the results to improve processes and define a best practices IT solution to increase transparency, improve border safety, and expedite the movement of goods across Jamaica's borders.

4. Risk Management Framework for Jamaica Customs (Funded with CBSI Funding)

Utilizing funding from CBSI, PRIDE Jamaica's focus on risk management activities is designed to strengthen the capacity of Jamaica Customs to deliver its services, improve the level of staff performance and commitment, generate revenue mobilization, improve border protection, and increase compliance among the trade community. Effective September 2011, in keeping with the recommendation made by PRIDE Jamaica's Customs Specialist, the Commissioner of Customs approved a proposal submitted by the Risk Management Unit (RMU) for discontinuation of the physical processing of flagged import entries by the Risk Management Unit. All flagged import entries will flow directly to the Valuation Verification Unit for processing. The objective of this is to reduce processing time on flagged entries and increase time available for greater analysis within the Risk Management Unit. Officers within RMU have since been focusing on implementing other areas of risk management improvement that have been recommended by the PRIDE Jamaica report.