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PRIDE JAMAICA

SEMI-ANNUAL REPORT

October 2013 – March 2014

CONTRACT # EEM-I-00-07-00006-00

TASK ORDER # 11

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ACRONYMS

AEO	Authorized Economic Operator
AID/W	Agency for International Development, Washington D.C.
AIU	Audit and Investigations Unit
BPR	Business Process Reengineering
CO	Cabinet Office
COR	Contracting Officer's Representative
CPC	Chief Parliamentary Counsel
EDI	Electronic Data Interchange
E-GJ	e-GOV Jamaica
EU	European Union
FDU	Forensic Data-mining Unit
FSL	Fiscal Services Limited
FY	Fiscal Year
GOJ	Government of Jamaica
HPM	Honorable Prime Minister
ICT/IT	Information and Communication Technology/Information Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
ITC	International Trade Corporation
JCA	Jamaica Customs Agency
JCD	Jamaica Customs Department
KCT	Kingston Container Terminal
LTO	Large Taxpayer Office
MDA	Ministries, Departments and Agencies
MOU	Memorandum of Understanding
MoFP	Ministry of Finance and Planning
MP	Modernisation Plan (Jamaica Customs)
MIP	Modernization Implementation Plan
OPM	Office of the Prime Minister
PFM	Public Financial Management
PMEP	Performance Monitoring and Evaluation Plan
PPP	Public Private Partnership

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PSED	Public Sector Establishment Division
PSMD	Public Sector Modernization Division
PMU	Petroleum Monitoring Unit
RCO	Regional Contracting Officer
RFP	Request for Proposal
RMU	Risk Management Unit
SEMCAR	Supporting Economic Management in the Caribbean
SET	Special Enforcement Team
TAJ	Tax Administration Jamaica
TAM/U	Tax Arrears Management/Tax Arrears Management Unit
TOR	Terms of Reference
TRU	Tax Relief Unit
TRN	Taxpayer Registration Number
UAT	User Acceptance Training
UNODC	United Nations Office on Drugs and Crime
USAID/Jamaica	United States Agency for International Development/Jamaica Mission
WCO	World Customs Organization
WTO	World Trade Organization
YTD	Year to Date

EXECUTIVE SUMMARY

Promote, Renew, Invigorate, Develop, Energize (PRIDE) Jamaica completed the first six months of its fifth 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 counterpart contributions in excess of US\$1 million during this semi-annual reporting period, as included in Annex A, and further demonstrated by the more than US\$16 million in revenue collected during this reporting period by Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA), utilizing processes and procedures developed with them by PRIDE Jamaica. The updated 'Results Reporting Table,' Annex B, from the Performance Monitoring and Evaluation Plan (PMEP) and Annex C, 'Results by Indicator,' provide results against targets for this semi-annual reporting period. PRIDE Jamaica continues to work collaboratively with stakeholders to aggressively achieve results.

In addition to meeting or exceeding all of the targets in the PMEP for this reporting period, PRIDE Jamaica achieved important implementation benchmarks in the core program areas by building upon the strong foundation it established during the previous program years. PRIDE Jamaica is now working only on tax administration reform and customs reform components, and is currently planning to complete project implementation by the end of September 2014.² PRIDE Jamaica's focus for this program year is to further strengthen operational capacity within TAJ and JCA and solidify the institutionalization of essential business process reforms to improve revenue collection and mitigate risk. These efforts are intended to improve voluntary compliance, facilitate operations for legitimate taxpayers and provide the Government of Jamaica (GOJ) with the financial resources it requires to provide its citizens with safer communities and a business operating environment conducive to growth.

Tax administration reform continued to be USAID/Jamaica's highest priority for PRIDE Jamaica's implementation program. Working with colleagues in TAJ, PRIDE Jamaica focused on improving compliance and mobilizing revenue collection. To address the priority issue of discretionary waivers, PRIDE Jamaica has been participating on an inter-departmental working group of the Ministry of Finance and Planning (MoFP), which includes representatives from MoFP and several of its departments and agencies to develop a transparent, automated, rules-based process to review, approve and track tax relief. The automated process will enable the MoFP to better understand the revenue impact of tax expenditures approved, improve enforcement capabilities and support improved revenue forecasting.

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. Thus, Year 2 includes the period October 1, 2010 through September 30, 2011; Year 3 includes the period October 1, 2011 through September 30, 2012; Year 4 commenced on October 1, 2012; and Year 5 commenced on October 1, 2013.

² Over the course of several reductions in funding and contract modifications, PRIDE Jamaica is now working only on tax administration reform and customs reform. Additional funding is expected that will enable the project to continue implementation through September 2014.

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During this reporting period, the working group finalized the requirements analysis and conceptual design, which was then approved by the Financial Secretary, allowing the pilot phase of the program to begin. Links to the 20% Motor Vehicle Concession Online Component are now active on the MoFP's website at <http://www.mof.gov.jm/>. Applications can be submitted online, with software applications for the online processing of applications expected to be in place early in the next quarter.

TAJ is making real progress in addressing the excessive backlog of outstanding tax arrears cases. In October 2013, the Honorable Minister of Finance introduced new implementing regulations for the 'Tax Collection Act for Arrears Write-Off' legislation that Parliament passed last July. The new regulations were approved by Cabinet, and TAJ has started the process to designate qualifying tax arrears as 'uncollectible' to remove these from TAJ's 'active' accounts register. The legislation, which is based on a framework for tax arrears developed by PRIDE Jamaica, will allow TAJ to begin clearing more than 70,000 uncollectible arrears accounts from its system and allow TAJ to concentrate resources on collectible accounts, reduce time allocated to cleansing stale data and inform realistic projections for revenue collections.

An important aspect of PRIDE Jamaica's work throughout this reporting period included working closely with TAJ to ensure that staff resources allocated to this effort are balanced with activities to close open, revenue generating cases. PRIDE Jamaica also recommended designating specific, periodic reviews of certain categories of 'currently not collectible' cases within the implementing procedures to determine whether a taxpayer's situation has changed so the arrears can be paid. This is in addition to PRIDE Jamaica recommending that TAJ maintain arrears cases as 'open' for a maximum period, after which these arrears will automatically be purged from the active accounts. This further strengthens TAJ's focus on closing open, revenue generating cases.

To further strengthen the capacity of Compliance Officers (CO's) to effectively close tax arrears cases, PRIDE Jamaica and the Tax Arrears Management Unit (TAMU) finalized a new training program, building on the training PRIDE Jamaica and TAMU developed for Team Leaders of High and Medium priority arrears teams. TAMU and PRIDE Jamaica conducted a pilot training course for twenty-one CO's during November. As a demonstration of TAJ's strengthened institutional capacity, instructors included TAJ CO's and staff from TAMU, Special Enforcement Team (SET) and Legal, in addition to PRIDE Jamaica. Utilizing the new tax arrears management processes, TAJ has thus far collected more than US\$14 million from High Priority and Medium Priority tax arrears cases during this reporting period.

PRIDE Jamaica continued its work with the Forensic Data-mining Unit (FDU) and TAMU to improve overall compliance with tax return filing and payment requirements. FDU's resources have been bolstered with access to new software that will allow it to identify even more productive compliance leads. With the Third Party Information Act also in place, TAJ is establishing a stronger legislative framework to improve taxpayer filing and payment compliance.

During the reporting period, TAJ executed a contract with Fast Enterprises, a US company, to design and implement TAJ's new information technology (IT) system for its core tax types. This is a major milestone that resulted from almost three years of work by TAJ and PRIDE Jamaica. PRIDE Jamaica's support to TAJ included preparing a costing for the tax administration reform program; re-engineering TAJ's core business processes; developing the Request for Proposal; and serving on the Bid Evaluation Committee. TAJ expects that it will require two years to fully implement the new IT system.

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Jamaica's ranking in the 'Connecting to Compete 2014 - Trade Logistics in the Global Economy,' published by the World Bank, improved faster than most of the world, moving to 70 out of 160 countries, and enabled Jamaica's rank to fall below triple-digits for the first time in this index. PRIDE Jamaica played a substantial role in contributing to this positive development, working with JCA to introduce an overall risk management framework and apply risk management principles to cargo selectivity and criteria management; institute account management in the Authorized Economic Operator (AEO) program; and improve and simplify entry processing, among other areas. These processes all represent the primary contributing factors to Jamaica's improved 2014 Logistics Performance Index (LPI) ranking. Among the sub-categories within the index, Jamaica received its highest ranking, 54 out of 160 nations, for its customs category. This is a major achievement for JCA.

PRIDE Jamaica's support to improve JCA's customs valuation systems and to apply risk based approaches to both border protection and other enforcement efforts have enabled JCA to strengthen its efforts to interdict contraband transiting Jamaica's coastal waters. JCA's application of improved valuation procedures resulted in close to US\$2.85 million in revenue during this period. JCA also conducted two major operations during which it seized drugs with a street value in excess of US\$5 million. JCA confirmed that these seizures are more than the quantity of cocaine seized for any one year period in the agency's history.

JCA and TAJ are continuing their close collaboration on post clearance audits in the petroleum sector. PRIDE Jamaica's on-the-job training with JCA and TAJ's Excise Department, as well as the introduction of improved procedures and training in standard post-clearance audit guidelines and approaches are enabling the JCA and TAJ team to substantially improve their abilities to conduct compliance activities within key operational areas of the petroleum sector. JCA will be able to use these guidelines as a model for conducting other post clearance audits within the petroleum products sector.

The GOJ is continuing to implement its tax reform program within the scope of its 2013 agreement with the International Monetary Fund (IMF). Jamaica passed its most recent IMF quarterly review and the Government is proceeding with additional tax reform activities in its new fiscal year, which begins April 1, 2014. PRIDE Jamaica will continue to work with counterparts to support these efforts.

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 partner ownership of the assistance that PRIDE Jamaica offers. With resources focused on tax administration and customs reform, 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.

KEY ACTIVITIES

1.1 TECHNICAL

1.1.1 COMPONENT 1: TAX POLICY AND ADMINISTRATION

Project Management

PRIDE Jamaica continued to work closely with the Ministry of Finance and Planning (MoFP) and Tax Administration Jamaica (TAJ) to implement reform program activities and support efforts to meet International Monetary Fund (IMF) and Inter-American Development Bank (IDB) timeframes for tax administration reform. Much of PRIDE Jamaica's work during the current program year builds on implementation activities that PRIDE Jamaica started in 2011 to address tax reform initiatives from the prior IMF agreement with Jamaica. Many of these initiatives are also incorporated in the current IMF agreement with Jamaica for tax reform, which came into effect in May 2013.

The current program year continues to be a critical time for TAJ's reform efforts. One major aspect of the tax reform program includes the almost complete elimination of the Minister of Finance's authority to provide discretionary waivers. Over many years discretionary waivers have been requested for a variety of taxes, including corporate and personal income tax, General Consumption Tax (GCT) and import duty, among others, and were granted at the discretion of a Minister of Finance. Discretionary waivers contributed to loss of revenue, created an unlevel playing field for taxpayers and their impact on revenue was generally not measured. Discretionary waivers have also been used to exempt charitable organizations from certain tax requirements as Jamaica has not had a charities act that would provide tax relief for qualifying organizations.

Discretionary waivers became a priority issue for development partners, and in 2011 the MoFP established an inter-departmental working group which includes representatives from MoFP and several of its departments and agencies to develop a transparent, automated, rules-based process to review, approve and track tax relief. PRIDE Jamaica has also participated on this working group since its inception. The intention is that all applications for statutory tax relief will be initiated through an automated process. Exceptions and discretionary requests for tax relief will be reviewed and evaluated against a clear set of criteria by the Tax Relief Unit (TRU) within the MoFP before a recommendation is presented by an advisory committee to the Honorable Minister of Finance. The automated process will enable the MoFP to better understand the revenue impact of tax expenditures approved, improve enforcement capabilities and support improved revenue forecasting.

Since June 2012, the working group has been establishing the guidelines and operational requirements for the first iteration of this process, which will automate aspects of the statutory 20 percent tax relief on motor vehicles offered to specified categories of public sector employees. This initial phase of automation will enable the TRU to transfer administrative responsibility for this employee benefit to human resource units at individual ministries, departments and agencies (MDA's). As part of the process to improve efficiency and transparency, the MoFP established a 'Help Desk' to respond to tax relief inquiries. This Help Desk, which was established at the recommendation of the working group and became

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operational during January 2013, is enabling the TRU to spend more time processing tax relief requests and less time on telephone inquiries. The Help Desk has responded to more than 9,000 inquiries since it was established.



Tax Relief Unit Help Desk responds to taxpayer inquiries regarding tax relief. *Photo courtesy of PRIDE Jamaica*

The automated process incorporates an online software platform that is accessed by applicants, reviewers and approvers. The working group finalized the requirements analysis and conceptual design and presented these to the Financial Secretary, who provided approval for the pilot phase of the program to begin during this reporting period. The pilot phase, which will last for several months, is being implemented within the MoFP and several of its departments and agencies. It will allow software and operational issues to be identified and resolved prior to the system being implemented throughout the wider GOJ. It will also provide time for other MDA's to assess their readiness to utilize the new system and budget for hardware, software or other IT upgrades they may require.

Throughout the reporting period, e-Gov Jamaica (E-GJ), formerly Fiscal Services Limited, the GOJ's IT support unit, completed a range of software installations, conducted software and user acceptance testing and provided training to various user groups, all of which will support implementation of the pilot phase of the program. During October 2013, E-GJ conducted the first system training sessions for human resource personnel who are participating in the pilot phase of the program. This was followed by User Acceptance Training (UAT) for the MoFP and its departments to further prepare the initial group of users who are participating in the pilot. In December E-GJ continued work on system interfaces to prepare the system to accept applications.

Several system errors were identified during the review in December, which E-GJ corrected. E-GJ also conducted UAT for the workflow aspects of the system and resolved several technical

issues that were identified. The links to the 20% Motor Vehicle Concession Online Component are now active on the MoFP's website at <http://www.mof.gov.jm/>. Applications can be submitted online, but the software applications for the approval process are still in the pre-pilot phase. E-GJ is working closely with the MoFP to resolve some additional software interface issues and as these are resolved, application processing can begin online.

The phase one pilot will proceed for several months after both the application submission and application processing workflows are operational. The working group is working with E-GJ to prepare budgets for the additional software and hardware requirements that will support full implementation of the new system once the pilot phase is complete. This includes developing requirements for the second phase of the automated tax relief system. Phase two will incorporate automation to register tax relief that is obtained within the scope of the new Fiscal Incentives Act.

The new automated process for tax relief will achieve one important aspect of the GOJ's efforts to more effectively measure the impact of tax expenditures on the Government's budget. During the reporting period, the GOJ also completed several important legislative requirements under the IMF agreement to rationalize Jamaica's incentives framework. These legislative items will further strengthen the GOJ's ability to measure the impact of tax expenditures on revenue; allow the Government to better assess whether incentives are having the intended results for economic sectors; make more transparent the use of incentives; and strengthen the assessment authorities of the tax and customs authorities when incentives are incorrectly utilized.

During October Jamaica passed 'The Charitable Organisations Act, 2013,' an entirely new piece of legislation that now provides statutory tax treatment for qualified charities. Jamaica did not have a charities act, and previously charities had to qualify for tax-free treatment by applying to the Minister of Finance for discretionary waivers. The Act provides substantial improvement in transparency regarding the application for and use of tax-free treatment for charitable organizations. Provisions of the Act require organizations to submit an application to the Commissioner General of TAJ for consideration, who can grant tax-free status for organizations that meet the qualifying criteria. The Act still allows the Minister of Finance to grant tax relief on a discretionary basis; however, the *de minimis* amounts still allowable for discretionary waivers will have little impact on overall revenue. The approval process to qualify for tax relief under the Act will substantially strengthen TAJ's ability to monitor compliance.

Working with a public-private partnership, the MoFP prepared an updated, integrated and transparent statutory tax incentives framework to support Jamaica's economic growth priorities. The MoFP was able to harmonize its proposed framework with proposals for tax reform with those presented by the IMF and Inter-American Development Bank (IDB). The new 'Fiscal Incentives Act, 2013' was passed by Parliament in November. The IMF worked actively with the MoFP to finalize several aspects of the legislation for the GOJ to meet the tax reform requirements of the GOJ, the IMF and IDB. The Act will enable TAJ to more easily track the use of statutory incentives by taxpayers, thereby strengthening compliance and enforcement; it will also strengthen the MoFP's budgeting process with access to information regarding the value of statutory incentives utilized, and the impact on revenue. This new legislation is an important component of the tax reform program as it provides a complete overhaul of a wide array of disparate incentives regimes that were enacted over several decades across a variety of economic sectors. It will substantially reduce the need for the Honorable Minister of Finance to approve discretionary waivers.

The 'Fiscal Incentives Act, 2013' and the 'Charitable Organisations Act, 2013,' in combination with the automated tax relief processing system, are major components of the tax reform program that Jamaica must implement to comply with the new IMF agreement. These components of the tax reform program are intended to improve transparency by reducing the need for discretionary waivers for tax relief; improve the MoFP's budgeting function by measuring the financial impact of particular tax expenditure measures on revenue; and strengthen TAJ's and JCA's monitoring of taxpayer compliance within the new legislative frameworks that provide tax relief.

After a process of almost three years, in March 2013 Jamaica's Parliament passed legislation to establish TAJ as a semi-autonomous revenue authority (SARA). TAJ has been working over the past year to prepare for full implementation of the new SARA structure and management guidelines. In December, the new Board of Management that will oversee TAJ within the SARA framework was appointed. The Board, which includes representatives from the public and private sectors, convened its first meeting in January. TAJ has updated its organization structure and is finalizing job descriptions, which it will submit to the MoFP to have positions classified, and then established. TAJ can then begin to recruit and staff the new organization. This hiring process will provide TAJ with an important opportunity to seriously consider the human resources skills it needs to effectively meet its role to collect the revenue that is due.

The new automated process for tax relief, in combination with the Fiscal Incentives Act, the Charities Act and new operating frameworks for TAJ and JCA are components of a broader effort by the GOJ to improve its framework for public financial management (PFM). PRIDE Jamaica participated in two comprehensive reviews conducted by the MoFP with development partners which addressed the GOJ's wide-ranging agenda to strengthen Jamaica's PFM. Work is underway in key departments of the MoFP, including the Auditor General, Accountant General, Revenue Appeals and other departments, to upgrade technical skills and improve operational effectiveness. Development partners are supporting a number of the activities to strengthen PFM and the reviews provided a comprehensive overview of work underway, timeframes for completion and future technical work that will be undertaken. The reviews, which will likely continue on a quarterly basis, provide an important coordinating mechanism for the GOJ and development partners.

Operations

TAJ is making real progress in addressing the excessive backlog of outstanding tax arrears cases. This has been a priority item for TAJ and the IMF since 2010, and will continue to be. In October 2013, the Honorable Minister of Finance introduced new implementing regulations for the 'Tax Collection Act for Arrears Write-Off' legislation that Parliament passed in July. The new regulations were approved by Cabinet, and TAJ has started the process to designate qualifying tax arrears as 'uncollectible' to remove these from TAJ's 'active' accounts register. The legislation, which is based on a framework for tax arrears developed by PRIDE Jamaica, will allow TAJ to begin clearing old, uncollectible arrears accounts from its system.

Removing this backlog of more than 70,000 cases will allow TAJ to concentrate resources on collectible accounts, reduce time allocated to cleansing stale data and inform realistic projections for revenue collections. Throughout this reporting period PRIDE Jamaica worked closely with TAJ to ensure that staff resources allocated to this effort are balanced with activities to close open, revenue generating cases. PRIDE Jamaica reviewed the draft of TAJ procedures and recommended additional guidelines to standardize the processes and simplify the administration required to close these cases. One important recommendation from PRIDE

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Jamaica includes designating specific, periodic review of certain categories of 'currently not collectible' cases to determine whether a taxpayer's situation has changed so the arrears can be paid. PRIDE Jamaica also recommended that TAJ maintain arrears cases as 'open' for a maximum period, after which these arrears will automatically be purged from the active accounts. This further strengthens TAJ's focus on closing open, revenue generating cases.

PRIDE Jamaica's earlier work with TAJ's Tax Arrears Management Unit (TAMU) and IT staff established prioritization schema to designate arrears cases as 'High,' 'Medium' or 'Low.' New procedures and guidelines to effectively work the various categories of cases, developed by PRIDE Jamaica and TAMU, were codified in a new Tax Arrears Management Handbook. TAMU distributed the handbook to all TAM units at the Revenue Service Centres (RSC's). TAJ has reoriented its tax arrears operations at the RSC's to implement the new procedures and focus on the High Priority and Medium Priority tax arrears cases. Collections from tax arrears form an important component of TAJ's revenue collection targets to meet IMF revenue benchmarks.

In addition to the new procedures, PRIDE Jamaica continues to work with TAMU to improve the quality and timeliness of work by Team Leaders and Compliance Officers (CO's) to more effectively close tax arrears and tax return non-filing cases. TAMU and PRIDE Jamaica continue to conduct periodic reviews of CO's arrears cases at the RSC's. These reviews indicate that there is improvement in the quality and timeliness of casework and case management. The new report forms and procedures are being utilized, and there is more review and oversight by Team Leaders. CO's are incorporating more complete documentation regarding actions taken and those to be completed, which is particularly important if a case goes before the courts. If CO's consistently utilize the new procedures and apply all the compliance remedies available, this new approach will result in closing a greater number of arrears cases and collecting revenue. The new systems are beginning to consistently yield results in arrears collections, with TAJ collecting more than US\$14 million from High Priority and Medium Priority arrears cases during this reporting period.

To strengthen performance management of the arrears collection and compliance lead processes, PRIDE Jamaica and TAMU developed a visit report format that outlines TAMU's findings of the case work reviews at the RSC's. TAMU provides these completed visit reports to the Assistant General Manager (AGM) for Arrears Collection at the RSC so the AGM can focus on areas of improvement with Team Leaders and CO's and improve management of the arrears collection functions. PRIDE Jamaica has continued to recommend that TAMU also provide these reports to the RSC General Manager (GM) if recurring issues are not resolved. TAJ recently incorporated a PRIDE Jamaica recommendation for AGM's to respond in writing to any findings that require remediation, with sign-off on the response by the RSC GM. This is intended to ensure that GM's are more informed regarding improvements that are needed so they can better monitor implementation and performance.

To further strengthen the capacity of CO's to effectively close tax arrears cases, PRIDE Jamaica and TAMU finalized a new training program, building on the training PRIDE Jamaica and TAMU developed for Team Leaders of High and Medium priority arrears teams. TAMU and PRIDE Jamaica conducted a pilot training course for twenty-one CO's during November. The training program focused on improving financial analysis, interview techniques, negotiation skills and investigative techniques, and also introduced a full range of appropriate enforcement actions to familiarize CO's with the various arrears collection options currently available to TAJ. The course used the case study approach and group work, and trainees actively participated in all of the training topics. The process allowed for substantial discussion on a range of tax

arrears collection and compliance leads issues that CO's encounter. The instructors included TAJ Compliance Officers and staff from TAMU, Special Enforcement Team and Legal. TAJ is planning another training session for additional CO's in May 2014.



Training for Compliance Officers, May Pen. Photo courtesy of PRIDE Jamaica

During August 2013, TAJ completed substantial work on a new standard operating procedures (SOP) manual for tax arrears collection. Aspects of the new manual were incorporated into the training materials for the new CO training program. The draft of the new manual has been reviewed and edited by the Programmes Office, staff from other TAJ operating units and PRIDE Jamaica. TAMU expects to complete the review by June 2014.

TAJ began implementing the fiscal year (FY) 2013/2014 Tax Arrears Management Annual Plan on April 1, 2013, the start of the GOJ's last fiscal year. The plan, developed with PRIDE Jamaica's support, reflects current inventories, revised staffing allowances and the "experience rates" for projected closures based on data gathered during the prior fiscal year. Terms were updated to include 'compliance leads,' instead of only using 'stop-filer' language, thereby acknowledging that 'stop-filer' is but one type of compliance lead. The plan was further revised to allow for the detailing of hours and employees (lending staff time) from one RSC to another to support closing larger inventories of arrears cases in those RSC locations where additional staff resources are needed.

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Part of PRIDE Jamaica's ongoing support during the GOJ's current fiscal year includes re-emphasizing to CO's and their managers the critical importance of submitting accurate, complete and timely monthly activity reports, as this continues to be an issue. These reports provide critical, strategic decision-making information to the Tax Arrears Management Unit in Programmes and executive management on TAJ's tax arrears collection performance. These reports are used by TAMU and Operations to measure performance and to determine whether adjustments should be made to the Annual Plan or if procedural changes are required to improve performance. Although there have been improvements in some of the reporting, some RSC's still require improvement. Most of these reports are prepared by staff on report formats generated by TAMU to compensate for the lack of system generated reports easily available on the current IT system. When TAJ's new IT system is operational, many of these reports can be system generated, allowing more staff hours to be utilized on closing arrears and compliance lead (C-lead) cases.

In preparation for the upcoming 2014/2015 fiscal year, PRIDE Jamaica worked with TAMU to develop the framework and then finalize the FY 2014/2015 TAM Annual Plan. The plan reflects current inventories, revised staffing allowances and updated new "experience rates" based on actual time CO's require to close cases for projected closures. TAMU has noted that RSC's, not surprisingly, are reporting that CO's are requiring less time to close newer (fresher) arrears cases as compared with older inventory. This is very much in line with international standards. The new experience rates for the upcoming plan reflect reduced time to close both High Priority and Medium Priority cases, while the experience rate for C-leads will remain unchanged. The new plan also allows for the detailing of five percent of CO's direct time for Taxpayer Services work at their RSC Offices.

Preparing the FY 2014/2015 TAM Annual Plan included analyzing the year-to-date results of the current TAM Annual Plan in relation to available staffing and experience rates for the current fiscal year. The results indicated, not unusually, that there is far more case work than can be handled in both arrears and compliance leads based on current staffing. PRIDE Jamaica had previously recommended that C-leads cases for taxpayers with other current tax arrears accounts should be assigned to the CO's working those accounts. TAMU has incorporated PRIDE Jamaica's recommendation to conduct a further filtering of C-leads before these are issued to the RSC's to ensure that the highest priority cases within this inventory are worked and that the leads are still active.³ Revenue collection from arrears cases is holding, but there appears to be a reporting gap on 'case closures.' This may be due to differences in definitions between TAMU and the RSC's and this is an item to be resolved in the new fiscal year. The analysis confirms that the new tax arrears write-off regulations that are being developed will be an important factor in enabling TAJ to close a large number of uncollectible, open arrears cases.

TAJ and PRIDE Jamaica are further refining the need for formal Continuing Professional Education (CPE) for CO's. The FY 2013/2014 TAM Annual Plan does incorporate time for CO training, and the upcoming plan specifies additional training time. TAMU and PRIDE Jamaica are also developing guidelines to vest management of the CPE process with designated RSC AGM's on a rotating basis. While TAMU will be an integral part of the training process, the intention is that ownership of CPE will reside with the field teams at the RSC's.

³ PRIDE Jamaica has recommended that the C- leads list should be generated after allowing for a brief lag time beyond the due date of the return. Generating the lists too early has resulted in CO's spending time trying to contact taxpayers who filed returns shortly past the due date.

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To strengthen TAJ's performance management skills, PRIDE Jamaica conducted data analysis training for analysts in the Programmes Unit. The training focused on identifying key indicators to measure performance and effectively interpreting the information. Aspects of the training included utilizing the information to improve performance in Operations and communicating findings and recommendations to senior management. PRIDE Jamaica will provide additional training to improve operations performance management later in the program year.

PRIDE Jamaica continued supporting TAJ to improve tax compliance by implementing risk based assessments to select cases for audit. PRIDE Jamaica previously completed work with the Forensic Data-mining Unit (FDU) and the Audit and Investigations Unit (AIU) in Programmes to develop the audit risk framework selection criteria for Corporate Income Tax (CIT), General Consumption Tax (GCT) and Personal Income Tax (PIT) returns, and TAJ completed the programming of these risk framework protocols.

In preparation for the GOJ's current fiscal year, PRIDE Jamaica and AIU developed the FY 2013/2014 Annual Audit Plan. This plan integrates the classes that were previously established for the risk formulas for audit case selection. PRIDE Jamaica worked with AIU to assess the implementation and results of a new reporting system that PRIDE Jamaica and TAJ designed to track closed audit case results from the prior year's plan. This reporting system depends on accurate tracking of direct time on audit cases, which is necessary to determine the average time to be applied to different classes of case work. One RSC reported that the new case selection criteria resulted in more productive audit cases being selected during the last fiscal year.

TAJ is in the process of developing the FY 2014/2015 Annual Audit Plan. PRIDE Jamaica and AIU reviewed the draft plan and determined that additional information would be needed to finalize the upcoming plan. As TAJ is confirming its new organizational structure in accord with its new SARA status, Human Resources still needs to confirm the number of new auditors that will be hired during the next fiscal year, the timing of hire and the allocation of auditors to each of the RSC's. TAJ is preparing for major staffing changes in audit personnel at the RSC's in the next fiscal year, including a further expansion of the Large Taxpayer Office (LTO). Part of this process includes determining the extent of training that will be provided for the new auditors, as this will have an impact on the number and types of audits that can be conducted at each of the RSC's. PRIDE Jamaica provided guidelines to TAJ regarding baseline skill and education qualifications that would be required by the Internal Revenue Service for auditor candidates. AIU will be trying to balance skill levels against coverage requirements in the next fiscal year for the audit priority areas. Staffing plans and experience levels may not become finalized until after the new fiscal year begins, so the Annual Plan will likely need to be updated throughout the fiscal year.

Another important aspect for planning included the review of data from the current Annual Plan to determine how the results from the current fiscal year should be factored into assumptions for next year. A review of data in November indicated that the AIU required some additional cumulative data for the current fiscal year to factor into next year's assumptions. Results for the current fiscal year have been affected by the large number of transfers that took place from the RSC's to the LTO, mostly between June and September. A number of the more experienced auditors at the RSC's were transferred to the LTO, leaving some of the RSC's with gaps in both staffing levels and experience. This is also likely to have an impact on the plan for the next fiscal year.

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During the course of reviewing the current fiscal year's data, PRIDE Jamaica reviewed the definition of 'closed case' that TAJ applies to audits. AIU indicated that TAJ revised its former practice of having auditors refer closed cases to Audit Services, which posted the outcome of the audit – and any assessment raised – to TAJ's IT system. The new practice has auditors posting assessments to TAJ's IT system, and PRIDE Jamaica recommended that for good internal controls, TAJ should revert to its former practice of having Audit Services do the posting.

PRIDE Jamaica is working with AIU to revise and expand a comprehensive training program to improve Audit Managers' skills in the functional management areas needed to support implementation of the Annual Audit Plan. PRIDE Jamaica and AIU began this process late in the last program year by reviewing training materials from an older TAJ training series. During this reporting period, AIU and PRIDE Jamaica began to revise existing materials and to develop new ones that will incorporate current report formats, new processes to manage and track time worked and other management skills to attain better results from the audit program. Designated staff from Programmes and the RSC's were assigned training topics and writing assignments to develop, update and edit the new handbook and training materials. With additional time needed to complete the training materials, PRIDE Jamaica and TAJ will conduct a test of the materials with trainers in May, and then schedule training for Audit Managers.

PRIDE Jamaica continued its work with the Forensic Data-mining Unit (FDU) and TAMU to improve overall compliance with tax return filing and payment requirements. FDU gathers data from various sources, both internal and external, and matches these data against the TAJ systems to identify taxpayer entities that should be added to the TAJ taxpayer database. FDU also uses the data gathered to generate compliance leads for non-registered, non-filer and stop-filer taxpayer entities. FDU provides the various C-leads to TAMU, which distributes these to the RSC's in accord with the Taxpayer Compliance Programmes Annual Plan.

CO's at the RSC's are responsible for securing the appropriate tax returns and payment of the delinquent tax, interest, penalties and surcharges. PRIDE Jamaica had previously worked with the Programmes Unit to develop the Compliance Leads Work Plans for both FDU and TAMU. The work plan concept and approach was approved by the Deputy Commissioner General (DCG) Operations and is being utilized during the GOJ's current fiscal year. During January PRIDE Jamaica, TAMU and FDU established a schedule to complete the upcoming work plans in preparation for the upcoming 2014/2015 fiscal year. FDU's resources have been bolstered with access to new software that will allow it to identify even more productive C-leads. With the Third Party Information Act also in place, TAJ is establishing a stronger framework to improve taxpayer filing and payment compliance.

PRIDE Jamaica recommended several new, low cost and easy to implement taxpayer compliance improvement programs that TAJ implemented in the April 2013 through March 2014 period. These programs addressed those segments of the revenue at highest risk for non-payment, including trust fund taxes. While TAJ collected more than US\$13 million from compliance improvement programs for the GOJ fiscal year that ended March 31, 2014, little was collected during the current reporting period. This was due to CO's allocating their time almost entirely to High Priority and Medium Priority arrears cases, with little time available for C-leads cases. The TAJ executive management and Programmes continue to reinforce with the RSC managers the importance of properly and fully implementing the various compliance leads programs, including timely and accurate reporting of results. PRIDE Jamaica will review the results of these programs with TAMU and FDU to support stronger implementation of compliance programs for the upcoming GOJ fiscal year.

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Results of the fiscal year compliance leads programs indicate that the 'Income Tax Stop-filer,' 'Missing Education Tax Return' and the 'No Estimated 2013 Tax Filed' programs performed well. FDU and TAMU have implemented PRIDE Jamaica's recommendation that to conduct a second data cleansing of leads to ensure that the leads are still fresh when they are sent to the RSC's. The 'Professionals' compliance program is a program that underperformed and PRIDE Jamaica will work with TAMU and FDU to determine how to improve results from this compliance program in the next fiscal year. TAMU and FDU also incorporated PRIDE Jamaica's recommendation to prioritize the C-leads that are issued to the RSC's. Given TAJ's limited staff resources, prioritizing the leads will enable TAJ to focus on those cases that are the highest priority in terms of dollar value and other selection criteria.

TAJ is taking a more proactive approach toward informing the public about its compliance activities. TAJ recently reinstated the sale of seized taxpayer assets to recover tax revenues from non-compliant taxpayers and also advised the public that it is using updated provisions regarding access to third-party information legislation to widen the tax net and identify under-reporting of taxes. TAJ is also addressing compliance in the entertainment sector more proactively by enforcing provisions pertaining to General Consumption Tax (GCT) collections on ticket sales and withholding tax for overseas performers who perform in Jamaica.

When TAJ administrative actions do not result in payments from taxpayers, CO's from the Special Enforcement Team (SET) are tasked with utilizing court enforcement procedures to support the arrears collection function. During the reporting period PRIDE Jamaica conducted a review of casework performed by SET Officers and worked with SET to update and further develop its SOPs, which established the framework for a new SET Manager's Manual, prepared by PRIDE Jamaica. The new SOPs are based on those developed by PRIDE Jamaica and TAMU for the tax arrears management function at the RSC's. SET procedures should follow the same approach other CO's apply in regard to case management. This includes documenting contact with the taxpayer and actions taken; indicating the required next steps; conducting full compliance checks; and monitoring compliance with arrangement agreements, including court ordered payment agreements, among others. With the upcoming changes in TAJ's structure in accord with SARA, the Manager's Manual will support a smooth transition in the organization restructuring and movements of personnel. PRIDE Jamaica and TAMU have been strengthening the integration of the work by CO's and case referral to SET through the CO training. PRIDE Jamaica and SET will train SET CO's on the new procedures within the next several months.

Improving voluntary compliance is a key objective for TAJ. During the reporting period PRIDE Jamaica worked with the Customer Service and e-Business (CSEB) Unit and reviewed work plans, programs and related performance review documents to identify opportunities for additional initiatives. CSEB's programs are comprehensive, and CSEB is actively monitoring its activities and results. Using responses from CSEB's periodic customer surveys, the unit is also incorporating program adjustments that may be needed to improve customer service, and is communicating these to the RSC's. PRIDE Jamaica recommended that CSEB revise its work plans and performance review documents to include columns for 'Responsibility' and 'Target Dates/Completion Dates.' These recommendations are similar to those PRIDE Jamaica previously provided to TAMU and Forensic Data-mining Unit (FDU) in order to strengthen internal management and accountability.



TAJ Taxpayer Outreach. Photo courtesy of TAJ

PRIDE Jamaica identified an opportunity to strengthen CSEB's communications and messaging in regard to taxpayer compliance, and recommended that TAJ establish a Joint Compliance Programme (JCP) Steering Group consisting of the appropriate representatives from Programmes and the TAJ Communications Office. There will need to be close internal coordination with the various Programmes units such as TAMU, FDU, Audit, Investigations, CSEB and the TAJ Communications as compliance programs are planned and implemented during the fiscal year. The group, which is proposed to meet on a quarterly basis, would strengthen integration of communication efforts, both internally and with the public, in the area of taxpayer compliance.

Since December 2011, PRIDE Jamaica has been working closely with the LTO to strengthen its abilities to improve taxpayer compliance. This activity was implemented after the IMF's in-depth review of TAJ operations in late 2011. Throughout the implementation of this activity, PRIDE Jamaica has worked closely with TAJ to strengthen capacity and institutionalize this capability. As part of this process, TAJ established additional internal data storage and data review capabilities and is now conducting more of the technical review work, with oversight provided by PRIDE Jamaica. This is an important step toward supplementing the technical support PRIDE Jamaica is providing, and will also be important as the LTO undertakes taxpayer compliance improvement activities in other sectors. As the review of information continued, PRIDE Jamaica recommended to TAJ that taxpayers within the telecommunications sector submit information in a revised format to enable a more substantive review of taxpayer returns.

Work with the LTO has confirmed the need for TAJ to strengthen its assessment, collection and enforcement authorities as a means to improve taxpayer compliance. The 'Third Party

Information Act...2013' provides some much needed strengthening of TAJ's authorities to access information to improve taxpayer compliance. TAJ is moving forward with further legislative items in 2014 to strengthen its enforcement authorities. These various provisions are some of those that PRIDE Jamaica and TAJ previously developed as part of the process to overhaul TAJ's assessment, collection and enforcement authorities. PRIDE Jamaica's work with the LTO identified additional opportunities to strengthen legislation to improve taxpayer compliance. As in other tax jurisdictions, transfer pricing and 'profit shifting' to lower tax jurisdictions are becoming important technical areas where TAJ needs to improve its capabilities. PRIDE Jamaica also started new work with the LTO during the reporting period to prepare for audits in the Large Retail Sector. The LTO is conducting pre-assessment activities to prepare for audits in this sector.

TAJ is continuing to integrate its administrative processes to strengthen support to operational areas. One important aspect includes improving its records management process, which TAJ is actively addressing. Before TAJ was established as an integrated agency, the previous tax authorities (Taxpayer Audit and Assessment, Inland Revenue, and Taxpayer Assistance and Services) each had its own records management systems. TAJ has faced serious infrastructure constraints, including costs for storage facilities and IT, in its efforts to establish a new, standardized process across TAJ. With funding from the IDB loan, however, TAJ will be able to address a number of the infrastructure requirements and is procuring a new IT solution that will allow for electronic storage of documents.

As part of implementing the integrated IT solution, TAJ established a working group during this reporting period to create new procedures for records management across all functional areas. PRIDE Jamaica is participating on the working group, which includes staff representatives from Records Management and Operations functions, insuring that end-user stakeholders are included in the process. The new procedures will be designed to interface with the technology solution. The working group completed an initial review of current use and storage for a variety of documents, including, among others, those for revenue accounts, motor vehicle, land tax, taxpayer registration and inventory management to develop recommendations for standardized processes and storage/retention protocols.

The working group noted an item that affects taxpayer compliance, and this pertains to notices that were mailed to taxpayers as part of compliance programs underway, but were returned to the RSC's as 'undeliverable.' While the taxpayer is still responsible for the outstanding tax liability, many of the returned notices are filed and the CO working the case is not informed. The working group will propose a new process so that CO's will be advised of these returned notices to allow for active follow-up by the CO to close the case.

Leveraging Assistance from Other Donors

The Ministry of Finance and Planning (MoFP) is managing the implementation of the IDB loan funds to support tax and customs reform.⁴ The MoFP has established a coordinating group that is providing support and oversight to a project implementation unit (PIU) based at the MoFP, and TAJ has a representative on the coordinating group. During the reporting period TAJ

⁴ 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\$62 million.

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executed a contract with Fast Enterprises, a US-based firm, to design and implement a new IT system for TAJ utilizing funds from this loan. This is a major milestone that resulted from almost three years of work by TAJ and PRIDE Jamaica. PRIDE Jamaica's support to TAJ included preparing a costing for the tax administration reform program; re-engineering TAJ's core business processes; developing the Request for Proposal; and serving on the Bid Evaluation Committee. TAJ expects that it will require two years to achieve full implementation of the new IT system.

The International Finance Corporation (IFC) and PRIDE Jamaica are working to integrate complementary support to TAJ and the MoFP. The IFC will be conducting a survey to assess the cost to comply with paying taxes from the taxpayer's perspective. This will be supplemented by IFC support to review the taxpayer appeals process. PRIDE Jamaica, the IFC and TAJ are coordinating efforts to maximize the impact of activities that are implemented. PRIDE Jamaica and IFC also discussed activities in the area of Customer Service and IFC is undertaking a project with TAJ to strengthen its strategic communications.

The MoFP organized two comprehensive meetings for development partners during this reporting period to outline the range of support being provided in the area of public financial management (PFM). As part of the effort to integrate activities, PRIDE Jamaica met with the World Bank to discuss PRIDE Jamaica's support to TAJ and Jamaica Customs, and to provide background regarding support provided by other development partners to TAJ and Jamaica Customs.

During the reporting period PRIDE Jamaica met with representatives from the new, AID/Washington funded 'Strengthening Public Financial Management in Latin America and the Caribbean' activity. PRIDE Jamaica recommended several areas for support to strengthen PFM at the local government level, specifically in the areas of improving property tax collection and strengthening the capacity of Parish Councils in budgeting. Another potential opportunity exists to strengthen financial management across a range of statutory bodies.

PRIDE Jamaica reviewed tax administration and tax policy reform activities during the reporting period with colleagues from the European Union (EU). The EU is working closely with the IMF and IDB to support implementation of the PFM priorities that will strengthen Jamaica's economic and fiscal positions.

PRIDE Jamaica is working closely with the World Bank pre-appraisal team that is identifying potential support for tax administration reform, customs administration reform and public financial management. The World Bank is liaising closely with PRIDE Jamaica to identify potential areas of cooperation to provide technical support for TAJ and JCA.

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.

Jamaica's global logistics ranking at 70 out of 160 nations improved faster than most of the world, allowing it to fall below triple-digits for the first time in the 2014 study entitled 'Connecting to Compete 2014 - Trade Logistics in the Global Economy,' published by the World Bank. Nations were ranked using the Logistic Performance Index (LPI), which measures the time, cost and reliability to transport goods using air, sea and rail transport. Jamaica received its highest indicator sub-rank for customs at 54 out of 160 nations.

PRIDE Jamaica has played a substantial role in contributing to this positive development. Specifically, PRIDE Jamaica's work with Jamaica Customs enabled the agency to introduce risk management; apply risk management principles to cargo selectivity and criteria management; institute account management in the AEO program; introduce security measures to AEO; improve and simplify entry processing; and refine and issue new simplified directives. These items all represent the primary contributing factors to Jamaica's improved 2014 LPI ranking.

Jamaica Customs Agency

1. Integration of Customs Risk Management and Authorized Economic Operator (AEO) Activities

Jamaica Customs Agency (JCA) is currently engaged with activities to procure ASYCUDA World as the information system solution of choice to support modern risk management and an overall Compliance Strategy for the agency. Jamaica Customs has received "No objections" clearance from the IDB, who is funding the procurement, and has put plans in place for the 18-month implementation of ASYCUDAWorld which began at the end of December 2013. PRIDE Jamaica continues to work alongside colleagues at JCA to establish the principles, framework and process for managing risk. Toward this end, PRIDE Jamaica prepared recommendations for Customs risk management, some of which have been implemented by Jamaica Customs in preparation for ASYCUDAWorld implementation. In keeping with plans to strengthen and improve risk management at JCA, the organization is implementing a program that is being supported by PRIDE Jamaica and which will include aspects of:

- Client education
- Legislative amendments
- Operational changes
- Resource re-allocation
- Technology and technical support

PRIDE Jamaica continued its work with JCA to establish the principles, framework and processes for managing risk. To this end, PRIDE Jamaica conducted a review of the risk register that was developed by Jamaica Customs. Based on an assessment of the various risk categories, PRIDE Jamaica identified the following categories as presenting the primary areas of vulnerability for the agency:

- Lack of documented and uniform clearance procedure
- Lack of control for items covered by exemptions
- Smuggling of restricted/prohibited goods
- Broker errors
- Limited attention to Counterfeit and Intellectual Property issues
- Poor Motor Vehicle Bills of Sight quality standards

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Based on the findings, during this reporting period PRIDE Jamaica provided further assistance to develop an updated JCA risk register and risk management program to address the deficiencies that were outlined in the first draft, all of which were attributed very high risk scores during the assessment. The revised JCA Risk Management Register improves human resource capacity and strengthens JCA's procedures. PRIDE Jamaica conducted further reviews of the risk register and other statistical information to validate the scores for risk management to ensure that the risk register is credible.

PRIDE Jamaica also worked with JCA during this reporting period to develop a draft Risk Management Framework and a draft Policy Document for Risk Management. Under a directive from the Commissioner of Customs, these were advanced from the draft stage to being fully actualized by JCA at the end of November 2013. JCA utilized both draft documents to establish a Risk Management Plan for the agency.

These efforts are intended to reflect the economic and technological changes that are necessary to incorporate and promulgate best practices activities required from World Customs Organization (WCO) member customs administrations. They contain the necessary standards and practices for facilitating trade that will support economic growth and improve security of the international trading system.

At JCA the focus of risk management has changed from being solely operational to enterprise-wide. This change has prompted development of a communication strategy that is intended to capture all categories of risk within the agency. The roll-out of the ASYCUDA ICT platform is expected to further strengthen and support risk management reform at the agency. The 18-month implementation schedule for ASYCUDAWorld is progressing.

Jamaica Customs has made noticeable strides toward adopting internationally accepted practices. In particular, Customs has applied risk management principles, including implementation of the Authorized Economic Operator (AEO) system; strengthened intelligence, investigation and enforcement capacity through the Border Protection Unit (BPU); increased use of post clearance audit; simplified systems and procedures to facilitate trade and encourage voluntary compliance; and collected revenue through the introduction of revised processes and ICT. JCA's application of improved valuation procedures resulted in close to US\$2.85 million in revenue during this period.

All of the referenced efforts have been and continue to be supported by PRIDE Jamaica, and some have already been implemented by Jamaica Customs in preparation for automation with the implementation of ASYCUDAWorld. As ASYCUDA implementation proceeds, the need for uniform, clear and easily understood instructions for Customs Officers and the Trade Community is evident. The most current service-wide manual, *Instructions for the Guidance of Officers of Customs (IGOC)* from 1994-1996, is outdated.

JCA has updated instructions and SOPs, including two good examples which include a new *Post Clearance Audit Procedures Manual* and the *AEO Manual*. As there is no structured

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Issuance System⁵ in place at JCA, however, some supervisors and senior officers simply issue formal or informal directives in a discretionary manner, as the need arises.

Usually, Customs Administrations utilize the following hierarchy for their Issuances:

- Policy Decisions (decisions made by the Commissioner)
- Directives (sub-legislation or explanation of regulations)
- Procedural Manuals or Handbooks (SOPs)
- Customs Notices (informational and usually of short duration)

Since ASYCUDAWorld will require the drafting of many new procedures and documentation, PRIDE Jamaica recommended the establishment of a new issuance framework for JCA. In preparation for this, PRIDE Jamaica provided Jamaica Customs with the following general guidelines and will provide additional technical assistance as development of the issuance framework evolves:

- A central office should number the Customs Issuances.
- The central office should keep a record copy and arrange distribution.
- The Commissioner or his delegate should approve the documents.
- If an Issuance is cancelled or superseded, this information should be indicated in the superseding directive.
- A central list or index of current and superseded/cancelled Issuances should be maintained.
- The list/index should be available via the JCA intranet and accessible to all Customs employees.
- Non-restricted Issuances should also be available to the public and the Trade Community via the JCA website.
- Limited numbers of paper copies should be printed and distributed.

JCA has excellent and knowledgeable officers who are trained in the GATT VII Value Standard; however, very few importers and customs brokers are well trained in its intricacies. JCA auditors and officers within the Value Branch often encounter cases of noncompliance in this aspect of their work. This apparent lack of knowledge among importers and brokers causes much concern among those JCA officers who are responsible for value law enforcement, especially when noncompliance is demonstrated by the large importers who pay the majority of JCA's collections.

Jamaica Customs clearly understands that security and facilitation goals can and should be mutually supportive. As Jamaica's lead border agency, JCA is responsible for revenue collection and traditional customs responsibilities, which include preventing entry to criminals and their weapons and illicit goods, enforcing related government agency laws and interdicting a range of cross-border threats. PRIDE Jamaica has encouraged JCA to continue to follow the principle that law enforcement and commerce are interconnected and interdependent. Commerce depends on a uniform, stable and predictable environment for business. In effect, JCA, in its law

⁵ Customs Issuance System (CIS) is a repository of Customs Service records, providing descriptions of circulars, manuals, legal rulings, decisions, and other Customs documents.

enforcement capacity, plays a critical role in creating and protecting those conditions. JCA's enforcement and regulatory activities have significant effects on the Jamaican economy, government agencies and businesses; therefore its policies, performance and professionalism must be transparent to the Jamaican people and Parliament. PRIDE Jamaica assisted JCA to outline approaches for addressing these principles within the context of the AEO Compliance Program. PRIDE Jamaica continues to work with JCA to develop and strengthen risk based approaches to customs operations. During this reporting period PRIDE Jamaica recommended the following items to JCA for immediate consideration:

- JCA needs to transition the seamless implementation of its new ASYCUDAWorld automated export and import execution system. ASYCUDAWorld will establish a modern, flexible, automated foundation for the efficient transmission of data to Customs and other GOJ partner agencies with a border nexus, ensuring the efficient entry and release of cargo as well as exports.
- JCA should continue its efforts to transform its business processes to eliminate paperwork, expand enrollment in trusted traveler programs and deploy technology to minimize wait times at ports of entry. The imminent advent of ASYCUDAWorld will drastically alter the existing manual procedures. With global trade projected to expand by 8% annually through 2030 and infrastructure trade projected to grow at a rate of 9% and account for over 50% of all goods traded globally,⁶ Jamaica must ensure that its ports and businesses are capable of helping to capitalize on these opportunities. While noting comments from trade community leaders that JCA has made real strides in recent years in modernizing and simplifying its trade and business processes, JCA must continue to build on this foundation, as these efforts will present a significant opportunity to foster economic prosperity and security for Jamaica. A critical part of the effort will be JCA's engagement to harmonize and simplify customs practices between the ports and stations, as well as the agency's efforts to minimize transaction costs to the greatest degree possible.

⁶ Source: HSBC Holdings PLC (HSBC), Global Trade Forecast Report - HSBC Global Connections October 2013, Link to: <https://globalconnections.hsbc.com/global/en/tools-data/trade-forecasts/global>



Port Workers at Kingston's Seaport. *Photo courtesy of PRIDE Jamaica*

- With implementation of the risk management system, JCA for the first time will be able to deploy a sophisticated criteria-driven risk management screening system for imports. Revenue and trade compliance will be improved exponentially. International efforts such as the pursuit of Customs Mutual Assistance Agreements (CMAAs)⁷ and Mutual Recognition Agreements (MRA)⁸ must be continued. JCA's AEO program continues to strengthen and evolve with the reinforcement of standards and strong outreach to the Jamaican Trade Community. ASYCUDAWorld will also allow for limited physical

⁷ The World Customs Organization (WCO) adopted a model bilateral convention on mutual administrative assistance for countries to implement as part of a national customs policy. Worldwide Customs administrations use this model as a basis for negotiating Customs Mutual Assistance Agreements (CMAAs) with other foreign administrations. Domestic and foreign courts recognize each agreement as a legal basis for wide ranging cooperation. Such a legal framework is vital because of explosive growth in the volume and complexity of international trade. The agreements allow for the exchange of information, intelligence, and documents that will ultimately assist countries in the prevention and investigation of customs offenses. The agreements are particularly helpful for countries such as Jamaica which experience great valuation fraud and undervaluation, as each agreement is tailored to the capacities and national policy of an individual country's Customs' administration.

⁸ Mutual Recognition Arrangement (MRA) refers to those activities associated with the signing of a document between JCA and a foreign customs administration that provides for the exchange of information. The document, referred to as an "arrangement," indicates that the security requirements or standards of the foreign industry partnership program, as well as its verification procedures, are the same or similar with those of the JCA's AEO program. Mutual Recognition Arrangements (MRA), therefore, are bilateral understandings between two customs administrations.

interactions from both customs and trade. This will ultimately result in reduced corruption.

- JCA needs to modernize its export process in close collaboration with private sector, government and international partners. This will help to streamline exports and foster growth and employment. Jamaica fairs poorly with the export measures of the World Bank Doing Business survey. Poor ratings in this category will limit the attractiveness of Foreign Direct Investment (FDI).⁹
- JCA should continue to focus enforcement resources to protect Jamaica's producers from unfair competition, ensure that innovative national industries and brand names are protected from threats, and protect domestic consumers from unsafe, substandard products.
- JCA needs to build and retain a knowledge-based trade workforce to interact effectively with the public and the trade community. As JCA continues its modernization efforts it must establish as priority an initiative to provide sustained leadership attention to the training, development and effective management of JCA's employees.

Customs Valuation and Verification Procedures

In an ongoing effort to provide assistance to JCA's Valuation and Verification procedures, PRIDE Jamaica contacted a representative of UNCTAD (United Nations Conference on Trade and Development) in Trinidad and Tobago (T&T) to identify a contact point for the Value Database that is deployed within T&T Customs. The intention is to solicit cooperation from T&T for further guidance in this area. PRIDE Jamaica also discussed value trade compliance issues with senior audit staff at JCA. The audit staff group expressed concern that the WCO GATT VII transaction value is poorly understood by importers and that this is negatively affecting JCA's ability to collect revenue due from freight charges. While JCA has done an extensive briefing for the private sector about the changes in the AEO program, a similar outreach to the trade community for the details of the value law should be conducted.

PRIDE Jamaica continues to advocate and provide guidance to Jamaica Customs for amendments to the Customs Act that will extend the statutory period for audits from two years to a recommended maximum of seven and minimum of five years. JCA has advised that this recommendation is in keeping with directives from the MoFP for harmonizing the legislative codes of TAJ and Jamaica Customs. A timeframe of six years would be comparable to the TAJ authority (under the Income Tax Act they are required to maintain proper records, in English, for a minimum of six (6) years). PRIDE Jamaica is conducting ongoing reviews of the proposed legislative amendments to the Customs Act to ensure that the relevant amendments are included for submission to Parliament. Some basic principles have been applied to PRIDE Jamaica's review. Included among these are that most countries prefer to harmonize their record keeping holding period by the public; the liability period usually coincides with the record

⁹ FDI: An investment made by a company or entity based in one country, into a company or entity based in another country. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made.

retention period; and a long liability period strengthens compliance efforts by the trade community.

Customs Workload Assessment Framework

Following on a direct request from the CEO and Commissioner of Customs, during the reporting period PRIDE Jamaica initiated an activity to assist JCA to harmonize its staffing levels and schedules to support the delivery of effective and justified Customs processing. PRIDE Jamaica developed the framework for a workload assessment that will allow JCA to conduct an analysis and respond with the following desired outcomes:

- Provide sufficient levels of appropriately skilled Customs Officers to meet import/export and arrival/departure requirements;
- Maximize the continuity of customs operations;
- Develop schedules and rotations to meet the baseline workload requirements;
- Provide mechanisms and staffing to meet fluctuating customs workload and replacement requirements;
- Respond to staff work-life considerations and their impact on recruitment and retention;
- Act in an economical, fair and equitable manner toward the trade community.

In addition to JCA, PRIDE Jamaica met with representatives of the Shipping Association of Jamaica (SAJ) in February to discuss the matter of overtime assessments for which claims are charged to the association by Customs. Among the primary areas of concern raised by the shipping industry is that there is no standardization of claim items at various levels and that this therefore calls into question the accuracy of the claims which are submitted from Customs to the industry. The association also indicated that it is not apparent whether a document exists that outlines the various officer ranks at Jamaica Customs, or the costs associated with each rank. As such, claims are submitted without an opportunity for verification by the shipping agents. Transparency is therefore compromised and this approach to business impedes proper planning and cost projections on the part of the agents and the shipping lines.

A one month analysis (August 2013) of Jamaica Customs overtime and mileage timesheets conducted by the SAJ presented a total value of claims of J\$5,887,520.25 (US\$60,000.00). The analysis used a sample pool of 130 timesheets across seven agents and thirteen wharves/berths.

The SAJ shared with PRIDE Jamaica a list of recommendations which the association suggests will improve transparency and accountability. The SAJ indicated that the recommendations have previously been discussed with Jamaica Customs. Included among these recommendations are:

- Standardize and communicate the overtime rates.
- Standardize and communicate the mileage rates.
- Standardize and communicate the miles being claimed by defining the applicable starting point. Since the location of each wharf is fixed, there should be no variation in distance from Customs House, for example. The number of miles can therefore be determined from the outset and communicated to the relevant parties.
- Standardize and communicate the number of Customs Officers or mix of officers required per vessel type.
- As the port operates 24x7, Customs, being integral to the trade process, should move in the same direction and implement a shift system.

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PRIDE Jamaica engaged with the Trade Community and assisted JCA to develop a framework to review the current state of overtime management at Jamaica Customs and a recommended level of oversight for JCA Officers who are required to work overtime. PRIDE Jamaica recommended procedures and guidelines to assist JCA to develop an effective and cost efficient overtime regime. The overtime guidelines also included policies and procedures, as well as a review of requirements and management techniques that will enable JCA to develop effective monitoring and predictable evaluation for Customs overtime.



The port operates 24x7 and Customs is integral to the trade process. *Photo courtesy of Jamaica Observer newspaper*

Much has been done to implement operational, policy and regulatory reform within JCA, however much more remains to be done. In this regard, both PRIDE Jamaica and JCA will continue to maintain collaborative focus on those areas that will bring about the greatest transformation.

2. Petroleum Import Surveys

PRIDE Jamaica is working alongside colleagues at JCA to develop and implement the framework for conducting Post Clearance Audits (PCA) on petroleum imports. In August 2013, JCA advised PRIDE Jamaica that it would conduct a post clearance audit on petroleum imports. PRIDE Jamaica provided guidance to JCA emphasizing the need for certain critical, standardized processes and procedures to be established by the agency in preparation for conducting post clearance audits. In this regard, PRIDE Jamaica had assisted JCA to develop clearly documented procedures, audit guides, monitoring and control procedures and a standardized process outline for conducting a petroleum post clearance audit. PRIDE Jamaica provided additional support to Jamaica Customs to prepare and streamline audit steps and guidelines to conduct the post clearance audit for targeted imports within the petroleum sector.

Throughout this process, PRIDE Jamaica also examined existing regulations in Jamaica that govern oil imports and exports, and explored other requirements and guidelines that are

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currently in place, particularly in relation to procedures for those companies and supporting agencies with which JCA usually interacts during the petroleum import/export process. The plan and guidelines that have been developed by PRIDE Jamaica and JCA will help to strengthen and improve overall audit processes at JCA. Also included in the plan are elements of petroleum monitoring that will utilize established controls for dealing with companies involved in the import and export of petroleum.

PRIDE Jamaica outlined the overall plan and approach for the assignment with JCA colleagues working on this initiative. In addition to the familiarization process previously referenced, the approach also includes identifying and evaluating import and collections processes, identifying the “as is” scenario and those standard conditions and improvements that will be beneficial to JCA in controlling the import/export process and the collection of revenue.

PRIDE Jamaica worked with JCA and TAJ’s Excise Division to prepare a Petroleum Audit Survey Interview Questionnaire that JCA utilized during the conduct of a post clearance audit. On the advice of PRIDE Jamaica, JCA is also preparing a database that can be used to identify risk areas, non-compliance and levels of fraud within the target sector. PRIDE Jamaica worked alongside JCA to develop an Audit Plan which articulates in greater detail the performance steps for audit. PRIDE Jamaica’s prior support to facilitate coordination between TAJ’s Excise Division and the Post Clearance Audit (PCA) and Sufferance Wharves teams at Jamaica Customs is enabling both audit teams to collaborate during conduct of the audit; this joint effort is further supporting JCA’s work to regularize the petroleum trade.

This activity has strengthened capacity at JCA by improving both JCA’s knowledge base of the petroleum industry and its managerial control of the petroleum importing process. This should improve voluntary compliance among the petroleum product importing companies due to their awareness of the presence and capabilities of Customs and customs compliance measures.

The Petroleum Audit Technical Guide previously developed by PRIDE Jamaica serves as a resource tool that can be referenced by the Customs audit group when specific issues arise in relation to the audit steps for the petroleum sector. During this reporting period, the Petroleum Audit Technical Guide was further refined and updated with additional reference material. It will continue to be utilized by Jamaica Customs as a working tool and technical resource that is to be improved upon as additional experience is gained and applicable information becomes available. This material should result in the PCA Division having the most comprehensive and effective audit resource and training tool for conducting an audit in the Jamaican petroleum industry.

PRIDE Jamaica also provided technical assistance to JCA to develop a comprehensive petroleum audit program, including specific audit steps to address the petroleum industry and to ensure thorough audit coverage. The program will serve as a guide and may be appropriately modified or enhanced during the course of an audit. Although the program will primarily address petroleum audits, some elements should also prove beneficial for use during conduct of other audits. This product was reviewed and coordinated with the Audit Division staff and appropriate training was provided. PRIDE Jamaica continued to emphasize that the efforts of the PCA team are key to improving revenue collection, communication between Customs and industry, and industry compliance.



Jamaica Customs Audit Team conducting audit questionnaire review with importer. *Photo courtesy of PRIDE Jamaica*

PRIDE Jamaica continues to stress the importance of coordination and cooperation between the audit staff and other Customs officers who monitor and interface with the importers on a daily basis. PRIDE Jamaica also reinforced that increased presence at importers' offices and facilities discourages fraudulent or negligent activities by the importer and can increase importers' interest in understanding and complying with Customs requirements.

PRIDE Jamaica provided training to the audit team emphasizing the importance of thorough preparation and effectively managing the process throughout the audit. The importance of following the Audit Division Procedures Manual guidelines for the preparation, organization and explanation of audit working papers on the audit was discussed in detail with the audit team. This is standard process for an audit and is particularly important when audit findings are challenged. PRIDE Jamaica also provided training to Audit Division Managers that will enhance supervisory review to improve and strengthen the accuracy and reliability of all audits performed. PRIDE Jamaica anticipates that this petroleum audit will be used as a model for future audits conducted by JCA.

JCA's Audit Division has previously accessed the Customs Metacube System to accumulate a database of petroleum related importations within the past four years. Since January however, Jamaica Customs has reported a critical failure of the Metacube System, which further serves to highlight the urgent need to implement the ASYCUDA platform to support ICT requirements at the agency. Further analysis by importer, classification and year, along with input from other available sources, will provide a universe for future petroleum industry audits and a tool for risk

assessment and audit priorities. This effort will continue to be coordinated between PRIDE Jamaica and the Customs audit group.

PRIDE Jamaica continues to monitor and support the implementation of those recommendations that should strengthen and improve JCA's ability to collect revenues that are due from petroleum and petroleum products imports. PRIDE Jamaica's support will also enable JCA to adjust the training program in order to fully equip Jamaica Customs Officers with the requisite knowledge to accurately account for revenue from petroleum imports.

3. Jamaica Customs Executive Agency Update

During the transition of Jamaica Customs to an Executive Agency (EA), PRIDE Jamaica continued to work with JCA to help sustain those reform initiatives that had been undertaken, and to provide support to other reform initiatives that are in keeping with the *Customs Modernisation Plan* (MP). JCA is also currently working to expedite Customs Procedures Manuals. The department is seeking to identify a facilitator and will select a team that will be dedicated to this activity.

Implementation of EA status for Jamaica Customs had been originally scheduled for April 2012. It was not until mid-April 2013, however, when the Ministry of Finance announced that Jamaica Customs achieved Executive Agency status as of April 1, 2013.

On Monday, January 13, 2014 at a formal ceremony, Major Richard Reese received the Accountability Agreement instrument from Chairman of the Public Service Commission, Chief Justice Lensley Wolfe, officially making Major Reese the first member of staff to transition to the new agency, as CEO/Commissioner. Since then, requests for applications have been issued via internal advertisements for the secondary posts (Deputies and Directors). As an Executive Agency, the organization is expected to experience greater accountability, transparency, control and performance improvement. All programs related to Jamaica Customs Agency modernization continue to be steadily implemented despite funding challenges that have been encountered during execution of the program plan.

Leveraging Assistance from other Donors

In 2009, Jamaica became the first English-speaking Caribbean country to implement the Authorized Economic Operator (AEO) System. Since April 2012, the Inter-American Development Bank (IDB) has provided technical assistance from the UK, Netherlands and Dominican Republic, and has also provided a platform on which to elevate the program from its internationally viewed status of a "Trusted Trader Program" to a fully functioning AEO Program that includes security aspects.

In May and June 2012, Jamaica Customs Agency received assistance from two experts from the Netherlands and United Kingdom Customs, respectively, through the IDB and World Customs Organization (WCO). As a result, JCA was able to develop an action plan that was completed in July 2012 and submitted to the IDB for review and discussion.

In August 2012, two AEO Experts from the Dominican Republic, through the sponsorship of the IDB, also assisted JCA Account Managers to understand and create security and validation procedures that would further develop and advance the Jamaica Customs AEO program. Resulting from that visit was a detailed implementation plan, which is currently being used to

guide the process to the pilot program which was implemented in January 2014. This is concurrent with the ongoing technical assistance provided by PRIDE Jamaica to develop, strengthen and operationalize JCA's AEO Program.

Jamaica Customs has since identified a further need for additional training and development for Account Managers in the practical and theoretical applications in areas to include Audit Security, Verification and Validation Procedures. PRIDE Jamaica is assisting JCA to develop appropriate scopes of work to enable JCA to approach development partners for funding support in these other areas.

The Ministry of Finance and Planning (MoFP) completed staffing of the Project Implementation Unit (PIU) that has been established to manage the implementation of an IDB loan that will support some elements of Jamaica Customs' modernization program. Through this means, Jamaica Customs will access funding to procure ASYCUDA World, a new risk management system that will improve efficiency of operations, allowing JCA to meet revenue targets and strengthen both internal and external compliance levels. Jamaica Customs has received "No objections" clearance from the IDB for the procurement. JCA began the 18-month implementation process at the end of December 2013.

1.1.3 COMPONENT 4: LEGISLATIVE PROCESS

The 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 advocates for those legislative and statutory enabling changes that are required to strengthen TAJ and JCA and provide a supporting framework for tax administration and customs reform.

Early in this reporting period Cabinet approved new, implementing regulations for the recently passed 'Tax Collection Act for Arrears Write-off.' These regulations provide the operational framework that TAJ will use to clear the backlog of more than 70,000 tax arrears accounts that are designated as uncollectible. The legislation and regulations were drafted based on the framework PRIDE Jamaica developed to prioritize arrears cases and establish criteria to determine that a tax arrears debt was uncollectible. The implementing regulations enable TAJ to begin this categorization process, which is the first step to remove these cases from TAJ's ledgers and clear out the backlog of uncollectible tax arrears. As noted earlier in this report, PRIDE Jamaica reviewed TAJ's administrative processes and recommended several procedures that will create an appropriate balance of staff time to address this category of arrears cases and also focus on open, collectible arrears cases.

During October Jamaica passed 'The Charitable Organisations Act, 2013', an entirely new piece of legislation that now provides statutory tax treatment for qualified charities. Jamaica did not have a charities act, and previously charities had to qualify for tax free treatment by applying to the Minister of Finance for discretionary waivers. The Act provides substantial improvement in transparency regarding the application for and use of tax free treatment for charitable organizations. Provisions of the Act require organizations to submit an application to the Commissioner General of TAJ for consideration, who can grant tax free status for organizations that meet the qualifying criteria. The Act still allows the Minister of Finance to grant tax relief on a discretionary basis; however, the *de minimis* amounts still allowable for discretionary waivers

will have little impact on overall revenue. The approval process to qualify for tax relief under the Act will substantially strengthen TAJ's ability to monitor compliance.

Working with a public-private partnership, the MoFP prepared an updated, integrated and transparent statutory tax incentives framework to support Jamaica's economic growth priorities. The MoFP was able to harmonize its proposed framework with proposals for tax reform with those presented by the IMF and Inter-American Development Bank (IDB). The new 'Fiscal Incentives Act, 2013' was passed by Parliament in November. The IMF worked actively with the MoFP to finalize several aspects of the legislation for the GOJ to meet the tax reform requirements of the GOJ, the IMF and IDB. The Act will enable TAJ to more easily track the use of statutory incentives by taxpayers, thereby strengthening compliance and enforcement; it will also strengthen the MoFP's budgeting process with access to information regarding the value of statutory incentives utilized, and the impact on revenue. This new legislation is an important component of the tax reform program as it provides a complete overhaul of a wide array of disparate incentives regimes that were enacted over several decades across a variety of economic sectors. It will substantially reduce the need for the Honorable Minister of Finance to approve discretionary waivers.

The 'Fiscal Incentives Act, 2013' and the 'Charitable Organisations Act, 2013' in combination with the automated tax relief processing system, are major components of the tax reform program that Jamaica must implement to comply with the new IMF agreement. These components of the tax reform program are intended to improve transparency by reducing the need for discretionary waivers for tax relief; improve the MoFP's budgeting function by measuring the financial impact of particular tax expenditure measures on revenue; and strengthen TAJ's and JCA's monitoring of taxpayer compliance within the new legislative frameworks that provide tax relief.

TAJ is currently working on legislation to further strengthen its collection and enforcement authorities. This legislation was expected to be tabled in Parliament during the first quarter of calendar year 2014, but was rescheduled for early in June 2014. These legislative items were originally developed in 2011 when PRIDE Jamaica worked with TAJ to overhaul TAJ's assessment, collection and enforcement authorities.

PRIDE Jamaica is working with JCA to legislate critical amendments to the Customs Act in keeping with Customs modernization. PRIDE Jamaica has continued to advocate for a better approach to the legislative reform process and has encouraged Jamaica Customs to prepare a wholly new legislative framework shaped by the Revised Kyoto Agreement pertaining to Customs Agencies. This approach has also been supported by the World Bank's review of JCA's legislation. JCA has, however, since opted to proceed with separate packages of updates to the existing legislation. The primary reason being cited for this decision is that JCA wants to proceed as quickly as possible to apply the ASYCUDA system, and in order to do so, certain legislative items need to be established. JCA has expressed concern that should the legislation for technology requirements be bundled with other legislative changes to the existing Act, or if there is an attempt to put forward an entirely new Act, the processes may become stalled.

1.2 OTHER ACTIVITIES

In accord with contractual requirements, PRIDE Jamaica submitted its Year 4 Annual Report to USAID/Jamaica during the reporting period.

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The PRIDE Jamaica Project Director provided a review of program results for colleagues in the Latin America and Caribbean Bureau at AID/Washington in January. PRIDE Jamaica also had an opportunity to participate in the Open House sponsored by AID/Washington's Bureau for Economic Growth, Education and Environment.

PRIDE Jamaica participated alongside JCA at a symposium designed to promote national interest in a proposed Global Logistic Hub for Jamaica. The two day event was held at the Jamaica Conference Center.

On January 26, the Jamaica Customs Agency along with 179 Customs administrations worldwide observed the World Customs Organization instituted International Customs Day (ICD). ICD recognizes the role of custom officials and agencies in maintaining border security. It focuses on the working conditions and challenges that customs officers face in their jobs. A week-long event was held by Jamaica Customs under the theme: "Communication: Sharing Information for Better Cooperation."

The World Bank is in discussions with the GOJ regarding potential World Bank assistance for support toward improving the investment climate. In this regard, guided by the GOJ, the World Bank has suggested that the area of building permit approvals is to be treated with priority. In January, PRIDE Jamaica held discussions with representatives from the World Bank on the nature and status of reform measures that have previously been advanced in the building permitting sector. Discussions with PRIDE Jamaica are intended to support fact-finding activities to ensure that resources are best deployed in accordance with reform work that has already been done in this area.

1.3 NEXT STEPS

TECHNICAL – Activities below may be revised based on funding that will be available.

Component 1: Tax Policy and Administration

PRIDE Jamaica will continue working with TAJ to implement activities to support revenue mobilization and reform work. Upcoming activities include:

- *Support TAJ to conduct targeted audits in priority sectors:* PRIDE Jamaica will continue to provide support to the Large Taxpayer Office as it conducts ongoing and new audits in high priority sectors. Part of this support will focus on additional strengthening of TAJ's capability to utilize data analysis tools, such as IDEA, to analyze and interpret low-level data provided by taxpayers during the course of audits.
- *Strengthen TAJ's capacity to implement, review, and enhance the risk management system for identifying and prioritizing tax debt arrears for collection:* PRIDE Jamaica will continue to support the Tax Arrears Management Unit (TAMU) within the Programmes Department to implement the risk-based methodology that prioritizes tax debt arrears for collection. PRIDE Jamaica will also work with the Programmes Department to provide support at the Revenue Service Centres (RSC's) to effectively apply appropriate treatments for 'High' and 'Medium' Priority cases; improve processes to manage the inventory of cases; accurately track case closures and time spent on cases; and submit timely, accurate and complete reports that track results.

- *Strengthen TAJ's capacity to implement, review, and enhance the risk management system that selects taxpayer entities for audit (i.e., examination of tax returns) and support implementation of Annual Audit Plans:* PRIDE Jamaica will continue to support the Audit Unit within the Programmes Department to implement the Annual Audit Plan, utilizing the risk-based methodology to select the most productive cases for audit. PRIDE Jamaica will also work with the Programmes Department to provide training to RSC AGM's to improve processes to manage the inventory of cases; accurately track case closures and time spent on cases; and submit timely, accurate and complete reports that track results.
- *Support TAJ to improve tax compliance programs by utilizing the TAJ data-mining function to identify areas of high non-compliance and increase tax revenue collections:* PRIDE Jamaica will continue to support the Forensic Data-mining Unit (FDU) and TAMU to develop and implement programs to identify potential areas of high non-compliance among taxpayers in order to improve taxpayer compliance and revenue collection and expand the taxpayer base. PRIDE Jamaica will support FDU and TAMU to review the status of programs as they are implemented to ensure that outcomes are tracked and adjustments are made to improve results. PRIDE Jamaica will also work with FDU and TAMU to support the RSC's to manage the inventory of cases; accurately track case closures; and submit timely, accurate and complete reports that track results.
- *Provide training to implement the new TAMU systems:* PRIDE Jamaica will work with TAMU to provide training to improve the skills of front-line compliance officers and managers so they can more effectively process tax arrears cases to improve case closure and revenue collection. This will include a financial analysis component that incorporates methods of determining taxpayers' ability to pay, negotiating skills and techniques to improve collections, securing payment arrangements and using investigative techniques to discover taxpayer assets and income sources.
- *Improve taxpayer service programs in order to provide timely and accurate tax compliance improvement-related information to the public:* To support TAJ's efforts to improve voluntary taxpayer compliance, PRIDE Jamaica will work with the Taxpayer Services and Education Unit in Programmes to review current and proposed tax compliance public education programs and provide data for TAJ to develop user-friendly public information programs. The programs' aims are to improve taxpayers' understanding of the importance of voluntary compliance, with a resultant improvement in overall compliance rates.
- *Improve TAJ's implementation of the Performance Management System :* PRIDE Jamaica will support TAJ to refine and implement the Performance Management System model previously developed by PRIDE Jamaica and TAJ. These *At a Glance* reports provide managers at all levels of the organization results on key performance indicators and enable decision-makers to quickly and easily assess TAJ's performance across all operational areas. PRIDE Jamaica will support TAJ to revise reports as needed and provide training to analysts so they can utilize information to make decisions to improve operational performance.
- *Support TAJ to implement selected other priority initiatives that will mobilize revenue collection, improve operations, or support the tax reform program:* Within the scope of available funds, PRIDE Jamaica will provide support for other initiatives to enable TAJ to mobilize revenue collection from existing and new taxpayers, streamline processes, improve

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transparency in operations, improve compliance and expand the base of taxpayers to generate additional revenue.

- *Leveraging resources:* PRIDE Jamaica will continue to work closely with TAJ and development partners to implement reforms of the tax administration system. PRIDE Jamaica will promote reform activities to the World Bank so that improvements can be reflected in the next annual *Doing Business* report.

Component 2: Licensing and Other Competitiveness Areas

PRIDE Jamaica will continue work with the trade community and Jamaica Customs to improve Jamaica's competitiveness, support revenue mobilization and other reform activities.

Jamaica Customs

- *Support JCA to establish a Petroleum Monitoring Unit:* PRIDE Jamaica will work with JCA to establish controls, procedures and reporting to ensure that all shipments and transmissions of products are accounted for and revenue is collected in a timely manner. PRIDE Jamaica will support more effective collaboration between JCA and TAJ to ensure that domestic taxes will be collected by TAJ based on accurate accounting of petroleum products as product moves into the domestic tax arena.
- *Establish capacity within JCA to Conduct Petroleum Product Import Surveys:* PRIDE Jamaica will provide technical assistance through on-the-job training and mentoring to Jamaica Customs to conduct a joint JCA/TAJ petroleum product import survey. This assistance will include data collection, review, and analysis of major petroleum product imports and utilization via a post-clearance audit to determine whether all products have been properly accounted for and whether all revenues due have been paid.
- *Provide implementation support to JCA to develop and implement the risk management framework for the Authorized Economic Operator (AEO) operations:* PRIDE Jamaica will work with JCA to develop and implement the required processes to qualify companies for the AEO program in a systematic and objective way so companies may participate in the AEO program according to the companies' respective levels of compliance. PRIDE Jamaica will support AEO Program changes to reduce risk at Jamaica Customs and increase the compliance levels of the trade community, as well as establish the integrity of the JCA AEO Program on a global scale.
- *Improve capacity within JCA reform to improve AEO Program Practice and bring the program in line with World Customs Organization (WCO) standards:* PRIDE Jamaica will support JCA to obtain WCO certification for Jamaica's AEO program. WCO certification will enable Jamaica to compete more effectively in regional and global trade by providing a framework that allows other customs organizations to fully recognize Jamaica's AEO program.
- *Support JCA to implement any other priority initiatives to mobilize revenue collection, improve operations and transparency, or support the customs modernization program:* Within the scope of available funds, PRIDE Jamaica will provide support for other initiatives to enable JCA to facilitate trade, mobilize revenue collection, streamline processes, improve

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compliance and transparency and implement programs in support of the Customs Modernization Plan and its overall reform objectives.

Component 3: Access to Credit

In accord with amendments to the Task Order, no further implementation activities are planned for this component.

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.

RESULTS

As confirmed by the updated PMEP Results Reporting Table (Annex B), PRIDE Jamaica has achieved or exceeded its targets for the current reporting period. These results are due, in large part, to the strategic approach PRIDE Jamaica adopted at project start-up and the strong working partnerships PRIDE Jamaica established with counterparts. These partnerships enable the project to work so integrally with colleagues on implementation, and these relationships must be considered to fully appreciate PRIDE Jamaica's and counterparts' successes to date. USAID/Jamaica's extremely supportive and collegial working relationship with the GOJ and USAID's leadership role with international development partners further underscores the project's ability to perform successfully.

PRIDE Jamaica's program is now focusing on implementation activities with Tax Administration Jamaica and Jamaica Customs. Building on key findings from previous IMF reports, prior work completed by PRIDE Jamaica, and issues identified by counterparts, PRIDE Jamaica's focus for this program year is to solidify the institutionalization of essential business process reforms and strengthen operational capacity within TAJ and JCA to improve revenue collection and mitigate risk; and in the case of JCA, to also reduce corruption. All of these efforts are intended to improve voluntary compliance, make it easier for legitimate taxpayers to operate and support Jamaica's economic growth agenda.

Tax administration reform continued to be the highest priority for PRIDE Jamaica's implementation program. Working with colleagues in Tax Administration Jamaica (TAJ), PRIDE Jamaica and TAJ focused on improving compliance and mobilizing revenue collection. To address the priority issue of discretionary waivers, in 2011 the MoFP established an inter-departmental working group which includes representatives from the MoFP and several of its departments and agencies to develop a transparent, automated, rules-based process to review, approve and track tax relief. PRIDE Jamaica has also participated as a member of this working group since its inception. The automated process will enable the MoFP to better understand the revenue impact of tax expenditures approved, improve enforcement capabilities and support improved revenue forecasting.

The working group finalized the requirements analysis and conceptual design during this reporting period for the Financial Secretary, who provided approval for the pilot phase of the program to begin. Throughout the reporting period, e-Gov Jamaica (E-GJ) completed a range of software installations, conducted software and user acceptance testing and provided training to various user groups. This was followed by User Acceptance Training (UAT) for the MoFP and its departments to further prepare the initial group of users who are participating in the pilot. In December E-GJ continued work on system interfaces to prepare the system to accept applications. Links to the 20% Motor Vehicle Concession Online Component are now active on the MoFP's website at <http://www.mof.gov.jm/>. Applications can be submitted online, with software applications for the online processing of applications expected to be in place early in the next quarter.

The 'Fiscal Incentives Act, 2013' and the 'Charitable Organisations Act, 2013' in combination with the automated tax relief processing system, are major components of the tax reform program that Jamaica must implement to comply with the new IMF agreement. These components of the tax reform program, both enacted during the reporting period, are intended to improve transparency by reducing the need for discretionary waivers for tax relief; improve

the MoFP's budgeting function by measuring the financial impact of particular tax expenditure measures on revenue; and strengthening TAJ's and JCA's monitoring of taxpayer compliance within the new legislative frameworks that provide tax relief.

After a process of almost three years, in March 2013 Jamaica's Parliament passed legislation to establish TAJ as a semi-autonomous revenue authority. TAJ has been working over the past year to prepare for full implementation of the new SARA structure and management guidelines. In December, the new Board of Management that will oversee TAJ within the SARA framework was appointed. The Board, which includes representatives from the public and private sectors, convened its first meeting in January. TAJ has updated its organization structure and is finalizing job descriptions which it will submit to the MoFP to have positions classified and then established. TAJ can then begin to recruit and staff the new organization. Senior executives are expected to be named early in the next quarter.

TAJ is making real progress in addressing the excessive backlog of outstanding tax arrears cases. In October 2013, the Honorable Minister of Finance introduced new implementing regulations for the 'Tax Collection Act for Arrears Write-Off' legislation that Parliament passed in July. The new regulations were approved by Cabinet, and TAJ has started the process to designate qualifying tax arrears as 'uncollectible' to remove these from TAJ's 'active' accounts register. The legislation, which is based on a framework for tax arrears developed by PRIDE Jamaica, will allow TAJ to begin clearing more than 70,000 uncollectible arrears accounts from its system and allow TAJ to concentrate resources on collectible accounts, reduce time allocated to cleansing stale data and inform realistic projections for revenue collections.

Throughout this reporting period PRIDE Jamaica worked closely with TAJ to ensure that staff resources allocated to this effort are balanced with activities to close open, revenue generating cases. PRIDE Jamaica reviewed the draft of TAJ procedures and recommended additional guidelines to standardize the processes and simplify the administration required to close these cases. One important recommendation from PRIDE Jamaica includes designating specific, periodic reviews of certain categories of 'currently not collectible' cases to determine whether a taxpayer's situation has changed so the arrears can be paid. PRIDE Jamaica also recommended that TAJ maintain arrears cases as 'open' for a maximum period, after which these arrears will automatically be purged from the active accounts. This further strengthens TAJ's focus on closing open, revenue generating cases.

PRIDE Jamaica continues to work with TAMU to improve the quality and timeliness of work by Team Leaders and Compliance Officers to more effectively close tax arrears and tax return non-filing cases. The new report forms and procedures are being utilized, and there is more review and oversight by Team Leaders. CO's are incorporating more complete documentation regarding actions taken and those to be completed, which is particularly important if a case goes before the courts. TAJ collected more than US\$14 million from High Priority and Medium Priority arrears cases during this reporting period.

To further strengthen the capacity of CO's to effectively close tax arrears cases, PRIDE Jamaica and TAMU finalized a new training program, building on the training PRIDE Jamaica and TAMU developed for Team Leaders of High and Medium priority arrears teams. TAMU and PRIDE Jamaica conducted a pilot training course for twenty-one CO's during November. The training program focused on improving financial analysis, interview techniques, negotiation skills and investigative techniques, and also introduced CO's to the full range of appropriate enforcement actions to familiarize them with the various arrears collection options currently available to TAJ. The instructors included TAJ Compliance Officers and staff from TAMU,

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Special Enforcement Team and Legal, in addition to PRIDE Jamaica. TAJ is planning another training session for additional CO's in May 2014.

In preparation for the upcoming 2014/2015 fiscal year, PRIDE Jamaica worked with TAMU to develop and finalize the FY 2014/2015 TAM Annual Plan. The plan reflects current inventories, revised staffing allowances and updated new "experience rates" based on actual time CO's require to close cases for projected closures. The new experience rates for the upcoming plan reflect reduced time to close both High Priority and Medium Priority cases, while the experience rate for C-leads will remain unchanged. TAMU has noted that RSC's, not surprisingly, are reporting that CO's are requiring less time to close newer (fresher) arrears cases as compared with older inventory. TAMU has incorporated PRIDE Jamaica's recommendation to conduct a further filtering of C-leads before these are issued to the RSC's to ensure that the highest priority cases within this inventory are worked, and that the leads are still active.

To strengthen TAJ's performance management skills, PRIDE Jamaica conducted data analysis training for analysts in the Programmes Unit. The training focused on identifying key indicators to measure performance and effectively interpreting the information. Aspects of the training included utilizing the information to improve performance in Operations and communicating findings and recommendations to senior management. PRIDE Jamaica will provide additional training to improve operations performance management later in the program year.

PRIDE Jamaica is working with the Audit and Investigations Unit (AIU) to revise and expand a comprehensive training program to improve Audit Managers' skills in the functional management areas needed to support implementation of the Annual Audit Plan. During this reporting period AIU and PRIDE Jamaica began to revise existing materials and to develop new ones that will incorporate current report formats, new processes to manage and track time worked and other management skills to attain better results from the audit program. Designated staff from Programmes and the RSC's were assigned training topics and writing assignments to develop, update and edit the new handbook and training materials. With additional time needed to complete the training materials, PRIDE Jamaica and TAJ will conduct a test of the materials with trainers in May, and then schedule training for Audit Managers.

PRIDE Jamaica continued its work with the Forensic Data-mining Unit (FDU) and TAMU to improve overall compliance with tax return filing and payment requirements. FDU's resources have been bolstered with access to new software that will allow it to identify even more productive compliance leads. With the Third Party Information Act also in place, TAJ is establishing a stronger legislative framework to improve taxpayer filing and payment compliance. PRIDE Jamaica recommended several new, low cost and easy to implement taxpayer compliance improvement programs that TAJ implemented in the April 2013 through March 2014 period. These programs addressed that segment of the revenue at highest risk for non-payment, including trust fund taxes. Results of the current fiscal year compliance leads programs indicate that the 'Income Tax Stop-filer', 'Missing Education Tax Return' and the 'No Estimated 2013 Tax Filed' programs performed well.

PRIDE Jamaica's work with the LTO has confirmed the need for TAJ to strengthen its assessment, collection and enforcement authorities as a means to improve taxpayer compliance. The 'Third Party Information Act...2013' provides some much needed strengthening of TAJ's authorities to access information to improve taxpayer compliance. TAJ is moving forward with further legislative items in 2014 to strengthen its enforcement authorities. These various provisions are some of those that PRIDE Jamaica and TAJ previously developed as part of the process to overhaul TAJ's assessment, collection and enforcement authorities.

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PRIDE Jamaica's work with the LTO identified additional opportunities to strengthen legislation to improve taxpayer compliance. As in other tax jurisdictions, transfer pricing and 'profit shifting' to lower tax jurisdictions are becoming important technical areas where TAJ needs to improve its capabilities.

During the reporting period, TAJ executed a contract with Fast Enterprises, a US-based firm, to design and implement a new IT system for TAJ utilizing funds from this loan. This is a major milestone that resulted from almost three years of work by TAJ and PRIDE Jamaica. PRIDE Jamaica's support to TAJ included preparing a costing for the tax administration reform program; re-engineering TAJ's core business processes; developing the Request for Proposal; and serving on the Bid Evaluation Committee. TAJ expects that it will require two years to achieve full implementation of the new IT system.

Jamaica's global logistics ranking at 70 out of 160 nations improved faster than most of the world allowing it to fall below triple-digits for the first time in the 2014 study entitled 'Connecting to Compete 2014 - Trade Logistics in the Global Economy' published by the World Bank. Nations were ranked using the Logistic Performance Index (LPI), which measures the time, cost and reliability to transport goods using air, sea and rail transport. Jamaica received its highest indicator sub-rank for customs at 54 out of 160 nations.

PRIDE Jamaica has played a substantial role in contributing to this positive development. Specifically, PRIDE Jamaica's work with Jamaica Customs enabled the agency to introduce risk management; apply risk management principles to cargo selectivity and criteria management; institute account management in the AEO program; introduce security measures to AEO; improve and simplify entry processing and refine and issue new simplified directives. These items all represent the primary contributing factors to Jamaica's improved 2014 LPI ranking. And also resulted in JCA collected close to US\$2.85 million in revenue during this period.

Through PRIDE Jamaica's support to improve customs valuation and risk based approaches to border protection as well as other enforcement efforts, PRIDE Jamaica has assisted with the implementation of basic processes that have allowed JCA to interdict contraband transiting Jamaica's coastal waters. In December 2013, authorities seized a total of 361.6 kilograms of cocaine during a joint operation at the Kingston Container Terminal.

JCA reports that the drug had a street value of US\$4.7 million and was being prepared for export to the Netherlands. The seizure is one of the largest in the history of Jamaica Customs. This was followed within four days by another seizure of cocaine at the Kingston Container Terminal which Jamaica Customs reported was worth US\$1.2 million. Data from the Jamaica Customs Agency show that these seizures are more than the quantity of cocaine seized for any one year period in the agency's history.

JCA also continues to focus enforcement resources to protect Jamaica's producers from unfair competition, ensure that innovative national industries and brand names are protected from threats, and protect domestic consumers from unsafe, substandard products.

PRIDE Jamaica provided further assistance to develop an updated JCA risk register and risk management program to address the deficiencies that were outlined in previous drafts, all of which were attributed very high risk scores during the assessment. The revised JCA Risk Management Register improves human resource capacity and strengthens JCA's procedures. The JCA Risk Management Policy Document was signed on January 3, 2014 by Major (Retired) Richard Reese, CEO and Commissioner, JCA. The policy is consistent with customs best

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practices for risk management as specified by the WCO and the Revised Kyoto Convention (RKC). The document provides an excellent underpinning for the implementation of the risk management module in the upcoming roll-out of ASYCUDA World.

The risk register is also complete and incorporates significant risks faced by JCA. The delineation of risk categories such as warehouses and free zones presents excellent opportunities for modernization and harmonization with the RKC.

Increased coordination between TAJ and JCA, as well as improved procedures and training in standard post clearance audit guidelines and approaches are making strong gains. With technical assistance from PRIDE Jamaica during this reporting period, Jamaica Customs has benefitted substantially from strengthened abilities to conduct compliance activities within key operational areas of the petroleum sector. JCA will be able to use these guidelines as a model for conducting other post clearance audits within the petroleum products sector.

ANNEX 1 COUNTERPART CONTRIBUTIONS

OCTOBER 2013 – MARCH 2014

Component	USD Amount	Notes
Tax Policy and Administration	766,494 ¹⁰	This includes proportional amounts of TAJ salary and facilities allocated to implementing tax administration reform work, as well as funding provided by the GOJ directly to USAID/Jamaica to fund PRIDE Jamaica activities.
Business Licensing and Other Competitiveness Areas		This amount was provided by the GOJ directly to USAID/Jamaica to fund PRIDE Jamaica activities to support customs administration reform activities.
<ul style="list-style-type: none"> • Jamaica Customs Reform 	290,647 ¹¹	
TOTAL	1,057,141	

¹⁰ Of the US\$766,494 total, US\$417,062 is in-kind contributions from TAJ and US\$349,432 was provided by the MoFP to USAID to fund PRIDE Jamaica activities.

¹¹ This figure represents funds provided by the MoFP to USAID to fund PRIDE Jamaica activities.

ANNEX 2 PMEP RESULTS TABLE

PRIDE Jamaica Results – October 1, 2013 – March 30, 2014

Performance Based Management System

Results and Related Performance Indicators ¹²	Baseline	2010 Target ¹³	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 Results	2014 Target	2014 YTD 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 ¹⁴	5	8 ¹⁵	5	8 ¹⁶	3	4 ¹⁷	2	2 ¹⁸
Sub-intermediate Result 1.2 Institutional Capacity for Administration Strengthened											

¹² 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.

¹³ 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.

¹⁴ 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.

¹⁵ 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.

¹⁶ 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 tax arrears; new treatments for 'High', 'Medium', and 'Low' arrears cases; new Annual Debt Management Plan methodology incorporating arrears prioritization system and new treatments; new forms and procedures to work tax arrears cases, included in a new Debt Collection Handbook; new procedures to identify and implement taxpayer compliance improvement programs.

¹⁷ Outputs include framework for Debt Write-Off Legislation; Procedures and Guidelines for Professionals Taxpayer Compliance Program; FY 2013/2014 Annual Work Plan for Taxpayer Compliance Improvement; and draft SOP Manual for Arrears Collection.

¹⁸ Includes recommendations to TAJ on proposed policy guidelines for designating tax arrears cases as uncollectible in accord with the recent 'Tax Collection Act for Arrears Write-off' and SET Manager's Guide.

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Results and Related Performance Indicators ¹²	Baseline	2010 Target ¹³	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 Results	2014 Target	2014 YTD Results
Number of institutions/organizations undergoing capacity/competency assessments as a result of USG assistance.		1	1 ¹⁹	4	7 ²⁰	3	7 ²¹	2	2 ²²	2	2 ²³
Number of Trade and Investment capacity building diagnostics conducted as a result of USG assistance.		---	---	4	7 ²⁴	2	5 ²⁵	2	3 ²⁶	1	4 ²⁷
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		3	3 ²⁸	5	6 ²⁹	2 ³⁰	4 ³¹	2	2 ³²	0	0

¹⁹ Includes ACRE Task Force assessment of pilot operations of the DAC.

²⁰ 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).

²¹ Includes Tax Administration Jamaica; assessment of Jamaica Customs for the Petroleum Monitoring Unit and Customs Valuation; Single Window Assessment of Ministry of Agriculture, Ministry of Health, JAMPRO, The Trade Board, Bureau of Standards Jamaica.

²² Includes Tax Administration Jamaica in Tax Arrears Management, implementation of taxpayer compliance improvement programs, and implementation of the 2012/2013 Annual Audit Plan. Includes Jamaica Customs application of updated AEO program qualifications and petroleum monitoring guidelines.

²³ Includes TAJ for recommendations on proposed policy guidelines for designating tax arrears cases for write-off in accord with the recent 'Tax Collection Act for Arrears Write-off'; review of SET operations in TAJ; institutionalized risk based approaches for JCA; workload assessment of overtime requirements; and Jamaica Customs Agency in the area of conducting post-clearance audits of petroleum products.

²⁴ 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.

²⁵ 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; Review and assessment of Customs Valuations Procedures.

²⁶ Includes training, design and implementation of petroleum measurement procedures at Jamaica Customs; assessment of JCA post-clearance audit capabilities in the petroleum sector; and updating and implementation of new procedures for Jamaica Customs AEO program.

²⁷ Assessing performance of SET operations in TAJ; new issuance assessment for JCA; workload assessment for overtime requirements in JCA; improving capacity to conduct joint TAJ/JCA post-clearance audits in the petroleum sector.

²⁸ Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

²⁹ 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.

PRIDE JAMAICA

Results and Related Performance Indicators ¹²	Baseline	2010 Target ¹³	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 Results	2014 Target	2014 YTD Results
of USG assistance.											
Number of microfinance institutions supported by USG financial or technical assistance.		---	---	5	8 ³³	--- ³⁴	---	--- ³⁵	---	0	0
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 ³⁶	5	6 ³⁷	2 ³⁸	4 ³⁹	2	2 ⁴⁰	0	0
Number of changes made to business enabling environment.		---	---	4 ⁴¹	4 ⁴²	2 ⁴³	5 ⁴⁴	2	6 ⁴⁵	2	5 ⁴⁶

³⁰ 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.

³¹ 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).

³² Includes Jamaica Customs work with Petrojam on petroleum monitoring and work with large importers on the AEO program.

³³ 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.

³⁴ Due to reduced funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica completed activities in the micro-finance component in August 2011. The target was changed from 9 to 0.

³⁵ Due to reduced funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica completed activities in the micro-finance component in August 2011. The target was changed from 12 to 0.

³⁶ Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

³⁷ 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.

³⁸ 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.

³⁹ 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).

⁴⁰ Includes Jamaica Customs work with Petrojam on petroleum monitoring and work with large importers on the AEO program.

⁴¹ 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.

⁴² 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.

⁴³ 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.

-
- ⁴⁴ 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; Implementation of revised Jamaica Customs valuation procedures; Additional trained personnel available in the workforce through YUTE – 44 jobs created through 10/2011.
- ⁴⁵ Includes new Debt Write-Off Legislation for TAJ; new legislation establishing TAJ as a semi-autonomous revenue authority (SARA); amendments to Revenue Administration Act allowing access to third party information; amendments to the Jamaica Customs Act establishing Jamaica Customs as an Executive Agency; Petroleum Monitoring Measures with JCA; and, implementation of new AEO processes.
- ⁴⁶ Includes piloting of new online application for 20% Motor Vehicle Concession; proposed policy guidelines for designating tax arrears cases as uncollectible in accord with the recent 'Tax Collection Act for Arrears Write-off'; integration of Risk Management principles in JCA operations; workload assessment for JCA overtime requirements; and JCA Technical Guide for Petroleum Audits.

ANNEX 3 RESULTS BY INDICATOR

PRIDE Jamaica

October 2013 – March 2014

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 4: 2

Actual to date for Year 4: 2

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

1.1 Proposed policy guidelines for designating tax arrears cases as 'uncollectible'

Throughout this reporting period PRIDE Jamaica worked closely with TAJ to ensure that TAJ staff resources allocated to designating and preparing tax arrears cases for write-off are balanced with activities to close open, revenue generating cases. PRIDE Jamaica reviewed the draft of TAJ procedures that designates arrears cases as 'uncollectible' and 'ready for write-off' and recommended additional guidelines to standardize the processes and simplify the administration required to close these cases. One important recommendation from PRIDE Jamaica includes designating specific, periodic reviews of certain categories of 'currently not collectible' cases to determine whether a taxpayer's situation has changed so the arrears can be paid. PRIDE Jamaica also recommended that TAJ maintain arrears cases as 'open' for a maximum period, after which these arrears will automatically be purged from the active accounts. This further strengthens TAJ's focus on closing open, revenue-generating cases.

1.2 New SET Manager's Manual

During the reporting period PRIDE Jamaica conducted a review of casework performed by SET Officers and worked with SET to update and further develop its SOPs. The new SOPs established the framework for a new SET Manager's Manual, prepared by PRIDE Jamaica. The new SOPs are based on those developed by PRIDE Jamaica and TAMU for the tax arrears management function at the RSC's. SET procedures should follow the same approach other CO's apply in regard to case management. This includes documenting contact with the taxpayer and actions taken; indicating the required next steps; conducting full compliance checks; and monitoring compliance with arrangement agreements, including court ordered payment agreements, among others. With the upcoming changes in TAJ's structure in accord with SARA, the Manager's Manual will support a smooth transition in the organization restructuring and movements of personnel.

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

Target for Year 4: 2

Actual to date for Year 4: 2

PRIDE JAMAICA

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

1.1 Proposed policy guidelines for designating tax arrears cases as 'uncollectible'

Throughout this reporting period PRIDE Jamaica worked closely with TAJ to ensure that TAJ staff resources allocated to designating and preparing tax arrears cases for write-off are balanced with activities to close open, revenue-generating cases. PRIDE Jamaica reviewed the draft of TAJ procedures that designates arrears cases as 'uncollectible' and 'ready for write-off' and recommended additional guidelines to standardize the processes and simplify the administration required to close these cases. One important recommendation from PRIDE Jamaica includes designating specific, periodic reviews of certain categories of 'currently not collectible' cases to determine whether a taxpayer's situation has changed so the arrears can be paid. PRIDE Jamaica also recommended that TAJ maintain arrears cases as 'open' for a maximum period, after which these arrears will automatically be purged from the active accounts. This further strengthens TAJ's focus on closing open, revenue-generating cases.

1.2 SET Operations

When TAJ administrative actions do not result in payments from taxpayers, CO's from the Special Enforcement Team (SET) are tasked with utilizing court enforcement procedures to support the arrears collection function. During the reporting period PRIDE Jamaica conducted a review of casework performed by SET Officers and worked with SET to update and further develop its SOPs. The new SOPs are based on those developed by PRIDE Jamaica and TAMU for the tax arrears management function at the RSC's. SET procedures should follow the same approach other CO's apply in regard to case management. This includes documenting contact with the taxpayer and actions taken; indicating the required next steps; conducting full compliance checks; and monitoring compliance with arrangement agreements, including court ordered payment agreements, among others. PRIDE Jamaica and TAMU have been strengthening the integration of the work by CO's and case referral to SET through the CO training. PRIDE Jamaica and SET will train SET CO's on the new procedures within the next several months.

Component 2: Licensing and Other Competitiveness Areas

2. Jamaica Customs Agency

2.1 Institutionalized risk based approaches to Customs operations

During October 2013, PRIDE Jamaica supported JCA to complete a revised JCA Risk Management Register, thereby improving human resource capacity and strengthening JCA's procedures. PRIDE Jamaica conducted further reviews of the risk register and other statistical information to validate the scores for risk management to ensure that the risk register is credible.

PRIDE Jamaica also worked with JCA to develop a draft Risk Management Framework and a draft Policy Document for Risk Management. Under a directive from the Commissioner of Customs / CEO these were advanced from the draft stage to being fully actualized by JCA at the end of November 2013. JCA utilized both draft documents to establish a Risk Management Plan for the agency. These efforts are intended to reflect the economic and technological changes that are necessary to incorporate and promulgate best practices activities required from World Customs Organization (WCO) member Customs administrations. The documents contain the necessary

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standards and practices for facilitating trade that will support economic growth and improve security of the international trading system.

2.2 Workload assessment

PRIDE Jamaica engaged with the Trade Community and worked with Jamaica Customs to develop a framework to review the current state of overtime management at Jamaica Customs and the recommended level of oversight for JCA Officers who are required to work overtime. PRIDE Jamaica recommended procedures and guidelines to assist JCA to develop an effective and cost-efficient overtime regime. The overtime guidelines also included policies and procedures, as well as a review of requirements and techniques that will enable JCA to develop effective monitoring and predictable evaluation for Customs overtime.

2.3 Conducting joint JCA/TAJ post clearance audits in the petroleum sector

PRIDE Jamaica assisted JCA to address the challenges arising during a petroleum audit, including developing methods of accounting for revenues from duty for manufactured products. Jamaica Customs requested support from PRIDE Jamaica to assist with the further engagement of the Excise Division of Tax Administration of Jamaica (TAJ) and this collaborative approach now involves Excise in joint audit and operational efforts with JCA to regularize the petroleum trade. Auditors representing both TAJ and JCA are participating in this audit which improves efficiency, eliminates duplication of efforts and minimizes disruption to the company's operations.

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

Target for Year 4: 1

Actual to date for Year 4: 4

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

1.1 Assessing performance of SET operations

When TAJ administrative actions do not result in payments from taxpayers, CO's from the Special Enforcement Team (SET) are tasked with utilizing court enforcement procedures to support the arrears collection function. During the reporting period PRIDE Jamaica conducted a review of casework performed by SET Officers and worked with SET to update and further develop its SOPs. The new SOPs are based on those developed by PRIDE Jamaica and TAMU for the tax arrears management function at the RSC's. The new SOPs established the framework for a new SET Manager's Manual, prepared by PRIDE Jamaica. SET procedures should follow the same approach other CO's apply in regard to case management. This includes documenting contact with the taxpayer and actions taken; indicating the required next steps; conducting full compliance checks; and monitoring compliance with arrangement agreements, including court ordered payment agreements, among others. PRIDE Jamaica and TAMU have been strengthening the integration of the work by CO's and case referral to SET through the CO training. PRIDE Jamaica and SET will train SET CO's on the new procedures within the next several months. With the upcoming changes in TAJ's structure in accord with SARA, the Manager's Manual will support a smooth transition in the organization restructuring and movements of personnel.

Component 2: Licensing and Other Competitiveness Areas

2. Jamaica Customs Agency

2.1 New Issuance Framework

As ASYCUDA implementation approaches, the need for uniform, clear and easily understood instructions for Customs Officers and the Trade Community is evident; however, as there is no structured Issuance System⁴⁷ in place at JCA, some supervisors and senior officers simply issue formal or informal directives in a discretionary manner. PRIDE Jamaica recommended the establishment of a new issuance framework for JCA. In preparation for this, PRIDE Jamaica provided Jamaica Customs with the general guidelines and provided additional technical assistance as development of the issuance framework evolved.

2.2 JCA Workload assessment

PRIDE Jamaica engaged with the Trade Community and worked with Jamaica Customs to develop a framework to review the current state of overtime management at Jamaica Customs and the recommended level of oversight for JCA Officers who are required to work overtime. PRIDE Jamaica recommended procedures and guidelines to assist JCA to develop an effective and cost efficient overtime regime. The overtime guidelines also included policies and procedures, as well as a review of requirements and management techniques that will enable JCA to develop effective monitoring and predictable evaluation for Customs overtime.

2.3 Improving capacity of joint JCA/TAJ post-clearance audits in the petroleum sector

PRIDE Jamaica's prior support to facilitate coordination between TAJ's Excise Division and the Post Clearance Audit (PCA) and Sufferance Wharves teams at Jamaica Customs is enabling both audit teams to collaborate during conduct of the audit. The collaborative approach is further strengthening JCA's efforts to regularize the petroleum trade. PRIDE Jamaica provided assistance to JCA to address the challenges arising during the course of a petroleum industry audit, including developing methods of accounting for revenues from duty for manufactured products. The joint audit is improving efficiencies, eliminating duplication of efforts and minimizing disruption to the company's operations.

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

Target for Year 4: 0

There is no target for this indicator for the current program year.

⁴⁷ Customs Issuance System (CIS) is a repository of Customs Service records, providing descriptions of circulars, manuals, legal rulings, decisions, and other Customs documents.

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

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 4: 2

Actual to date for Year 4: 5

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

1.1 Piloting of new online application for 20% Motor Vehicle Concession

PRIDE Jamaica participates on an inter-departmental working group which includes representatives from MoFP and several of its departments and agencies to develop a transparent, automated, rules-based process to review, approve and track tax relief. Since June 2012, the working group has been establishing the guidelines and operational requirements for the first iteration of this process, which will automate aspects of the statutory 20 percent tax relief on motor vehicles offered to specified categories of public sector employees. During this reporting period the working group finalized the requirements analysis and conceptual design and presented these to the Financial Secretary, who provided approval for the pilot phase of the program to begin. Throughout the reporting period, e-Government Jamaica (E-GJ) completed a range of software installations, conducted software and user acceptance testing and provided training to various user groups, all of which will support implementation of the pilot phase of the program. Links to the 20% Motor Vehicle Concession Online Component are now active on the MoFP's website at <http://www.mof.gov.jm/>. E-GJ is working closely with the MoFP to resolve some additional software interface issues and as these are resolved, application processing will begin online.

1.2 Proposed policy guidelines for designating tax arrears cases as 'uncollectible'

Throughout this reporting period PRIDE Jamaica worked closely with TAJ to ensure that TAJ staff resources allocated to designating and preparing tax arrears cases for write-off are balanced with activities to close open, revenue generating cases. PRIDE Jamaica reviewed the draft of TAJ procedures that designates arrears cases as 'uncollectible' and 'ready for write-off' and recommended additional guidelines to standardize the processes and simplify the administration required to close these cases. One important recommendation from PRIDE Jamaica includes designating specific, periodic reviews of certain categories of 'currently not collectible' cases to determine whether a taxpayer's situation has changed so the arrears can be paid. PRIDE Jamaica also recommended that TAJ maintain arrears cases as 'open' for a maximum period, after which these arrears will automatically be purged from the active accounts. This further strengthens TAJ's focus on closing open, revenue-generating cases.

Component 2: Licensing and Other Competitiveness Areas

2. Jamaica Customs Agency

2.1 Integration of risk management principles in Customs operations

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During October 2013 PRIDE Jamaica supported JCA to complete a revised JCA Risk Management Register, thereby improving human resource capacity and strengthening JCA's procedures. PRIDE Jamaica conducted further reviews of the risk register and other statistical information to validate the scores for risk management to ensure that the risk register is credible.

PRIDE Jamaica also worked with JCA to develop a draft Risk Management Framework and a draft Policy Document for Risk Management. Under a directive from the Commissioner of Customs / CEO these were advanced from the draft stage to being fully actualized by JCA at the end of November, 2013. JCA utilized both draft documents to establish a Risk Management Plan for the agency. These efforts are intended to reflect the economic and technological changes that are necessary to incorporate and promulgate best practices activities required from World Customs Organization (WCO) member Customs administrations. The documents contain the necessary standards and practices for facilitating trade that will ensure economic growth and improve security of the international trading system.

2.2 JCA Workload assessment

PRIDE Jamaica engaged with the Trade Community and worked with Jamaica Customs to develop a framework to review the current state of overtime management at Jamaica Customs and the recommended level of oversight for JCA Officers who are required to work overtime. PRIDE Jamaica recommended procedures and guidelines to assist JCA to develop an effective and cost efficient overtime regime. The overtime guidelines also included policies and procedures, as well as a review of requirements and management techniques that will enable JCA to develop effective monitoring and predictable evaluation for Customs overtime. JCA will determine whether staffing practices at Customs locations should be revised to more effectively deploy services that are needed by the trade community. Any changes to current practices should have positive impact on the cost of international trade logistics, transparency and improved scores in *Trading Across Borders* measure of the World Bank's *Doing Business Report*.

2.3 Technical Guide for Petroleum Audits

The Petroleum Audit Technical Guide developed by PRIDE Jamaica serves as a resource tool that can be referenced by the Customs audit group when specific issues arise in relation to the audit steps for the petroleum sector. In February 2014, the Petroleum Audit Technical Guide was further refined and updated with additional reference material. The Technical Guide will continue to be utilized by Jamaica Customs as a working tool and technical resource that is to be improved upon as additional experience is gained and applicable information becomes available. This material and approach will assist the Post Clearance Audit Division to create the most comprehensive and effective audit resource and training tool for dealing with the Jamaican petroleum industry.