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PRIDE JAMAICA

SEMI-ANNUAL PROGRESS REPORT

October 2011 – March 2012

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

TASK ORDER # 11



March 2012

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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
CO	Cabinet Office
COMET	Community Empowerment and Transformation Project
COTR	Contracting Officer's Technical Representative
CPC	Chief Parliamentary Counsel
DAC	Development Assistance Centre
DAP	Development Approvals Process
DBJ	Development Bank of Jamaica
ERA	Environmental Regulatory Authority
EU	European Union
GOJ	Government of Jamaica
HPM	Honorable Prime Minister
HAJL	Housing Agency of Jamaica Limited
ICT/IT	Information and Communication Technology/Information Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IMU	Information Management Unit
JAMPRO	Jamaica Promotions Corporation
JBA	Jamaica Bar Association
JCC	Jamaica Chamber of Commerce
KCT	Kingston Container Terminal
LTO	Large Taxpayer Office
Legs and Regs	Legislation Regulations and Process Improvement Project
MOJ	Ministry of Justice
MOU	Memorandum of Understanding
MoFPS	Ministry of Finance and the Public Service

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MIP	Modernization Implementation Plan
NEPA	National Environment and Planning Agency
OPM	Office of the Prime Minister
OTA	Office of Technical Assistance (US Treasury)
PMEP	Performance Monitoring and Evaluation Plan
PMO	Project Management Office
PPP	Public Private Partnership
PSI	Pre-shipment Inspection
PSMD	Public Sector Modernization Division
PSOJ	Private Sector Organisation of Jamaica
RCO	Regional Contracting Officer
RFI	Request for Information
RFP	Request for Proposal
RMU	Risk Management Unit
SAJ	Shipping Association of Jamaica
SME	Small and Medium Enterprise
TAJ	Tax Administration Jamaica
TCSP	Trade Community System Partnership
TOR	Terms of Reference
TRIT	Tax Reform Implementation Team
TRN	Taxpayer Registration Number
YUTE	Youth Upliftment Through Employment
USAID/Jamaica	United States Agency for International Development/Jamaica Mission
WCO	World Customs Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

Promote, Renew, Invigorate, Develop Energize (PRIDE) Jamaica completed the first six months of its third project year with a vigorous range of implementation activities in the key areas of tax administration reform and customs reform.¹ Working with counterparts and stakeholders in the public and private sectors and other donors, PRIDE Jamaica leveraged resources to maximize project impact to achieve results. This is demonstrated, in part, by the more than US\$790,000 counterparts contributed toward project implementation during this semi-annual reporting period, as included in Annex A. The updated Results Reporting Table (Annex B) from the Performance Monitoring and Evaluation Plan (PMEP) provides results against targets for this reporting period. In addition to meeting or exceeding all of the targets in the PMEP, PRIDE Jamaica achieved important implementation benchmarks in the core program areas by building upon the strong foundation it established during the previous program years. Due to substantial reductions in funding, PRIDE Jamaica is currently planning to complete project implementation in September 2012.² Despite this, PRIDE Jamaica continues to work collaboratively with stakeholders to aggressively achieve PRIDE Jamaica's objectives.

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 and TAJ made great strides toward improving compliance and mobilizing revenue collection. PRIDE Jamaica provided ongoing support to TAJ to develop and present its case to the (former) Honorable Minister of Finance to establish itself as a semi-autonomous revenue authority (SARA). The Honorable Minister approved TAJ's request to submit a presentation to Cabinet for approval. In December 2011 Jamaica conducted national elections, and a new Government took office in January 2012. This will require TAJ to present its case for SARA to the new Honorable Minister of Finance. Should the Minister approve, TAJ will submit its submission to the new Cabinet for consideration. PRIDE Jamaica will continue to work with stakeholders to obtain passage of needed reform legislation.

In the area of tax operations, PRIDE Jamaica worked with TAJ across a wide spectrum of operational areas. 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. Taxpayer populations were segmented and PRIDE Jamaica developed selection formulas for each of the target groups. The criteria were weighted and assigned varying points

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. Year 3 commenced on October 1, 2011.

² In June 2011 USAID/Jamaica advised CARANA Corporation of substantial reductions in funding. PRIDE Jamaica is now preparing for project close-out in September 2012, one year earlier than the original task order date. With reduced funding, USAID/Jamaica requested that in this current program year PRIDE Jamaica implement activities only in tax administration reform and customs reform, and complete implementation of the workforce development grant with the Private Sector Organisation of Jamaica (PSOJ).

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depending on the relative importance of each criterion. PRIDE Jamaica developed audit selection criteria for Corporate Income Tax (CIT), General Consumption Tax (GCT) and high risk Personal Income Tax (PIT) taxpayer segments. With assistance from PRIDE Jamaica, the Audit Unit in TAJ's Programmes and Technical Support prepared its FY 2012/2013 Annual Audit Plan, incorporating these new risk frameworks for the fiscal year beginning April 1, 2012. Applying the risk criteria will strengthen TAJ's audit case selection and enable TAJ to allocate its audit staff resources to cases that will be the most productive to improve revenue collection. The Annual Audit Plan will also enable TAJ to assess its staffing requirements across geographic location and redeploy personnel where appropriate. This will improve audit planning, and enable TAJ to select the most productive compliance leads for action, supporting revenue collection.

With a substantial backlog of debt arrears cases on its ledgers, TAJ embarked on an ambitious program to prioritize its debt arrears cases and apply new treatments to improve case closure. Working with TAJ, PRIDE Jamaica established a series of criteria to prioritize the open arrears cases. PRIDE Jamaica established cost-effective treatments for the categories of arrears cases and worked with TAJ's Debt Management Unit to train Compliance Officers in the new methodologies. After completing testing of the prioritization schema, TAJ began testing of the new treatments for 'High' and 'Medium' arrears cases. When the test is completed, TAJ and PRIDE Jamaica will make any necessary revisions to the treatments and implement the new approaches across TAJ's Revenue Service Centres. TAJ's case prioritization and the defined, new approaches for the arrears categories represent totally new models for TAJ to address its outstanding debt arrears cases. These approaches will enable TAJ to focus its resources on those cases that are high priority and the most collectible, supporting TAJ's objective to close cases and reduce the inventory of arrears cases in a cost effective manner.

PRIDE Jamaica also developed new procedures to identify taxpayer entities for potential tax compliance leads and supported TAJ to select a sample set of leads to test and pilot the procedures. The leads were assigned to Compliance Officers at three Revenue Service Centre locations to begin working the compliance leads using the new methodology. PRIDE Jamaica also developed processes that include establishing a case history record for each lead containing the tax entity information; identifying the type of tax and period(s) not filed; and, documenting the contacts with the taxpayer and actions taken by the Compliance Officer. The new non-filer program procedures should result in more timely processing of the compliance leads due to the prompt assignment, processing and follow-up by a designated Compliance Officer responsible for resolving the non-filer lead. The new procedures are also expected to result in more tax returns being filed directly by the taxpayer, and payment of the tax, penalty and interest would also be secured from the taxpayer in a reduced period of time. PRIDE Jamaica expects to develop additional pilot programs with TAJ to improve taxpayer compliance, with the next phase of support focusing on improving compliance among the 'Professionals' segment of the taxpayer population.

To improve decision making in tax operations, 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. During this period PRIDE Jamaica provided training to TAJ's senior operations managers, programmes staff and planning personnel. Arising from the training, TAJ is completing a final review of the reports to further adapt them to TAJ's requirements. TAJ expects to begin full implementation of the reports early in its next fiscal year.

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With strong reform project management support from PRIDE Jamaica, TAJ achieved a major milestone in December, 2011, when the Inter-American Development Bank (IDB) approved a US\$33 million loan to the Government of Jamaica to support implementation of Jamaica's tax administration reform program.³ The IDB developed the loan package utilizing the fully costed TAJ modernization implementation plan that PRIDE Jamaica developed with TAJ in July 2010. With additional support from PRIDE Jamaica, during this reporting period TAJ completed a draft Request for Proposal to embark on the procurement of a new Information Technology (IT) system that will greatly enhance TAJ's operations and strengthen revenue mobilization.

With Jamaica under continued pressure to generate revenue to support its budget deficit, international development partners identified several high priority sectors for heightened focus by TAJ and Jamaica Customs. Responding to these opportunities, PRIDE Jamaica initiated support to TAJ's Large Taxpayer Office (LTO) to strengthen audit capabilities in the telecommunications sector. As noted by the IMF, the telecommunications sector is one that offers opportunity for improved revenue collection. During this period PRIDE Jamaica began its assessment of the sector in anticipation of improving revenue productivity in the next several months.

Arising from an IMF review, PRIDE Jamaica, working with Jamaica Customs, completed a benchmarking of the systems Jamaica Customs utilizes to monitor the importation of petroleum products. Arising from the benchmarking, PRIDE Jamaica established a framework that Jamaica Customs can implement to improve its oversight and management of petroleum product imports and re-exports. Jamaica Customs has begun implementing the recommendations, including training customs officers to properly measure products as they are being off-loaded in order to accurately assess revenues. This sector also offers a major opportunity to mobilize revenue collection and reduce corruption.

As the only long-term resident program supporting tax administration reform and customs reform, international development partners, including the IMF, IDB, and the EU continue to look to PRIDE Jamaica to provide guidance on our partners' progress toward implementing reform programs. 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. Arising from discussions among the IMF, EU and PRIDE Jamaica, the EU will provide support to the LTO, a further demonstration of PRIDE Jamaica's collaborative relationships.

PRIDE Jamaica implemented several activities within the scope of the Caribbean Basin Security Initiative (CBSI). 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. Arising from PRIDE Jamaica's activity with Customs' Risk Management Unit to develop and implement an effective risk management framework with policies, procedures and functions, PRIDE Jamaica prepared a Request for Proposal to procure a

³ The total loan of US\$62 million also supports reform programs with Jamaica Customs, and the Ministry of Finance in the areas of debt management and a central treasury management system. PRIDE Jamaica prepared the fully costed Modernization Implementation Plan for the TAJ reform program that was the basis for IDB's support for tax administration reform.

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technology solution that will apply the risk management approaches that have been identified and recommended by PRIDE Jamaica. By deploying pre-arrival clearance procedures using automated risk management and automated selectivity for green or red channels at Customs, the Risk Management ICT System will make it possible for Jamaica Customs to contemplate some dramatic breakthroughs in the speed and efficiency of goods moving through Jamaica's ports, together with achieving greater accuracy in assessing potential threats to revenue and border protection.

Representing a significant component toward establishing a single window for trade facilitation in Jamaica, PRIDE Jamaica, working alongside Jamaica Customs, also conducted an assessment to establish priority participants, departmental "champions", and create a road map for the achievement of an 'Other Government Agencies (OGA) cluster'. The assessment enabled the Jamaica Customs Department (JCD) to determine the level of OGA preparedness to support a national trade efficiency initiative, and identified those gaps that are the greatest impediments to the effective participation of the OGAs in a strategy to develop a Single Window for trade. All of the OGA that were assessed under the PRIDE Jamaica Single Window for Trade activity demonstrated a strong desire to migrate to a true national single window. PRIDE Jamaica concluded that the most practical and promising route to achieving a national single window is to base actions on the planned Port Community single window that is currently being developed in conjunction with the public-private Trade Community System Partnership (TCSP). The Port Community single window can progressively absorb Customs and OGA single window functionality in order to emerge as the Jamaica national single window. The TCSP has assumed the primary leadership role toward this objective.

In support of CBSI workforce development activities to support at-risk youth, PRIDE Jamaica continued the implementation and managed the close out of the 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.

National elections took place in Jamaica on December 29, 2011 and the new Government took office in early January 2012. With the existing IMF standby agreement stalled since June 2011, the new Minister of Finance is heavily engaged in assessing the Government's future relationship with the IMF. The outcome is likely to have an impact on the pace of tax administration reform and customs reform. In addition, with the change in government there are likely to be changes in key personnel within the tax administration and customs agencies. These personnel changes may affect the pace of reform activities.

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 very limited resources,

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PRIDE Jamaica will continue to vigorously assess expected future results to ensure that implementation activities maximize impact through the remainder of the program's tenure.

In June 2011, USAID/Jamaica advised that future program funding for PRIDE Jamaica would be substantially reduced. As a result, PRIDE Jamaica currently anticipates that the program will end by September 30, 2012, which is one year earlier than the original life of project date. In line with the expected September 2012 project close out, PRIDE Jamaica recommended changes to the project's Project Monitoring and Evaluation Plan (PMEP) targets which were accepted by USAID/Jamaica.

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.

PROJECT OVERVIEW

A. BACKGROUND

In March 2010, the CARANA consortium, including Crown Agents, State University of New York (SUNY), Duke University and International Land Systems (ILS) began implementation of USAID/Jamaica's program Promote, Renew, Invigorate, Develop and Energize (PRIDE) Jamaica. Initially planned as a three and one half year, US\$8.1 million project⁴, PRIDE Jamaica reduces and eliminates administrative barriers and improves the regulatory policy framework to establish an improved business operating environment to support private sector growth.

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 will contribute to creating an enabling environment that will improve Jamaica's international competitive position as a place to do business.

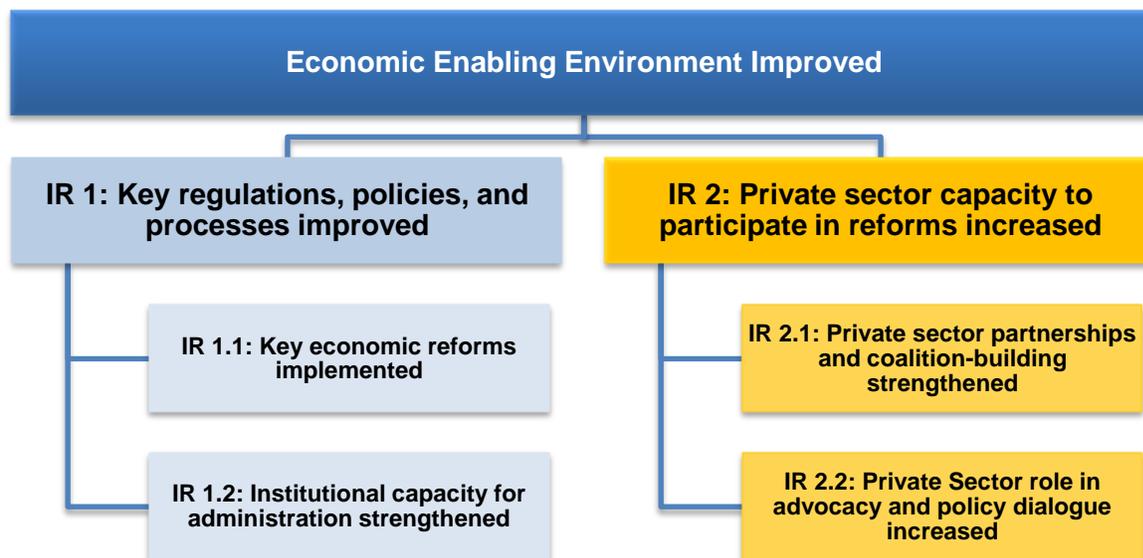
PRIDE Jamaica's component areas include:

- 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.

⁴ The ceiling price for this Task Order is US\$8,125,080.00. The estimated completion date is August 31, 2013, with an option period that would extend the completion date to October 31, 2014.

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.

During the reporting period PRIDE Jamaica obtained approval from USAID/Jamaica to revise several of the project’s Project Monitoring and Evaluation Plan (PMEP) indicator targets. The revised targets reflect substantially reduced funding for the project, and anticipate a September 2012 project closure, rather than the original August 2013.⁵ In line with reduced funding, USAID/Jamaica requested that PRIDE Jamaica complete implementation outside of activities with Tax Administration Jamaica, Jamaica Customs, and the workforce development grant with the Private Sector Organisation of Jamaica, by September 30, 2011. This is reflected in limited or no reporting on Component 3, Access to Credit for Micro, Small and Medium Enterprises, and Component 5, Land Policy and Administration.

Based on PRIDE Jamaica’s work over the life of the project, results are expected to improve Jamaica’s economic enabling environment, and strengthen revenue mobilization to support Jamaica’s economic growth. The improved enabling environment will support the country’s

⁵ PMEP targets were developed on the basis that the contract would be fully funded, and that the timing of funding will enable activities to be implemented with sufficient lead team for proposed outcomes to occur. If the level and timing of funding is revised further, program targets can be adjusted.

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competitive position in regional and global markets, with Jamaica viewed to be a more attractive location for both domestic and foreign business investment.

KEY ACTIVITIES

1.1 TECHNICAL

1.1.1 COMPONENT 1: TAX POLICY AND ADMINISTRATION

PROJECT MANAGEMENT

PRIDE Jamaica worked closely with TAJ and the IMF Fiscal Affairs Department Mission that took place early in the new program year. The IMF visit reviewed the status of Jamaica's tax administration reform program. It was the first mission that undertook an in-depth review of operational issues affecting revenue mobilization, with a particular focus on the Large Taxpayer Office (LTO). The team also addressed two legislative issues. The first is related to TAJ's progress on achieving status as a semi-autonomous revenue authority (SARA). The second is the status of the draft Tax Procedures Act that PRIDE Jamaica drafted in response to TAJ's need to strengthen the legislative framework for assessment, collections and enforcement.

The IMF noted that the LTO was severely understaffed, and the mission team worked with TAJ to garner support to increase the number of auditors in the department. The IMF mission also worked with the Ministry of Finance and the Public Service (MoFPS) to identify and eliminate bottlenecks to provide additional financial resources to support revenue mobilization at TAJ. In the case of the LTO, additional auditors and supporting hardware and software support were needed, and LTO has since added a small number of auditors⁶. PRIDE Jamaica incorporated an additional implementation activity to provide specialized audit support to LTO in the high priority telecommunications sector, discussed below in further detail.

The IMF mission also urged TAJ to complete a legal review of the draft Tax Procedures Act prepared by PRIDE Jamaica, and to seek adoption of the act within three months of that visit. The IMF recognized the act as a necessary tool to strengthen the abilities of TAJ, Jamaica Customs, and the Revenue Protection Division to assess, collect and enforce Jamaica's tax regime. TAJ is in the process of preparing legislation utilizing elements from the PRIDE Jamaica draft Act, specifically in the areas of information sharing and access to bank accounts. TAJ believes these will have strong support from the new Minister of Finance. This does not provide a comprehensive approach to improving the legislative framework for assessment, collections and enforcement, but TAJ believes that this segmented approach will enable the legislation to pass quickly. Proposing the draft Act in its entirety, TAJ believes, could cause an extensive delay in obtaining passage of the new law. In its recent presentation to the Parliamentary Select Committee on Tax Reform, the Private Sector Working Group (PSWG) strongly recommended that the Committee quickly approve the proposed draft Act in its entirety. The PSWG is of the view that the Act would greatly improve taxpayer compliance.

⁶ There are currently 28 auditors in the LTO. The optimal number for effective coverage is 135.

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In response to several of the urgent operational items raised by the IMF, the Financial Secretary had committed to provide financial support to bolster resources in the Large Taxpayer Office, develop an automated process to approve waivers, finalize a policy for debt write-off, and establish an inter-agency task force to institutionalize information sharing to improve compliance and revenue collection. In order not to overburden TAJ's Deputy Commissioner General (DCG) of Operations, these activities were to be incorporated in a one year special project, managed by a Project Manager reporting to the Deputy Commissioner General Operations. At the end of the project period the activities are to be mainstreamed into the daily operations of TAJ and supporting agencies, including Jamaica Customs, Tax Policy Division and Revenue Protection Division. PRIDE Jamaica worked closely with TAJ colleagues to draft the Terms of Reference to hire the project manager. The Financial Secretary provided final approval in January to proceed with the hiring of a project manager. PRIDE Jamaica attended a meeting of the inter-agency working group to establish the transparent, automated waiver process. As part of the discussion PRIDE Jamaica suggested that the objective is to delineate clearly which approvals are actually waivers that provide relief from paying mandated taxes, versus those approvals that simply confirm tax relief contained in statute.

One of the important legislative items noted in the October 2011 IMF report is related to TAJ's progress on achieving status as a semi-autonomous revenue authority (SARA). April 1, 2012 was the date recommended by the IMF for which to enact legislation to establish TAJ as a SARA. PRIDE Jamaica worked closely with TAJ to prepare its presentation to the prior Minister of Finance in October and attended the discussion with the Minister as TAJ put forward its case to establish itself as a semi-autonomous revenue authority. The former Minister of Finance approved the Cabinet Submission at the end of October. With the December 2011 election bringing into office a new Government, this item is pending, in part, based on the outcome of discussions currently underway between the Government and the IMF to renegotiate agreements.

TAJ completed and submitted 18 job descriptions to the Cabinet Office and the Establishment Division. These job descriptions need to be classified and established in order for TAJ to advertise and populate the senior and mid-level tier positions within TAJ's new organization structure. The original intention was to fill these positions by April 1, 2012, in anticipation of TAJ's SARA status. TAJ was recently advised by the Cabinet Office and the Establishment Division to complete and submit all the job descriptions in a functional department (such as Operations) to facilitate classification and establishment. Previously TAJ had been advised to begin submitting the job descriptions in phases as these were completed. This represents a change in approach, and TAJ estimates that it will take approximately three months to complete all the job descriptions in Operations. Job descriptions in Management Services and Legal adhere to the more standard designations in other government agencies. As a result TAJ believes it will be able to submit these job descriptions for classification and establishment more quickly. Neither the Cabinet Office nor the Establishment Division has indicated a timeframe to complete their processes once TAJ submits the job descriptions. Regardless of whether or not TAJ becomes a SARA, TAJ's new operational structure, which became effective in April 2011, is currently staffed by its employees who are in 'transition' positions. Until new job descriptions are established TAJ is not able to recruit/confirm/hire staff for the new positions. This creates uncertainty for employees, and personnel may not be allocated to positions that best suit the needs of the organization. This contributes to added risk for TAJ and is a matter that should be a priority.

OPERATIONS

PRIDE Jamaica continues to focus support to TAJ on implementation activities to improve taxpayer compliance and mobilize revenue collection. Arising from a recommendation in the March 2011 IMF report, TAJ needs to develop new processes and procedures to increase the effectiveness of its arrears collection efforts and reduce the inventory of open collectible and uncollectible accounts. Selecting cases to work based on priority is an international best practice for tax administrations. Debt collection functions in tax administration face challenges unique to each country. The types and availability of administrative enforcement authorities provided by local law impact the methods and collectability of delinquent (arrears) tax debt. Additional information about the role of debt management in a tax administration is included in Annex D to this report.



FIGURE 2 – Introducing new debt arrears collections treatment procedures to Tax Administration Jamaica Compliance Officers.

The differences between Common Law and Civil Law societies impact the ease of enforcement processes. Where they exist, bank secrecy laws impede use of the simplest administrative enforcement tools (bank levy and bank summons). Countries with a refined VAT process (with the myriad government-created and/or accessible databases and connectivities between them) have more methods and fewer difficulties collecting delinquent taxes and returns from non-compliant taxpayers. However difficult the challenges, the Collection/Debt Management function of a tax administration is never staffed to collect all arrears, and it is incumbent upon tax administrations to use their existing staffing to work cases in priority order, knowing they will never get to many cases – and those they do choose to work should be of higher priority.

Success in a Tax Agency's Debt Management function means closing arrears cases (timely, accurately, effectively, efficiently, etc.), as indicated on reports by the regular flow of cases being closed. The quality, efficiency and appropriateness of each closure are controlled by the front-line managers, through casework reviews, one-on-one training, etc.

The primary conditions considered to prioritize tax debt are listed below. Using data from its information system, ICTAS, TAJ and PRIDE Jamaica identified and weighted relevant information to prioritize accounts in arrears inventory:

Risk - If the case is not worked, what is the risk of significantly increased debt? Trust fund taxes (those monies withheld from salaries or sales and held in trust to be turned over to the government) accrue most quickly, and because the money never belonged to the business, represent a form of theft.

Revenue - Which cases have the most revenue potential? Maximizing revenue for the government is a primary goal of the tax debt collecting function. Although management at all levels naturally focuses on those taxpayers who owe the most, there is no direct relationship between amount owed and amount of revenue that can actually be collected.

Compliance - Unlike private debt agencies, tax agencies need to put the goal of bringing the taxpayer into compliance with tax laws ahead of simply obtaining an amount of money from a contact with the taxpayer. The taxpayer cannot be allowed to “kite” the current month’s tax money to pay a previous month’s tax debt.

Collectability - Can the taxpayer afford to pay? Various conditions make a debt of any type more likely to be collectible. Recency of the debt is one of the key predictors of collectability.

There are some critical barriers that must be resolved in order to address the causes and impact of growing non-compliance on tax collections. Some of these include⁷:

- a. TAJ has no effective enforcement authority. TAJ should move forward with the draft Tax Administration Act prepared last June by PRIDE Jamaica with substantial input from TAJ. TAJ should tie Government-provided licenses and benefits to proof of tax compliance (Tax Compliance Certificates - TCC). After years of non-compliance, most of the public know there is no consequence for not paying their taxes. Only new laws followed by extensive education efforts to familiarize the general public about future consequences for non-compliance, followed by real enforcement actions being taken, can change this.
- b. Revenue targets set by the Ministry of Finance for TAJ do not appear to be aligned with realistic assessments of arrears that are likely collectible. Only 1.7% of the current arrears debt is less than 6 months old, the period during which banks and credit card companies consider a debt to be collectible. 84% of the arrears debt is “extreme overage” – more than 3 years old - known by all collection agencies (both private debt collectors and tax agencies) to be mostly uncollectible. Applying the prioritization schema and new treatments will provide more realistic data to the Ministry of Finance regarding what amount of revenue is realistic for collection.
- c. TAJ’s IT system, ICTAS, cannot provide an accurate “payoff” calculation for communication to the taxpayer, nor does it identify and automatically move available credits to debit balance accounts across tax types. Typical functionality for tax administration, such as validation

⁷ Some of these issues require changes in legislation that reside outside TAJ’s purview.

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checks and payment arrangement monitoring, existed on ICTAS but have been disabled and replaced with human reviews. With funding from the IDB now available, PRIDE Jamaica is assisting TAJ to prepare a Request for Proposal (RFP) to procure a new IT system that should address these issues. Until a new system is in place, TAJ will be constrained by ICTAS.

- d. 27% of the total arrears amount is owed by Government agencies, a large amount of which includes interest, penalty and surcharge (IPS). In practice, government agencies do not pay IPS on their delinquent tax obligations; and, these arrears cases are currently spread among 233 Compliance Officers to resolve. It is both inefficient and ineffective to distribute these cases among the 233 TAJ caseworkers. Action at the Ministry of Finance level is needed to resolve the underlying, ongoing root cause of these problems even if the resolution of some of these accounts just requires a reconciliation process that moves money from one Ministry to another Ministry.

Cases identified as *high risk for increased debt* (operating businesses who owe trust funds), because they continue illegally taking trust funds to operate their businesses, have the most serious negative impact on overall compliance, tax revenue and on the economy in Jamaica. TAJ's inability to swiftly enforce trust fund non-compliance by businesses means that these delinquent taxpayers enjoy the use of trust fund "loans from the Government" to operate until TAJ brings the taxpayer into compliance.

The new scoring system is heavily weighted to identify and prioritize this segment of trust fund repeat delinquents. Whether or not they generate a significant amount of revenue collection, these are the most important cases in Debt Management's inventory because compliance is the top priority of every tax agency. The "Court procedures" available to TAJ's Compliance Officers under existing law should be focused on these taxpayers.



FIGURE 3 – Tax Administration Jamaica May Pen Customer Care Centre

Once cases are prioritized, the goal of a well-functioning debt collection organization is to work those cases which have been identified as HIGH and MEDIUM priority by using investigation and judgment, applying the authorized actions (treatments) in the most effective sequence to efficiently and properly resolve the case. Proper resolution for the cases of an uncooperative taxpayer who neglects or refuses to comply is enforcement. Proper resolution for the cases of a cooperative taxpayer who has no assets or income from which to expect collection is to verify that condition and close the case "currently not collectible" (CNC). Proper resolution for the cases of a taxpayer who does not owe the debt because of some error or needed adjustment on the TAJ computer system is to obtain adequate documentation to validate the claim, and then refer the case to the unit where reconciliations are completed.

TAJ's success has historically been measured by its ability to deliver an amount of revenue based on a target established by the Ministry of Finance. Some of this target may well be established based on the universe of tax arrears debt that TAJ reports to the Ministry. To date, all unpaid arrears have been kept in the active inventory in TAJ and are reported to the Ministry of Finance. The Debt Management function is being dramatically changed by the new system of prioritization, new focus on 'HIGH' and 'MEDIUM' priority cases, and the CNC process developed with TAJ by PRIDE Jamaica. Programmes staff, Compliance Officers and their managers need to understand and adjust to the change.

Debt Management in TAJ should focus its primary efforts on maximizing all taxpayers' compliance with the tax laws and preventing future delinquencies of the individual taxpayer, and secondarily on collecting the most revenue possible from arrears debt. TAJ does not want repeat arrears clients and is expected to take steps to stop taxpayers from perpetually generating new arrears. This is why the Debt Management case workers are called "Compliance Officers". Aged tax debt is also less collectible than newer tax debt. The new prioritization system uses *age of the debt* as one of its primary factors. And the working process developed for 'HIGH' priority cases expects the Field Compliance Officer will attempt first contact with the taxpayer in the field within 30 days of receipt of the case, followed by timely follow-up actions. With the implementation of the prioritization system, Compliance Officer inventories will be reduced to a more reasonable level. With the implementation of CNC and the reassignment of officers to specialize in account reconciliation activities, Compliance Officers will have three possible ways to close arrears cases on their list.

PRIDE Jamaica attended the Tax Operations retreat to plan for the upcoming 2012/2013 fiscal year and successfully convinced TAJ management to replace Debt Management's annual dollar targets with closure targets. For Debt Management, proper resolution should mean closure of the case from the Compliance Officer's inventory.

Working with TAJ's Debt Management Unit and IT staff, PRIDE Jamaica developed a prioritization schema for these arrears cases. Based on the known factors affecting collectability, compliance, revenue and risk, and unique conditions specific to Jamaica, the TAJ working group proposed weighting for each criteria/factor. Manual tests of the weighted criteria were completed with satisfactory results. The schema was shared and discussed in depth with IT staff who understand the objectives and database fields to be used. TAJ completed the IT programming in December and applied these against a series of test cases. Given the very large number of taxpayers who have one or more account in arrears, the goal is to separate them into 'HIGH', 'MEDIUM' and 'LOW' categories based on the scoring. PRIDE Jamaica finalized treatments for 'HIGH' and 'MEDIUM' casework with TAJ, and PRIDE Jamaica and TAJ trained compliance officers on how these new treatments will be implemented on a trial basis. PRIDE Jamaica also developed a basic process for declaring cases "Currently Not Collectible"

(CNC) to be used after all appropriate actions have been taken and there is nothing more TAJ can reasonably do to collect the debt. TAJ selected one office to conduct a test of the process for 'HIGH' cases from the location's inventory, and the May Pen Customer Call Centre is participating on treatments for 'MEDIUM' cases from the inventory. Details of the test design are included in Annex E.



FIGURE 4 – Interim Review of New Treatments for High Priority Debt Arrears Cases

PRIDE Jamaica and TAJ conducted an interim review during the early state of the test process. Visits to the TAJ locations participating in the pilot indicate that the new treatments for the 'HIGH' priority cases are proving to be appropriate - Compliance Officers (COs) are being assigned fewer, but higher, balance-due cases. At the same time, having the Team Leader assign case work and having COs working to close a case through one of the agreed to methods, rather than allowing COs to choose their own cases while also focusing on small collections from several different taxpayers is a more effective use of limited resources. Removing 'LOW' balance cases from active inventory has removed the temptation of COs to use limited time to deal with the "insignificant many" small taxpayers. With the Customer Call Centre (CCC) in May Pen handling initial contact with 'MEDIUM' cases, early results indicate a significant level of responses from taxpayers to visit or otherwise contact the Regional Service Centre; this process further enables the COs to spend their valuable time on the 'HIGH' priority cases.

Some early results of the 'HIGH' priority cases showed that after additional research by the COs, a number of the cases were:

- Currently pending court actions;
- Had existing "arrangements" (installment agreements) for payment;
- Were under active investigation by the Intelligence Unit; or,

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- Taxpayer cases where all the tax had been waived by the Minister years ago.

This caused the COs to expend their limited time on cases that are/were not prepared for field contact. The Selection Criteria does not appear to be at fault; persons previously involved with the case(s) simply had not updated assignment, status, and the “Notes” features of ICTAS. PRIDE Jamaica continues to urge TAJ to re-emphasize to units across the TAJ organization – debt management, audit, taxpayer service, etc., about the absolute necessity of updating all areas of ICTAS when TAJ makes contact with a taxpayer.

‘MEDIUM’ cases handled by the CCC via telephone contact with taxpayers advises taxpayers of the amounts due. Due to the lower priority of the ‘MEDIUM’ cases, if the taxpayer has any questions or disagrees with the amounts due, the CCC invites persons to visit the King Street office for further discussion with a specific CO. The CCC has been limited in the resources it currently has available to support the test due to heavy CCC responsibilities for its normal operations during this last quarter of the tax year. The CCC anticipates allocating more resources to the test early in April.

Despite the CCC’s limited time, reviews with the King Street office found that a significant number of taxpayers did make contact as invited due to the CCC phone calls. Rather than visiting the office (distance and parking problems exist), taxpayers generally made telephone calls. PRIDE Jamaica had established a process to track the specific taxpayers who did make contact based on the CCC call; however it was not possible to fully evaluate the outcomes as the RSC did not formally track the taxpayer calls or visits. The Team Leader for the test was able to determine that based on the numerous calls received for the ‘trigger name’, the ‘MEDIUM’ test was a success to date, as the objective was to have the taxpayer contact the tax office if there were questions about the amount owed, as referenced in the call by the CCC.

PRIDE Jamaica and TAJ determined that the test team needs to improve case documentation, locating and making contact with the taxpayer, and strengthening the face-to-face contact with taxpayers to close cases. PRIDE Jamaica conducted a further one day training session with COs from the test team to re-emphasize the importance of updating ICTAS, improve their ability to locate taxpayers and improve interview techniques. PRIDE Jamaica will also be working with the Team Leader to effectively track taxpayers who are making contact with TAJ as a result of a telephone call from the CCC.

PRIDE Jamaica will continue working with the Debt Management Unit in Programmes and the pilot teams to further implement the test; measure results; refine the process; and develop standards for TAJ to implement in its debt management teams across the RSCs.

Each year the Debt Management team in the Programmes and Technical Support Unit prepares an annual operating plan to guide TAJ’s debt management activities across the organization. However, the Debt Management Unit was not familiar with how to develop a plan that establishes measures and calculates expected results based on processes where the goals will now be closed cases, versus only revenue collections. PRIDE Jamaica worked with the Debt Management Programmes Unit to develop the annual plan for the next fiscal year (beginning April 1, 2012) in order to effectively incorporate the new prioritization system and treatments, and to incorporate appropriate measures to track performance.

Initial work included assessing the data available to be used as the basis to prepare the Debt Management Operating Plan (DMOP). PRIDE Jamaica initiated developing the Debt Management Operating Plan model by developing an Excel spreadsheet to allow for continued

annual use by simply modifying formulas and/or changing key variables. The model includes an assumptions document (included as Annex F), which explains how each field and variable was calculated and the basis for that calculation. With input from TAJ, PRIDE Jamaica revised the reporting formats so that results can be tracked and performance of the DMOP can be measured. As part of the new DMOP spreadsheet, TAJ will be able to identify and track variances to scheduled performance. Management will be able to use this information assess operations and make adjustments as necessary. Annex G includes the Master Inventory and Closings template for the DMOP.

After completing draft Operating Plans for all 7 Regional Service Centres (RSC) and the Large Taxpayer Office (LTO), PRIDE Jamaica and TAJ compiled a consolidated TAJ Debt Management Operations Plan (DMOP) for FY 2012/2013. PRIDE Jamaica hosted managers from the RSCs and LTO to the new operations plan and addressed questions about the new methodology of how the plan was formulated and the new processes to be applied. In addition to providing a basic Operations Plan for the Debt Management area, this new format and centralizing its development within the Programmes and Planning Department provides more headquarters control, for the first time, over field operations. Historically individual RSCs operated independently of headquarters guidance with respect to which debt management cases were to be the areas of focus. Integrating the new prioritization system developed by PRIDE Jamaica, the new model will allow headquarters to establish the priority cases for all of the RSCs and direct activities of TAJ's entire Debt Management Operation. This enables management to focus strategic implementation on TAJ's Key Result Areas. Directing activities in this manner and applying time to those cases which have been determined to be the highest priority will have a greater positive impact on overall operations within the compliance function.



FIGURE 5 – Reviewing the Annual Debt Management Plan with Tax Administration Jamaica Revenue Service Centre Managers.

The upcoming fiscal year, FY 2012/2013, should be viewed as a pilot year for the new DMOP. Many of the assumptions in the DMOP are based upon word of mouth experience rather than actual data, as the latter was lacking. Over the coming year TAJ will collect data on real time experience for case closure and can refine these original estimates based on experience rates. TAJ can make adjustments to the original plans as this data becomes available.

PRIDE Jamaica developed a 'Financial Analysis and Collection Interview Techniques Handbook' for use by TAJ compliance officers and managers. This handbook also contains

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Collection Information Statements and Arrangement Contracts forms to be used by Compliance Officers to conduct a structured taxpayer interview and more effectively determine a taxpayer entity's ability to pay the tax arrears amounts owed. The Handbook and related Tax Debt Arrears Chart were reviewed by the TAJ Debt Management Working Group members and their input regarding a number of items was incorporated into the final product delivered to TAJ. This Handbook provides the basis for future training that PRIDE Jamaica will conduct for compliance officers in communication and negotiation skills, financial analysis and securing payment arrangements.

The ultimate goal of every Tax Administration is voluntary compliance by every taxpayer. Tax laws are always onerous and every person makes an occasional mistake. Angering those who are attempting to comply through policies to maximize every opportunity to increase possible revenue with punishing costs for the slightest mistake is not the path to increasing voluntary compliance. TAJ should do more to focus its education and enforcement efforts on the non-compliant community and less to punish those who at least attempt to comply. But "zero tolerance" should also be applied to errors in TAJ's data entry of the taxpayer's filed return and the audit assessment information in its management information system, ICTAS, so that employees and taxpayers can trust the data on the system. TAJ is embarking on the data cleansing of tax records in ICTAS so that when the new IT system is in place the information that TAJ will migrate onto the new system will be accurate.

During its March 2011 visit to review TAJ's progress in the tax reform program, the IMF identified additional critical items that TAJ should focus on to improve tax compliance. One of these areas is to maximize collections among the existing potential base of taxpayers who are non-compliant in order to improve collections. PRIDE Jamaica worked with TAJ's Debt Management Unit and Forensic Data-mining and Intelligence Unit (FDIU) to develop a new methodology for selecting and working tax compliance leads to improve taxpayer compliance. The FDIU is responsible for collecting data and information, developing and maintaining a database containing the data collected, performing an analysis of the data secured, assessing the compliance risks, and identifying the criteria to be used for developing appropriate compliance programs for assignment to the various operations functions such as audit, debt management, non-filers and taxpayer education.

PRIDE Jamaica also developed new procedures to identify taxpayer entities for potential tax compliance leads and selected a sample set of leads to test and pilot the procedures. This pilot project originated from prior work performed by the Forensic Data-mining and Intelligence Unit (FDIU) in Programmes and Technical Support. FDIU had identified, as part of TAJ's REAP Cash Economy Project, taxpayers that had filed GCT Returns in 2009 and 2010 but had not filed Income Tax Returns for Year of Assessment (Y/A) 2009 and 2010. As a result of applying these criteria, 640 taxpayer leads were identified for assignment, beginning with the highest dollar value for the total GCT amount to conduct the initial phase of the pilot program.

The leads were assigned to Compliance Officers to begin working the compliance leads using the new methodology. The new procedures include the following:

- Review the potential non-filer lead lists produced by FDIU.
- Sort the lists by agreed to criteria.
- Check the most recent TAJ income tax filing records to determine if the entity was a non-filer for 2009 and/or 2010 income tax returns.

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- Create a Tax Return Investigation Record, Form 102, for each lead to be assigned to a Compliance Officer.
- Assign the selected non-filer leads to the appropriate Revenue Service Centre and Compliance Officer.
- Issue a Form 13 Non-filer notice requesting filing and payment of the income tax return(s) and mail notice to the taxpayer entity.
- Issue a Form 13 A second and final Non-filer notice to those taxpayer entities not responding to the first notice in cases where the first notice was not returned as undeliverable by the post office.
- Initiate follow-up phone calls to those taxpayers not responding to the prior notices issued.
- Conduct a field visitation to the last known address of the taxpayer entity in order to resolve the non-filing and non-payment issues.

PRIDE Jamaica also developed processes that include establishing a case history record for each lead containing the tax entity information; identifying the type of tax and period(s) not filed, and, documenting the contacts with the taxpayer and actions taken by the Compliance Officer. The new procedures of sending (two) notices and making phone calls prior to field contact differ from TAJ's existing procedures. These include sending a first notice, and, if there is no response the CO refers the non-filer case to Audit. This creates an estimated assessment that is time consuming and relatively unproductive, adding additional uncollected arrears cases to Debt Management.

In the existing process Compliance Officers are to conduct appropriate follow-up actions in those cases where the initial set of lead processing procedures do not resolve the non-filing case. This includes issuing a summons for the taxpayer to appear and produce the appropriate documents and securing information that would allow calculation of a more accurate estimated assessment where a return was not filed voluntarily by the taxpayer entity. In the current system results of each type of activity are required to be recorded on a Weekly Compliance Lead Report prepared by the Compliance Officer that are "rolled up" to produce a Tax Office Weekly Compliance Lead Report; this is sent to the TAJ Programmes Office for review and analysis.

The test is still underway. Some preliminary results of the pilot are included below:

**Taxpayer Compliance Program
GCT Filers – Income Tax Non-filers – Filing Year 2009/2010
As of March 16, 2012**

Total Form 13 Non-filing Notices Issued	463
Form 13 Notices Delivered/Taxpayer Contacted	246
Tax Returns Filed	25
Tax Due per Returns Filed	J\$4,322,595
Taxpayers Requesting Extension of Filing to 3/31/12	42

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Still to be finalized are the number of cases closed; method of closure by categories; and, status of remaining leads. PRIDE Jamaica will be working with Compliance Officers at the pilot sites to review the instructions and processes used, and a sample of the closed leads and remaining open leads in each category to determine if the guidelines were followed; and, what, if any changes need to be made.

The new non-filer program procedures should result in more timely processing of the compliance leads due to the prompt assignment, processing and follow-up by a designated Compliance Officer responsible for resolving the non-filer lead. The new procedures are also expected to result in more tax returns being filed directly by the taxpayer and payment of the tax, penalty and interest would also be secured from the taxpayer in a reduced period of time. PRIDE Jamaica expects to develop additional pilot programs with TAJ to improve taxpayer compliance in other program areas. The next phase of support will focus on improving compliance among the 'Professionals' segment of the taxpayer population.

During the March 2011 visit by the IMF to review TAJ's progress on its reform program, the need arose to produce a variety of reports. One of the areas that was identified as being critical to effective management of TAJ operations is the implementation of a system and structure for gathering organizational performance data and evaluating performance against strategic, operational, and program goals and objectives. This is needed for the TAJ Commissioner General, Deputy Commissioners and other high-level management officials to receive accurate performance data and reliable assessments of operational effectiveness from the major tax administration functions, and make adjustments to correct deficiencies and mobilize revenue collections.

PRIDE Jamaica completed the first phase of this activity in June 2011. At that time PRIDE Jamaica worked with TAJ to review the existing reports used by various levels of TAJ management to review TAJ's performance, and revised existing reports and designed new ones to support improved management decision making for TAJ. Since the initial visit, TAJ began using the revised and new report formats made additional revisions to the formats to better serve management's needs. PRIDE Jamaica implemented a follow on assignment during the reporting period to review the status of the report usage and to provide training to TAJ on how to utilize the reports to assess operational performance and support decision making based on the results. Annex H includes a copy of the training presentation.



FIGURE 6 – Seminar with Tax Administration Jamaica personnel on applying operational reporting information to improve compliance.

During the course of the activity PRIDE Jamaica determined that although the new format of reports was being used, there was no reduction or elimination of prior reports. The issues of timely, complete, and accurate reports continue to plague the Program and Planning Staff. This has caused additional burden on the field components of TAJ, reducing time applied to compliance activities. To remedy this, PRIDE Jamaica worked with TAJ to establish a Task Group to outline new reports standards that the group will recommend to the Deputy Commissioner General (DCG) Operations. The Task Group considered:

- A new reports schedule;
- Uniform report templates;
- Uniform reporting definitions of data elements;
- Training of all users;
- Securing proper access to systems so that reports personnel can secure the needed data
- Frequency of reports, and,
- A document setting forward expectations for all staff members on the periodic reporting requirements.

The Task Group completed its review at the end of December and proposed revised formats at the Tax Operations retreat in February. Additional work remains to finalize the revised formats, and PRIDE Jamaica will conduct a further assignment on this item in May. A status update of earlier recommendations on operations management reports is included as Annex I to this report.



FIGURE 7 – Tax Operations Retreat

Further efforts to improve taxpayer compliance include PRIDE Jamaica's additional support to TAJ to design a risk-based system to prioritize and select taxpayer cases for audit. During this reporting period the Forensic Data-mining and Intelligence Unit (FDIU) completed the programming of the Corporate Income Tax (CIT) return selection criteria that it previously developed with PRIDE Jamaica's support. TAJ completed the testing of the protocols against a pilot group of tax returns; based on the success of the test, TAJ used these criteria as the backbone for its Annual Audit Plan for the next fiscal year.

PRIDE Jamaica continued its support to TAJ to develop selection criteria for General Consumption Tax (GCT) and Personal Income Tax (PIT) returns. TAJ completed the programming of the schema and applied the protocols against a pilot group of GCT returns. TAJ completed some minor revisions to the selection criteria and is now incorporating these protocols, along with the previously developed protocols for Corporate Income Tax (CIT) into the Annual Audit Plan for the upcoming 2012/2013 fiscal year which begins April 1, 2012. The selection criteria will enable TAJ to more effectively direct its resources to work those tax compliance leads that are more likely to result in additional revenue collection. FDIU is now able to apply the methodology to segment taxpayer categories and develop appropriate risk criteria for each segment. As a result, TAJ will be able to periodically review and update the taxpayer segments and, if necessary, revise the risk criteria it applies to each of the segments.

To support TAJ's use of the new risk based approach to audit case selection, PRIDE Jamaica worked with the Audit and Investigations Programmes team to prepare the 2012/2013 Annual Audit Plan. The plan now directs work for the next fiscal year in an integrated manner and reflects TAJ's new capability to score returns by a new set of classes.

The current Audit plan for FY 2011/2012 (which ends March 31, 2012) called for a new project to improve collections on Pay As You Earn (PAYE) taxpayer cases. The FDIU had identified 1,700 cases within this special project, and the plan called for 100% coverage of all these cases that would require 50% of all the audit staff years.

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The current audit plan also included audit activities across a range of taxpayer returns, with the result that TAJ's auditors were expected to complete a total of 7,262 audits during the fiscal year.⁸ In the prior fiscal year, 2010/2011, the total number of all audit cases actually completed was 960.

A number of additional programs were also specified in the plan, but no exact number of such cases was spelled out. The picture, however, is clear - where the prior year produced 960 cases, the current plan called for many thousands of cases to be completed. In addition, the current plan did not provide an overall strategy, nor guidance on how to allocate staff to different classes to achieve coverage levels.

The plan listed the number of auditors in each RSC, for a total of 233 audit staff years. However, many of these auditors do not work audits; they have other assignments, primarily to work objections and assessments. In the effort to identify the true auditor staff years available for audit cases, PRIDE Jamaica and TAJ recalculated the actual number of audit staff years available, and this figure was the one used to develop the FY 2012/2013 Annual Audit Plan.

In stark contrast, with PRIDE Jamaica's support, TAJ's FY 2012/2013 plan uses the actual number of audit staff years available and allocates them to different tax types and to varying size cases in accordance with an overall strategy. The plan also follows a number of policies that will permeate the entire planning process. The plan is accompanied by a plan memorandum that explains the new concepts and addresses a number of policy issues that should help in executing the plan.

The new planning process will show the precise number of audit staff years that should be assigned to the different classes, along with the expected case completions. The headquarters and field managers have been advised of the need to monitor the cumulative results on an ongoing basis throughout the year to assure that they are on course to accomplish the plan as designed.

During the review of the scored returns TAJ noted that a number of larger corporations do not complete the income tax return as designed. Instead of entering a figure in the "sales" line, these firms only enter a figure for either gross profit or net profit. This will frustrate TAJ's efforts to properly categorize the tax return and apply the scoring formulas. Some corrective actions by TAJ can include:

- a. Legislative proposals to enforce these rules with penalties. Discussions at high levels with corporate officials to indicate the issue and potential actions that may be required to correct the behavior.
- b. Meetings with the accounting professionals to discuss the issue and request corrective actions.

⁸ References here to 'audits' do not mean full, in-depth audits. A number of the audits include office audits on specific tax forms. The point, however, is that substantial audit resources were allocated to a special project; and, the number of proposed audits increased between FY 2010/2011 and FY 2010/2011 from 960 to 7,262.

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- c. Rejecting incomplete returns and applying penalties for late filing or “non-filing”.
- d. Returns processing procedures to identify such returns and take corrective action. This may include “code and edit” procedures to pencil in appropriate numbers for processing.

Reviews of TAJ statistical reports indicate a 43% ‘no change rate’ on audit cases. This is considered very high, and TAJ should conduct further qualitative review to determine the causes and to take corrective actions. One possible explanation is the devotion to Key Result Areas (KRA) statistics that drive many programs in the TAJ. Audit managers and auditors are compelled to meet certain standards, such as time per case, and this in turn may cause more attention to time than the performance of a quality audit.

Reports also suggest that the rate of taxpayer disagreement with the auditor’s judgment is higher than 41%. Some taxpayers may not agree with audit findings, but do not pursue the Objection route. Nevertheless, it would appear that the vast majority of cases that close with an audit assessment are objected to by taxpayers. These cases then have to be worked as an objection case. This is not the course to follow for a productive audit program. This taxpayer disagreement rate is considered very high. PRIDE Jamaica recommended to Audit management to strive for a higher agreement rate with the taxpayer during the audit phase. How to achieve this result will require an extensive effort to determine the causes of the objections and then develop appropriate corrective actions.

PRIDE Jamaica developed a new plan template for TAJ which uses the new class structure PRIDE Jamaica developed on earlier visits. This approach will facilitate TAJ’s use of the new formulas to select cases. The cases will be aligned with the plan, so that Audit managers will have a road map for a number of selections by class and a list of priority cases that match. PRIDE Jamaica worked with a number of TAJ’s Audit managers to determine reasonable data elements to establish the basis for the plan. These include: a) average time per case, b) average case years per case, and c) average time per case year.

The team also noted that some RSC’s use the practice of transferring auditors from audits to objection work, and back again to audit, throughout the year. PRIDE Jamaica recommended that auditors be assigned to one type of work for the entire fiscal year. In a subsequent year, it would be fine to rotate an auditor to the alternate position; but once rotated, the auditor should remain in the alternate position for the entire fiscal year. Alternating between roles may enhance an auditor’s appreciation for both types of work; and, it may enable the auditor to appreciate the difficulty faced in Objections when poor quality audit cases are closed without taxpayer agreement which then result as an objection case.

Population counts were obtained from analysis of the ICTAS file. The most critical decision making comes when the planner must determine how to allocate staff years to different tax types and size. This allocation and the number of case selections and audit completions for the year must be aligned. Not having used this planning approach previously, this process was a major change for TAJ.

There is a system currently in place to monitor results. The key statistics shown are the total number of cases and the total revenue assessments. TAJ’s FY 2011/2012 plan did not have precise numbers for the entire workload and so it is not clear how the targets and comparable results were derived. The Audit Programmes unit should establish a system to monitor results and compare planned versus actual targets. This information should be available to the RSC to

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assist in knowing how to allocate future case assignments that will work toward meeting the goals for all classes. PRIDE Jamaica expects to focus on this in a future assignment.

The scoring formulas and the final score placed on all filed returns will be the backbone of the selection process. But, there is still the probability that special projects may come along either before the start of the fiscal year or during the fiscal year. Cases worked as part of a special project will still fall into a class. All cases have a class designation. When a case is completed, credit is given for a case completion in that class and is counted toward fulfillment of the goal for that class. It may simply mean that a project case was completed, rather than a return picked because of the high score.

Usually the annual plan would not change simply because a modest number of audits may emanate from a special project. If, however, the project is very large and time consuming, and it is known prior to the start of the year, adjustments to the plan could be made to accommodate the project. The overall strategies and policies should remain in place.

Projects should be tested with a limited number of cases to be sure that they are productive and result in the intended outcome. It is practical to compare results from special projects with the results obtained by working the 'normal' high scored returns. This provides a cost benefit to measure the project cases against other comparable work. A special project code assigned to these cases will ease the capture of data in the computer files.

Earlier annual audit plans did not control the assignment of cases to maintain a balanced approach in determining which cases entered the audit stream. The single tax, smaller cases would fit into a plan to meet KRA standards. But this does not meet the test of best practice for an audit strategy. The determination of whether a case should focus on just the assigned tax return or be expanded to cover additional tax returns can only be properly made when the auditor performs the audit and assesses the extent of compliance or non-compliance. A good audit policy is to expand the audit to additional years and additional tax returns when it is demonstrated that such actions will most likely lead to productive results.

In addition to a national Annual Audit Plan, PRIDE Jamaica worked with TAJ to prepare annual audit plans for each of the seven RSC's. When the drafting was partially complete, the team met with several of the RSC audit managers to: a) explain the new planning approach; b) respond to questions about the plan format and the assumptions for the national plan and local; c) share the draft RSC plans with the respective managers to get feedback, and d) learn of any new ideas or constraints that should be incorporated into the plans. TAJ has begun rolling out the Annual Audit Plan with the RSCs for the new fiscal year.

To support best practices, PRIDE Jamaica presented a list of policies that TAJ can incorporate into its audit practices. These are included in Annex J to this report.

As part of the IMF's in-depth review in October 2011 of Large Taxpayer Office (LTO) operations, the IMF suggested that the LTO could benefit from support to bolster audit activities in several high priority sectors to mobilize revenue collection. Included in this group was the telecommunications sector. During the reporting period PRIDE Jamaica engaged with LTO to undertake audit activities in telecommunications. PRIDE Jamaica outlined the framework and began audit planning with LTO colleagues. This included audit strategy, particularly in regard to gathering documentation that is required from clients in order to conduct the audit. To prepare for the review of data, PRIDE Jamaica prepared a 'Summary of Risks, Justification, Tests and Expected Results' of data that is being requested from the firms (included as Annex K to this

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report). Based on a review of prior information, PRIDE Jamaica is preparing a summary on capital equipment handling that will be incorporated into the audit process. PRIDE Jamaica also completed probable test harnesses, databases and script commands for prospect data combinations for simulation purposes (included as Annex L to this report).

During the information review PRIDE Jamaica noted that a number of Jamaica Customs forms included 'INVALID COUNTRY' as the entry for 'Country of Origin.' 'INVALID COUNTRY' appears to be an acceptable entry for Jamaica Customs, but this significantly hampers data analysis and forensic review for both TAJ and Jamaica Customs. PRIDE Jamaica will recommend to Jamaica Customs that 'INVALID COUNTRY' not be permitted as an acceptable entry.

One of the issues arising pertains to how General Consumption Tax (GCT) is applied to the telecommunications sector, and the implications on public sector revenue. During the years of 2003 – 2004 there was a substantial revenue gap for the Government. It was decided that GCT rates applied to the telecommunications sector would be increased to a level of 25% (GCT is typically applied at a rate of 17.5%). For many in the private sector, including the telecommunications firms, there is a long delay in receiving GCT refunds from the Government. If refunds are not received within thirty days interest begins accruing. This has resulted in some cases where interest to be paid to a company is almost 100% of the value of the GCT refund. This places a huge financial burden on the Government, and sees outflows of revenue on already reduced financial resources.

One option is to amend the legislation and modify the provision regarding interest paid. In a number of jurisdictions including in the Caribbean, if an ongoing business concern files a GCT return and there is an amount to be refunded, it is applied as a credit to the next GCT return. This eliminates the outflow of cash from the government's treasury and eliminates any issues of interest. This approach had previously been recommended by TAJ (prior to its amalgamation) but it was not considered as an option at that time.

Due to TAJ's weak enforcement authorities, obtaining data from clients during the audit process is a lengthy and protracted process. TAJ is utilizing the options at its disposal to insure that it receives thorough and complete client data to enable a fully informed audit process.

With the technical assistance loan from the IDB now in place, PRIDE Jamaica initiated support to TAJ to prepare the Request for Proposal (RFP) to procure a new IT system that will replace ICTAS. PRIDE Jamaica and TAJ began preparing for this exercise in November 2010, when PRIDE Jamaica worked with TAJ to re-engineer business processes for the core tax types. The re-engineering was completed in March 2011, at which time TAJ began discussions with the IDB for a technical assistance loan to support implementation of the tax reform program.⁹ TAJ's senior management confirmed that the RFP should be written to specify that a Commercial Off the Shelf (COTS) Integrated Tax Administration System (ITAS) is the type of IT tax system that meets the needs of TAJ in the current environment and what TAJ will be soliciting.

⁹ PRIDE Jamaica assisted TAJ to develop a fully costed reform implementation plan in July 2010. With strong leadership from USAID/Jamaica, the IDB used this fully costed implementation plan as the basis for the US\$33 million loan to support tax administration reform.

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TAJ established an RFP Working Group that is working with PRIDE Jamaica to prepare the draft RFP documents. In addition to representatives from TAJ, the Working Group includes five representatives from Fiscal Services Limited (FSL), the Government of Jamaica (GOJ) entity responsible for IT systems support to TAJ. PRIDE Jamaica and TAJ developed assignments for Working Group members to gather the information, data and documentation needed to prepare the RFP. PRIDE Jamaica also had a series of meetings with the FSL staff and working group members to secure information needed for the RFP.



FIGURE 8 – Tax Administration Jamaica Working Group Preparing Request for Proposal for a new IT System

PRIDE Jamaica conducted ongoing meetings with the Working Group to develop, prepare and review all the documents that will be included in the RFP. PRIDE Jamaica also secured the most current IDB template for preparation of the RFP that included the Bidding Procedures, Supply Requirements, General and Special Conditions of the Contract, Invitation for Bids and Evaluation and Qualification Criteria TAJ will use to evaluate the bids submitted in response to the RFP. PRIDE Jamaica conducted a status update presentation on March 21, 2012 to the TAJ RFP Project Management Group whose members include the Deputy Commissioner General of Operations, the Deputy Commissioner General of Management Services, the TAJ RFP Project Officer, Chief Technical Advisor and IT Specialist. As part of the RFP preparation activity, PRIDE Jamaica provided its recommendations for how the bids should be evaluated, and these were presented to TAJ for inclusion in the final draft RFP.

TAJ completed its final review of the updated, re-engineered business processes using the QPR¹⁰ format and these processes and PRIDE Jamaica incorporated these into the draft RFP document. TAJ also completed its review of the mandatory and preferred functional requirements for the new COTS ITAS. PRIDE Jamaica identified and secured the required information from TAJ and FSL that will be used for the RFP Annexes, and which will form an integral part of the completed RFP document. TAJ and FSL provided a draft of the technology

¹⁰ QPR is a software product that supports business process mapping with integrated text documentation.

requirements for the proposed new system and PRIDE Jamaica reviewed these. Based on its review, PRIDE Jamaica prepared the technical requirements that will be included in the RFP, ensuring that a wide range of qualified COTS vendors will be able to submit bids when the RFP is issued. These technical requirements recommendations are still being considered by TAJ and the RFP Working Group.

PRIDE Jamaica participated with USAID/Jamaica and the Economic Growth, Agriculture and Trade (EGAT) division in AID/Washington to facilitate a benchmarking exercise of TAJ. Through a contract mechanism available to EGAT, AID/W is conducting a benchmarking exercise of TAJ. The activity is also expected to consider the implementation status of the range of recommendations provided by international development partners over the prior two and one half year period. TAJ should be able to use the results to measure its progress in the reform process, and garner support for the ongoing reform program with the new Government. PRIDE Jamaica provided EGAT with a range of project documentation that outlines completed activities in support of tax administration reform. The implementing contractor (Deloitte) completed a desk review of documents prior to a field visit in March. EGAT expects that the exercise will be completed early in the next quarter.

LEVERAGING ASSISTANCE FROM OTHER DONORS

After a process that began more than one year ago with support from USAID/Jamaica and PRIDE Jamaica, the IDB approved a US\$33 million loan in December to the Government of Jamaica to support tax administration reform. The document that formed the basis of technical support to TAJ was the fully costed Modernization Implementation Plan, prepared by PRIDE Jamaica and TAJ in July 2010. The Ministry of Finance is working to establish a Project Implementation Unit (PIU) that will serve as the central coordinating body for the flow of documents and funds for recipients.¹¹ The Ministry has also established a coordinating group that will provide support and oversight to the PIU. TAJ will have a representative on the coordinating group. With the loan now in place, TAJ is in the final stage of approve its re-engineered business processes for the core tax types. These new processes will form the basis of the RFP that TAJ is preparing with support from PRIDE Jamaica, to procure a new information technology system.

Further to the support provided by PRIDE Jamaica to the LTO in the telecommunications sector, PRIDE Jamaica and the IMF solicited support from other donors to strengthen audit capabilities within LTO in other high priority sectors. Arising from these discussions, the EU is now planning to provide support to LTO to address the financial sector. Plans are underway to begin the activity early in the Government of Jamaica's next fiscal year, which begins on April 1, 2012.

As part of its reform activities to reduce taxpayers' time to pay taxes, TAJ is introduced a new form, the SO2 'Employer's Annual Return'. The SO2 replaces five separate forms that employers previously had to prepare in order complete all of their annual statutory filing requirements regarding the various employee withholding taxes. The new SO2 will reduce the time employers will have to spend paying taxes. As an additional improvement, the filing date

¹¹ Jamaica Customs, the Central Treasury Management System and Debt Management Unit are also expected to receive funding under the IDB loan, which is likely to total US\$61 million.

has been changed from January 14th to March 31st. These changes are in direct response to requests from the business community. PRIDE Jamaica provided the World Bank Doing Business team with information about the new SO2 Form, and coordinated a visit for representatives from the Doing Business unit with TAJ in December. The World Bank team noted a few important points regarding the Paying Taxes indicator:

- Results contained in the 2012 Doing Business Report reflect reforms implemented during calendar year 2010. Reforms implemented during 2011 will be captured in the 2013 report, which will be issued in November 2012. As an example, the new SO2 form that TAJ introduced in December 2011 will not be captured until the 2014 report is published in November 2013.
- Information for Paying Taxes in Jamaica was obtained from surveys issued to three or four accounting firms. The Doing Business unit's view is that these accounting firms represent many clients and are able to speak on behalf of a broad base of the business sector.
- Factored into measuring the time required to pay taxes is the percentage of businesses that file and pay their taxes on-line. Although Jamaica has introduced e-filing, according to the accounting firms surveyed only a small percentage of firms file and pay on-line. In fact TAJ is actively working with banks to more easily facilitate online direct payments from bank accounts. Interestingly one of the constraints is the banks' preference for customers to pay by credit card because of the fees attached.¹²

The positive results of the discussion arise from TAJ providing more in-depth information about reforms that were completed during 2011, which should be reflected in the next report. It also enabled TAJ to provide the names of additional firms that would like to offer input to the Doing Business surveys for Jamaica in the area of Paying Taxes; these firms have already acknowledged to TAJ that the reforms implemented to date have reduced the hours and numbers of tax payments.

1.1.2 COMPONENT 2: LICENSING AND OTHER COMPETITIVENESS AREAS

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 its regulatory efficiency utilizing legal and administrative reforms and facilitating the implementation of key solutions.

¹² There are also relatively low limits attached to the payments that can be charged to credit cards. This hampers businesses' ability to make online tax payments with corporate credit cards.

IMPORT/EXPORT PROCESSES

Utilizing funding under the Caribbean Basin Security Initiative (CBSI), USAID/Jamaica / PRIDE Jamaica embarked on a series of trade facilitation; border protection and control; and revenue mobilization activities involving initiatives with both the public and private sectors. The Trade Community System Partnership (TCSP) is a public-private coalition that is focused on the implementation of an integrated Information and Communication technology (ICT) platform for trade.

The overarching goal of the Import/Export activity is to enhance trade facilitation and contribute to an improvement in the global competitiveness of Jamaica by creating a business enabling environment particularly for those businesses involved with the export and importation of goods. Activities implemented by PRIDE Jamaica will address the high costs and time delays to complete the import and export of goods.

PRIDE Jamaica is awaiting an update from the Trade Community System Partnership (TCSP) on the source and level of funding that the group anticipates will be made available in order to support the implementation of an integrated trade community system platform which, although not expected to meet the previously anticipated completion deadline of Q3 2012, certainly will be implemented by then. In spite of the best intentions of the TCSP, the process has been hindered by the lack of available funding to assist with the securing the services of a full-time project coordinator in order to advance the process in a more timely and streamlined fashion than exists in the current experience. The work that is required to move the process forward is beyond the physical abilities of the voluntary efforts of the stakeholder team. There was an early recognition on the part of the TCSP of the need to identify and secure the services of an experienced individual who will bring a level of expertise, and who can garner support from those persons among the group who will need to provide leadership and support in order for the project to be implemented.

In preparation for the proposed ICT solution PRIDE Jamaica provided technical assistance to the trade community by conducting a complete mapping of the processes involved with the various agencies concerned with the trade process. This has added a measure of transparency to the import/export process and has provided an opportunity to re-focus and energize the sector. 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. On February 21, 2012 an edition of the Gleaner newspaper published a story highlighting Jamaica's shipping industry in which USAID/PRIDE Jamaica's conduct of the mapping exercise is acknowledged (Annex M). The mapping study was utilized to support a Cabinet submission that recently received the requisite Cabinet approval in order to proceed with implementation activities to procure the long-awaited Port Community System.

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 in relation to evaluation criteria of proposals for the design, development and implementation of a port community system for Jamaica. This input has been provided and PRIDE Jamaica has since been advised that 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 and sourcing funds toward the cost of the project.

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PRIDE Jamaica expects that further support will also be requested for Stage II of the tender process specifically to evaluating the tender response 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.



FIGURE 9 – Activities at Jamaica’s Ports to be integrated under the Port Community System
(Picture used courtesy of Jamaica Observer newspaper.)

It is important to note that the activities and objectives of the Port Community System have a symbiotic relation to work that PRIDE Jamaica currently supports with the Jamaica Customs Department (JCD). Jamaica Customs is a participating stakeholder partner in the TCSP.

During the conduct of a recent Single Window for Trade activity with the Jamaica Customs Department, an opportunity was created for PRIDE Jamaica to re-engage with the TCSP as a PRIDE Jamaica trade specialist held consultations to determine the status of the Port Community System project, and conducted assessments to identify the most likely champion for a national Single Window for trade. It is the general belief of trade experts that activities and initiatives related to establishing national single windows are most successful when they are private-sector driven with implementation efforts carried out by the government.

Most recent interactions with the TCSP allowed for the continuation of advocacy support by PRIDE Jamaica to the work of the TCSP as the group re-positions itself to access funding from other donor sources. PRIDE Jamaica provides support to the port community as the most advanced cluster in preparations for a trade Single Window, and as it spearheads the initiative toward a Jamaica national single.

PRIDE Jamaica continues efforts to leverage assistance from other donors toward establishing the Port Community System as a platform for trade. Establishing a Port Community System will connect port personnel and allow them access to logistical information on port-related freight distribution.

JAMAICA CUSTOMS DEPARTMENT

PRIDE Jamaica's work with Jamaica Customs Department is to assist the department to develop and institute measures that will strengthen customs' ability to reduce the extent of corruption in customs agencies, assist with revenue mobilization and improve Jamaica's border security.

Following the implementation of a Risk Management framework at Jamaica Customs, PRIDE Jamaica worked with JCD to implement the second phase of the two part activity in support of the development of a Risk Management (RM) ICT solution for Customs.

Phase two activities involved provision of technical assistance to the development of an RFP for the Jamaica Customs Risk Management ICT system. In consultation with JCD personnel, PRIDE Jamaica carried out an assessment of the existing RM methodologies guided by a high level process flow diagram that was prepared by JCD to outline those procedures that will involve an automated interface. The referred process flow diagram is attached as ANNEX N. PRIDE Jamaica also conducted a review of current operations in the Risk Management, Customs Modernization, Intelligence, Valuation and Information Management divisions of Jamaica Customs with the initial objective of understanding the function and operations of the risk management computer system, business processes, and the technology of VIRMS product which currently supports the risk management function. A power point presentation developed to illustrate the proposal for a JCD Risk Management system upgrade process is attached as ANNEX O to this report.



FIGURE 10 – PRIDE Jamaica Risk Management ICT System consultative session with Jamaica Customs Department

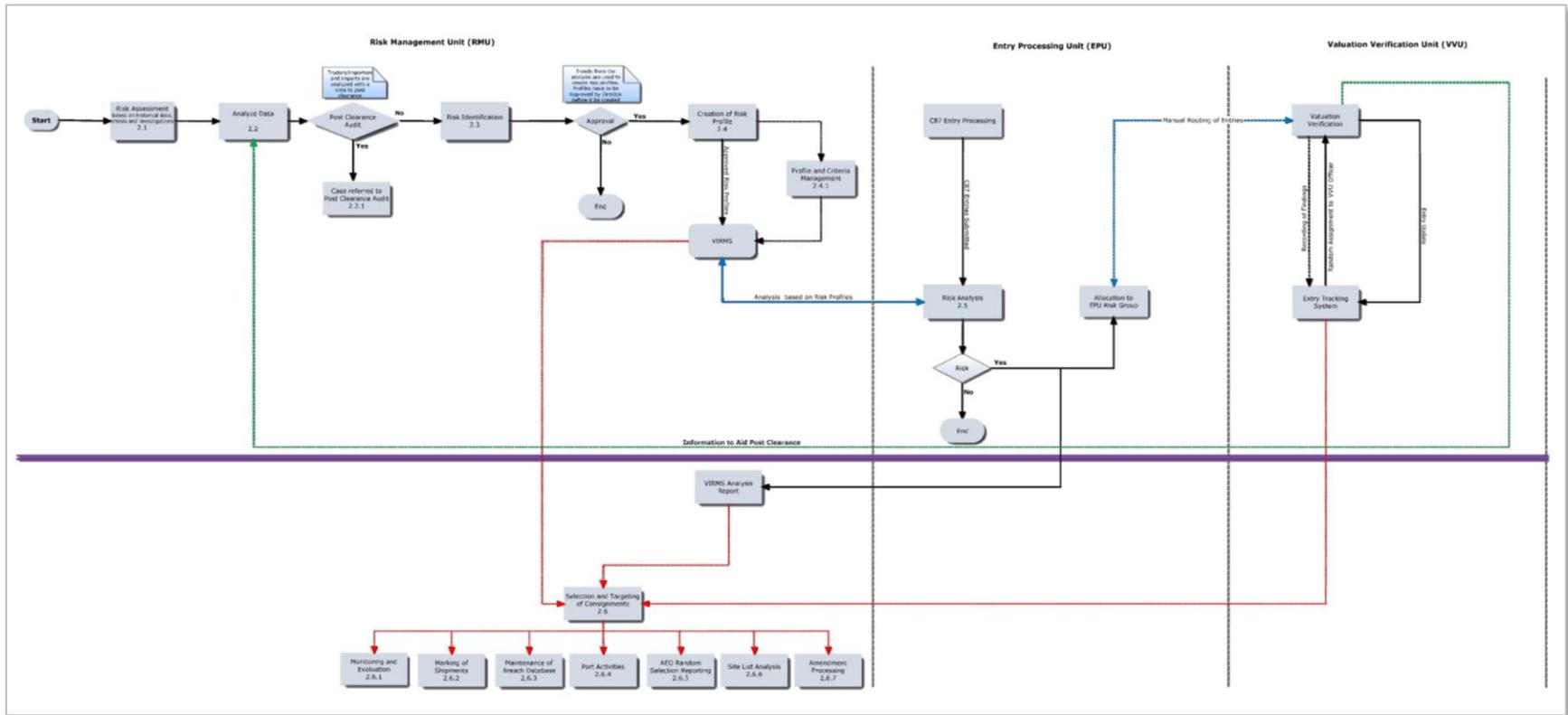
Initial reviews of the risk management procedures have taken into account the possible requirements of Business Process Reengineering (BPR) of these processes prior to specifying

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the requirements and developing an RFP for a replacement risk management system. It is the view of PRIDE Jamaica's Customs Specialist that the Customs environment is too dynamic to effectively reengineer processes prior to knowing much more about the potential new system and the changes in processes that will accompany it. Further, due to the changing and evolving nature of business process requirements in the risk management group, it is evident that the facilities of any new system will provide the impetus for relatively dramatic changes to those processes and the involvement of other Customs departments. PRIDE Jamaica suggested it is most likely that the majority of the reengineering will need to be carried out by the system vendor, supported by the Information Management Unit (IMU), and possibly an external consultant.

The objective of the RM System RFP assignment was to develop a Request for Proposal (RFP) for procurement of a Commercial Off-the-Shelf (COTS) software product. However, while feasible, PRIDE Jamaica believes this fairly traditional approach may exclude some interesting new vendors; and, on this basis PRIDE Jamaica suggested that the procurement process should be expanded to include an RFI, reference visits, an initial short list selection and then the RFP procurement process. This approach will make it possible for the risk management procurement team to include - or consider for inclusion - the widest range of features and function, and the best practice versions of implementations. It is also recommended that the procurement is not simply for product but should include any development decided to be necessary, so as to make the product most suitable to JCD purposes. In addition, it is proposed that the winning vendor should be asked to provide business process reengineering services, support, implementation assistance and relevant training.

FIGURE 11 – Current Jamaica Customs Department Risk Management Process



The concluded recommendations for a RM System consider requirements that have been built from the bottom up, from user requirements and not top down, from vendor's capabilities. Hence a commercial off-the shelf (COTS) system may require some subtle modification in order to fully meet the specifications contained in the RFP. The decision on final functionality will be based on cost benefits and other practical issues. The set of requirements presented by the consultant works on the assumption that the vendor will supply a commercial off-the shelf system together with quotations for any extra development needed in order to meet specific JCD requirements not currently included in the standard product. Any specific requirement (i.e. that is not a normal feature or function of the vendor's standard offering) that is proposed and quoted for will be identified and associated costs and effort, and any resultant contractual conditions, will be quoted for separately.

The details of the requirements are significantly expanded in the draft RFP that has been presented to Jamaica Customs. The draft RFP is written in a manner that the Development Banks tend to stipulate, but which can sometimes be viewed as prescriptive, and tends to deter more agile and creative younger companies, who are the type of companies that need encouragement for organizations like JCD.

There is an evolving and increasingly powerful reason for opting to take the two-stage RFI/RFP procurement route: Computer software systems are becoming more dynamic as rapid development methodologies are adopted by developers. Systems that could take years to develop may now only take weeks. Features and new functionality are added at an increasing frequency, making it difficult to maintain currency with many of the latest developments. This dilemma can be exacerbated by lengthy procurement methods. Occasionally, by the time products are delivered to the user, two or even three years have passed since specifications were first agreed. The result can be that users need an upgrade before they have even started to use the delivered version. The challenge to developers of RFP for computer systems is to be sufficiently flexible and responsive to the marketplace and to users' needs so that a long drawn out and inflexible procurement process does not sabotage the original intentions of the specifying agency and its users. This also argues for a broader set of specifications. A tightly specified set of requirements binds both parties to a fixed, and dated, functionality whereas the real need is to acquire a set of software solutions that can evolve with circumstances, with user experience and other agencies' experience, so that it becomes a platform for a continuously evolving solution. This also speaks to the relationship with vendors. The traditional, confrontational, hard negotiating approach to procurement can also damage best practice procurement. The emerging philosophy of software procurement is to develop a relationship of trust with the vendor (or vendors) and to use contracts as reference documents, not an inflexible set of rules.

There is no doubt that this approach will be challenging for the public sector. Nevertheless, the long term benefits are clear for both parties. The vendor becomes a partner, based on mutual trust. This ultimately leads to a rapid response service and close attention to user needs. Hence, the recommendation to spread the requirements (and ideas) net as wide as possible by opting for an RFI/RFP approach, and the suggestion of a broader, more flexible set of requirements, as opposed to a fixed set of requirements in a standard, proscriptive RFP.

PRIDE Jamaica believes that if a two-stage procurement is undertaken i.e. RFI and RFP, the RFP that has been prepared can be simplified and may be updated with the very latest in global technologies and global experience, which are continuously evolving at an even faster rate. This will be a decision for the JCD, and PRIDE Jamaica has provided JCD with the tools to pursue either option.

While the new product is expected to be an important addition to the JCD risk management process, much more important is the process change, even innovation that this replacement software will make possible. By deploying pre-arrival clearance using automated risk management and automated selectivity for green or red channels at Customs it will be possible to contemplate some dramatic breakthroughs in the speed and efficiency of goods movement through Jamaica's ports together with more accuracy in assessing potential threats to revenue and border protection. Equally important, it will facilitate essential productivity improvements on the part of Customs staff and business processes. By adopting the modified two stage procurement approach it will be possible to preview the potential for these sorts of improvements by observing other Customs authorities' own experiences in using automatic risk management processes, and therefore to implement any necessary changes with some confidence, provided there is commitment to change and follow through. This relatively small change in Customs overall processes marks the prospective for initiating a series of progressive process changes in Jamaican Customs with even greater follow through potential for the facilitation of productivity changes and significant efficiency changes in national trade.

General Requirements of the RFP

The contracting authority will be the Jamaican Government. The operational entity nominated by the contract will be Jamaica Customs Department, specifically the JCD IMU.

The vendor is to provide business and technology *bona fides*. These are to include details of the business concerned, contacts and electronic communication details. The vendor will supply a history of the product, current status, levels of support and any relevant product development plans together with reference details of installations for the version of the product proposed, together with reference contact details.

The vendor will provide confirmation of software licensing and maintenance fees and charges together with any associated support and miscellaneous charges.

The vendor will provide details of any arrangements for client's source code security, including the potential for provision of source code or escrow arrangements, and the vendor's associated legal safeguards.

Compatibility, Integration and Interoperability

This RFP is designed for a COTS risk management system for Jamaica Customs Department's risk management function. The current system operates in a stand-alone fashion interoperating indirectly with several legacy systems, principally based on an Informix 9 platform. Any proposal will define the level of compatibility with the existing legacy systems and vendor experience with fully integrated Customs application systems. The preference is for an integrated "best of breed" COTS risk management product that is compatible with the client's existing legacy systems and also with the capability to migrate to a fully integrated Customs system, at some (to be established) time. Levels of compatibility and interoperability need to be clearly established by the vendor, in order to ensure that the client has a full understanding of the varying environments possible as their systems migrate towards a future, fully integrated environment.

Implementation, Development, Support and Process Adaptation

The vendor will provide details of experience and capabilities in the hybrid environment outlined above, especially concerning interoperability and the ability to migrate between systems. Similarly, the client is interested to know of any capabilities to offer any feature or function requested by (or which may conceivably interest) the client but are not, as yet, part of the standard product offering. The vendor is to provide details of any references and contacts who can illustrate these types of capability.

The vendor will also provide details of proposed support and product maintenance arrangements as well as will provide details of capabilities in the area of business process reengineering so that the client may make the proper arrangements for process adaptation. Similarly, details of vendors training, particular of the “train the trainer” variety.

Functionality and Feature Requirements

The system is to be a web-based, interactive system, compatible and interoperable with existing legacy systems which handle electronic Customs declaration lodgments and electronic manifests. It will also be interoperable with an existing (Cube) data warehouse, data mining application.

The vendor will provide details of the product’s work flow management and security functionality and features, and the system will ideally provide a contemporary “look and feel”, operationally integrating familiar word processing capabilities, scanning and email capabilities, graphics and voice recording capabilities. The system will also provide smart phone apps in support of roaming users (at port, warehouses, wharves, airport, etc.) and of on-call users’ 24x7 operations.

Analysis and selectivity tools will include multiple data elements from key CusDec and CusCar applications and case archives, with a choice of weightings, in order to make (for example) red channel, green channel and blue channel-plus automated random inspection- selectivity decisions. The key application modules are to be: analysis and identification of trends for profiling and risk identification, entry-time risk analysis and a flexible post entry audit, and reporting.

The vendor will provide details of any further analysis and diagnosis tools, standard and user designated reports, together with integration capabilities with any other report writers.

The Procurement Process and Options

The Request for Proposal (RFP) has been developed as a separate, discrete document. However, in discussing this matter in general with a number of COTS single window experts they have advised that the “best fit” product for the JCD requirements can be revealed with more certainty by adopting a multi-step approach to procurement. The belief is that a combination of factors is changing ICT procurement practices as several new vendors seem to be emerging recently as rapid development technologies change the development landscape. The emergence of a modular, best of breed philosophy for Customs ICT applications and a more competitive and knowledgeable ICT-based supplier infrastructure argues for a slightly different, less conventional and phased approach to procurement. This process includes;

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- i. Select a multi-discipline, JCD procurement team to implement the procurement strategy and effort;
- ii. Advertise a Request for Information (RFI) in The World Bank Group's Business Development weekly newspaper (and/or suitable alternatives, e.g. The Economist);
- iii. Send out copies of RFI to respondents and to a selection of the vendors listed in 4.10;
- iv. Allow a three to four week period in order to enable all likely participants to reply. Then amend the RFP provided along with this report by integrating the best vendors, product ideas and specifications, features and techniques received from all sources;
- v. Select a short list to receive the amended RFP;
- vi. Issue the RFP to the short list;
- vii. In the process, research-and preferably visit-good reference sites.
- viii. The procurement team to then select the preferred vendor, having previously agreed decision criteria and decision-making protocols;
- ix. Negotiate price, delivery and contractual issues, including and development, support, source code, implementation, training and BPR requirements;
- x. Agree an implementation schedule to best suit JCD's capacity and ability to absorb the effort involved. A prototype, pilot and phased approach appears to be the best approach based on current best practice recommendations.

Some Potential Vendor and Products

From the most recent knowledge and research, there appear to be three distinct categories of risk management software vendors currently active in the marketplace. There is some doubt about whether the products they represent are all of the COTS variety. This is one of the purposes for which a two stage procurement process is recommended. The three types of vendors and non-exclusive lists of vendors are identified:

1. Pre Shipment Inspection (PSI) companies such as:

- SGS;
- Cotecna;
- Veritas.

SGS offers a rebranded version of Singapore's Crimson Logic products in West Africa and some other territories. They may offer some as COTS or stand alone products but appear to have very little in the way of a track record in this respect.

These organizations are reportedly offering port community and single window products, sometimes bundled in with PSI (Pre Shipment Instruction) agreements.

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2. Customs enterprise (end-to-end systems) or Customs cargo management products, covering the full range of Customs cargo and passenger related activities, including risk management modules. These (generally) include:
 - Crown Agents with their TRIPS selectivity module;
 - ASYCUDA with their risk management modules;
 - Tatis (owned by South African Revenue Service) selectivity module, which may not yet be ready for implementation elsewhere. Note the Republic of South Africa's Customs authority has specific experience in handling transit shipments with their "smudging" techniques;
 - Bull e-Biscus with their risk management selectivity module;
 - Microclear;
 - Gainde 2000.
3. Stand alone, COTS products. These (reputedly) include:
 - Data Torque, a New Zealand company;
 - Webb Fontaine, originally an ASYCUDA World plug in;
 - Blue Infinity;
 - Greenline;
 - Eskort (was WM Data).

This category is the most dynamic, with most new market entries. As such, they will require the most careful vetting.

Recommended Potential Reference Site Visits

Customs operations in New Zealand, Canada, Ireland, Finland and South Africa have all received recommendations from external experts. The WCO News publication of June 2010 and other later versions, deal with Risk Management systems (called Computer Risk Management Systems [CRiMS] by WCO). This journal is another source for reference visit recommendations.

New Zealand is the latest Customs authority to go through a similar procurement process to that under consideration by JCD. It teamed with the New Zealand Ministry of Agriculture and Fisheries (MAF) in order to procure a COTS risk management system. Virtually all experts consulted commended this approach as the next step in collaborative risk management for Customs. New Zealand Customs and Government Agencies are also reputed to operate and use the best of risk management procedures.

SINGLE WINDOW FOR TRADE

Using CBSI funding, together with developing a RFP for a Risk Management ICT System, PRIDE Jamaica is also supporting the development of a Single Window to enhance the efficient exchange of information between trade and government. Specifically the benefits of this Single Window activity to Jamaica Customs include: improved transparency of inputs to the system,

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resulting in reduced corruption; correct revenue yields; improvement in trade compliance encouraged by predictable and transparent processes, enabling the use of sophisticated “risk management techniques” for improved border security and enforcement purposes; and more effective and efficient deployment of resources. The outputs of this activity will also be used as inputs to the Enforcement BPR and additional ICT initiatives at Jamaica Customs. Implementing a Single Window will further reduce corruption.

During the reporting period, as follow-on to work previously undertaken with JCD, PRIDE Jamaica implemented an activity to enhance trade facilitation efforts. The objective is to assist the Jamaica Customs Department (JCD) to conduct an assessment of the level of preparedness of Other Government Agencies (OGAs) to support a national trade efficiency initiative, and to identify those gaps that are the greatest impediments to the effective participation of the OGAs in a strategy to develop a Single Window for trade. The Assessment will establish priority participants, Departmental “champions”, and create a road map for the achievement of an OGA cluster which will be a significant component of the Jamaica trade facilitation single window.

In addition to meeting CBSI funding objectives, the PRIDE Jamaica supported Single Window for trade activity is in line with 3 strategic objectives of JCD in the Customs Strategic Review and Modernization Plan. These outline as priority the need for Jamaica Customs to (i) collect revenues due; (ii) improve voluntary compliance; and (iii) improve information, communication and technology process.

The ultimate aim is to have a comprehensive national single window for trade. This means a single entry point of data, a single entry of data, a single sign on, a single point of payment and a single point of decision making for each of the main players, viz;

- The international and domestic supply chains and associated agents and brokers;
- Shipping companies;
- Ports and airports;
- The port terminal and logistics community;
- The trade banking and insurance community;
- Customs; and
- Government agencies (OGA), involved in issuing licenses and permits, managing compliance with treaty obligations and national standards, such as Ministries of Trade, the quarantine agencies such as Ministries of Agriculture and Fishing, Ministries of Health, etc. This may also involve JAMPRO and some NGOs involved in processing Certificates of Origin, and possibly the national Statistics organization.

With the exception of OGA, all of these agencies are ICT-capable and have plans to upgrade their systems so that creating single window clusters prior to implementing an integrated national single window becomes possible. The OGA exception is serious. It is now the greatest impediment to national trade efficiency. It still relies upon multiple visits to separate Ministry premises, multiple copies of paper documents and multiple (original or “wet ink”) signatures. Without an electronic system for processing licenses a fully automated Jamaican Customs Declaration is not possible. Permits are still entered manually into the declaration form, usually

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by Customs brokers. Pre-arrival clearance which is the single most important technique in improving the efficiency of ports and movement of goods through the ports and Customs facilities is also not practical under these prevailing circumstances. The lack of an automated license and permit system, or OGA automated one stop shop is the principal reason for Jamaica's "Trading Across Borders" ranking of 183 in the world, and other similar comparative rankings such as The World Bank's Logistics Performance Index rankings.

There is agreement across sectors that Jamaica is approaching a pivotal point in its international trade-based economic affairs. The future of Jamaica's position as a major regional transit-based container hub is at risk from a number of internal and external factors. Failure to effectively address the internal factors that have exacerbated the situation may have alarming economic consequences. However, external factors will also play a significant role which Jamaica can mitigate if it acts promptly and collaboratively in a whole-of-government and private sector partnership.

The aim of a single window, and the associated techniques of electronic data interchange (EDI) and risk management, is to eliminate paper, paper payments, face to face meetings and personal decision making.

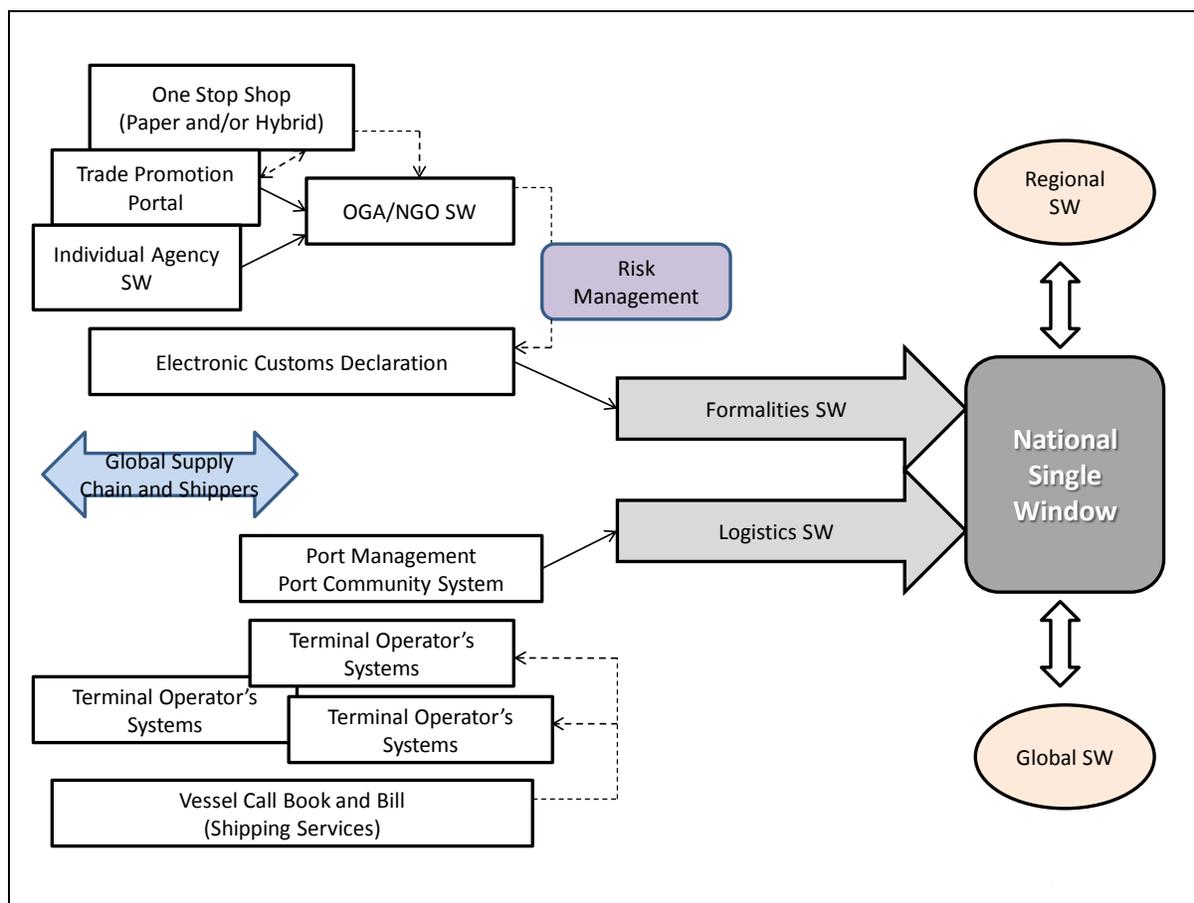
PRIDE Jamaica's Single Window and Trade Facilitation consultant held detailed consultations with key stakeholders and suggests that in the case of Jamaica, the risks of doing nothing about establishing a single window do not apply as Jamaica has already made a start on the components of single window. The facts are however that in general the implementation efforts are delayed and hesitant, underfunded, uncoordinated and are subject to no powerful vision, leadership and effective governance, which is vital for a collaborative public-private sector strategy to succeed. There is as yet no national strategy, nor roadmap for a national single window. There is much that Jamaica still must do and the risks are great.



FIGURE 12 – Minister of State Horace Dally greets Jamaica Customs personnel during Forum for Customs Modernization, including Single Window development at the Jamaica Conference Centre in January 2012

Having completed a series of stakeholder interviews and assessments the Consultant has presented a final report on the Single Window for trade that provides an outline for a national roadmap, headlines of a work action plan, and an assessment of the main potential participants' level of readiness for a national single window. Used effectively, this roadmap can be of significant benefit to Jamaica Customs and the Port Community as they approach the daunting, yet practical and nationally essential task, of establishing a Single Window for Trade.

FIGURE 13 – Road Map for a Collaborative Jamaica National Single Window



During the single window assessment the consultant was specifically required to conduct a review of the cluster of Other Government Agencies (OGAs), in order to measure Jamaica's progress and preparedness to implement a national single window for trade facilitation. A single window provides a platform and processes for a paperless (electronic) exchange of trade information and payments between participants in the trade process, largely accomplished through a single electronic lodgment (of license and permit applications, Customs declarations and cargo manifests).

The functions of the OGA are primarily to ensure compliance with departmental and national regulations covering international treaties (WTO), regional, multilateral and bilateral free trade agreements and a range of conventions concerning trade, particularly those supervised by UN agencies.

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They include quarantine agencies looking after health, plant, animal and fish hygiene regulations, food, pharmaceuticals and chemicals regulations, controls on all HS (Harmonized System) codes covering many manufactured products and commodities, dangerous goods, motor vehicles, etc. OGA also includes producer boards, the national standards authority and the national statistics authorities. Ministries of Transport, Mining and Energy, Natural Resources, Security, Trade and Commerce are also included in this category.

This OGA cluster is regarded as the most difficult to organize largely due to financial resources, technical capacity and political will. All the OGAs interviewed had a strong desire to migrate to a true national single window however the lack of financial resources and the absence of strong political will were identified as hindrances to a robust movement toward implementation. The immediate concerns are therefore to prioritize actions and manage the effective allocation of resources. The report concludes that the most practical and promising route to achieving a national single window is to base actions on the planned Port Community single window, which can progressively absorb Customs and OGA single window functionality in order to emerge as the Jamaica national single window.

The Consultant's assessment further concludes that the port community and its major partners, such as the Port Authority and Customs, are well advanced in their planning and preparation, and are further ahead than the OGA community which has seen a somewhat faltering start to their E-Trade project. If a national single window project is to become a reality within a few years then the OGA community needs much more support and resources allocated to the effort. E-Trade will need to be modified to comply with national single window demands. The best short term option to accelerate OGA readiness for a national single window may be to initiate a specific OGA cluster within the port community based single window program.

A debriefing session was conducted with Jamaica Customs where the findings of the study and recommendations were presented by the consultants. Attached as Annex P is a copy of the power point presentation from this debrief.

The current state of readiness and specific recommendations for Jamaica's Other Government Agencies (OGAs) for a national single window are outlined below.

Current State of Readiness for a Jamaica National Single Window: OGA

During the conduct of the assignment the Consultant was required to measure the progress and preparedness of Jamaica's OGA to participate in a national single window for trade facilitation. The general findings are that the strategic need for a national single window must be made clear to Jamaica's policymakers. It must be equally clear that inaction is not an option. There is much that needs to be done and in a very short time. The immediate concerns are therefore to prioritize actions and manage the effective allocation of resources. The report concludes that the most practical and promising route to achieving a national single window is to base actions on the planned Port Community single window, which can progressively absorb Customs and OGA single window functionality in order to emerge as the Jamaica national single window.

The port community and its major partners, such as the Port Authority and Customs, are well advanced in their planning and preparation, and are further ahead than the OGA community which has seen a somewhat faltering start to their E-Trade project. If a national single window project is to become a reality within a few years then the OGA community needs much more support and resources allocated to the effort. E-Trade will need to be modified to comply with national single window demands. The best short term option to accelerate OGA readiness for a

national single window may therefore be to initiate a specific OGA cluster within the port community based single window program.

Specific Recommendations

1. In order to introduce more clarity into potential impacts of the new-Panamax¹³ era on Jamaica's ports it is recommended that a study in changing shipping patterns and trade flows resulting from the changes to the Panama canal in 2014 is initiated. The results can remove some of the uncertainty which currently exists regarding the overall potential impact of the new-Panamax to Jamaica's trade sector, and also provide a credible platform of information for short and medium term planning. It may be possible to source much of the relevant material from existing studies and agencies, in which case, much of the impact study would be compilation of existing information rather than true research.
2. There is very little time left to initiate any new approaches to improve productivity and efficiency of the port and its associated community or organizations and partners. The existing project to conduct a procurement exercise for a port community single window should receive priority treatment from all concerned. Most particularly, senior government figures should be persuaded to undertake awareness and inspection tours and to throw their prestige and that of their office behind this initiative.
3. One of the most effective methods of improving OGA systems and integrating their processes into a national trade facilitation productivity and efficiency initiative is to establish a single window OGA cluster as part of the national single window project. In this way, national experience in reengineering, change management, project management and ICT resources can be shared across the OGA community in order to achieve faster and more effective outcomes than if they try to achieve the same results individually.
4. These will comprise the first steps to creating an organization that will form the basis of Jamaica's national trade expertise and experience for generations to come. It may form the catalyst for a regional CARICOM single window and a program of regional trade facilitation and trade policy changes.

¹³ **Panamax** and **New Panamax** are popular terms for the size limits for ships traveling through the Panama Canal. Formally, the limits and requirements are published by the Panama Canal Authority (ACP) titled "Vessel Requirements". The allowable size is limited by the width and length of the available lock chambers, by the depth of the water in the canal and by the height of the Bridge of the Americas. Ships that do not fall within the Panamax-sizes are called **Post Panamax**. The limits have influenced those constructing cargo ships, giving clear parameters for ships destined to traverse the Panama Canal. "Panamax" has been in effect since the opening of the canal in 1914. In 2009 the Canal management published the "New Panamax", that will be in effect when the third lane of locks, larger than the current two, are operational from 2014.

PETROLEUM MANAGEMENT MONITORING

According to an October 2011 International Monetary Fund (IMF) document, the main products imported into Jamaica are petroleum, cigarettes, motor vehicles, alcohol and food, and they make up approximately 80 percent of revenue collections. Cost of collections represents only 0.02 Jamaica cents for every dollar collected, down from 0.03 cents in 2010, and well within international standards which range from 2 to 5 percent.

The petroleum sector is not sufficiently monitored to ensure full compliance and protection of the revenue. Petroleum imports account for approximately 33 percent of import value and 30 percent of JCD revenue collections. Possible abuse in this sector may be resulting in significant under-reporting of imports with concomitant loss of revenue.

The following table provides a breakdown of the total JCD revenue for FY2010 and FY2011.

TABLE 1 – Jamaica Customs Revenue Collection from Petroleum Products for 2010 and 2011

ITEMS	MOF&P TARGET APR-10 - MAR-11 \$	COLLECTIONS APR-10 - MAR-11 \$	PERFORMANCE %	COLLECTIONS APR-10 - MAR-11 \$	COLLECTIONS APR-09 - MAR-10 \$	VARIANCE	VARIANCE %
Tax Revenue							
Import Duty	23,982,932,885	20,483,382,751	85	20,483,382,751	19,052,472,084	1,430,910,667	7.5
Warehouse Fees	-	4,340,548		4,340,548	7,436,077	(3,095,529)	-41.6
General Consumption Tax	31,595,101,601	38,520,580,829	122	38,520,580,829	28,863,284,837	9,657,295,992	33.5
Special Consumption Tax	31,647,717,914	29,811,819,052	94	29,811,819,052	23,480,439,374	6,331,379,678	27.0
Environmental Levy	2,306,518,745	2,040,066,286	88	2,040,066,286	2,083,794,405	(43,728,119)	-2.1
Stamp Duty*	1,390,406,145	1,393,221,007	100	1,393,221,007	1,289,600,806	103,620,202	8.0
Travel Tax	2,587,565,619	3,930,634,878	152	3,930,634,878	1,919,351,161	2,011,283,717	104.8
Total Tax Revenue	93,510,242,909	96,184,045,352	103	96,184,045,352	76,696,378,744	19,487,666,608	25.4
Non-Tax Revenue							
Excise Tax	-	3,309,309		3,309,309	9,991,769	(6,682,459)	
Customs Broker Exam Fee	-	1,074,000		1,074,000		1,074,000	
Customs Broker Licenses	-	6,644,918		6,644,918	3,002,550	3,642,368	
Tourist Shop Licenses	-	12,543,746		12,543,746	13,945,076	(1,401,330)	
Tourist Shop Operating	-	5,125,214		5,125,214	17,844,903	(12,719,688)	
Dept. & Misc. Revenue	591,741	10,692,698		10,692,698	568,536	10,124,162	1780.7
Fines & Forfeitures	124,889,000	74,829,197	60	74,829,197	154,964,375	(80,135,179)	-51.7
Revenue Deposit Received	-	4,055,225,112		4,055,225,112	7,590,809,525	(3,535,584,413)	-46.6
Proceeds of Sale	138,134,974	343,320,377	249	343,320,377	153,734,771	189,585,606	123.3
Processing Fees	656,552,000	718,508,708	109	718,508,708	689,714,374	28,794,335	4.2
Standards Compliance Fee	20,241,000	607,424,055	3,001	607,424,055	622,743,700	(15,319,645)	-2.5
Irrevocable Standing Order	40,000	18,500	46	18,500	22,500	(4,000)	-17.8
Carrier Net Service Charge	-	52,178,934		52,178,934	262,136,926	(209,957,992)	-80.1
Miscellaneous Rev (EXP)	832,500	1,012,143	122	1,012,143	8,070,035	(7,057,892)	-87.5
Cess	-	-		-	76,000	(76,000)	

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ITEMS	MOF&P TARGET APR-10 - MAR-11 \$	COLLECTIONS APR-10 - MAR-11 \$	PERFORMANCE %	COLLECTIONS APR-10 - MAR-11 \$	COLLECTIONS APR-09 - MAR-10 \$	VARIANCE	VARIANCE %
Customs User Fee	7,227,372,361	6,941,829,314	96	6,941,829,314	6,852,748,645	89,080,669	1.3
Non-Tax Revenue	8,168,653,576	12,833,736,226	157	12,833,736,226		12,833,736,226	
Gross Revenue	93,602,815,401	109,017,781,578	116	109,017,781,578		109,017,781,578	
RDP	-	(4,207,811,558)		(4,207,811,558)	(8,013,542,299)	3,805,730,742	-47.5
Net Revenue Collections	93,602,815,401	104,809,970,020	112	104,809,970,020	85,063,210,129	19,746,759,890	23.2

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As part of the IMF's in-depth review in October 2011 of tax administration of the petroleum sector, the IMF suggested that the Jamaica Customs could benefit from support to strengthen operations in this high priority sector to mobilize revenue collection. PRIDE Jamaica agreed to support an activity to assist the Jamaica Customs Department (JCD) to establish a Petroleum Monitoring Unit (PMU) within JCD which will work in conjunction with Tax Administration Jamaica (TAJ) to monitor and control the importation of petroleum and ensure all revenues due are collected. The Unit will establish controls, procedures and reporting to ensure that all shipments and transmissions of product are accounted for, and revenue collected in a timely manner.

The sole mandate of the Petroleum Monitoring Unit (PMU) will therefore be to effectively manage the tax administration of the Petroleum Sector which has not been performing to expectation.

PRIDE Jamaica worked alongside Jamaica Customs to develop a proposed framework for a Petroleum Monitoring Unit incorporating international best practices with detailed recommendations and an implementation plan, including any necessary Business Process Review strategies to strengthen the operation and effectiveness of the Jamaica Customs Department to collect all revenues due. Petroleum Operations and Administration experts from the Kenyan Revenue Authority (KRA) who had previously conducted a similar exercise within that jurisdiction were engaged as consultants by PRIDE Jamaica to work with colleagues at JCD to complete this activity.



FIGURE 14 – Participants in Debrief Session presented to Jamaica Customs Department on a Framework for Establishing a Petroleum Monitoring Unit within JCD

Specifically the outcome of the review is to develop a framework for setting up a Petroleum Monitoring Unit which ensures that:

- JCD revenues are increased and future growth of revenues can be identified;

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- There is improved petroleum revenue accountability by JCD;
- The petroleum sector has improved management and organization systems in place thereby allowing Customs Officers to function more effectively and efficiently;
- JCD implements a structured capacity building program to equip the Customs Officers with the requisite skills and competencies to manage the petroleum sector.

The review disclosed that the management of the petroleum sector is scattered across several Customs units and that although the tax treatment of petroleum products is clear and well understood, the systems in place for the stock management and inventory accounting are not adequate and need to be improved in order for the Department to achieve better control. The major weakness found in the system arises from the lack of technical skills for the independent verification of the quantities that are discharged and back loaded into vessels. This is hampering the monitoring and control of petroleum inventories and consequently JCD is not able to conduct meaningful audits of the oil importing companies. However, there is strong evidence that TAJ Excise Officers do possess the requisite technical skills that would allow for training of the Customs Officers to be conducted in-house.

Included among the recommendations that will readily facilitate improvement of the controls are some basic measures such as the use of Standard Operating Procedures (SOPs); instituting tighter stock controls at the refinery by sealing the valves and being available to break the seals without interrupting the operations of the refinery or deploying a resident Customs Officer, as well as building the technical capacity to equip the Customs Officers with the requisite skills to measure and quantify the products. Recommendations also include developing appropriate reporting systems in order to improve the monitoring of petroleum stocks and to track the payment for products.



FIGURE 15 – A Petrojam oil tanker docked at the Kingston Harbour. Jamaica buys most of its oil from Venezuela but buys some crude on the world market. *(Picture used courtesy of The Gleaner newspaper.)*

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An in-depth audit of the activities of bunkering activities is also recommended. This will assist with establishing accountability for products that have previously been supplied for bunkering, and for future revenue protection arising from the risks currently identified in the current bunkering system.

An Implementation Action Plan for setting up the Petroleum Monitoring Unit has also been developed. Table 2 below, *Implementation Action Plan for the Recommendations for Establishing a Petroleum Monitoring Unit in JCD, including General Job Descriptions*, outlines this plan.

PRIDE Jamaica conducted a debrief session with executive and senior level managers at JCD to discuss the findings and recommendations of the review and to offer insights to an approach for implementation of the PMU. The debrief presentation to JCD is hereto attached as Annex Q.

TABLE 2 – Implementation Action Plan to Establish a Petroleum Monitoring Unit

	Activity	Task	Time Frame	Remarks
1	Set up a centralized office to co-ordinate all administrative and operational processes for the petroleum sector.	Identify a senior manager and staff with responsibility for: <ul style="list-style-type: none"> - Liaising with Sufferance Wharves, Kingston Wharves and other Collectorates for all petroleum discharges; - Monitoring revenue collection and revenue performance against targets; - Collection and collation of discharge and revenue data for petroleum products; - Liaising with TAJ Excise Officers at Petrojam for reconciliation of back loaded volumes; - Issuance of management reports; - Customer relationship management with oil companies; - Dissemination of policy on trade and tariff on petroleum products to officers and oil companies; - Following up on training for capacity building i.e. identifying officers and liaising their training; - Continuous Monitoring and Evaluation of performance of the unit to ensure that slated objectives are being met. 	Short Term	
2	Standard Operating Procedures (SOPs)	<ul style="list-style-type: none"> i) Document procedures and secure approval; ii) Circulate to ALL officers who handle petroleum products in Kingston and all Collectorates; iii) Monitor usage and enforce compliance. 	Short Term	<ul style="list-style-type: none"> i) Montego Bay has documented procedures. ii) Draft Procedures for managing Discharge and Bunkering are included in this report
3	Sensitization	PMU manager: <ul style="list-style-type: none"> - Sensitize staff on new unit; - Usage of uniform procedures. 	Short Term	

It is anticipated that this measure will form part of the continuous policy review designed to promote compliance. The PMU of JCD will be required to steadily employ the following measures to address the following current challenges:

a. Technical Capacity

- i) Undertaking specific training of PMU officers;
- ii) Recruitment of skilled oil accountants;
- iii) Post graduate training for specific PMU officers;

- iv) Procurement of oil measuring tools to mitigate primary data manipulation by third party surveyors.

b. Dumping of Transit Fuels in the Local Market

- i) Introduction of fuel marking through any Third Party contract;
- ii) Usage of Electronic Cargo Tracking System (ECTS) sealing;
- iii) Physical escort for high risk consignments;
- iv) Stock management and reconciliation;
- v) Punitive fines and penalties for non compliant OMCs and their transporters.

c. Inability to Audit the Fuel Marking Process

- i) JCD to acquire testing kits to allow for independent and ad-hoc testing.

d. Uniformity in Application of Procedures

- i) Development, documentation and circulation of operational procedures including procedures for measurement.

e. Stock Controls & Monitoring at Receipt

- i) Pre-arrival monitoring of the Cargo Manifest (also used in revenue projection);
- ii) 24 hour participation during vessel discharge;
- iii) Installation of Flow metres at high risk depots;
- iv) Tamperproof sealing of critical inlets and outlets.

f. Trans Shipment Monitoring

- i) Secure taxes with Bank Guaranteed bond;
- ii) Fuel marking;
- iii) Confirmation of Landing certificates from the port of destination.

g. Customer Relationship Management

- i) Improved through technical training and understanding of the sector;
- ii) Regular participation in sector stakeholders meetings and workshops.

Following the findings of the study, it can be concluded that the concerns raised on the management of the petroleum sector are justified and that there is the need for JCD to establish a Petroleum Monitoring Unit (PMU). The recommendation is to implement a Headquarter PMU instead of separate operational units on the ground. This view is guided by the findings of the study which indicate that some facilities receive very limited petroleum vessels per month, and it may neither be prudent nor efficient to set aside resources to establish separate operating units to manage the sector.

Arising from full implementation of the measures outlined, together with recommendations contained within the review document, it is anticipated that compliance will increase while revenue has the potential to be more than doubled across all tax heads associated with petroleum products. In addition, continuous policy dialogue with the stakeholders will ensure that there is less resistance to policy changes as well as administrative measures.

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PRIDE Jamaica has since been advised by Jamaica Customs, that guided by input and early recommendations from the PRIDE Jamaica petroleum monitoring experts during the conduct of the petroleum monitoring activity, some training for measuring and assessing petroleum and petroleum products has since been provided to customs officers, and staff have been redeployed to help to strengthen capacity. It is anticipated that this training will further contribute significantly to building capacity among officers who will have responsibility to coordinate the administrative and operational processes for a centralized petroleum monitoring unit. This training support was provided to Jamaica Customs through Petrojam, the country's only oil refinery which is owned jointly by the Jamaican government and a private entity.

YOUTH WORKFORCE DEVELOPMENT - YUTE

Working with the Private Sector Organisation of Jamaica (PSOJ), PRIDE Jamaica continued support to the youth workforce development activity (YUTE) that was implemented under a Grant Agreement. The YUTE (Youth Upliftment through Employment) program is being managed by the PSOJ and its development partners, and involves an intervention that is committed to working with unattached youth.

YUTE focuses on building technical and social skills, increasing employability, and providing long and short term economic and entrepreneurship opportunities for 2,200 young persons in inner-city communities. YUTE will be rolled out in eight such communities during the first phase (February 2011- January 2013).

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 status at the end of the program in October 2011. The YUTE Project Management Office (PMO) contracted a company for the development of a web based data management solution. Work on this is complete and baseline data for all original applicants has been entered, along with updates on some activities. The product is being enhanced to allow for the generation of additional reports. The target date of December 2011 for completion of this phase and testing of the product before going live was not met.

TABLE 3 – Breakout of YUTE 720 Participants as at October 31, 2011

CURRENT CATEGORISATION OF YUTE PARTICIPANTS		
PROGRAMME STREAM		RELATED NOTES
YUTE –Entrepreneurship		
Completed 2 Day Entrepreneurship Orientation	105	Will move to Social Skills Entrepreneurship Training in January 2012
YUTE Works		
Pre – Skills	190	Good performance at Level 4 Assessment. Some attended Restaurant Week Training & have been placed for 1 week internships.
Working - 4 month - Full Time Post	44	These persons will matriculate from YUTE
Census - Employed through to October 2011	40	10 Scheduled to be included in FullGram
Entered YUTE ready for post-secondary training - with qualifications	80	All placed in CBT HEART Training facilities.
Still to submit qualifications Re HEART/NTA Certification	33	Persons not presenting certificates.
Training Ready - Diagnostic Test & Successful	20	
No forms submitted	138	CEOs are collecting information on these.
Other opportunities to be identified – HISEP	40	
No shows at diagnostic	33	CEOs followed up, some now assessed.
Post Census - Ready for Training	11	Will be offered FullGram Opportunity for ICT training
YUTE U-Turn		
U-Turn Females	8	Will participate in 2012
U-Turn Males	40	5 For Restaurant Week Training and have been placed in internships.
Preliminary Total	782	
Participants NI, Work, School	44	
Total Inc. Overlaps	826	
Participants in more than one activity	106	
Total Number of YUTE Participants	720	

TABLE 4 – Engaged Participants

PROGRAMME STREAM		RELATED NOTES
YUTE –Entrepreneurship		
Completed 2 Day Entrepreneurship Orientation	105	Will move to Social Skills Entrepreneurship Training 01/12
YUTE Works		
Pre – Skills	190	Overall 40 did not attend. 85% of 150 attended.
Working - 4 month - Full Time Post Census - Employed through to October 2011	44	These persons will matriculate from YUTE
Ready for training - with qualifications	40	10 Scheduled to be included in FullGram
Still to submit qualifications Re HEART/NTA Certification	80	56 Places Identified & to be placed in CBT
Training Ready - Diagnostic Test & Successful	33	Persons not presenting certificates.
Other opportunities to be identified - HISEP	20	
Post Census - Ready for Training	40	Have attended interviews at FullGram
YUTE U-Turn		
U-Turn Females	8	To participate in 2012
U-Turn Males	40	5 For Restaurant Week Training
Preliminary Total	611	
Total Inc. Overlaps	611	
Participants in more than one activity	106	Note that some have not attended the pre-skills
Total Number of YUTE Participants	505	

YUTE Works

Below is a summary of key activities for the YUTE Works Stream during the reporting period:

- Pre-Skills continued during the review period, with an average attendance of 85% of the 150 confirmed participants.
- Level 3 Assessments were done on September 19th and 20th 2011. Seventy-three (73) of 75 YUTE Participants sat the assessments, 52% were successful. Success at this level indicates that participants are now numerate and literate to Grade 4. Those who are not successful remain in classes to re-sit the assessment on November 30th, 2011.
- Level 4 Assessments were done on September 26th and 27th, 2011. Eighty-eight (88) of the 92 YUTE participants sat assessments, 73% were successful. Success at this level indicates that participants are now numerate and literate to Grade 6.

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Two (2) day placement and internships:

- An additional 57 Pre-Skills Participants were placed in two day work experience. To date, there are 85 participants in 2 day work opportunities.

YUTE Participants – Post Secondary Skills Training:

- The overall revised project target was to place 295 YUTE participants in HEART Trust/NTA. Up until the period of final reporting to PRIDE Jamaica, 14 persons had been placed.
- In response to the absence of space at HEART Trust/NTA Centers 89 YUTE Participants were placed in community based training centers which are certified by HEART/NTA.

YUTE U-Turn

Participants continued their respective pre-skills sessions. Some have participated in training and were assigned to work at restaurants during Restaurant Week, November 11 – 19, 2011.

The female residential camp has been rescheduled to May 2012. At this time there are only eight YUTE female Participants who wish to be considered for U-Turn.

The final report from the Peace Management Initiative, the organization contracted to manage the first U-Turn Camp, was several months overdue.

Through competitive tender, a firm had been selected to undertake the management and delivery of the second U-Turn Camp. Interviews for the four (4) positions of Life Skills Coaches were completed and short listed applicants have responded to a required psychometric testing. The results will assist the PMO in final selection.

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 fit 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. The PSOJ determined that given the timeline of the USAID/PRIDE Agreement and the procurement requirements this element would be funded by IDB and alternative YUTE funds. The market research for this element of the program was completed in October 2011.

Mentorship Program

The mentorship program is a fundamental element of the YUTE Program. The YUTE PMO coordinates the initiative and two local firms were selected to deliver the training. Recruitment of mentors commenced in February, with the first training session taking place in April. Volunteers are primarily recruited through corporate mentorship drives, presentations to service clubs, and word of mouth.

Through October 14, 2011, 1,020 persons have signed up and completed applications to become mentors. Of this number 70 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 360 have been invited to at least 3 training sessions, confirmed attendance but have failed to attend.

Unit cost for training was higher than projected, this resulted in fewer persons than projected being trained using the USAID/PRIDE Grant. The costs of appropriate venues and their related costs, as well as meals, were all above budget. In addition, the contract with the two (2) selected trainers required a minimum attendance of 30; in instances where it was below this figure YUTE was invoiced for 30. Finally, the training included the mobilization of YUTE Participants to ensure matching with trained mentors.

TABLE 5 – Total Mentors Trained and Matched, by Gender (All Funding Sources)

Total Females	250
Total Males	120
Total Mentors	370*

*Five persons chose to mentor two individuals.

TABLE 6 – Total YUTE Participants Trained and Matched, by Gender (All Funding Sources)

Total Females	234
Total Males	146
Total Mentors	380

Monitoring & Evaluation Results and Internal Assessment

The Project Development Board has, on a monthly basis, monitored the results of the program to date based on reports submitted by the YUTE PMO. Reports review year to date targets and performance, in addition to monthly targets and actual performance. In addition the Project Board monitors for changes in unit cost.

The Project Board has approved the use of the tools of the International Youth Foundation (IYF) for establishing a baseline and providing incremental and end of project evaluation of the impact

of the program on each YUTE Participant. It is agreed that this will be implemented in tandem with the second cycle intake which will take place over the period November 2011 – January 2012.

Based on the ongoing monitoring and internal review, there have been changes to the timeline, intake process and options for participants. There were three fundamental changes:

1. In future, recruitment will be community based and participants will be required to participate in special screening sessions to assist the YUTE PMO in determining their suitability for the Program and the most appropriate program stream;
2. Intake will be guided by the availability of program options; this would include availability of training spaces and finalization of contracts with service providers;
3. Signing of Agreements between YUTE Participants and YUTE. The Agreement will clearly establish what the program will deliver and the role each Participant must play in order to maximize on the opportunities provided by the program.

ANNEX R provides a summary of activities, goals, challenges and solutions experienced by the YUTE Program over the reporting period.

Under guidance from USAID/Jamaica, PRIDE Jamaica suspended PSOJ spending under the existing grant agreement, in order to allow for a close-out of the CARANA/PSOJ agreement as at October 31, 2011. In January 2012 working alongside the PSOJ, PRIDE Jamaica satisfied the reporting requirements and completed the requisite documentation to conclude implementation activities for the YUTE program under the grant agreement. The balance of unused funds from the YUTE grant have since been identified for de-obligation and may be made available for alternate arrangements by USAID. The Grant Completion Certificate was executed by PRIDE Jamaica and the PSOJ, allowing for the documented conclusion to this activity.

1.1.3 COMPONENT 3: ACCESS TO CREDIT

MOBILE FINANCIAL SERVICES

As a member of the mobile financial services public-private partnership (PPP), PRIDE Jamaica attended the Executive Seminar in December 2011 sponsored by the University of the West Indies (UWI), during which the implementation plan to introduce an inter-operable mobile financial services platform in Jamaica was presented. To support the development of the implementation plan, PRIDE Jamaica prepared the economic impact assessment component. 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 counted the numbers of unbanked, and extracted information about whom they are socioeconomically, and assessed attitudes to and uses of mobile phones. Full details of this activity were included in PRIDE Jamaica's Annual Report for the year ending September 30, 2011.

Based on guidance from USAID/Jamaica in line with major reductions in the project's budget, PRIDE Jamaica completed its work in this component area at the end of September 2011.

1.1.4 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. During the conduct of activities across program components, PRIDE Jamaica will continue 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 is part of this component. It should be noted that this component, envisioned in the PRIDE Jamaica Request for Proposal to be a major focus of implementation activities, has 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.

1.2 OTHER ACTIVITIES

PRIDE Jamaica submitted its Annual Report to USAID during October.

PRIDE Jamaica received some additional funding for the current program year to support revenue mobilization activities in the area of tax administration and customs. PRIDE Jamaica worked with stakeholders to identify additional activities that have been incorporated into PRIDE Jamaica's implementation program in accord with the funding objectives.

In response to a request from USAID/Jamaica, PRIDE Jamaica recommended changes to the PMEP targets that reflect the substantially reduced funding and reduced length of project implementation. The original PMEP, approved in 2010, was developed on the basis that PRIDE Jamaica would be fully funded, and the project would operate through at least August 2013. Based on funding guidance from USAID/Jamaica, project funding will be sufficient, at significantly reduced levels and scope of activities, for PRIDE Jamaica to operate through September 2012. Should funding levels change, PRIDE Jamaica can incorporate these changes into the program and recommend further changes to the PMEP targets.

PRIDE Jamaica was invited to participate in discussions with USAID/Jamaica from the Latin America/Caribbean Bureau of AID/Washington. These discussions centered on PRIDE Jamaica's work on revenue mobilization with TAJ and Jamaica Customs, and to consider options to continue funding support for PRIDE Jamaica to work in these areas beyond the reduced timeframe of September 2012. A delegation from a number of U.S. Government agencies visited Jamaica during the reporting period to consider areas of support for Jamaica.

1.3 NEXT STEPS

TECHNICAL

Component 1: Tax Policy and Administration

PRIDE Jamaica will continue working with TAJ to implement activities in line with the reform program. During the next period PRIDE Jamaica expects to work in the following areas:

- *Continue project management support to TAJ for reform activities:* PRIDE Jamaica will continue to provide support to TAJ to prioritize, manage and implement initiatives to establish a modernized tax administration organization. This includes follow-up with TAJ to assure the recommendations from the IMF mission reports are addressed.
- *Develop a risk management system to identify and prioritize tax debt arrears for collection and support implementation of Annual Debt Management Plan:* PRIDE Jamaica will support TAJ to complete testing of the prioritization system and new treatments for 'High' and 'Medium' cases. After the testing is complete, PRIDE Jamaica will work with TAJ to refine the prioritization and treatments, and support TAJ to implement the new system across TAJ's service locations. PRIDE Jamaica will support TAJ to implement its Annual Debt Management Plan.
- *Support implementation of the risk management system for selection of taxpayer entities for audit (examination of tax returns) and implementation of Annual Audit Plan.* PRIDE Jamaica will work with TAJ to insure that audit functions are being implemented based on the risk framework, and resources are allocated to focus on highest potential yield opportunities. PRIDE Jamaica will support TAJ to establish effective measurement of time used and assessments raised, and revise the annual plan according to actual data.
- *Design and develop a tax administration Performance Management System:* PRIDE Jamaica will review the implementation of the new performance management reports system to develop and refine report formats, and train designated TAJ personnel to analyze the information to improve decision making related to operational performance.
- *Develop tax compliance improvement programs to identify areas of high-non-compliance for additional revenue collection:* Establish additional pilot programs to identify potential areas of high non-compliance among taxpayers to improve tax revenue collections and compliance. The next phase will focus on professionals.
- *Audit support to the Large Taxpayer Office:* Arising from the September/October 2011 IMF report, PRIDE Jamaica will continue to provide assistance to the Large Taxpayer Office to support the conduct of audits in high priority sectors.
- *Leveraging resources:* PRIDE Jamaica will work closely with TAJ to support its efforts to utilize funds from the IDB loan.

Component 2: Licensing and Other Competitiveness Areas

Import/Export Processes

- *Support the preparation of the Procurement Solicitation:* The TCSP has completed a first draft of an Expression of Interest/Request for Information document, and has developed a RFP for the procurement ICT platform to integrate all stakeholders in the shipping, transport, freight and port industry, through a new information and communications technology (ICT) platform. PRIDE Jamaica provide technical support to the TCSP to develop the procurement document and will assist with leveraging resources for further technical assistance to evaluate responses, as well as work will with the TCSP to leverage resources from other donors to support procurement of the new ICT system. Procurement of the new system has received approval from the Cabinet Office of Jamaica.

Jamaica Customs

- *Establish a Petroleum Monitoring Unit within Jamaica Customs:* PRIDE Jamaica will assist the Jamaica Customs Department (JCD) to establish a Petroleum Monitoring Unit (PMU) within JCD which will work in conjunction with Tax Administration Jamaica (TAJ) to monitor and control the importation of petroleum and ensure that all revenues due are collected. The Unit will establish controls, procedures and reporting to ensure that all shipments and transmissions of product are accounted for. **Results: improved revenue collection, improved compliance.**
- *Conduct an Assessment of Valuation Unit and Establish a Customs Valuation Framework:* Customs Valuation is the process where customs authorities assign a monetary value to a good or service for the purposes of import or export. Generally, authorities engage in this process as a means of protecting tariff concessions, collecting revenue for the governing authority, implementing trade policy, and protecting public health and safety. Assistance will be provided to Jamaica Customs to conduct an assessment of current valuation practices and establish the framework for streamlined and predictable valuation processes. **Results: improved revenue collection, improved compliance.**
- *Support Improvement of AEO Program Practice in line with WCO standards:* PRIDE Jamaica will assist Jamaica Customs with a review of the existing AEO program operations in order meet the Standards to Secure and Facilitate global trade (SAFE) established by the WCO. The AEO concept is one of the main building blocks within the WCO SAFE Framework of Standards (SAFE). The latter is part of the future international Customs model set out to support secure trade. SAFE sets out a range of standards to guide international Customs Administrations towards a harmonized approach based on Customs to Customs cooperation and Customs to Business partnership. **Results: reduced corruption, improved international trade flow – timely and more cost efficient movement of goods.**
- *Leveraging resources:* PRIDE Jamaica will continue to work closely with JCD to utilize resources from the IDB and EU to implement reforms of the Customs Modernization Plan. PRIDE Jamaica will promote reform activities to the World Bank so that improvements can be reflected in the next annual *Doing Business* report.

Component 3: Access to Credit

- *Mobile Financial Services*: In accord with guidance from USAID/Jamaica, PRIDE Jamaica has phased out its work in this activity due to substantial reductions in funding.

Component 4: Legislative Process

- Legislative matters arising within other areas of the PRIDE Jamaica project will impact this cross-cutting component. Specifically, activities within the areas of Tax Administration, Import/Export processes and Jamaica Customs Modernization involve elements of a legislative review or the development of a legislative framework that supports reform activities that are to be implemented. For the most part, these reform efforts are guided by recommendations from implementing partners and are supported by PRIDE Jamaica's work plan. PRIDE Jamaica will continue to follow USAID's guidance in treating the legislative process component as a cross-cutting theme to support our other component activities, rather than as a stand-alone implementation activity under the project.

RESULTS

PRIDE Jamaica worked closely with TAJ and the IMF Fiscal Affairs Department Mission that As demonstrated by the updated PMP Results Reporting Table (Annex B), PRIDE Jamaica has achieved, and exceeded, its targets for the current program year. These results are due to the strategic approach PRIDE Jamaica adopted since project start-up, with a further, increased focus on project impact acknowledging substantially reduced funding resources and implementation timeframe. Fundamental to PRIDE Jamaica's impact and results are the strong working partnerships PRIDE Jamaica has established with its counterparts that enable the project to work so integrally with colleagues on implementation. These relationships must be considered to fully appreciate PRIDE Jamaica's successes to date. Complementing these efforts, PRIDE Jamaica's coordination with other international development partners, in particular the Fiscal Affairs Department of the IMF, has had a strong impact on PRIDE Jamaica's implementation focus and success. Finally, USAID/Jamaica's extremely supportive and collegial working relationship with PRIDE Jamaica, and USAID's leadership role with international development partners, further underscores the project's ability to perform successfully.

As part of PRIDE Jamaica's implementation planning for this program year, the project, in conjunction with USAID/Jamaica, agreed to focus on several key areas in Tax Administration Jamaica and Jamaica Customs. Building on key findings from previous IMF reports, in addition to needs arising during the preparation of the July/August 2010 Fully Costed Modernization Implementation Plan (developed by PRIDE Jamaica and TAJ), PRIDE Jamaica's focus for this program year is addressing essential business process issues in TAJ to establish systems to improve revenue mobilization; and, in accord with CBSI funding to implement activities within Jamaica Customs, PRIDE Jamaica is focusing support to establish a fully functioning risk framework system supported by a modern IT infrastructure and further Jamaica's efforts to adopt a Single Window for Trade, both of which will reduce corruption and improve the business enabling environment.

PRIDE Jamaica's results for this semi-annual period reflect implementation in the focus areas outlined above. In the area of tax administration reform, PRIDE Jamaica continued its strong project support to TAJ's reform program. PRIDE Jamaica worked closely with TAJ to establish and present its case to the (previous) Minister of Finance in support of TAJ's transition to a semi-autonomous revenue authority (SARA). Having received approval from the Minister of Finance to proceed, this effort was, unfortunately halted with the change of government that took place in December 2011. PRIDE Jamaica will work with TAJ to pursue this initiative with the new Minister of Finance.

Working in the key tax operation area of audit, PRIDE Jamaica worked with TAJ's FDIU and Audit Programmes to establish risk criteria for General Consumption Tax (GCT) and high risk Personal Income Tax Filers¹⁴. After programming the schema against a test group of returns in

¹⁴ PRIDE Jamaica and TAJ established risk criteria for Corporate Income Tax filers during the last quarter of the previous program year.

all the categories, TAJ and PRIDE Jamaica developed TAJ's Annual Audit Plan for FY 2012/2013. This plan, which covers the fiscal year beginning April 1, 2012, incorporates the entire risk framework developed by PRIDE Jamaica and TAJ. As a result of using this risk framework, TAJ is moving toward a risk based approach of audit case selection across the entire organization. The selection criteria will enable TAJ to select cases that are higher risk and will most likely result in additional revenue mobilization. Applying this approach also enables TAJ to reallocate personnel to other functions and physical locations on the basis of audit case loads in the various revenue service centers. The template for the Annual Audit Plan is one that TAJ can easily adjust during a fiscal year to incorporate revisions based on implementation results, and can also be used on an ongoing annual basis to establish the plan for the next fiscal year. PRIDE Jamaica will continue working with TAJ during the remaining period of this program year to implement the Annual Audit Plan throughout TAJ's Revenue Service Centres.

As a result of ongoing concerns raised by the IMF regarding TAJ's enormous backlog of open arrears cases, PRIDE Jamaica is undertaking strategic work to prioritize cases for action; establish cost effective procedures for different categories of cases; and, establish criteria to enable TAJ to increase case closure across all categories of open arrears cases. Moving away from TAJ's previous process of attempting collection on all outstanding arrears cases regardless of age or value, PRIDE Jamaica worked with TAJ to establish prioritization criteria for arrears cases. These were programmed and applied to a set of test cases, with some revisions made to the prioritization criteria. PRIDE Jamaica then developed different collection procedures for the categories ('High', 'Medium', 'Low') of open cases which consider the cost to TAJ to undertake collection efforts based on the value of the debt. Finally, PRIDE Jamaica established a process to designate a case as 'closed' in order to begin clearing the list of open cases. The test is currently underway using arrears cases from one Revenue Service Centre. PRIDE Jamaica will continue working with TAJ during the remaining period of this program year to complete the test, adjust criteria and processes, and support TAJ to implement the system throughout the organization. Implementing this new approach will enable TAJ to make clear strides in reducing the backlog of cases and enable Compliance Officers to focus on improving compliance by keeping taxpayers current with their tax obligations.

The IMF's September 2011 in-depth review of several key tax operations areas highlighted the severe under-staffing of TAJ's Large Taxpayer Office (LTO). Due to the under-staffing and high auditor to taxpayer ratio, the IMF determined that TAJ was not able to mobilize revenue collection in several high priority sectors. To support TAJ's efforts to mobilize revenue collection, PRIDE Jamaica initiated support to LTO in the conduct of audits in the telecommunications sector. In its early stages, PRIDE Jamaica will continue this initiative throughout the remainder of this program year. PRIDE Jamaica and TAJ anticipate that this sector will contribute to improved revenue mobilization. As a result of PRIDE Jamaica's work in this area and coordinating efforts with the IMF, PRIDE Jamaica, the IMF and TAJ successfully garnered support from the EU to assist LTO to conduct similar types of audits in the financial sector. TAJ expects the EU support to begin early in its next fiscal year.

In December 2011, the Government of Jamaica signed a loan agreement with the IDB to support a tax reform program with TAJ. USAID/Jamaica played a key leadership role to coordinate donors and provide the forum for TAJ to present its case for the necessary funding. This loan is the culmination of work initiated by PRIDE Jamaica in June 2010 which resulted in TAJ's Fully Costed Modernization Implementation Plan (MIP). The MIP defined the costs to reform TAJ over a three year period across every area of the organization. An essential element of the plan was the cost to procure a new IT system that will enable TAJ to more effectively implement its re-engineered business processes (supported by PRIDE Jamaica during the

previous program year) and improving revenue mobilization. During this reporting period PRIDE Jamaica worked with TAJ to prepare the draft RFP to procure a Commercial Off the Shelf (COTS) system that will be financed with the IDB loan. TAJ will submit the draft for final legal review prior and will access funds when the loan's Project Management Unit is fully operational at the Ministry of Finance.

The IMF also included an in-depth review of several key operational areas within the Jamaica Customs Department (JCD). One was the system Jamaica Customs currently employs to monitor the importation of petroleum and petroleum products. During its review, the IMF determined that systems in place were not supporting full compliance. Petroleum imports account for approximately 30 percent of JCD revenue collections. Possible abuse in this sector was likely resulting in significant under-reporting of imports with concomitant loss of revenue. PRIDE Jamaica agreed to benchmark the JCD's petroleum monitoring processes, and provide a revised operational framework to enable JCD to establish an effective Petroleum Monitoring Unit (PMU) JCD to implement in accord with international best practice. The PMU will work in conjunction with TAJ to monitor and control the importation of petroleum and ensure all revenues due are collected. The Unit will establish controls, procedures and reporting to ensure that all shipments and transmissions of product are accounted for, and revenue collected in a timely manner. The sole mandate of the Petroleum Monitoring Unit (PMU) will be to effectively manage the tax administration of the Petroleum Sector which has not been performing to expectation.

PRIDE Jamaica's recommendations include, among others, basic measures such as the use of Standard Operating Procedures (SOPs); instituting tighter stock controls at the refinery by sealing the valves and being available to break the seals without interrupting the operations of the refinery or deploying a resident Customs Officer; and, building the technical capacity to equip the Customs Officers with the requisite skills to measure and quantify the products. JCD will also need to develop appropriate reporting systems to improve the monitoring of petroleum stocks and to track the payment for products. PRIDE Jamaica also recommended an in-depth audit of bunkering activities. This will support establishing accountability for products that have previously been supplied for bunkering, and for future revenue protection arising from the risks identified in the current bunkering system.

Jamaica Customs has begun to implement recommendations from the benchmarking activity. Training is underway for Customs Officers to effectively measure products as these are off-loaded from vessels. JCD has re-deployed personnel to strengthen effective monitoring. Due to insufficient project funding PRIDE Jamaica will be unable to provide further support to JCD to more broadly implement the Petroleum Monitoring Unit at Jamaica Customs.

PRIDE Jamaica implemented several activities within the scope of the Caribbean Basin Security Initiative (CBSI). 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's activity during the last program year established with Customs' Risk Management Unit an effective risk management framework with policies, procedures and functions. Following on this work, during the current reporting period PRIDE Jamaica prepared a Request for Proposal to procure a technology solution that will apply the risk management approaches previously identified and recommended by PRIDE Jamaica. By deploying pre-arrival clearance procedures using automated risk management and automated selectivity for green or red channels at Customs, the Risk Management ICT System will make it possible for Jamaica Customs to contemplate some dramatic breakthroughs in the speed and

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efficiency of goods moving through Jamaica's ports, together with achieving greater accuracy in assessing potential threats to revenue and border protection.

On the basis of PRIDE Jamaica's recommendation, the procurement will incorporate a two-stage process that will include a Request for Information (RFI) in order to include vendors that may offer new approaches. This approach will make it possible for the risk management procurement team to include - or consider for inclusion - the widest range of features and function, and the best practice versions of implementation. PRIDE Jamaica also recommended that the selected vendor should be asked to provide business process reengineering services, support, implementation assistance and relevant training.

While the new product is expected to be an important addition to the JCD risk management process, much more important is the process change, even innovation that this replacement software will make possible. By deploying pre-arrival clearance using automated risk management and automated selectivity for green or red channels at Customs it will be possible to contemplate some dramatic breakthroughs in the speed and efficiency of goods movement through Jamaica's ports together with more accuracy in assessing potential threats to revenue and border protection. Jamaica Customs expects the procurement process to begin in the last quarter of 2012 in keeping with the project roll-out schedule of the JCD Modernization Plan. Funding support for procurement of the risk management system has been successfully leveraged from the IDB.

Representing a significant component toward establishing a single window for trade facilitation in Jamaica, PRIDE Jamaica, working alongside Jamaica Customs, also conducted an assessment to establish priority participants, departmental "champions", and create a road map for the achievement of an 'Other Government Agencies (OGA) cluster'. The assessment enabled the Jamaica Customs Department (JCD) to determine the level of OGA preparedness to support a national trade efficiency initiative, and identified those gaps that are the greatest impediments to the effective participation of the OGAs in a strategy to develop a Single Window for trade. All of the OGA that were assessed under the PRIDE Jamaica Single Window for Trade activity demonstrated a strong desire to migrate to a true national single window. PRIDE Jamaica concluded that the most practical and promising route to achieving a national single window is to base actions on the planned Port Community single window that is currently being developed in conjunction with the public-private Trade Community System Partnership (TCSP). The Port Community single window can progressively absorb Customs and OGA single window functionality in order to emerge as the Jamaica national single window. The TCSP has assumed the primary leadership role toward this objective. The aim of a single window, and the associated techniques of electronic data interchange (EDI) and risk management, is to eliminate paper, paper payments, face to face meetings and personal decision making, thereby reducing corruption and improving the business enabling environment.

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 through March 31, 2012

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.	1	1. OGA Single Window for Trade Framework
Number of institutions/organizations undergoing capacity/competency assessments as a result of CBSI funding.	5	Single Window for Trade Preparedness Assessment of : 1. Ministry of Agriculture 2. Ministry of Health 3. JAMPRO 4. Trade Board 5. Bureau of Standards Jamaica
Number of Trade and Investment capacity building diagnostics conducted as a result of CBSI funding.	2	1. RFP for Risk Management Framework for Jamaica Customs 2. Single Window for Trade Preparedness Assessment
Number of Public/Private Dialogue mechanisms utilized as a result of CBSI funding.	3	1. Trade Community System Partnership 2. Single Window for Trade Consultations with Public-Private Coalition 3. Youth Upliftment through Employment (YUTE) with PSOJ
Number of changes made to the Business Enabling Environment	2	1. Revised Cargo Entry Processing procedures at Jamaica Customs 2. Workforce development and job creation through YUTE

ANNEX A

COUNTERPART CONTRIBUTIONS

October 2011 – March 2012

Component	USD Amount	Notes
Tax Policy and Administration	337,081	Provided by Tax Administration Jamaica. Includes proportional amounts of salary and facilities allocated to implementing tax administration reform work.
Business Licensing and Other Competitiveness Areas		
<ul style="list-style-type: none"> ▪ Import/Export Processes 	24,500	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; as well as for activities related to the development of an RFP to procure an integrated ICT platform (system) for trade.
<ul style="list-style-type: none"> ▪ Jamaica Customs Reform 	225,000	Represents funding support from the Cabinet Office toward mobilization, in-kind support from key personnel at JCD directly involved with Customs Modernization and Reform activities, as well as direct capital outlay from the JCD for equipment and infrastructure.
<ul style="list-style-type: none"> ▪ Youth Upliftment Through Employment 	212,389	Includes in-kind and cash contributions from private sector partner organizations, as well as cash from IDPs
TOTAL	798,970	

ANNEX B

PMEP RESULTS TABLE

PRIDE Jamaica Results – October 1, 2011 - March 31, 2012

Performance Based Management System

Results and Related Performance Indicators ¹⁵	Baseline	2010 Target ¹⁶	2010 Results	2011 Target	2011 Results	2012 Target	2012 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 ¹⁷	5	8 ¹⁸	5	7 ¹⁹

¹⁵ 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.

¹⁶ 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.

¹⁷ 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.

¹⁸ 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.

¹⁹ Outputs include criteria to identify and select high risk General Consumption Tax cases for audit; criteria to identify and select high risk Personal Income Tax cases for audit; new Annual Audit Plan methodology incorporating case selection criteria; new prioritization system for debt arrears; new treatments for 'High', 'Medium', and 'Low' arrears cases; new Annual Debt Management Plan methodology incorporating arrears prioritization system and new treatments; new procedures to identify tax compliance leads for stop filers.

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Results and Related Performance Indicators ¹⁵	Baseline	2010 Target ¹⁶	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results
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 ²⁰	4	7 ²¹	3	7 ²²
Number of Trade and Investment capacity building diagnostics conducted as a result of USG assistance.		---	---	4	7 ²³	2	4 ²⁴
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 ²⁵	5	6 ²⁶	2 ²⁷	4 ²⁸

²⁰ Includes ACRE Task Force assessment of pilot operations of the DAC.

²¹ 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).

²² Includes Tax Administration Jamaica; assessment of Jamaica Customs for the Petroleum Monitoring Unit; Single Window Assessment of Ministry of Agriculture, Ministry of Health, JAMPRO, The Trade Board, Bureau of Standards Jamaica.

²³ 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.

²⁴ Includes RFP Development for a new COTS IT system for TAJ; RFP Development of Risk Management Framework for Jamaica Customs; Jamaica Single Window Preparedness Assessment; Framework for Petroleum Monitoring Unit for Jamaica Customs.

²⁵ Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

²⁶ 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.

²⁷ PRIDE Jamaica completed implementation activities in several component areas as a result of reduced funding, and in accord with guidance from USAID/Jamaica. As a result PRIDE Jamaica will engage with fewer Public-Private Dialogue mechanisms in 2012. The target was changed from 4 to 2.

²⁸ Includes Executive Steering Committee, Tax Administration Reform Program; Trade Community System Partnership for Import/Export; Single Window for Trade Consultations with public-private Coalition; Youth Upliftment for Employment (YUTE).

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Results and Related Performance Indicators ¹⁵	Baseline	2010 Target ¹⁶	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results
Number of microfinance institutions supported by USG financial or technical assistance.		---	---	5	8 ²⁹	0 ³⁰	
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 ³¹	5	6 ³²	2 ³³	4 ³⁴
Number of changes made to business enabling environment.		---	---	4 ³⁵	4 ³⁶	2 ³⁷	4 ³⁸

²⁹ 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.

³⁰ Due to reduced funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica completed activities in the micro-finance component in August 2011. No further activities are expected to take place before the end of September 2012, when the project is now expected to end. The target was changed from 9 to 0.

³¹ Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

³² 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.

³³ PRIDE Jamaica completed implementation activities in several component areas as a result of reduced funding, and in accord with guidance from USAID/Jamaica. As a result PRIDE Jamaica will engage with fewer Public-Private Dialogue mechanisms in 2012. The target was changed from 4 to 2.

³⁴ Includes Executive Steering Committee, Tax Administration Reform Program; Trade Community System Partnership for Import/Export; Single Window for Trade Consultations with public-private Coalition; Youth Upliftment for Employment (YUTE).

³⁵ 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.

³⁶ 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.

³⁷ Due to reduced funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica completed activities in several components earlier than expected. As a result, the target was changed from 3 to 2.

³⁸ Implementation of Risk Framework for Audit Case Selection by TAJ; Implementation of Revised Cargo Entry Processes at Jamaica Customs; Implementation of Petroleum Monitoring Measures by Jamaica Customs; Additional trained personnel available in the workforce through YUTE – 44 jobs created through 10/2011.

ANNEX C

YEAR 3 SEMI-ANNUAL RESULTS BY INDICATOR

PRIDE Jamaica

October 2011 – March 2012

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 3: 5

Actual to date for Year 3: 7

Component 1: Tax Policy and Administration

1. Developed risk based approach to identify and select high risk General Consumption Tax (GCT) cases for Audit³⁹.

Working with TAJ's Forensic Data-mining and Intelligence Unit (FDIU), PRIDE Jamaica gathered statistical data about the GCT returns that are filed. Using the population counts, the team segregated the entire population into three classes. Three formulas, one for each of the classes, were developed. Each formula has approximately eleven separate criteria. Each criterion was weighted to reflect its relative importance. The specifications for programming were delivered to the IT staff for programming and the specifications were then refined. FDIU completed a test of the specifications against a sample of cases. This approach enables TAJ to objectively prioritize and select cases for audit and allocate resources on those which are likely to be most productive.

2. Risk based approach to identify and select high risk Personal Income Tax (PIT) cases for Audit.

PRIDE Jamaica worked with TAJ's Forensic Data-mining and Intelligence Unit (FDIU), to gather statistical data about the PIT returns that are filed. The population of PIT returns was grouped into two classes. Two separate formulas were developed, each consisting of fourteen separate criteria. Each criterion was weighted to reflect its relative importance. The specifications for programming were delivered to the IT staff for programming and the specifications were then refined. FDIU completed a test of the specifications against a

³⁹ A risk based approach to identify and select high risk Corporate Income Tax (CIT) cases for audit was developed by PRIDE Jamaica in July 2011 and previously reported on. These selection criteria were also incorporated into TAJ's Annual Audit Plan for the fiscal year beginning April 1, 2012.

sample of cases. This approach enables TAJ to objectively prioritize and select cases for audit and allocate resources on those which are likely to be most productive.

3. TAJ Annual Audit Plan incorporating risk based approach to audit case selection.

With support from PRIDE Jamaica, the TAJ's Audit Unit in Programme's developed its Annual Audit Plan for the fiscal year beginning April 1, 2012, incorporating the risk selection criteria developed by FDIU and PRIDE Jamaica. The criteria will enable TAJ to apply the risk based formulas and obtain results for GCT, CIT and high risk PIT returns filed for calendar year 2011. High risk cases will be assigned to the appropriate locations for audit. The plan will direct work for the next fiscal year in an integrated manner and reflects TAJ's new capability to score returns by a new set of classes.

In stark contrast with prior annual plans, the FY 2012/2013 plan uses the actual number of audit staff years available and allocates them to different tax types and to varying size cases in accordance with an overall strategy. The plan is accompanied by a plan memorandum that explains the new concepts and addresses a number of policy issues that should help in plan execution. PRIDE Jamaica developed a new plan template for TAJ which uses the new class structure PRIDE Jamaica developed. This approach will facilitate TAJ's use of the new formulas to select cases. The cases will be aligned with the plan, so that Audit managers will have a road map for a number of selections by class and a list of priority cases that match.

PRIDE Jamaica worked with a number of TAJ's Audit managers to determine reasonable data elements to establish the basis for the plan. These include: a) average time per case, b) average case years per case, and c) average time per case year. The new planning process will show the precise number of audit staff years that should be assigned to the different classes, along with the expected case completions. This will enable managers at all levels to monitor cumulative results on an ongoing basis throughout the year to assure that TAJ is on course to accomplish the plan as designed. This will support improved revenue collection and taxpayer compliance.

4. Prioritization system for debt arrears collection.

Arising from a recommendation in the March 2011 IMF report, TAJ needed to address the substantial backlog of open arrears cases. TAJ incorporated all arrears cases onto collection lists for a Compliance Officer (CO) regardless of the debt's age, tax type or amount. This resulted in COs working some cases that were more than five years old, and amounts that may have cost more to collect than the debt was worth. Selecting which cases to work based on priority is an international best practice for tax administrations. Working with TAJ's Debt Management Unit and IT staff, PRIDE Jamaica developed a prioritization schema for these arrears cases. Based on the known factors affecting collectability, compliance, revenue and risk, and unique conditions specific to Jamaica, the TAJ working group proposed a weighting factor for each criteria/factor. TAJ manually applied the weighted criteria to a series of test cases with satisfactory results and incorporated final refinements to the criteria. TAJ programmed the prioritization schema into ICTAS and generated new arrears lists, with the arrears cases prioritized based on the risk criteria, for the King Street Revenue Service Centre. TAJ achieved the goal of separating the cases into 'HIGH', 'MEDIUM' and 'LOW' categories based on the scoring. TAJ is testing new treatments for the arrears categories; once the testing is completed TAJ will apply the prioritization system to all of its outstanding arrears cases.

5. New treatments for closing debt arrears cases.

During PRIDE Jamaica's work to prioritize arrears cases into 'HIGH', 'MEDIUM' and 'LOW' categories, it emerged that all arrears cases were handled by COs in a similar manner. All cases included field visits to clients to try to collect, and substantial time was spent by COs to reconcile the taxpayer's account. PRIDE Jamaica determined that TAJ was allocating resources on cases that had little chance of collection. PRIDE Jamaica refocused TAJ's efforts on arrears cases by establishing case closure, rather than collection, as the priority for a CO, and had reconciliation of taxpayer accounts assigned to CO desk officers. PRIDE Jamaica also developed specific treatments for the various categories of arrears cases. 'HIGH' cases will include field visits and telephone contact with clients; 'MEDIUM' cases will initially be contacted by telephone through the Customer Call Centre, with desk follow up by COs; and 'LOW' cases will be marked for deferment as the cost to pursue these cases exceeds the value of the case. PRIDE Jamaica and TAJ trained compliance officers on how these new treatments will be implemented on a trial basis. PRIDE Jamaica also developed a basic process for declaring cases "Currently Not Collectible" (CNC) to be used after all appropriate actions have been taken and there is nothing more TAJ can reasonably do to collect the debt. The treatments are being tested on arrears cases in the Kingston Revenue Service Centre. After the test results are reviewed TAJ will make any adjustments needed and implement the system across all its locations.

Among the worst outstanding arrears cases is a large amount of public agency debt. This includes arrears of trust funds and accrued interest. These cases are currently distributed across a number of COs in different locations. PRIDE Jamaica recommended that all these cases be centralized with the Large Taxpayer Office (LTO) as an individual CO will not be able to close any of these cases. PRIDE Jamaica also recommended that TAJ's Commissioner General and Deputy Commissioner General for Operations address these cases with the Ministry of Finance as a policy decision to resolve these cases will need to be taken at the ministry level.

6. Debt Management Annual Plan Incorporating Prioritization for Closures and New Treatments.

Each year the Debt Management team in the Programmes and Technical Support Unit prepares an annual operating plan to guide TAJ's debt management activities across the organization. However, the Debt Management Unit was not familiar with how to develop a plan that establishes measures and calculates expected results based on processes where the goals will now be closed cases, versus only revenue collections. PRIDE Jamaica worked with the Debt Management Programmes Unit to develop the annual plan for the next fiscal year (beginning April 1, 2012) in order to effectively incorporate the new systems and processes, and to incorporate appropriate measures to track performance.

Initial work included assessing the data available to be used as the basis to prepare the Debt Management Operating Plan (DMOP). PRIDE Jamaica initiated developing the Debt Management Operating Plan model by developing an Excel spreadsheet to allow for continued annual use by simply modifying formulas and/or changing key variables. The model includes an assumptions document (included as Annex F), which explains how each field and variable was calculated and the basis for that calculation. With input from TAJ, PRIDE Jamaica revised the reporting formats so that results can be tracked and performance of the DMOP can be measured. As part of the new DMOP spreadsheet, TAJ will be able to identify and track variances to scheduled performance. Management will be

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able to use this information assess operations and make adjustments as necessary. PRIDE Jamaica conducted a teleconference with TAJ's Debt Management Programmes Unit to introduce the Annual Plan and the methodology to the Regional Service Centre managers.

7. PRIDE Jamaica developed new procedures to identify taxpayer entities for potential tax compliance leads and selected a sample set of leads to test and pilot the procedures. This pilot project originated from prior work performed by the Forensic Data-mining and Intelligence Unit (FDIU) in Programmes and Technical Support. As a result of applying these criteria 640 taxpayer leads were identified for assignment to each office beginning with the highest dollar value for the total GCT supply amount to conduct the initial phase of the pilot program.

The leads were assigned to Compliance Officers at the RSC offices at King Street, Constant Springs and Spanish Town to begin working the compliance leads using the new methodology. The King Street and Spanish Town RSCs account for 65% of the total leads within this sub-category of non-compliant taxpayers.

PRIDE Jamaica also developed processes that include establishing a case history record for each lead containing the tax entity information; identifying the type of tax and period(s) not filed, and, documenting the contacts with the taxpayer and actions taken by the Compliance Officer. The new procedures of sending (two) notices and making phone calls prior to field contact differ from TAJ's existing procedures. These include sending a first notice, and, if there is no response the CO refers the non-filer case to Audit. This creates an estimated assessment that is time consuming and relatively unproductive, adding additional uncollected arrears cases to Debt Management.

The new non-filer program procedures should result in more timely processing of the compliance leads due to the prompt assignment, processing and follow-up by a designated Compliance Officer responsible for resolving the non-filer lead. The new procedures are also expected to result in more tax returns being filed directly by the taxpayer and payment of the tax, penalty and interest would also be secured from the taxpayer in a reduced period of time.

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

Target for Year 3: 3

Actual to date for Year 3: 7

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

PRIDE Jamaica continues to provide an ongoing review of TAJ activities in operations, legal and management services to support implementation of the tax administration reform program and mobilize revenue collection. Activities include review and support on new job descriptions to staff the new organization; development of the RFP to procure a new IT system; operations support to prioritize arrears cases, apply treatments based on categories of cases, and improve closures on debt arrears cases; apply audit risk criteria to identify and select cases for audit; provide audit support in high priority sectors; identify and implement

new approaches to improve taxpayer compliance; support implementation of SARA legislation and new Tax Administration Act.

Component 2: Licensing and Other Competitiveness Areas

2. OGA Assessment – Single Window for Trade (with CBSI funding)

Using CBSI funding, PRIDE Jamaica worked with Jamaica Customs to conduct an assessment that established priority participants, Departmental “champions”, and created a road map for the achievement of an Other Government Agencies (OGA) cluster as a significant component to the development of the Jamaica trade facilitation Single Window.

OGA is largely recognized as the most difficult cluster to coordinate in order to achieve national single window status. The assessment included a review of the status of Jamaica’s OGA preparedness toward a national single window by conducting an evaluation of the OGA cluster. The OGA assessment included reviews of the following government ministries and agencies:

- Ministry of Agriculture and Fisheries
- Ministry of Health
- Trade Board (Ministry of Industry and Commerce)
- JAMPRO - E-Trade portal (Jamaica Trade point)
- Bureau of Standards Jamaica (BSJ).

The Single Window will enhance the efficient exchange of information between trade and government. The benefits of this Single Window activity to Jamaica Customs include: improved transparency of inputs to the system, resulting in reduced corruption; correct revenue yields; improvement in trade compliance encouraged by predictable and transparent processes, enabling the use of sophisticated “risk management techniques” for improved border security and enforcement purposes; and more effective and efficient deployment of resources. The outputs of this activity will also be used as inputs to the Enforcement BPR and additional ICT initiatives at Jamaica Customs. Implementing a Single Window will further reduce corruption.

4. Jamaica Customs - Petroleum Monitoring Management

PRIDE Jamaica worked alongside colleagues at Jamaica Customs to conduct a review and assessment on the Customs department’s management of petroleum monitoring activities in Jamaica and Jamaica’s waters. The assessment included a review of the current state of petroleum monitoring within Jamaica Customs Department; the development of a framework for setting up petroleum monitoring in JCD; recommendations; and an Implementation Action Plan for recommendations for establishing a Petrol Monitoring Unit (PMU).

Included among the recommendations that will readily facilitate improvement of the controls are some basic measures such as the use of Standard Operating Procedures (SOPs); instituting tighter stock controls at the refinery; as well as building the technical capacity to equip the Customs Officers with the requisite skills to measure and quantify the products. Recommendations also include developing appropriate reporting systems in order to improve the monitoring of petroleum stocks and to track the payment for products.

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

Target for Year 3: 2

Actual to date for Year 3: 4

1. Request for Proposal to Procure a Commercial Off The Shelf (COTS) IT System for TAJ

With the technical assistance loan from the IDB now in place, PRIDE Jamaica supported TAJ to prepare the Request for Proposal (RFP) to procure a new IT system that will replace ICTAS. The new IT system will enable TAJ to have a system that integrates IT functions across its operational areas. An important aspect PRIDE Jamaica and TAJ began preparing for this exercise in November 2010, when PRIDE Jamaica worked with TAJ to re-engineer business processes for the agency's core tax types. The re-engineering was completed in March 2011, at which time TAJ began discussions with the IDB for a technical assistance loan to support implementation of the tax reform program.⁴⁰ TAJ and PRIDE Jamaica incorporated the re-engineered business processes into the RFP. These will guide the technical requirements for the new system.

TAJ established a RFP Working Group that worked with PRIDE Jamaica to prepare the draft RFP documents. In addition to representatives from TAJ, the Working Group included representatives from Fiscal Services Limited (FSL), the Government of Jamaica (GOJ) entity responsible for IT systems support to TAJ. Discussions with TAJ's senior management confirmed that the RFP should be written to specify that a Commercial Off The Shelf (COTS) Integrated Tax Administration System (ITAS) is what TAJ is soliciting. TAJ is in the process of a data cleansing effort to update and correct taxpayer records in anticipation of migrating these records over to the new system after it is procured.

2. Request for Proposal to Procure an Automated Risk Management System for Jamaica Customs (JCD), with CBSI Funding

Risk Management at Jamaica Customs is poorly supported by ICT solutions and is labor intensive. The JCD Risk Management Unit (RMU) is restricted by an archaic proprietary RM System called VIRMS. This current risk management system is code locked and delivers far too many false positives that must be reconciled by the RMU staff. The system does not discriminate risk well and Risk Management is not supported well by current functionality.

As recommended by an earlier PRIDE Jamaica report on JCD Risk Management, a reorganization of the RMU was required to modernize the function of the RMU in accord with international methods including being supported by functional ICT systems. Using CBSI funding, PRIDE Jamaica provided specific recommendations to Jamaica Customs for process re-engineering and has since supported preparation of the technical elements of a

⁴⁰ PRIDE Jamaica assisted TAJ to develop a fully costed reform implementation plan in July 2010. With strong leadership from USAID/Jamaica, the IDB used this fully costed implementation plan as the basis for the US\$33 million loan to support tax administration reform.

Request for Proposal (RFP) to assist with procurement of the ICT platform that will support JCD Risk Management functions.

Guided by the PRIDE Jamaica RFP the Jamaica Customs Department will procure an automated customs risk management system that aligns reengineered processes with the World Customs Organization's SAFE Framework of Standards, the World Customs Organization's Risk Management Guide, the European Union's Risk Management Policy Guide, and risk management systems and techniques used by best practice, modern customs agencies. The solution will be subject to standard Jamaica Government procurement rules and decision criteria.

3. Single Window OGA Assessment (with CBSI funding)

Using CBSI funding, PRIDE Jamaica conducted an assessment that established priority participants, Departmental "champions", and created a road map for the achievement of an Other Government Agencies (OGA) cluster as a significant component to the development of the Jamaica trade facilitation single window.

OGA is largely recognized as the most difficult cluster to coordinate in order to achieve national single window status. The assessment included a review of the status of Jamaica's OGA preparedness toward a national single window by conducting an evaluation of the OGA cluster. The OGA assessment included reviews of the following government ministries and agencies:

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- Ministry of Health
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4. Petroleum Monitoring Unit Framework

In Jamaica the petroleum sector is not sufficiently monitored to ensure full compliance and protection of the revenue. Petroleum imports account for approximately 23 percent of import value and 30 percent of Jamaica Customs Department (JCD) revenue collections. Possible abuse in this sector may be resulting in significant under-reporting of imports with concomitant loss of revenue.

PRIDE Jamaica provided assistance to the Jamaica Customs Department (JCD) to develop the framework for establishing a Petroleum Monitoring Unit (PMU) within JCD which will work in conjunction with Tax Administration Jamaica (TAJ) to monitor and

control the importation of petroleum and ensure all revenues due are collected. The Unit will establish controls, procedures and reporting to ensure that all shipments and transmissions of product are accounted for, and revenue collected in a timely manner.

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

Target for Year 3: 2

Actual to date for Year 3: 4

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 reviewed and commented on TAJ's draft presentation to the Minister of Finance (in October) in regard to TAJ's proposal to become a semi-autonomous revenue authority.

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.

Having conducted a detailed and thorough review of the PRIDE Jamaica Import/Export Mapping study, the TCSP arrived at consensus and developed a proposal for the procurement solicitation of an ICT trade solution (port community system) that will reduce the cost and time to import and export.

Through its participation with the TCSP group, PRIDE Jamaica continues to advocate on behalf of the TCSP for a port community system and to leverage resources from other donors to assist the TCSP with the procurement of an integrated ICT platform for trade.

3. Single Window for Trade

PRIDE Jamaica supported the Jamaica Customs Department during the conduct of consultations with a private-public trade coalition toward establishing a single window for trade. The coalition comprises key stakeholder representatives from the trade community to include the Shipping Association of Jamaica, the Port Authority of Jamaica Ltd., the Ministry of Finance and Planning; the Ministry of Trade and Investment; the Jamaica Exporters Association, among others.

The coalition offered support and arranged meetings with the respective OGA that were interviewed and assessed during the conduct of the Single Window for Trade preparedness assessment of OGA.

4. 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.

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

Based on reductions in funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica concluded implementation activities in this program area on September 30, 2012. There is no target for this indicator for the current program year.

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

Target for Year 3: 2

Actual to date for Year 3: 4

1. Risk Management Framework for Audit Case Selection

PRIDE Jamaica worked with TAJ to design a risk-based system to prioritize and select taxpayer cases for audit. PRIDE Jamaica continued its support to TAJ to develop selection criteria for General Consumption Tax (GCT) and Personal Income Tax (PIT) returns. TAJ completed the programming of the schema and applied the protocols against a pilot group of GCT returns. During this reporting period the Forensic Data-mining and Intelligence Unit (FDIU) completed the programming of the Corporate Income Tax (CIT) return selection criteria that it previously developed with PRIDE Jamaica's support.

TAJ completed some minor revisions to the selection criteria and is now incorporating these protocols, along with the previously developed protocols for Corporate Income Tax (CIT) into the Annual Audit Plan (prepared with support from PRIDE Jamaica) for the upcoming 2012/2013 fiscal year which begins April 1, 2012. For the first time, risk selection criteria will enable TAJ to more effectively direct its resources to work those tax compliance leads that are more likely to result in additional revenue collection. FDIU is now able to apply the methodology to segment taxpayer categories and develop appropriate risk criteria for each

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segment. As a result, TAJ will be able to periodically review and update the taxpayer segments and, if necessary, revise the risk criteria it applies to each of the segments.

2. Revised Cargo Entry Processes at Jamaica Customs (with CBSI Funding)

Following on recommendations presented by PRIDE Jamaica, Jamaica Customs implemented recommendations to discontinue the physical processing of flagged import entries by the Risk Management Unit. All flagged import entries now flow directly to the Valuation Verification Unit for processing. The objective is to reduce processing time on flagged entries and increase time available for greater analysis within the Risk Management Unit at Jamaica Customs.

3. Petroleum Monitoring Measures

PRIDE Jamaica supported an activity that assisted the Jamaica Customs Department (JCD) to establish a framework for a Petroleum Monitoring Unit (PMU) within JCD. Based on PRIDE Jamaica's recommendations, Jamaica Customs has begun training for Officers to properly measure products as they are off-loaded to support proper assessment of fees and reduce corruption. The proposed PMU will work in conjunction with Tax Administration Jamaica (TAJ) to monitor and control the importation of petroleum and ensure all revenues due are collected. The Unit will establish controls, procedures and reporting to ensure that all shipments and transmissions of product are accounted for, and revenue collected in a timely manner. It is anticipated that this measure will form part of the continuous policy review designed to promote compliance.

4. Workforce Development – skilled labor added via YUTE (with CBSI Funding)

Working with the Private Sector Organisation of Jamaica (PSOJ), PRIDE Jamaica continued support to the youth workforce development activity (YUTE) that is implemented under a Grant Agreement. The YUTE (Youth Upliftment through Employment) program is being managed by the PSOJ and its development partners and involves an intervention that is committed to working with unattached youth.

YUTE focuses on building technical and social skills, increasing employability, and providing long and short term economic and entrepreneurship opportunities for 2,200 young persons in inner-city communities. YUTE is being rolled out in eight such communities during the first phase (February 2011- January 2013). Over the reporting period approximately 44 jobs were created and 103 youth were trained to enter the workforce.

ANNEX D

DEBT MANAGEMENT'S ROLE IN TAX ADMINISTRATION

The Role of Tax Agencies in Government

1. All tax agencies exist to obtain revenue to operate the government. To maximize tax revenue in the long term, taxpayers must be compliant with the tax laws. They must follow all the provisions of the law, starting with filing and paying as required. All of the functions of the Tax Administration Jamaica (TAJ) make a contribution to maximizing taxpayer compliance with the tax laws.
2. The Customer Service function is responsible to ensure that taxpayers know the provisions of the tax law which apply to them and can easily comply with those requirements.
3. The Audit and Investigations functions are responsible to ensure the taxpayer's filed tax returns are accurate, comply with specific provisions of the tax law and that the taxpayer has reported the proper amount on those tax returns.
4. The Debt Management function is responsible to ensure the taxpayer complies with the tax law's most basic requirements - to timely file tax returns and timely pay any tax, penalties and interest due.
5. TAJ's focus has been on generating revenue in the short-term. Lists of arrears cases are scanned for possible payments. Short-term projects are created whose results are not critically measured or compared to the lost opportunity cost of taking staffing away from their assigned duties. Unfiled tax return periods are recognized by the computer system, but there is no effective program for addressing and resolving them.
6. Compliance with the basic filing and paying requirements of any tax law is directly proportional to the amount of emphasis placed on addressing those requirements.

Taxpayer Non-Compliance with Filing and Paying Requirements

1. Some taxpayers fail to file or pay as the result of an oversight or simple error. Some taxpayers do not know how to comply. Other taxpayers are busy creating and growing their business and do not take them time to learn about their tax obligations. Some know but do not act on the responsibility to ensure the tax matters of the business are handled properly. Some taxpayers intentionally avoid filing and paying tax returns because they are dishonest, engaged in illegal activity, or claim a moral objection to taxation.
2. But the most common cause of delinquency in filing and/or paying is financial difficulty. New businesses especially often begin their operations under-capitalized. Expecting their accounts receivable to be plentiful and pay timely, under-capitalized new businesses quickly begin to accumulate unpaid liabilities of all types.

3. The most egregious of violations occurs when employers use trust funds to operate their business. Trust funds are those monies which are collected by the business (Pay as You Earn [PAYE], ED, GCT and SCT taxes collected from goods sold) and held in trust for timely delivery to the government. Trust funds never belonged to the business, and when the business owner starts to use this trust fund money to operate his business, it is a form of theft. The government becomes an “involuntary creditor”.
4. Taxpayers who experience financial shortfalls are expected to borrow money from relatives, banks or other financial institutions to properly capitalize their business for the routine delays of normal income/cash flow. They may need to streamline operations, reduce costs, legally pursue their delinquent accounts receivable, and take other necessary steps to balance their income and expenses. They should not stop filing tax returns. They should not use tax money to operate their business. But both of these reactions are typical and predictable when taxpayers encounter financial difficulties, and must be promptly addressed by TAJ if the negative impact to compliance with tax laws is to be minimized.
5. Businesses that are not profitable enough to convince a bank to lend them adequate capital to pay their delinquent tax debt and operate should voluntarily go out-of-business. Because dreams and lives are invested in their business, the business owner usually delays this decision until some creditor makes it too difficult to ignore the consequences any longer. Until the decision is forced, they will go on incurring more and more debt they will never be able to pay, and the creditors will regret not having acted sooner.
6. Taxpayers who are using tax money to operate their businesses usually refuse to acknowledge and properly address the financial reality that their business is not profitable. There are many possible solutions, but it is the taxpayers’ problem and they have the responsibility to do something to solve the problem without resorting to using tax money to operate their business. Compliance Officers have the responsibility to analyze the business and educate the taxpayer on the underlying cause of the delinquency, and ensure that the taxpayer becomes fully compliant.
7. Taxpayers who are allowed to respond to a TAJ contact by using the current month’s taxes to pay some part of old tax debt are being trained to kite money.

ANNEX E

TESTING PRIORITIZATION AND TREATMENTS FOR DEBT ARREARS CASES

TAJ applied the priority scoring system to the Kingston Office arrears cases for a test, including treatments for HIGH priority and the Currently Not Collectible (CNC) process. The Customer Call Centre in May Pay is handling MEDIUM priority cases, and LOW priority cases are not being worked during the test.

On January 30, the first group of HIGH priority taxpayers was assigned to 8 Compliance Officers (CO) for field work. The 8 COs were relieved of all other duties such as Taxpayer Compliance Certificates, reconciliations, etc. Their inventories will be increased by 10 or more taxpayers per week until each Compliance Officer has a maximum of 50 HIGH priority taxpayers in inventory. Then, as a case is closed, a new HIGH priority case will be assigned. Field Compliance Officers inventories should always be held to a reasonable level. For the test, PRIDE Jamaica recommended that the number of cases not exceed 50 per Compliance Officer. The impact of having no administrative enforcement authority is not something PRIDE Jamaica has experienced or can estimate. It is possible that more cases can and should be assigned because the enforcement actions available to TAJ are very limited and most are not complex. The Debt Management Programmes staff will assist management to determine this based on the results of the test.

The MEDIUM priority cases were assigned to the Customer Call Centre (CCC) for outcalls. The CCC is uniquely suited to maximize the number of calls and find phone numbers to test the effectiveness of a call site approach to working these cases. Their goal during the test is not to resolve the case over the phone, but rather to notify the taxpayer of the delinquency and explain the added IPS for failing to resolve it, and encourage the taxpayer to go to the Kingston Office to resolve the matter. CCC employees are not trained in analyzing cash flow or making payment arrangements, and they do not have the staff to engage in long conversations or analysis. If the taxpayer objects to all or any part of the delinquency amount, wants to provide information (or says they have already provided information to someone at TAJ), or wants to pay or enter into a payment arrangement, the taxpayer will be advised to take all relevant documents, go to the Kingston Office and ask for a specific manager (the Acting Manager in charge of the test). Use of this name will indicate that the taxpayer has appeared in the Kingston Office as the result of the CCC call, and that will be recorded on the case. The taxpayer will be handled by an available office caseworker. The CCC has its own priorities and may not be able to make calls on all of the Kingston MEDIUM priority cases during the test period. But it should provide adequate testing to estimate the number of employees who would be required to call all of them, and extrapolate to determine what resources would be needed to call all of the nation's MEDIUM priority cases.

Under existing law Debt Management's challenge is to identify any effective actions the CO can take other than contacting the taxpayer and requesting payment. Unless the taxpayer agrees to cooperate, the only other option remaining requires summons and Court procedures. The staff hours involved in this "treatment" are extensive, and the results have historically been less than

spectacular. Potential return-on-investment, compliance and revenue gained for the amount of staff year expenditure, must be factored into the decision to give a case this treatment. Lost opportunity cost (what other cases must the Compliance Officer put aside to do this work) must also be considered. One of the benefits of prioritization is that the cases presented at the top of the scoring should be the most likely candidates for Court proceedings. The reason that inventories were reduced to a manageable size for Compliance Officers working HIGH priority is to provide them with the most important cases, the expectation of resolution and enough time available to take the necessary steps – which might include the Court process. But even if the prioritization system has accurately ordered the cases, there will still be HIGH priority cases that will not justify the summons/Court process. Working through the cases in priority order simply means that there is a scientific method delivering cases to be worked. As they are worked, only some of the cases will justify the Court process. Standard Operating Procedures will evolve to include the conditions that should be considered to make this decision. Except in a rare circumstance, the Court process is not a treatment that should be considered for cases of MEDIUM priority. Cases referred for Court action should have been in the inventory of a Field Compliance Officer (HIGH priority case) to attempt less costly resolution, before the referral is made.

Until the new law with administrative enforcement authority is passed, what happens to those where the Court process expenditure is not justified? Exactly what has been happening before – some additional number of taxpayer contacts will be made to cajole the taxpayer into making some payment. If new laws are never passed, the “call list” will continue to expand to include basically every taxpayer in Jamaica who does not need a TCC to operate. After some minimum number of calls, and absent any other methods to cause the taxpayer to comply, the cases need to be declared CNC. There is no magic available for turning old debt into revenue for TAJ.

The LOW priority cases were reviewed by Programmes staff and the advisor to ensure that there were no significant oversights or programming issues with the cases identified. The run was then expanded to include all the Revenue Service Centres (RSC). These are the lowest of LOW priority cases. The Deputy Commissioner General of Operations also reviewed the output and authorized that these taxpayer entities nationwide be marked “Below Deferral” and should be removed from the lists of arrears cases given to the Debt Management supervisors.

Cases identified as LOW priority are below the score deemed worthy of any further expenditure of staff time. When the priority scoring system makes the determination based on a cutoff score established by management, these cases should be marked “Below Deferral” to distinguish them from a manually input CNC1 – which might occur when a case is on a Debt Management list, and the amount due is reduced to below the cutoff before the case has been assigned. LOW priority cases should not be assigned to be worked.

The CNC process will continue to remove uncollectible cases from the current list of arrears cases. TAJ has not yet determined whether an ICTAS suspension code can be slightly reprogrammed to allow CNC and LOW priority cases to be recorded there.

ICTAS markers of some sort would be the best solution at this time. This was recommended by the Information Technology Officer, and will be pursued after the test. The Excel spreadsheet methodology employed by Debt Management now will continue to be used for the test.

But wherever the CNC and LOW priority conditions are recorded, the process needs to result in the removal of these cases from lists Debt Management personnel are expected to work, and

the removal of these cases and their balance-due total amounts from the reports provided to the Ministry of Finance and/or used to set targets.

The Debt Management Programmes Manager is charged with oversight of the Kingston test and reviewing the results. Based on the test results TAJ can incorporate changes that may be needed and implement the new procedures nationwide.

ANNEX F

JAMAICA DEBT MANAGEMENT OPERATIONAL PLAN (DMOP) ASSUMPTIONS DOCUMENT

National Plan

The recent work completed by PRIDE Jamaica resulted in a classification of Debt Management cases into three categories. High, Medium, and Low Priority cases are identified by the following criteria: Risk, Revenue, Compliance, and Collectability. The cases have been scored based on priority and are assigned accordingly to Compliance Officers in the Office and Field activities. Additionally, these cases will be worked by the most appropriate function (Field or Office) within Debt Management.

- Tax Arrears cases to be assigned to Debt Management.
 - HIGH priority cases will be worked by Field Compliance Officers
 - MEDIUM priority cases will be worked through phone call activity
 - LOW priority cases will not be worked

- Stop-filer cases to be assigned to Debt Management should be prioritized by a system similar to the one this advisor developed for arrears debt cases.
 - HIGH priority Stop-Filer cases will be worked by Field Compliance Officers
 - MEDIUM priority Stop-Filer cases will be worked through phone call activity
 - LOW priority Stop-Filer cases will not be worked

Assumptions for Debt Management Operational Plan (DMOP)

Assumption # 1 Prior Year New Taxpayer Cases. This number is derived from a review of prior year records. This number represents the total of new taxpayer cases (both Debt Management and Stop-Filer) received during the month. 2012 is projected based on new case information from 2011. It is an estimate. Future records will be more accurate as to new cases.

Assumption # 2 Prior Year New Cases by High, Medium, and Low Classification. Applying the percentage of high and medium cases obtained in the original case classification study split (January 2012) generates this number. Future information on new cases will be accurate because the system has been programmed to reflect High, Medium, and Low classification on each case.

Assumption # 3 Reductions of total time (in days) to reach direct time for casework considers the following required reductions for each employee:

Vacation Days 25

Sick Leave Days 10

Department Leave Days 10
Training Days 5

Total Days for employees: 50 per year*

***Note:** These represent average days that employees are entitled to use. Also total time available reflects those work days/hours available and do not include official holidays in Jamaica.

Assumption # 4 A general 10% reduction of time, after the reductions above in Assumption # 3, is taken to account for general office duties taking personnel away from direct Debt Management Activities.

Assumption # 5 Experience Rates of closures (the number of average hours per case closure) of a Debt Management Case and a Stop-Filer Case were determined. This number has a relatively low level of confidence due to the changing processes in Debt Management and is based upon recent observations of employees. The experience rates are set for both the Office and Field activities in Debt Management. Five hours per case for Office activity to resolution and 10 hours per case for field activity to resolution. Also, an experience rate of 3 hours per case for Office activity to resolution has been set for Stop-Filer Cases.

Assumption # 6 The percentage of work for Tax Arrears Cases and Stop-filer Cases for 2012 will be set at 85% of Direct Time available to Tax Arrears Cases and 15% of Direct Time available for Stop-filer Cases. Stop-Filer casework will be completed in the Office Unit.

National Debt Management Operational Plan

The National Plan will be the cumulative results of 7 Revenue Service Centres (RSC) and the Large Taxpayer Office (LTO). An Excel program will assist in determining how to allocate Compliance Officer staff hours to develop the optimal plan, within the bounds of total Debt Management staff years.

Plans to Guidance to the Regional Service Centers

The National plan must be divided up among the Regional Service Centres and the LTO, where the Debt Management efforts will be realized. Programme Department staff will use the existing inventory counts of High and Medium Priority Cases and counts of anticipated new Debt Management Cases for each of the seven RSC's to develop plans. Initially, the same experience rates for field and office work that are used in the DMOP plan will be used. In future iterations of the DMOP, Regional Service Centre experience rates will be substituted in their plans.

The Programmes Department will coordinate the effort to develop the regional plan with the RSC Management. There may be valid reasons why the optimal plan pattern will not be practical for the RSC. Working together, the headquarters and RSC official should reach a

consensus about the final plan. It will attempt to conform to the optimal strategy, and also adjust for local conditions.

Once the final plan is determined, the RSC will work toward the accomplishment of the plan, and the Programmes Department will monitor the RSC's progress and provide additional guidance as needed. The Excel spreadsheet program will be made available to all RSC's so that the task of making proposed adjustments for hours to programs can be calculated. The approval of the DMOP is retained at the Deputy Commissioner General, Operations.

Debt Management Operational Plan Represents a Set of Goals for the Fiscal Year

The plan for each office is to be viewed as a set of goals. It is a number of resolved cases in both collection and stop-filer areas. Some regional offices may exceed these goals and some offices may not achieve the goals. Since the goals for fiscal year (FY) 2012/2013 are established at a high level for each RSC, it is likely that some variability will occur due to the unique nature of each RSC, i.e. some are metro, some are rural; there are different levels of business vs. agricultural activity in the RSC; and workload may not be evenly distributed. That is, in a regional office some targets may be overachieved and others underachieved. However, the National DMOP should be viewed at a total program level with a goal of national achievement that is close to the goals set nationwide.

Evaluation of Offices Based on Results

The Headquarters and Regional offices will get reports that will display the statistical results of the Debt Management program and the DMOP. These results will be used to monitor and evaluate the success of the program. They will also be used to make future plans more reliable and realistic.

Individual Tax Compliance Officers will not be individually evaluated based on the RSC Plan or its targets of inventory closures. Individuals will be evaluated based on their performance on casework assigned to them and other TAJ criteria.

ANNEX G

DEBT MANAGEMENT OPERATIONAL PLAN FY 2012/2013 MASTER INVENTORY AND CLOSINGS

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTALS
INVENTORY													
OPENING INVENTORY													
OFFICE DEBT MGMT	0	0	0	0	0	0	0	0	0	0	0	0	
OFFICE STOP FILERS	0	0	0	0	0	0	0	0	0	0	0	0	
FIELD	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL	0												
NEW TAXPAYERS ADDED													
OFFICE DEBT MGMT	0												<u>NEW TAXPAYERS</u>
OFFICE STOP FILERS	0												0
FIELD	0												0
TOTAL	0												0
NEW ADJUSTED TOTAL													
OFFICE DEBT MGMT	0												
OFFICE STOP FILERS	0												
FIELD	0												
TOTAL	0												
ACTUAL CLOSURES													
LESS TAXPAYERS CLOSED													<u>ACTUAL TOTAL CLOSURES</u>
OFFICE DEBT MGMT	0												0
OFFICE STOP FILERS	0												0
FIELD	0												0
TOTAL	0												0

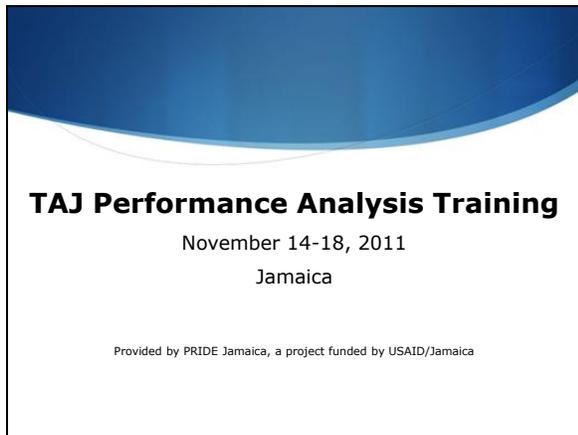
PRIDE JAMAICA

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTALS
CLOSING INVENTORY													
OFFICE DEBT MGMT	0												
OFFICE STOP FILERS	0												
FIELD	0												
TOTAL	0												
SCHEDULED CLOSURES													
LESS TAXPAYERS CLOSED													<u>PROJECTED TOTAL CLOSURES</u>
OFFICE DEBT MGMT	0	0	0	0	0	0	0	0	0	0	0	0	0
OFFICE STOP FILERS	0	0	0	0	0	0	0	0	0	0	0	0	0
FIELD	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	0												
VARIANCE: ACTUAL TO SCHEDULE													<u>VARIANCE FOR 2012</u>
OFFICE DEBT MGMT	0												0
OFFICE STOP FILERS	0												0
FIELD	0												0
TOTAL	0												0

- NOTE:** Inventory represents high and medium priority cases to be worked.
- NOTE:** Inventory expressed in Taxpayers, Each taxpayer may have multiple open cases.
- NOTE:** Plan closures are based on experience rates in Assumptions.

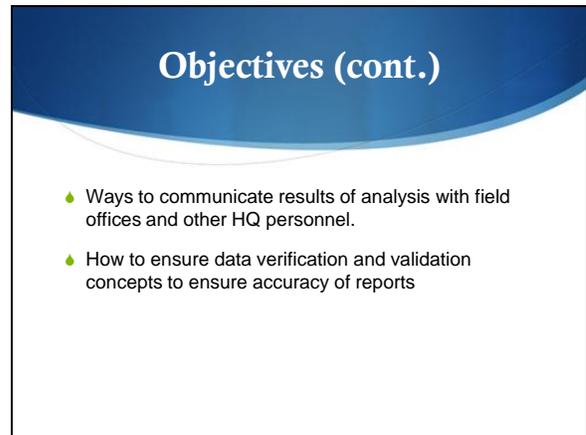
ANNEX H

TAJ PERFORMANCE ANALYSIS TRAINING PRESENTATION



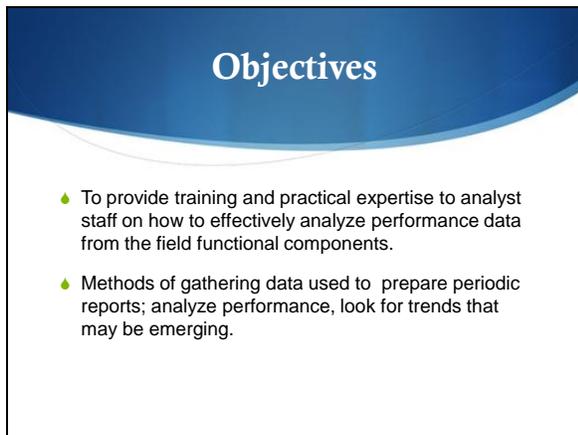
TAJ Performance Analysis Training
November 14-18, 2011
Jamaica

Provided by PRIDE Jamaica, a project funded by USAID/Jamaica



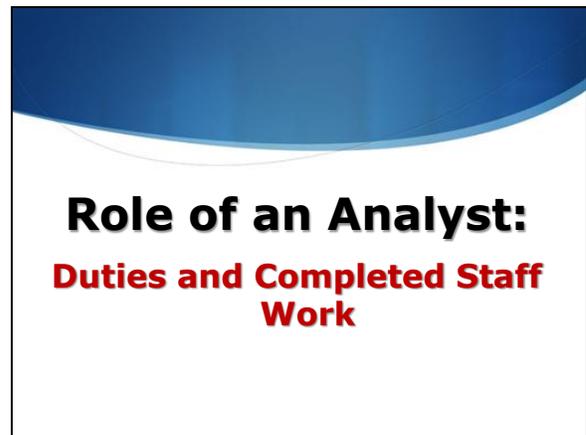
Objectives (cont.)

- ◆ Ways to communicate results of analysis with field offices and other HQ personnel.
- ◆ How to ensure data verification and validation concepts to ensure accuracy of reports



Objectives

- ◆ To provide training and practical expertise to analyst staff on how to effectively analyze performance data from the field functional components.
- ◆ Methods of gathering data used to prepare periodic reports; analyze performance, look for trends that may be emerging.



**Role of an Analyst:
Duties and Completed Staff
Work**

Duties of an Analyst:

- ◆ An Analyst's job is to provide information, analysis, and insight to the Director.
- ◆ An Analyst's job is to be the eyes and ears for the Director.
- ◆ An Analyst's job is to provide timely information to the Director.

Identify the Key Characteristics Attributable to a Quality Work Product

- ◆ Concise, succinct
More is not always better!
Keep it simple!
A picture, a graph can convey a tremendous amount of information

Analyst Work Products

- ◆ Identify the key characteristics attributable to a quality work product
- ◆ Itemize the factors that define a completed work product
- ◆ Catalogue the activities necessary to achieve successful project work completion
- ◆ List the most common challenges in achieving assigned analyst work and list ways to overcome these challenges

Identify the Key Characteristics Attributable to a Quality Work Product

- ◆ Provides necessary tie-ins
No "left field" comparisons
Is there a connection that needs to be made?
Does it make sense to you?

Identify the Key Characteristics Attributable to a Quality Work Product

- ◆ Complete
- ◆ Understandable
- ◆ Concise, succinct
- ◆ Provides necessary tie-ins
- ◆ Timely completion
- ◆ Meets identified objective
- ◆ Aesthetics
- ◆ Other?

Identify the Key Characteristics Attributable to a Quality Work Product

- ◆ Timely completion
It is no good tomorrow if I needed it today!

Identify the Key Characteristics Attributable to a Quality Work Product

- ◆ Meets identified objective

What did you set out to do?

Keep your project goal in mind....

The usefulness of the tool in a decision making process

Other Factors Relative to a Quality Work Product

- ◆ When and why not to forward a string of emails....Getting to the point
- ◆ Knowing the status of any project...What has been received (if request are out there – who responded) and what has not been received
- ◆ Status of project moving it toward completion

Identify the Key Characteristics Attributable to a Quality Work Product

- ◆ Aesthetics

Why does a Quality work product need to be “eye appealing” ?

Itemize the Factors That Define a Completed Work Product

What is Completed Staff Work?

- ◆ It is the thorough study of a subject and the presentation of a completed project in such a whole form that the only thing remaining to be done after the review by the deciding official is to approve or disapprove

Note: The completed product contains all the findings and recommendations

Identify the Key Characteristics Attributable to a Quality Work Product

- ◆ Identify and discuss OTHER items that are attributable to a QUALITY work product

What are other items that affect Quality Work Products?

Itemize the Factors That Define a Completed Work Product

- ◆ What does a Completed Work Product Look like to You?

Some Examples of What a Completed Work Product Can Be

- ◆ Telephone contact
- ◆ Memorandum
- ◆ Letter
- ◆ Report
- ◆ Oral Presentation
- ◆ Demonstration
- ◆ Email (with or without an attachment)
- ◆ Other

Steps Involved in Completed Staff Work

- ◆ Step 3 – Outline your action plan
 - What information do you need?
 - How will you gather it?
 - Who will you contact?
 - Are additional resources needed?
 - Is your deadline realistic?

Steps Involved in Completed Staff Work

- ◆ Step 1 – Understand what you have been asked to do
 - Scope – The boundaries of your work
 - Time Frame – When is the product due
 - End Product – Determine in advance the type of end product desired to accomplish the objective

Steps Involved in Completed Staff Work

- ◆ Step 4 – Research
 - Gather the facts
 - Investigate
 - Determine the resource impact

Steps Involved in Completed Staff Work

- ◆ Step 2 - Know the audience...
 - Executives – Big Picture
 - Managers – More details
 - Others – Short summary followed by details

Steps Involved in Completed Staff Work

- ◆ Step 5 –
 - Analyze the facts
 - Study information

Questions?

- ◆ What questions do you have?
- ◆ What issues do you see?
- ◆ How should you proceed?

Steps Involved in Completed Staff Work

- ◆ Step 8 – Develop Recommendations
 - Written
 - Oral

Steps Involved in Completed Staff Work

- ◆ Step 6
 - Coordinate with affected Parties

Steps Involved in Completed Staff Work

- ◆ Step 9 – Sanity Check
 - Identify the characteristics of a well written project
 - Recognize how words can impact your leader
 - Apply writing tips to re-write and revise your report as necessary

Steps Involved in Completed Staff Work

- ◆ Step 7 – Develop Alternatives
 - Step by step analysis
 - Experience of others
 - Research
 - Brainstorming
 - Personal experience and judgment
 - Consider piloting

How Can We Assess if We Have a Quality Completed Work Product?

- ◆ A simple check sheet for review to assist
- ◆ In preparing the completed product, you should score 100% on the check sheet. If no is answered on any question, a little “tweaking” will be necessary

Categories to Check – Knowing the 5 – C’ s!

- ◆ Clarity – Understandable
- ◆ Conciseness – Succinct
- ◆ Correctness – Accurate
- ◆ Content – Fit for use
- ◆ Completeness – Name and dates correct

Catalogue the Activities or Steps Necessary to Achieve Successful Project Work Completion

- ◆ Recognize timeframe for delivery
- ◆ Communication of expectations for assignment
- ◆ Responsiveness
- ◆ Consider input from all relevant sources
- ◆ Collaboration
- ◆ Ensure to leave not loose ends

Actions Necessary by Analysts to Provide Completed Staff Work

- ◆ Taking initiative to consult with others
- ◆ Interpret, work to understand, and recommend
- ◆ Avoid duplication, awareness of other work around you
- ◆ Ensure to consider and tie work into organizational objectives, priorities, and goals
- ◆ Clearly describe and portray relevancy
- ◆ Ensuring for the inclusion of basic Presentation and Identification information on your reports such as Date, Time, Revisions, Source, file name, etc.

Catalogue the Activities or Steps Necessary to Achieve Successful Project Work Completion

- ◆ Make recommendations in your delivery or presentation
- ◆ Ownership and pride in the assignment
- ◆ Meet the desired objectives and your supervisor’ s expectations
- ◆ Effectively communicating your results
- ◆ Performing necessary follow up

What Do You Think is an Acceptable Response Time to Get Back to a Customer Request?

- ◆ To a Field Customer?
- ◆ To one of your own Compliance functional peers as TAJ works together?
- ◆ What do you think about a status check if you run into challenges? Necessary?

List the Most Common Challenges in Achieving Assigned Analyst Work and List Ways to Overcome These Challenges

Challenges.....

- ◆ Balancing work efforts
- ◆ Meeting short deadlines & timely delivery
- ◆ Working with others to achieving an assigned task – successful collaboration
- ◆ Meeting the supervisor’ s expectation on a project
- ◆ Technical ability and overall knowledge to complete assigned task

Identifying Ways to Overcome Challenges to Identified Work Needs

- ◆ Planning
- ◆ Prioritizing your work efforts
- ◆ Communication with all parties involved in the process, including a clear understanding of your supervisor's expectation
- ◆ Ownership

What Do I Need to Do?

The Number s

Summary

- ◆ Quality Work Product
- ◆ Completed Staff Work
- ◆ Necessary Activities to Complete Assigned Work
- ◆ Overcoming pitfalls to achieve assigned tasks

Analysis of Performance

- ◆ Areas of Focus
- ◆ Data Sources
- ◆ Review of Cases

Analysis of Performance: Methods and Sources

Areas of Focus

- ◆ Age of Inventory or Case
- ◆ High Value Cases
- ◆ Use of Enforcement Tools
- ◆ Collected Taxes (GCT)

Age of Inventory or Cases

- ◆ The older a case, the harder to collect! (Cables 1992)
- ◆ A key factor in inventory turnover is age.
- ◆ When analyzing performance look first at the “time” in inventory for cases to review.

Collected Taxes (GCT)

- ◆ These taxes are different, they are not funds that belong to the Taxpayer
- ◆ Taxpayers hold these funds “in trust” for the Government
- ◆ Special focus should be applied to these cases

High Value Cases

- ◆ High Value Cases are a key priority for TAJ
- ◆ Look to those cases that represent the highest value, for the greatest impact.
- ◆ The revenue of Jamaica is at stake.

Data Sources

- ◆ Data sources are changing with the introduction of new automated systems.
- ◆ Automated data is more accurate than manually collected data*

*garbage in = garbage out

Use of Enforcement Tools

- ◆ Most Taxpayers want to pay, but are having difficulty.
- ◆ Some Taxpayers are evading payment.
- ◆ Enforcement is a visible tool that should be used.
- ◆ Enforcement is public and will result in payment.

Data Collection

- ◆ Data can be collected in a number of ways
 - ◆ manual count
 - ◆ check sheets
 - ◆ survey forms
 - ◆ automated systems
 - ◆ other
- ◆ Ensure that the data collection methods are valid and reliable

Using Measures

- ◆ As Indicators of Performance
- ◆ To Determine Root Causes of Problems
- ◆ To Understand Consequences of Actions
- ◆ As a Basis for Evaluation of Organizational Performance

Questions?

- ◆ What questions do you have?
- ◆ What issues do you see?
- ◆ How should you proceed?
- ◆ What action can you take, what can you do based on the information you review?

Using Scorecards

- ◆ Data elements and Performance Measures have been agreed
- ◆ The opportunity to trend performance indicators gives insight
- ◆ It creates a standard way of discussing performance

Challenge of Thinking

- ◆ In order to be an effective analyst you must think creatively.
- ◆ In order to be an effective analyst you must not just accept the norm.
- ◆ In order to be an effective analyst you must communicate effectively.
- ◆ In order to be an effective analyst you must listen.

Something to Think About...



“If measurement alone would achieve the desired result...the bathroom scale would replace the diet.”

Anonymous

Thinking outside the Box

- ◆ Your task is to balance the 13 nails at your table on the head of the one screw sticking out of the block of wood. All the nails must stay balanced simultaneously and be freestanding; that is, not propped up or bound by any other material or object, including the block of wood. The block of wood must remain at rest, squarely on the table. Your task is to balance all of the screws on the table on the one nail sticking out of the block of wood.

Monitoring and Evaluating TAJ Results

Statistics

- ◆ The science of collecting, organizing, and interpreting numerical facts.
- ◆ Techniques include:
 - ◆ Descriptive
 - ◆ Inferential

Analyze Data

- ◆ Regularly scheduled analysis should be performed on performance data.
- ◆ Analysis should be done at both Headquarters and local levels
- ◆ Managers should analyze results for their group

Statistical Uses

- ◆ Identify Potential Problems/Issues
- ◆ Measure Program Effectiveness
- ◆ Recommend Change
- ◆ Report Results
- ◆ Prediction

Objectives

- ◆ Analyze Data Related To Your Program
- ◆ Identify Data Sources
- ◆ Data Versus Measures
- ◆ Select Correct Data
- ◆ Interpret Data and Measures
- ◆ Summarize Findings

To Use Statistics

- ◆ Understand Statistical Terms
- ◆ Aware of the Types of Data
- ◆ Locate Data Sources
- ◆ Secure and Manipulate Data
- ◆ Form Conclusions

Data

- ◆ Relevant
- ◆ Consistent
- ◆ Reliable
- ◆ Current
- ◆ Repeatable

Disseminate Results

- ◆ Results and scorecards should be disseminated openly for transparency
- ◆ Focus should be on performance over time for units (Field Operational Units)
- ◆ Caution should be taken to ensure no improper actions are taken to improve results based on improper treatment of taxpayers

Measures

- ◆ There are generally two types of measures, they are:
- ◆ Process Measures -Those indicators that measure steps of a process, like Collection.
- ◆ Results Measures -Those indicators of the end result of an effort.

Reevaluate Measures Periodically

- ◆ The current system of identified measures should be reviewed and evaluated annually.
- ◆ However, trending is critical to understanding performance, so radical changes should be made understanding the impact.

Economy and Environment

- ◆ Many times the reason for failure to perform or meet targets is attributed to the Economic Conditions or the Environment.
- ◆ Some times these reasons are an attempt to divert attention from the real inefficiencies in operations;
- ◆ However, sometimes they are real and legitimate reasons.
- ◆ Analysts need to know the difference!

First Assessments

- ◆ What are the current data sources used by the TAJ?
- ◆ What is the validity/reliability of that data?
- ◆ What are the measures used by the Field Operations?
- ◆ What reports are produced by the Field Operations and with what frequency are they produced?

First Assessments (continued)

- ◆ What analysis is done on the data available to assess the collection operation?
- ◆ How is the analysis conducted?
- ◆ Over what period of time is data available?
- ◆ Does analysis of data result in directional changes in the operations?

Essential Data Elements for Audit*

- ◆ Number of Audits Conducted
- ◆ Amount of Tax Assessed
- ◆ Age of Inventory, Elapsed time since audit started
- ◆ Time applied per case, phone call, effort
- ◆ Number of multi-year audits and percentage
- ◆ Quality of work products

Essential Data Elements for Collections*

- ◆ Revenue Collected
- ◆ Revenue Outstanding
- ◆ Age of Inventory, Elapsed time since assessment
- ◆ Time applied per case, phone call, effort
- ◆ Number and Amount of accounts closed uncollected
- ◆ Quality of work products

Essential Audit Data Elements (cont.)

- ◆ Cost per transaction (time, expenses), what is the cost benefit of field work vs. office work on certain cases?
- ◆ Customer input (varies depending on client country)
- ◆ Employee input (varies depending on client country)

* Data Elements may or may not be available or cost too much. These are most desired and should be encouraged. Methods for gathering data may migrate from poor to good over time.

Essential Collection Data Elements (cont.)

- ◆ Cost per transaction (time, expenses), what is the cost benefit of field work vs. office work on certain cases?
- ◆ Customer input (varies depending on client country)
- ◆ Employee input (varies depending on client country)

* Data Elements may or may not be available or cost too much. These are most desired and should be encouraged. Methods for gathering data may migrate from poor to good over time.

What are the essential Data Elements for other functions?

- ◆ Taxpayer Service?
- ◆ Human Resources?
- ◆ Criminal Investigations?
- ◆ Communications?
- ◆ Others?

Data Verification and Validation

- ◆ How is data secured (machine, manual input, or derived formula)?
- ◆ What quality assurance efforts are in place to ensure accurate data (sampling)?
- ◆ Each area of data (time, revenue, quantity) should be validated?
- ◆ How does the client country annotate and adjust for less than accurate data?

Assessment of Guidance/Direction

- ◆ After analysis of reports, what guidance or direction is issued to field personnel?
- ◆ Are reports prepared at appropriate time intervals, i.e. more frequent for call centers?
- ◆ Are Procedural Manuals, Policy Statements, and Legal processes in alignment with the guidance and direction needed to improve operations?

Measures: Ratios/Percentages

- ◆ How is analysis conducted? Are different views of relational data presented to illustrate a complete picture?
- ◆ Are measures formulae documented and articulated? Internal/External?
- ◆ Over what period of time is data available, are there cyclical patterns in data illustrating changes in performance?

Annual Compliance Plan Development

- ◆ Consider all available data
- ◆ Current level of collections
- ◆ Expected law changes affecting collection
- ◆ Changes in staffing levels and other resources
- ◆ Improved procedures and techniques

Measures: Ratios/Percentages

- ◆ Have measures been identified? Are they the vital few measures?
- ◆ Are diagnostic indicators used to support an understanding of performance?
- ◆ What reports are needed/desired and what distribution of reports currently exists?
- ◆ Do reports/data flow to external organizations? Internal ministries?

Annual Compliance Plan Development

- ◆ Improved computer support
- ◆ The government forecast of inflation
- ◆ The proportion of time that should be spent on arrears and non-filers

Questions?

- ◆ What questions do you have?
- ◆ What issues do you see?
- ◆ How should you proceed?

Group Presentations

- ◆ Each group should present their findings to the whole group.
- ◆ The whole group should ask questions to challenge conclusions that are not supported.

TAJ Reports

- ◆ The handout you are receiving are the current proposed TAJ Reports
- ◆ We will divide the group into smaller groups working on operational functions.
- ◆ Work with your small team and answer the next slide set of questions.

What other analysis do we want?

- ◆ Discuss with your table partners the elements of data present on the scorecard.
- ◆ Identify other data elements or analysis efforts that you believe can be reasonably accomplished.
- ◆ Remember that data gathering and analysis is a journey, no matter where you start improvements can be realized over time.

Exercise on Performance Analysis

- ◆ Break into groups of 4-5. I will assign functions.
- ◆ Use the handout TAJ Reports
- ◆ Perform an analysis of the data you see by your assigned function, what actions will you recommend?
- ◆ Prepare a report of findings to present to the group
- ◆ Identify items you would like to see that aren't present on this scorecard

How can we implement?

- ◆ Discuss suggestions and obtain agreement of top managers to implement new reports and staff an analytical function
- ◆ Provide training for managers on how to use new and existing reports
- ◆ Sell managers at all levels that the benefits of gathering the data are worth the effort; top manager should do this

How can we implement?

- ◆ Help the top manager put a system in place to ensure that required reports are actually submitted timely
- ◆ Train and coach report analysts and help managers recognize needed changes in procedures or emphasis

Review of Cases

- ◆ Data is only the beginning.
- ◆ Data can lead you to types of cases or areas of concern
- ◆ There is no substitute for the actual review of cases, both current cases and closed cases

Questions?

- ◆ What questions do you have?
- ◆ What issues do you see?
- ◆ How should you proceed?

Sampling of Cases to Review

- ◆ In most cases, people work all their cases the same, so statistically valid sampling isn't required.
- ◆ Usually you can identify performance issues by examining 10 or fewer cases

Review of Casework

- ◆ Review of actual Case Work is the only way to actually verify what is being reported.
- ◆ Reviews should be conducted by sampling and expanded to a full review only when indicated.
- ◆ Reviews should be shared with the line management to gain agreement to the facts of the case.

Which cases to Review

- ◆ Focus on the areas identified earlier in the training.
- ◆ Aged Cases
- ◆ High Value Cases
- ◆ Enforcement Cases
- ◆ Collected Tax Cases

Review Agenda (Cont.)

- ◆ Taxpayer Complaints:
- ◆ Are proper records maintained concerning taxpayer complaints?
- ◆ Are trends of complaint identified thru analysis of taxpayer complaints?
- ◆ Are corrective actions taken when necessary?
- ◆ How are corrective actions to procedural problems identified and transmitted to headquarters? How are other managers and employees educated about the corrective actions?

Communicating Results

- ◆ State The Importance Of Political Protocol
- ◆ Recognize And Act Upon Internal Policies
- ◆ Approach Each Situation With A Clear Perception Of Political Correctness
- ◆ Network, Establish, And Leverage Relationships Both Inside And Outside Your Organizational Framework To Maximize Your Interactions To Get The Job Done

Use the Master Inventory List

- ◆ Identify type of review, current case or closed case.
- ◆ Identify 10 cases from the selected area(s) of review.
- ◆ Establish a check sheet to record review findings.
- ◆ Share results with the counterpart manager.

Analyst Opportunities

- ◆ Interact With Top Echelon
- ◆ Influence National Policy And Procedures
- ◆ Impact Positively What Is Done And How It Is Done

Questions?

- ◆ What questions do you have?
- ◆ What issues do you see?
- ◆ How should you proceed?

Draw a Pig Exercise

- ◆ Take out a clean sheet of paper
- ◆ Draw a Pig
- ◆ We will discuss your personality in 5 minutes.

Define Political Protocol

- ◆ Being Effective
- ◆ Recognizing “Hot Buttons”
- ◆ Choosing Words That Seek Agreement And Understanding
- ◆ Disagreeing In An Agreeable Manner

Elements of Being Successful

- ◆ Network And Communicate Effectively
- ◆ Develop An Awareness Of Others
- ◆ Watch Your Words

Define Political Protocol

- ◆ Spending Energy Wisely
- ◆ Recognizing When To Disengage
- ◆ Avoiding Defensiveness
- ◆ Following Chain Of Command

Network and Effectively Communicate

- ◆ Learn People’s Positions
- ◆ Get History On Issues
- ◆ Be Cautious About Being Informal
- ◆ Talk To Others
- ◆ Be Proactive In Building Relationships

Define Political Protocol

- ◆ Getting Things Done
- ◆ Getting Necessary Support
- ◆ Being Effective

Network and Effectively Communicate

- ◆ Follow Chain Of Command
- ◆ Develop Trusted Associates
- ◆ Use Others As Sounding Boards
- ◆ Be Responsive

Develop an Awareness of Others

- ◆ Be Understanding, Friendly And Empathetic
- ◆ Honor Diversity And Difference
- ◆ Understand Strengths And Weaknesses
- ◆ Understand Reasons For Behavior

Key Elements To Presenting Ideas

- ◆ Know Your Audience
- ◆ Know Your Subject
- ◆ Tell An Effective Story
- ◆ Think Logically
- ◆ Be Creative

Develop an Awareness of Others

- ◆ Anticipate Consequences Of Actions
- ◆ Don' t Be Critical Without Solutions
- ◆ Be Respectful Of Others Whatever Their Positions
- ◆ Everyone Makes Mistakes

Miscellaneous Tips

- ◆ Maintain A Consistent Workstyle
- ◆ Display A Professional Manner
- ◆ Give Leadership The Benefit Of The Doubt
- ◆ Don' t Assume Things Can' t Change
- ◆ Disagreements Should Not Become Personal
- ◆ Attitude Is How You Are Perceived

Watch Your Words

- ◆ Make Decision Wisely On Written Versus Oral
- ◆ Think About The Purpose Of Your Message
- ◆ Use Language That Will Help You Achieve Your Goal

Summary

- ◆ Remember Chain Of Command
- ◆ Your Thoughts And Ideas Are Very Valuable
- ◆ Don' t Be Bound By History, But Be Respectful Of It
- ◆ Don' t Underestimate Your Value Or Sphere Of Influence

Next Steps

- ◆ Get started – don't wait for the “perfect measures” to be developed and implemented or for “perfect data”.
- ◆ Make sure the measures you select or the cases you review encourage the behaviors you desire in your organization. If you focus on aged inventory or turnover these areas will improve.
- ◆ Always look at a problem from different angles. Nothing is as it appears on first look.
- ◆ Question standard reasons or excuses.

Closing

ANNEX I

IMPLEMENTATION STATUS OF IMPROVED MANAGEMENT REPORTS FOR OPERATIONS

- 1. Recommendation: All TAJ reports should be processed through the Planning Unit.** At this point in time, the Large Taxpayer Office does not process reports through the Planning Unit. The Planning Unit should be the central repository for data associated with performance of TAJ and all Departments should send performance reports and data through that unit to ensure consistency of reporting and allow for analysis of results. The Planning Department should be designated as the “Official point of Performance Data Distribution”, so that there is a consistent approach to the capture and reporting of Performance Data.

Status: This recommendation has not been fully implemented. A joint working group has been meeting to resolve the formats and data elements that will be present in the monthly reports. See below, for an update on this effort. Progress has been made and this is a scheduled follow up item for me during my upcoming May 2012 visit. It is expected that all performance reports will be submitted as copies to the Planning Unit in FY 2012/2013. As previously recommended, upon implementation of the new formats, monthly meetings should be established between both Departments for at least the next 6 months to allow for issues surrounding reports preparation and distribution to be resolved.

- 2. Recommendation: Newly revised Performance at a Glance Reports should be implemented and used going forward.** This includes both the TAJ Performance at a Glance as well as similar documents for each of the major Operations Departments within TAJ. New revisions to this document expand the categories and quantity of key performance indicators reported, and includes the Large Taxpayer Office (LTO) in these reports to reflect the new organizational design implemented in June 2011.

Status: Active work in this area continues. The working group has developed final proposals for reports going forward. The proposed reports have been discussed with the leadership and are awaiting final decisions for approval of implementation. After visits with other PRIDE Jamaica TAJ consultants some changes are being made to the reports to accommodate the risk profiling in both audit and debt management, and how cases will be assigned and reported on. While the new reporting formats and content do not fully meet the objective of reducing burden on the managers and people who are preparing the reports, they do make significant progress in utilizing the “excel” spreadsheets and shared workbook capabilities to reduce the redundancy of reporting preparation. Additionally the tasks of report compilation at the Programmes office level have been reduced.

- 3. Recommendation: The existing Quality Review Process for Audit should be amended to include scientific random sampling, statistically significant sample sizing, and weighting of standards.** In addition, the results of the quality review should be scored and

a quality score should be included in the Performance at a Glance reports for the Operations Departments. Currently only work in the General Audit area is reviewed and scored.

Status: Quality Review is conducted on audit cases. The random sampling regimen has been adopted and sample sizes are statistically valid. Quality Scores have not yet been included in the Performance at a Glance reports, but the working group has recommended their inclusion in the new formatted performance reports being recommended. The Director of Objections and Quality Review (QR) has completed the scoring for the October-December quarter and rated cases that were closed during that period; a score has been determined for each RSC. Those scores have been distributed to the RSCs. The QR office is in the final stages of establishing a roll up of RSC scores into a National TAJ score for Audit work. Based on my earlier suggestions, standards have been agreed to and weighting has been assigned to those standards. The Director of QR intends to distribute the RSC scores and hopes to have a roll up finished and implemented by the end of the first quarter of FY2012/2013. The Director of Objections and Quality Review has had conversations with Debt Management about beginning the review of Debt Management Cases. This process is expected to continue into early 2012. Quality Review Scores or assessments are critical to assessing organizational performance. In both the audit and debt management areas, the quality of the work performed has direct impact on appropriate treatment of taxpayers and revenue generated. Without an assessment of quality, the Operations leadership really is at a loss to understand whether the work is at a top-notch level. PRIDE Jamaica will undertake further work on this in May 2012.

4. **Recommendation: The Quality Review Process identified in Recommendation #3 should be expanded to the LTO.** This review should be expanded to the LTO immediately and then to other Departments as soon as quality standards can be developed and implemented.

Status: This recommendation is being implemented. Review of LTO cases has commenced and a report will be issued at the end of the fourth quarter. See the status of Recommendation #3 above. It is expected that the end of the first quarter FY 2012-1013 will complete this expansion, with a first report expected in May 2012.

5. **Recommendation: Implement a Business Process Review System (BPRS).** This has not been implemented to date. Progress on recommendation #3 will determine when this becomes implemented. PRIDE Jamaica provided training to the TAJ leadership and analyst staff on new reports and how to refine and perfect their existing reporting requirements. A working team was established and they have diligently worked on these issues. PRIDE Jamaica's work in May 2012 will support the BPRS.

ANNEX J

JAMAICA AUDIT POLICIES JANUARY 2012

Policies of the Audit Programs Department in the TAJ

The mission of the Audit Department is to audit taxpayers to enforce the tax law and enhance voluntary compliance.

Audit will use risk based selection systems to select a portion of all taxpayers to assure that resources are focused on priority cases.

Auditors will be trained to do quality work, focus on important tax issues, and carry out the work in an expedient manner to increase their productivity.

Audit management will allocate resources to the audit workload to achieve a balanced approach to cover all taxpayers and achieve both direct and indirect revenue for Jamaica. Larger taxpayers will receive higher coverage levels than smaller taxpayers.

Audit management will design an annual plan to guide the RSC's to devote their resources to work on certain classes at a pre-determined level.

The results of all audits will be captured and analyzed to evaluate the relative merits of various audit programs and this data will be used in future planning.

Auditors will use good judgment to determine the scope of the audit and expand the audit to additional years when productive and appropriate.

The Audit department will use the best practice in all procedures and utilize technology to aid in their processes and make programs effective and efficient.

The Audit Department will treat all employees with respect and create a professional work environment.

Audit employees will treat all taxpayers with respect, always behave in a professional manner and will be held to the highest standards of ethical conduct.

Audit employees must never divulge personal audit data and other secure information, except on a need to know basis.

Audit department will assure the security of tax information and take disciplinary action against anyone who violates the security rules.

The Audit department will assess the proper amount of tax, no more and no less.

Auditors and their managers will strive for a high level of agreed cases.

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The Audit Department will cooperate with other TAJ departments to achieve the best overall results for Jamaica.

Audit employees will assist taxpayers to understand their tax obligations and foster future voluntary compliance.

All employees are expected to know and understand tax laws, and enforce the law in a fair and impartial manner.

All communication will be clear and effective. Employees should say what they mean and mean what they say.

Taxpayers will be given information concerning their right to object to audit findings.

Audit department employees will try to accommodate taxpayer's valid business needs, provided it does not preclude a fair and impartial audit.

Audit employees will stay abreast of technical tax issues, identify problem areas, and abusive taxpayer practices, and work with TAJ to enhance voluntary compliance.

ANNEX K

SUMMARY OF RISKS, JUSTIFICATION, TEST[S] & EXPECTED RESULTS OF DATA REQUESTED FROM TELECOMS

DATA REQUESTED	RISK/ JUSTIFICATION	TEST	EXPECTED RESULTS	SCENARIO SIMULATION USING IDEA
1. Telecom Sector Service Catalogue - A list of all services sold to the Jamaican Subscribers such as Voice, SMS, Internet, Loyalty Programs, Financials, and Hardware. Value Added Services details like News Update SMS etc. Premium Rate Services (PRS) also known as Third Party Content Services [e.g. services that provide recorded information or live conversation for callers] e.g. Bulk SMS Business Messaging Solutions, also Unstructured Supplementary Service Data (USSD).	Failure to take stock of ALL services offered by telecoms Service. Service Catalogue provides non-repudiate proof of services offered	Conduct a reasonability check based on known facts.	Declaration of services by telecoms	N/A
2. HLR (Home Location Register) –Telecom Sector’s central database that contains details of each mobile phone subscriber that is authorized to use your GSM core network	Receiving data with deleted HLR, thereby building financial surrogates on incorrect pedestal	Check Serial Number/ A_Number Gaps for declared active/ inactive numbers.	Telecom supported statement of active/ inactive numbers:	YES
3. PIN (all fields as they appear in your database except the PIN Number itself)	Receiving data with deleted PINS and thereby building financial surrogates on the wrong pedestal	Confirm presence of corresponding A_Number in the CDR & HLR. Run checks of usage within CDR in juxtapose with PIN declarations for declared active/ inactive numbers. Run test on Serial Gaps in voucher batches.	Seamlessly integrated serial number 1:1 matches in allied tables	YES
3.1 PIN Generation inventory as prepared and loaded into Intelligent Network -IN, send to EVD, Banks and Dealers. Include Card Serial Number & Face Value				YES
3.2 PINs Loaded into the IN (all fields in the database except the PIN Number):-				YES
3.3 Loaded / Activated (“+1876XXXXXX”, Card Serial Number, Activation Date & Time, Face Value [in J\$])				YES
3.4 Other methods of airtime recharge ought to be declared				NO

DATA REQUESTED	RISK/ JUSTIFICATION	TEST	EXPECTED RESULTS	SCENARIO SIMULATION USING IDEA
4. Schedule of ALL dormant SIM cards in your format (from the server that tells customers “this number is no longer in use”). SIM card validity – Flowchart description of SIM Card Life Cycle. SIM Active , Inactive, Deactivated, Expired	Like 2 Above	Running tests to check that 2 above is a perfect complement	Successful duplicate testing	YES
5. Distributors Sales [you may also call them dealers] :- PINs sold to Distributors (Name, PIN Serial Number, PIN Value, Stock Levels and Commissions including Residual Commission & Clawback details) – Both at low data level and at high level summaries	Distributors data may differ from the telecoms declaration	Running tests to check that Distributors data may differ from the telecoms declarations	Residual Commission / Clawbacks work backs would give a clear indication of revenue stream	YES
6. Schedule of ALL Capital Equipment outlay detailing [name, quantity, price and source <u>telephone, email & Name</u>].	Unreasonable pricing, quantity and refund claims	Reasonability tests	Guarantee that quantity, type and costs are consistent with norms	YES
7. Contracts for all your dealers 8. Contracts for:- Local/International Interconnect Traffic and Dealers –high level summaries	Failure to take stock of dealers of telecoms Service may not help corroborate telecoms data from 3 rd party angle	Conduct a reasonability check based on known facts.	Declaration by telecoms	NO NO
9. Invoices to/from your dealers, postpaid customers and	Failure to take stock of dealers invoices may not help corroborate telecoms data from 3 rd party angle	Juxtapose dealers invoices with telecoms invoices	Differences tally	YES
10. Local Interconnect settlement statements	Failure to take stock of competitors settlement statements may not help corroborate telecoms data from 3 rd party angle	Run CAAT scripts: 1. Count OG - Firm A -> Firm B Vs IC Firm B <- Firm A 2. Count OG - Firm A -> Firm C Vs IC Firm C <- Firm A 3. Count OG - Firm B -> Firm A Vs IC Firm A <- Firm B 4. Count OG - Firm B -> Firm C Vs IC Firm C <- Firm B 5. Count OG - Firm C -> Firm A Vs IC Firm A <- Firm C 6. Count OG - Firm C -> Firm B Vs IC Firm B <- Firm C 7. Duration OG - Firm A > Firm B Vs IC Firm B < Firm A	Differences tally	ONGOING

DATA REQUESTED	RISK/ JUSTIFICATION	TEST	EXPECTED RESULTS	SCENARIO SIMULATION USING IDEA
		8. Duration OG - Firm A > Firm C Vs IC Firm C < Firm A 9. Duration OG - Firm B > Firm A Vs IC Firm A < Firm B 10. Duration OG - Firm B > Firm C Vs IC Firm C < Firm B 11. Duration OG - Firm C > Firm A Vs IC Firm A < Firm C 12. Duration OG - Firm C > Firm B Vs IC Firm B < Firm C		
11. International Interconnect settlement statements	Same as above	Same as above	Same as above	NO
12. Details of all past promotions and discounts	Telecoms need to explicitly declare their promotions in full details	Compare their declarations with customs C78 entries and run a cost check	Difference tally	N/A
13. Call Detail Records [CDR]				ONGOING
13.1 Post-Mediated (Rated) CDR:- (Serial#, Calling#, Called#, Duration, Call Date, Start [+End] Time, Amount [J\$/=(NOT ID)], Indicator field(s) depicting International, Local, SMS, Postpaid, Prepaid and Non Billable (Such as airtime loading, missed calls etc))	Receiving data with deleted CDRs, thereby building financial surrogates on incorrect pedestal. Deletions may not be obviously noticeable but would be detectable.	Compare the counts at each change of CDR - Call Data [Detail] Record table definition Serial Number Gaps in scratch card data 1. Zero Rated Voice Calls 2. Date Gaps in CDR batches. 3. Spikes & Dips in Duration 4. Spikes & Dips in Charging 5. Spikes & Dips in Volumes 6. Spikes & Dips in Product 7. Total Records [CDRs] # 8. Total UNIQUE lines # 9. Total Minutes 10. Total Amount [J\$] 11. Total Outgoing # [Count] 12. Total Outgoing Minutes 13. Total Outgoing [J\$] 14. Total Incoming # 15. Total Incoming Minutes 16. Total Incoming [J\$] 17. Total Others [GPRS] # 18. Total Others [J\$]	Surrogate financials based on Tariff Tables and CDR Records	

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DATA REQUESTED	RISK/ JUSTIFICATION	TEST	EXPECTED RESULTS	SCENARIO SIMULATION USING IDEA
		19. Total CDR's for Scratching Cards 20. Total [J\$] of Cards Scratched		
13.2 Pre-Mediated format of CDR:- (Serial#, Calling#, Called#, Duration, Call Date, Start [+End] Time, Amount [J\$/=(NOT ID)], Indicator field(s) depicting International, Local, SMS, Postpaid, Prepaid and Non Billable (Such as airtime loading, missed calls etc)	Same as above	Same as above	Same as above	
113.2 Tariff Tables [your database format]	Same as above	Same as above	Same as above	ONGOING
14. Sales Tables for all your services [your database format] for services not mentioned from 1 to 16 above such as: Email Centric Services, Backup-as-a-Service, Monitoring Services, Server Co-Location, Dedicated Server Service, Virtual Server Service, Service Management Support Services, Site Operation Services, Data Storage and Replication Services	Same as above	Same as above	Same as above	ONGOING
15. Own [or other party] International Gateway Traffic Data [Incoming and Outgoing]	Same as above	Same as above	Same as above	N/A
16. Voucher/PIN order requests by telecoms as soft copy from your Voucher Management System	Same as above	Same as above	Same as above	NO
17. Details of all sales of Mobile phones [Including Smart phones], Laptops, TV, Network devices and others: (Brand, Model, Price, Pieces, Customer etc)	Same as above	Same as above	Comparison tally with customs data and top 20% cost value authentication	NO
18. Airtime Demand forecasting reports	That this may be modified	Check PC Library timestamps for modification dates and source authentication	Go-No-Go	N/A

ANNEX L

FORMATION OF ALL PROBABLE TEST HARNESSES, DATABASES AND SCRIPT COMMANDS FOR PROSPECT DATA COMBINATIONS FOR SIMULATION PURPOSES

Example:

```

Sub Main
    Call ExcellImport('C:\TAJ JAMAICA\CAPEX Firm A 2011-2012.xls
    Call IndexDatabase() 'CAPEX Firm A 2011-2012-WITH CAT.IMD
    Call ControlTotal() 'CAPEX Firm A 2011-2012-WITH CAT.IMD
    Call IndexDatabase1() 'CAPEX Firm A 2011-2012-WITH CAT.IMD
    Call DirectExtraction() 'CAPEX Firm A 2011-2012-WITH CAT.IMD
End Sub

' File - Import Assistant: Excel
Function ExcellImport
    Set task = Client.GetImportTask("ImportExcel")
    dbName = Client.LocateInputFile ("C:\TAJ JAMAICA\CAPEX Firm A 2011-2012.xls")
    task.FileToImport = dbName
    task.SheetToImport = "WITH CAT"
    task.OutputFilePrefix = "CAPEX Firm A 2011-2012"
    task.FirstRowsFieldName = "TRUE"
    task.EmptyNumericFieldAsZero = "TRUE"
    task.PerformTask
    dbName = task.OutputFilePath("WITH CAT")
    Set task = Nothing
    Client.OpenDatabase(dbName)
End Function

' Data: Index Database
Function IndexDatabase
    Set db = Client.OpenDatabase("CAPEX Firm A 2011-2012-WITH CAT.IMD")
    Set task = db.Index
    task.AddKey "CONSIGNOR_COUNTRY_NAME", "A"
    task.Index FALSE
    Set task = Nothing
    Set db = Nothing
End Function

' Control Total
Function ControlTotal
    Set db = Client.OpenDatabase("CAPEX Firm A 2011-2012-WITH CAT.IMD")
    db.ControlAmountField "CIF_VALUE_FOREIGN_CURRENCY"
End Function

' Data: Index Database
Function IndexDatabase1
    Set db = Client.OpenDatabase("CAPEX Firm A 2011-2012-WITH CAT.IMD")
    Set task = db.Index

```

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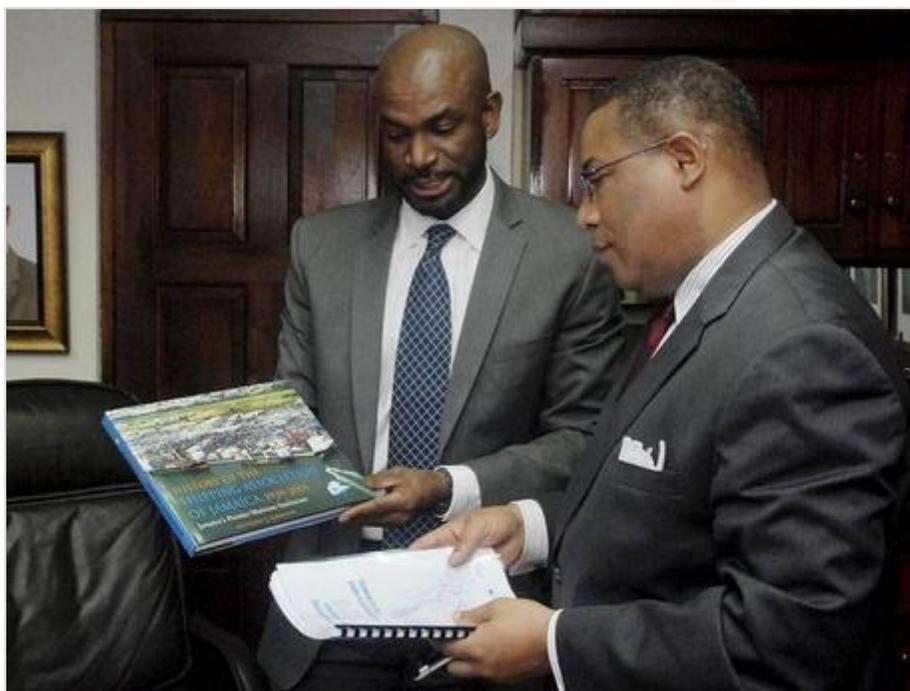
```
task.AddKey "ORIGIN_COUNTRY_NAME", "A"  
task.Index FALSE  
Set task = Nothing  
Set db = Nothing  
End Function  
  
' Data: Direct Extraction  
Function DirectExtraction  
Set db = Client.OpenDatabase("CAPEX Firm A 2011-2012-WITH CAT.IMD")  
Set task = db.Extraction  
task.IncludeAllFields  
dbName = "Sunday Transactions.IMD"  
task.AddExtraction dbName, "", "@dow( PAYMENT_DATE )=1"  
task.PerformTask 1, db.Count  
Set task = Nothing  
Set db = Nothing  
Client.OpenDatabase (dbName)  
End Function
```

ANNEX M

GLEANER ARTICLE – FEBRUARY 21, 2012

Investment Minister Pledges Support to Shipping Industry

Published: Tuesday | February 21, 2012 [0 Comments](#)



Roger Hinds (left), president of the Shipping Association of Jamaica (SAJ), presents a copy of the 'History of the Shipping Association' to Anthony Hylton, minister of industry, investment and commerce, during his visit to the offices of the SAJ last Tuesday.

Shipping and logistics is a critical element in the Government's strategic plan for the country's growth, Minister of Industry, Investment and Commerce Anthony Hylton has said.

Hylton, who was addressing members of the managing committee of the Shipping Association of Jamaica (SAJ) last Tuesday, said the Government recognises the opportunities and challenges that are to come from the opening of an expanded Panama Canal in 2014.

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As such, he has pledged his support to the shipping industry through investment and the positioning of Jamaica as a major logistics and shipping hub.

He pointed out that Jamaica has a link in the global supply chain, and the country must move quickly to seize the opportunity as a logistics hub in the Western Hemisphere.

"The opening of the Panama Canal is going to shift trade in the world. I believe that there are about five large transshipment areas or logistics centres that are going to emerge, Jamaica must be one of them," the minister said.

Hylton noted that this investment could see the country's growth increase between five to six per cent per annum.

The Port of Kingston, he said, is at the heart of the plans for the logistics centre, but Tinson Pen - as an extension to the port, Vernamfield - Clarendon, the Caymanas Economic Zone - St Catherine and Cow Bay - St Thomas, all have important roles to play in this development.

Roger Hinds, president of the SAJ, echoed the sentiments of the minister, noting that his vision was in line with members of the shipping community.

However, Hinds pointed out that as the country prepares itself to become a logistics centre, preparation must also be made for the port to accommodate larger ships. The dredging of the harbour, to increase its depth from 14 metres to 17 metres, will be of utmost importance.

"Jamaica must integrate itself in the global supply chain and the logistics centre is the future. However, if we set up the logistics infrastructure and the harbour is not dredged down to 17 metres, then we will be at a major disadvantage," Hinds said.

The minister also pledged his support for the Port Community System, an electronic gateway for stakeholders in the distribution and logistics chain to exchange documents and information securely among themselves, and with trading partners and Government agencies. It forms the subset of a wider trade-facilitation framework.

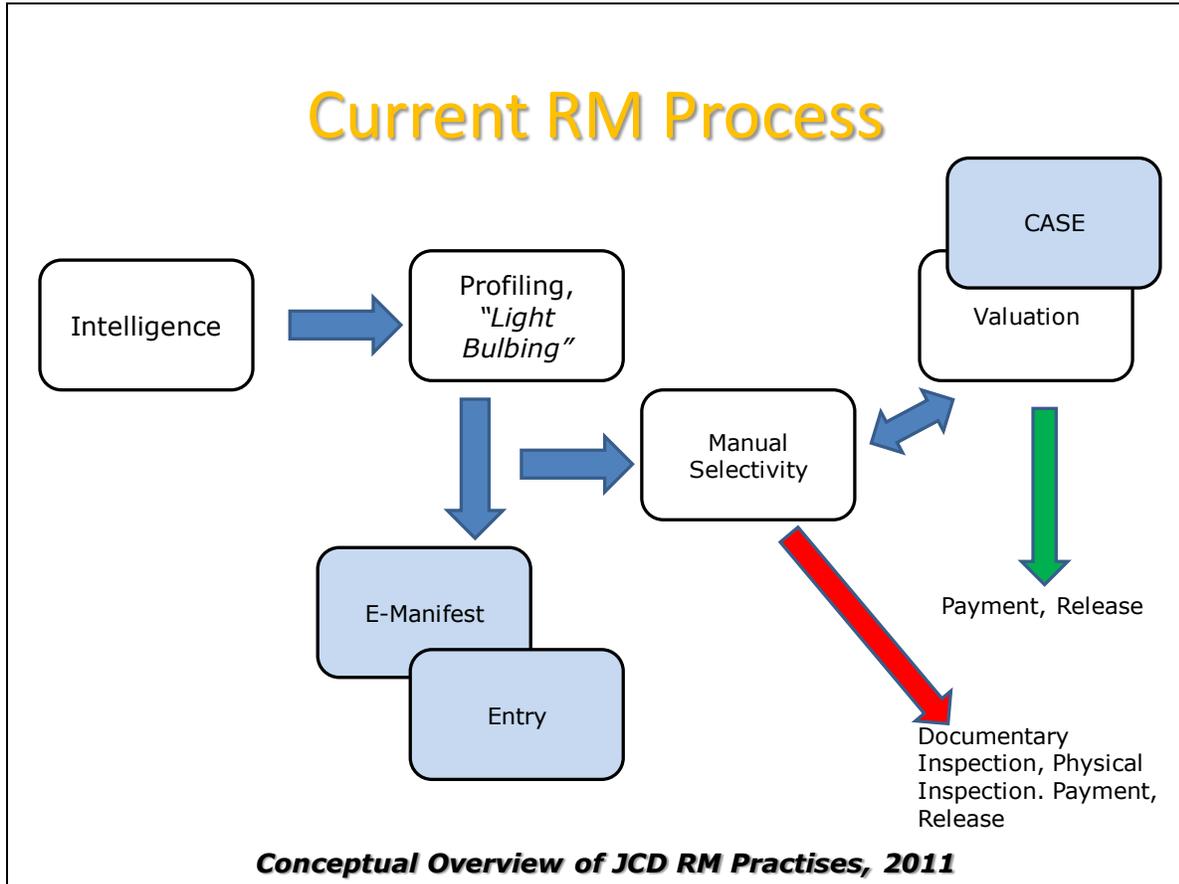
The work being done to implement the Port Community System is a collaborative effort involving the SAJ, the Port Authority of Jamaica, and Jamaica Customs Department. The relevant studies have been carried out towards implementation of the system, including embarking on a trip to Europe to deepen the partners' knowledge on port-community systems in several jurisdictions. Additionally, technical assistance was received from the International Trade Centre to study, assess and develop critical components in the implementation of a Port Community System.

Assistance was also received from the United States Agency for International Development to conduct a mapping exercise of the existing functions within the import/export processes. The project is now at the stage of a cabinet submission.

Hylton committed to familiarising himself with the document and working with the relevant ministries with a view to undertake a joint submission to Cabinet.

ANNEX N

CURRENT RISK MANAGEMENT PROCESS



ANNEX O

JCD RISK MANAGEMENT SYSTEM UPGRADE

Jamaica Customs Department: Risk Management System Upgrade

Paul Kimberley, PRIDE Jamaica
Kingston, November 14th-16th 2011

Agenda

- ❑ Introduction
- ❑ JCD ICT Applications
- ❑ JCD Network Topography
- ❑ Current Risk Management Processes
- ❑ Requirements for New RM Systems
- ❑ Some Options
- ❑ A Wider, Strategic Context: Single Windows
- ❑ Outstanding Issues
- ❑ Summary

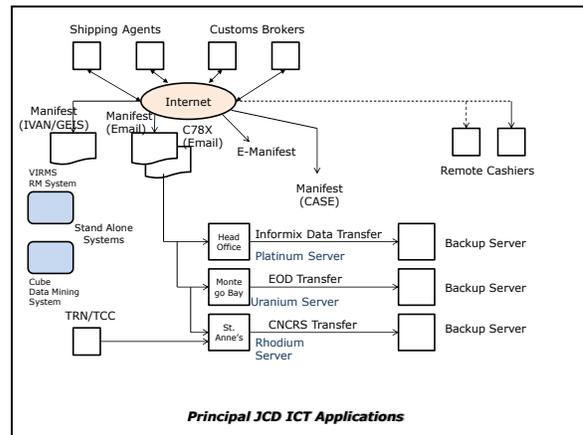
Introduction

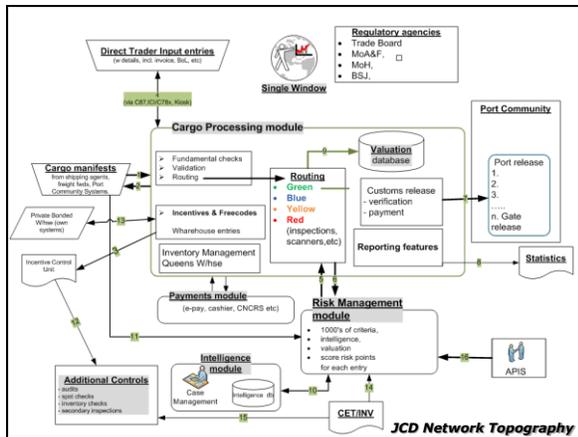
Objective: To enable management to make informed decision on best technology and process choices to replace VIRMS.

Method: Outline environment, processes, technology options and potential benefits from changed processes.

Context:

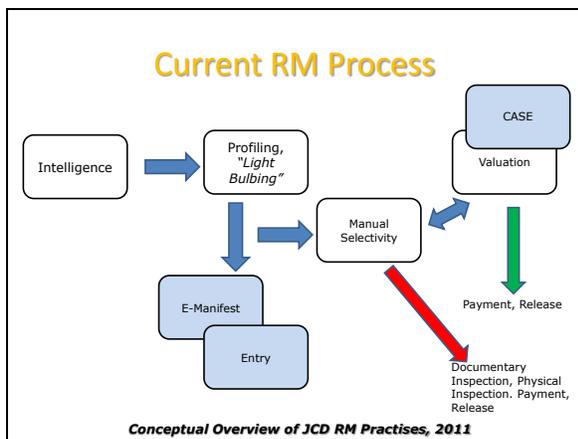
- ❖ Risk Management originally based on statistical quality control (ball bearings);
- ❖ Balancing effort and costs of compliance against acceptable risk.





Requirements for New ICT RM System

- ✓ Bottom up specifications
- ✓ Vendor *bona fides*
- ✓ Legacy and Planned ICT Compatibility, Interoperability
- ✓ COTS, stand alone capable of delivering a web based, interoperable, interactive, real time RM system
- ✓ Security, workflow capabilities
- ✓ Weighting, points-based system
- ✓ Flexible selectivity tools and statistics
- ✓ Modern look and feel screens (e.g. MS Office)
- ✓ Smart phone interfaces (apps)



Some Replacement Options

- ❑ RFI
- ❑ Short List
- ❑ Consolidated RFP
- ❑ Reference visits
- ❑ Procurement
- ❑ Implementation, limited BPR, training and integration with legacy systems
- ❑ Prototype, pilot, selective implementation, process reengineering, gradual expansion for all Customs entries (points of entry, airport, passengers, etc.)

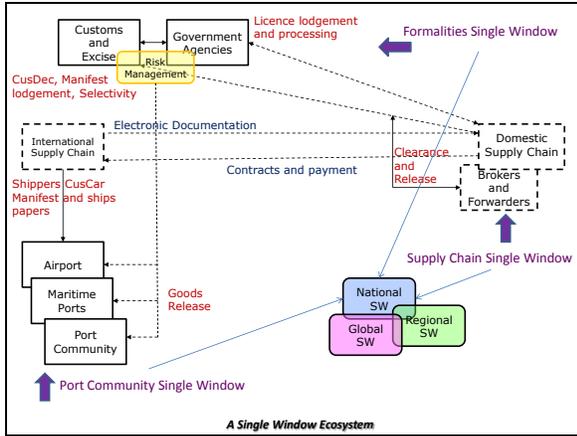
Current RM Processes

- Focus is on revenue; will need to change to border protection and treaty obligations as indirect taxation volumes grow
- Several stand alone, computer-assisted manual processes
 - Time
 - Opportunity for errors
- No significant feedback to from Manifesting or Inspection
- No automatic selectivity
- Reliance upon experience and instinct
- Not Risk Management, risk notification aid to manual selectivity

Definition of a Single Window

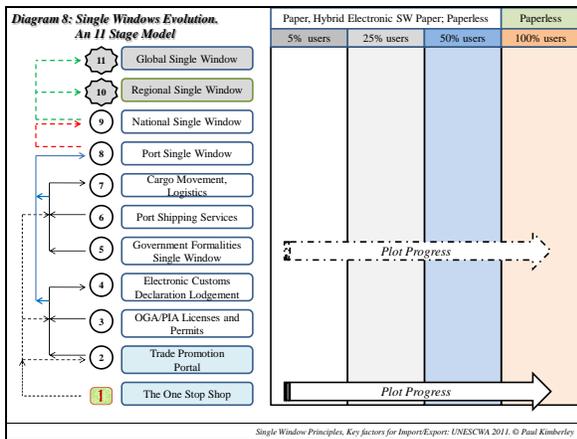
Based upon the principles of pre arrival risk management and goods clearances by inspection agencies and Customs, and post arrival inspection on customer's own premises:

- ✓ A single point of access;
- ✓ Single sign on;
- ✓ Single entry of data;
- ✓ A single point of decision making, and
- ✓ A single point of payment



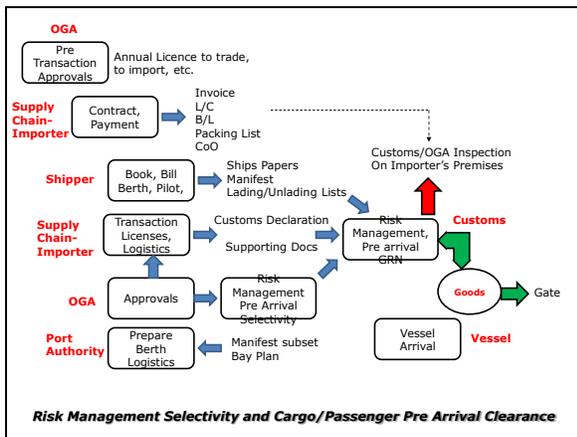
Outstanding Issues

- Strategic**
 - Umbrella view of Customs ICT
 - Full function, end-to-end Customs ICT system
 - The Single Window ecosystem in Jamaica
- Operational**
 - Pre Arrival Clearance based on RM selectivity
 - Rebalance functions and HR levels as a result of RM selectivity
- Discretionary**
 - Priorities
 - RM: RFI, RFP, prototype, pilot, integration
 - Reference visits



Summary

- ❑ Opportunity to substantially upgrade functionality and efficiency of Customs ICT and to enhance JCD functions and processes as a result;
- ❑ Time to integrate all recommendations into a unified ICT Vision for JCD's technology Future
- ❑ Create Management sub group for the unified ICT plan
- ❑ Prioritise RM implementation planning



ANNEX P

JAMAICA NATIONAL SINGLE WINDOW POWERPOINT PRESENTATION

The Jamaica National Single Window (JNSW)

A PRIDE/USAID Readiness Assessment, February 10th 2012

Trade Challenges Facing Jamaica

Internal factors	External factors
<ul style="list-style-type: none">• Formalities and logistics efficiencies: Doing Business and Logistics Performance Indicators (LPI)• Costs of doing business• Time and lack of transparency in paper based transfer of information• Funding, resources, social issues	<ul style="list-style-type: none">• Global trade patterns• Regional competition• Demands and expectations of global supply chains and shipping/logistics operators• WTO plans for single windows• UN support for standards and single windows• Comparative advantage of countries with automated trade processes

Agenda

- ❑ Trade challenges facing Jamaica
- ❑ Global trends in trade facilitation, legal, regulatory and technological
- ❑ The case for a national single window (JNSW), business and technology options
- ❑ A brief overview of the principal participants in a JNSW
- ❑ Their state of readiness
- ❑ Implementation options and challenges
- ❑ Project governance and the essential role of government, together with organisational and resource issues
- ❑ Conclusion, Questions

It takes many imports to make an export



Source: HSBC

The Case for a JNSW

- Approvals and clearances reduction from many days down to hours
- Consequent reduction in safety stock and inventories
- Reduction in consumer prices, more choice
- Higher customs revenue due to JIT trends: more and smaller consignments
- Higher GCT revenue due to growing consumer demand through availability and choice
- Comparative national competitive advantage and compliance with emerging international standards and supply chain expectations
- Meeting the demand and expectations of the global supply chains and trader community

Required regulatory document types	
Export documents	Import documents
Bill of Lading (B/L)	Bill of Lading (B/L)
Certificate of Origin (C/O)	Tax certificate
Commercial invoice	Commercial invoice
Customs export declaration	Customs import declaration
Packing list	Packing list
Technical standard/health/ quarantine certificate	Terminal handling receipts

Doing Business: Trading Across Borders, Jamaica 2012

Indicator	Jamaica	Latin America & Caribbean	OECD
# Documents for export process	6	6	4
# days to export	21	18	10
US\$ per container, export	1410	1257	1032
# Documents for import process	6	7	5
# days to import	22	20	11
US\$ per container, import	1420	1546	1085

Risks to be Managed in JNSW Implementation

- Funding and resource demands
- *Clear vision and leadership from the highest levels of public and private sector*
- Management of the collaborative efforts of multiple government agencies and the private sector
- *A long term commitment*
- HR issues in reengineering and automating
- *Governance*

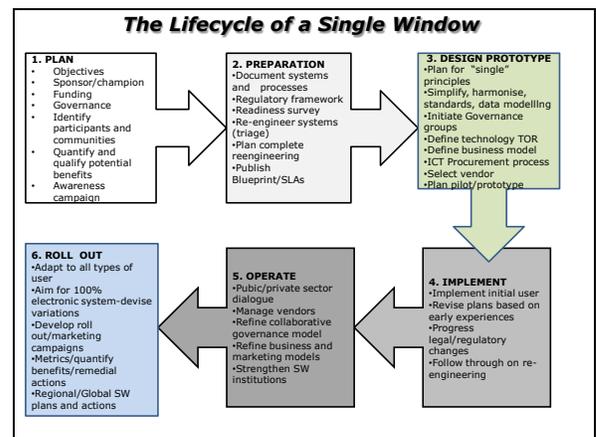
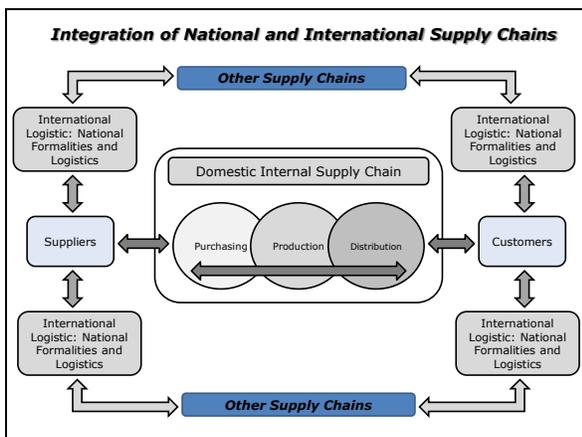
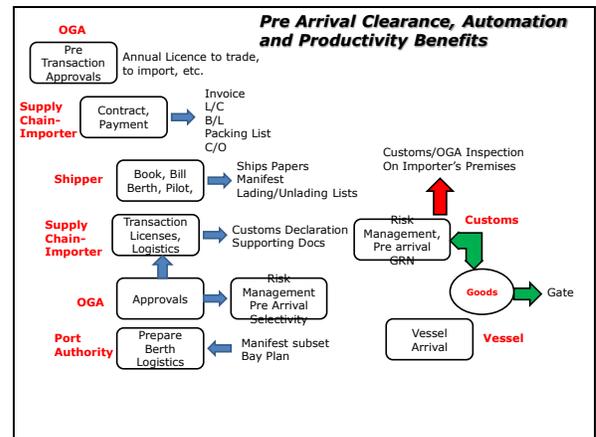
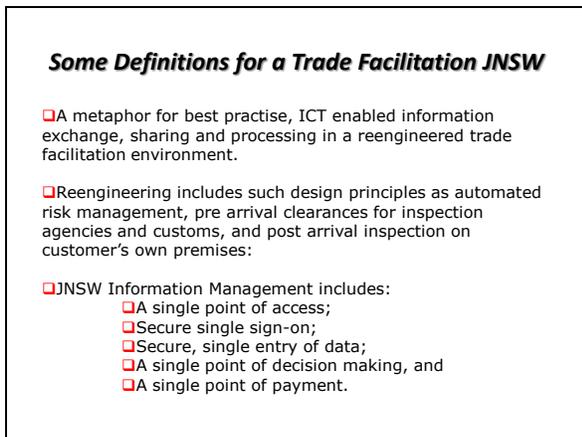
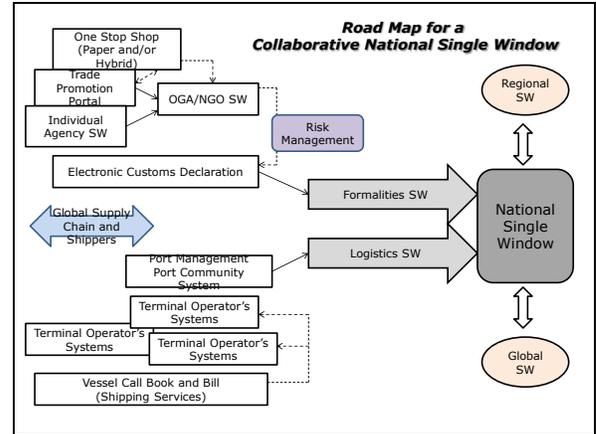
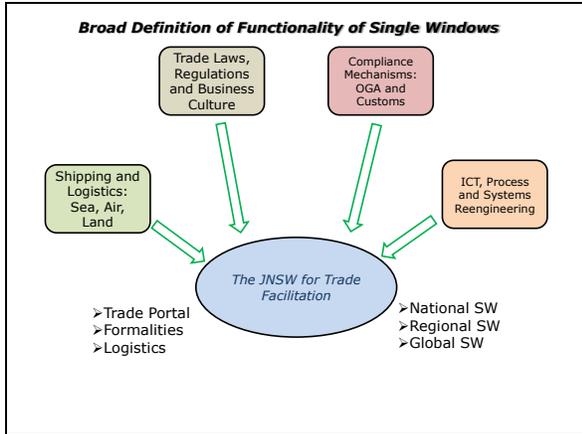
Trading Across Borders, 2012

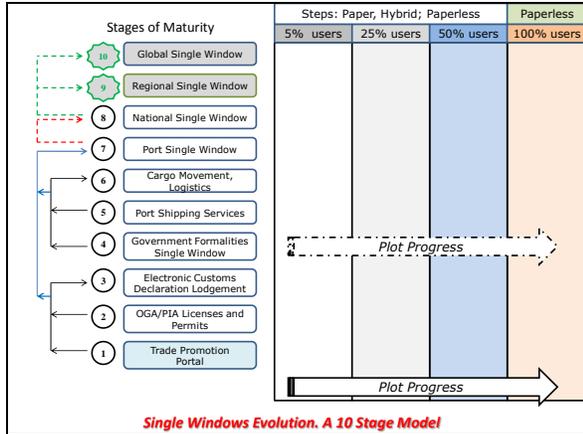
Overall ranking (out of 183 countries)	2012	2011
Latin America and the Caribbean	88	85
Jamaica	97	96

Export & import procedures	export		import	
	# days	Cost US\$	# days	Cost US\$
Document preparation	10	460	14	470
Customs clearance, technical controls	4	250	4	250
Ports and terminal handling	3	350	2	350
Inland transportation and handling	3	350	2	350
Totals	21	1,410	22	1,420

Some JNSW Technology and Implementation Issues

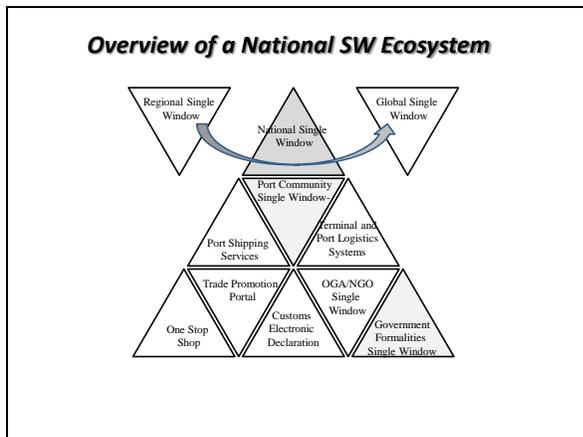
- What is a Single Window?
- Which agencies and private sector organisations participate?
- Who owns and runs the initiative?
- Some technology options
- Implementation planning
- Matching benefits with effort and investment





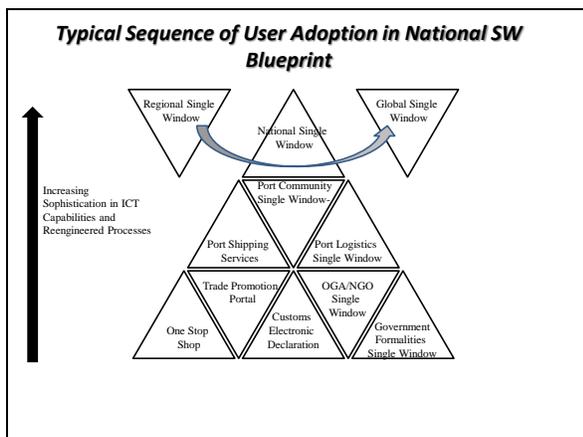
The Essential Role of Government in the Establishment of JNSW

- National trade vision, focus and consistent leadership-cannot be devolved or delegated;
- *Sponsorship and support of port, customs and government agencies*
- Liaison and project management with the private sector and international agencies (UN, WTO, WCO, Regional and bilateral treaty partners)
- *Transparency and open communications*



Summary

- ❑ Many ways to approach single windows
- ❑ *Probably, many ways to measure success*
- ❑ Where/when to start?
- ❑ *Who drives a single window?*
- ❑ Governance
- ❑ *Collaboration*
- ❑ National benefit and trading partner expectations.



Postscript

- **Trade Facilitation means making trade easier**
- *A single window is a metaphor for a combined and collaborative programme of trade efficiency*
- **Collaboration includes eliminating information silos-and sharing!**
- *Three rules for a single window: collaborate, collaborate and collaborate*
- **JNSW is in the nation's best interest. Its benefits apply to the whole population.**

ANNEX Q

PETROLEUM MONITORING STATUS DEBRIEF TO JAMAICA CUSTOMS POWERPOINT PRESENTATION

STATUS REPORT ON THE REVIEW OF THE MANAGEMENT OF BULK PETROLEUM PRODUCTS BY JAMAICA CUSTOMS DEPARTMENT

02-Feb-2012

INTRODUCTION

- Assignment commenced on 23/01/2012
- Approach:-
 1. Overview Meetings with PRIDE Jamaica & JCD
 2. i) Site Visits:-
 - Port Esquivel/Rocky Point
 - St Ann's Bay
 - Montego Bay-Jamaica Petroleum Terminal, Gas Pro
 - Cool Petroleum
 - Aegean Bunkering
 - Petrojam

An Overview

- Introduction
- Update on Key Deliverables
- Interim Findings
- Interim Recommendations
- Q & A

INTRODUCTION *cont*

- ii) Review of existing Procedures and assessment of available technical skill
- iii) Review of clearance documentations
3. Benchmark Study of Petroleum Management system in TRA & KRA
4. Meetings with TAJ & RPD & JCD Compliance Unit to establish linkages

UPDATE of KEY DELIVERABLES

1. Review of the current state of Petroleum Monitoring in the JCD
 - a. Review cargo receipt procedures
 - b. Inventory controls and accounting at the oil facilities
 - c. Adherence to generally accepted best accounting and management principles and adequacy of the controls
 - d. Interview & review documents at Sufferance Wharves Office, Kingston
 - e. Skills & Competencies Assessment within JCD to effectively manage proposed PMU
 - f. Meetings with JCD, TAJ & OIC

INTERIM FINDINGS

- i. Lack of dedicated resources for managing of Petroleum Sector
- ii. Inconsistent operation procedures
- iii. Lack of specific measuring and accounting skills and techniques
- iv. Un-explained practices e.g. 0.75 Percent 'evaporation' loss on Gasoline, access to product prior to payment of duty
- v. Lack monitoring & control of discharged product
- vi. Total lack of supervision of all back-loading(bunkers & duty free products)

UPDATE of KEY DELIVERABLES *cont*

2. Framework for a proposed PMU
 - a. Benchmark against International Best Practices; TRA & KRA cases
 - b. Establish necessary audit and verification technique-Audit Plans
 - c. Develop standard operating procedures for receipt & monitoring of both crude oil and finished/refined imports
 - d. Identify Custody Transfer Points for oil product measurement & techniques for discharge
 - e. Establish Reporting & Monitoring processes with suitable reports
 - f. Skill gaps and training needs
3. Recommendation for immediate, Medium & long-term improvements
 - Recommendation Implementation Action Plan

Interim Findings *cont.*

- vi. Bunkering:-
 - Barges only licensed Jamaica Port Authorities without involvement of JCD
 - Aegean Bunkering lacks auditable documents
 - Absence of control and monitoring
 - Lack Customs supervision of all bunkering processes
 - Lack of inventory records and reconciliation reports
 - Lack of accountability by bunkering operator
- vii. Inadequate information exchange between JCD & TAJ at Petrojam Refinery
- viii. Incidents of poor quality declarations being approved e.g. Country of Origin and inconsistent volume and weight data

UPDATE of KEY DELIVERABLES *cont*

4. Linkage with TAJ, Revenue Protection Division and JCD compliance Division
 - a. Meetings with TAJ, RPD & Compliance
 - b. Assess level of sharing of information between JCD & other agencies
5. Documented profiles of Oil Importing Companies
 - Exercise in progress
6. Other Findings and Recommendations In progress

Interim Recommendations

1. Develop, circulate and enforce Standard Operating Procedures at discharge points
2. Deploy permanent JCD staff to PetroJam to monitor receipts and all back-loading activities
3. Dedicate adequate resource for managing Petroleum sector
4. Capacity building in training
5. In-depth audit of all Gasoline declaration against outturns at Petrojam as far back the Commissioner-JCD may deem necessary
6. Regularize un-explained practices either through law or in anchor in administrative instruction

Interim Recommendations *cont*

7. Improved communication between JCD & TAJ
8. In-depth audit of bunkering transactions as far back as the Commissioner – JCD may deem adequate
9. Implement revenue monitoring worksheet at all discharge points
10. Random confirmation of Country/Certificate Of Origin
11. Establish JCD-Oil Industry Forum to meet on monthly basis

THANK YOU

ANNEX R

YUTE - SUMMARY OF ACTIVITIES, GOALS, CHALLENGES AND SOLUTIONS

Activities	Outcome	Goals and Encountered Difficulties	Achievements/Ways to Overcome Difficulties
<p>ACTIVITY 1: Business Development Support for Entrepreneurship</p>	<p>Agreement in place to begin building the micro franchise model.</p>	<p>120 young persons to complete Business development Workshops. This goal was not achieved.</p> <ul style="list-style-type: none"> a) 70 of the young persons who attended the 2 Day Entrepreneurship Orientation Workshop held by the PMO have reading, writing and numeracy challenges. They were therefore required to participate in the pre-skills sessions. The first of these will graduate in September 2011. b) YUTE Participants will require a 'business model' which will increase the potential for success. 	<p>YUTE Participants who have challenges with numeracy and literacy had the opportunity to attend pre-skills community based sessions. Those who have completed are now ready for training in micro franchise initiative and/or to enter the Junior Achievement Programme</p> <p>YUTE has partnered with IDB to roll out a micro franchise program. Design work began October 2011.</p>
<p>ACTIVITY 2: Training of Mentors</p>	<p>Contract Trainers Train and match Mentors with YUTE Participants</p>	<ul style="list-style-type: none"> ▪ Train a total of 600 mentors. <ul style="list-style-type: none"> a) There has been inadequate demand for training to support two simultaneous sessions. b) High level of no shows at training events for mentors. This also resulted in higher per unit cost. ▪ Match all YUTE Participants with a Mentor. This goal was not achieved: <ul style="list-style-type: none"> a) Noticeable level of no-shows of volunteers to be trained as mentors. On average, twenty-three percent of those confirmed for any one training event do not attend as scheduled. While some attend a later training event the PMO is noting a core which 	<ul style="list-style-type: none"> ▪ YUTE PMO increased its support with the addition of a Project Assistant – ▪ Mentorship. This resource focuses solely on mobilizing for training and special events, ongoing checks of references. ▪ YUTE PMO communicated with no-shows and has sent a brief survey to ascertain reasons for no show. Feedback will guide further scheduling. ▪ YUTE PMO experienced difficulties with no-show of Participants for matching sessions. It is now using smaller events to finalize matching.

PRIDE JAMAICA

Activities	Outcome	Goals and Encountered Difficulties	Achievements/Ways to Overcome Difficulties
<p>ACTIVITY 3: Skills Upgrading and Training and Stipends</p>	<p>Stipends for Trainees (YUTE Works) - Skills Training participants)</p>	<ul style="list-style-type: none"> ▪ 10% of those eligible for long term training and certification have been placed in internships/jobs as a result of limited training spaces at HEART/NTA. ▪ Community Based Training facilities which offer HEART/NTA Training are at cost significantly outside budget. These facilities no longer receive HEART/NTA subsidy so must price for cost recovery. 	<ul style="list-style-type: none"> ▪ Contract signed with FullGram to train and provide work opportunities for 85% of 160 YUTE Participants. ▪ Number of YUTE Participants eligible for this opportunity has been reduced.